



William HILL

THE HOME OF BETTING.

WILLIAM HILL PLC
ANNUAL REPORT
AND ACCOUNTS 2013



WELCOME TO OUR 2013 REPORT...

02

OUR BUSINESS TODAY.



Retail

The UK's leading provider of licensed betting offices, the primary channel for UK gambling customers.



Online

The number one provider of online betting and gaming to UK customers, with rapid growth in mobile gaming.



International

Diversifying our revenue streams by taking our expertise into selective international territories.

04

Our business model

Leveraging our core capabilities in the UK and internationally to deliver superior shareholder returns.



08

LOOKING BACK AND TO THE FUTURE.

Chief Executive's overview

Expanding our business by developing a wider product range, encouraging multi-channel usage and increasing the internationalisation of the business.



40



Corporate responsibility

Behaving in a sustainable way towards our key stakeholders: our customers, our colleagues and the local communities in which we operate.

48

Governance
CONTINUING WITH
GOOD GOVERNANCE
AND LEADERSHIP TO
DRIVE THE BUSINESS
FORWARD IN ANOTHER
YEAR OF PROGRESS.

Gareth Davis

Chairman



Strategic Report

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WE CONTINUE TO TRANSFORM OUR BUSINESS.

WE ARE DOING THIS BY TAKING THE TRUST AND 80 YEAR HERITAGE OF OUR BUSINESS INTO ONLINE, MOBILE AND NEW COUNTRIES TO POSITION WILLIAM HILL AT THE FOREFRONT OF THE BETTING AND GAMING INDUSTRY AROUND THE WORLD.

WE ARE CONSTANTLY INVESTING IN NEW TECHNOLOGY AND INNOVATION, AND EXTENDING OUR VAST PRODUCT RANGE TO CAPTURE SUBSTANTIAL GROWTH OPPORTUNITIES.

WE HELP OUR CUSTOMERS GAMBLE RESPONSIBLY AND ARE WORKING HARDER THAN EVER TO MAKE THEIR EXPERIENCE THE BEST IN THE INDUSTRY.

2013 HEADLINE FIGURES

Amounts wagered	Net revenue ¹	Operating profit ²
£7.8bn +33%	£1.49bn +16%	£335.0m +1%
Profit before tax	Basic, adjusted EPS ³	Dividend
£257.0m -7%	28.8p +6%	11.6p +12%

¹ Net revenue is a gaming term that is equivalent to the Revenue defined by the statutory accounts on page 91. Group and Retail net revenue performance numbers are flattened by the transition to MGD on 1 February 2013.

² Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax, and the amortisation of specific identified intangible assets recognised on acquisitions.

³ Adjusted basic EPS is based on profit for the period before exceptional items and amortisation of intangible assets recognised on acquisitions. The comparator figures have been restated to take into account the impact of the rights issue.

OUR BUSINESS TODAY

WHAT WE DO AND
WHERE WE DO IT.

WE OFFER OUR CUSTOMERS A WIDE RANGE OF SPORTS BETTING AND GAMING LEISURE OPPORTUNITIES WHENEVER AND WHEREVER THEY WANT TO GAMBLE. ALTHOUGH BEST KNOWN FOR OUR SPORTS BETTING, OUR FULL RANGE OF GAMING PRODUCTS NOW ACCOUNTS FOR 48% OF REVENUES.

OUR CUSTOMERS ACCESS OUR PRODUCTS VIA MULTIPLE CHANNELS THAT INCLUDE SHOPS, CASINO-BASED SPORTSBOOKS, SMART DEVICES, THE INTERNET, TELEPHONE OR TEXT.

**THE HOME
OF BETTING**

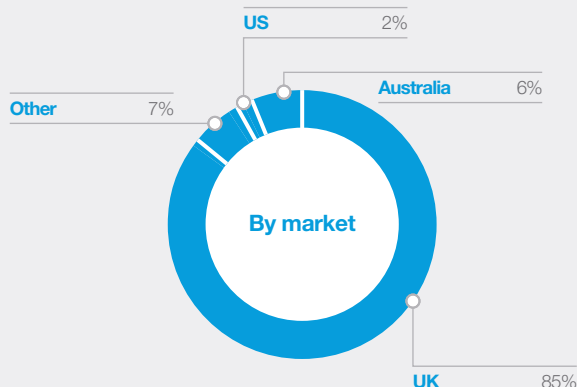
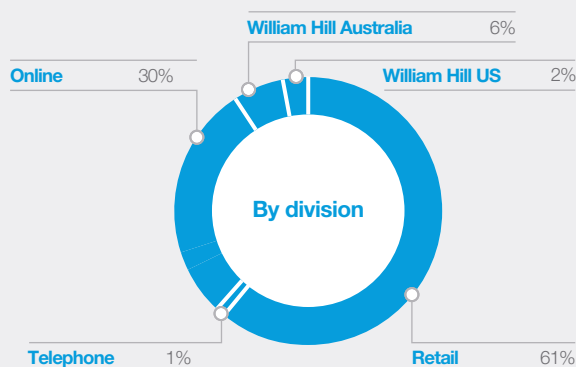


17,000

Worldwide employees

William Hill now has operations in nine countries around the world. In addition to the UK and Australia, our two home markets, our Online business is headquartered in Gibraltar with online marketing and customer services functions in Israel, Bulgaria and the Philippines. It also has licensed websites in Italy and Spain. William Hill US operates in the states of Nevada and Delaware.

BREAKDOWN OF 2013 REVENUES



Our UK Retail business remains the primary driver of revenues, with Online continuing to grow as a proportion of the business. In 2013, Australian revenues were almost nine months of the Sportingbet business and almost five months of the tomwaterhouse.com business. It was the first full year of contribution from William Hill US.

A key component of our strategy is to diversify our income stream by taking our expertise into other regulated territories outside of the UK and we are making good progress on this. The proportion of revenues coming from outside the UK increased from 9% in 2012 to 15% in 2013 following the growth of the US business, the development of the international markets within Online and the acquisition of Sportingbet and tomwaterhouse.com in Australia.

RETAIL.

What we do

William Hill is the UK's leading operator of Licensed Betting Offices (LBOs), with 2,432 LBOs as at the end of 2013 of the c9,000 licences issued by the Gambling Commission¹. In our LBOs, we offer both betting and gaming, with the key products being horse racing, greyhound racing, football betting and electronic gaming, predominantly roulette and slots. Retail remains the primary channel for UK gambling customers, even amongst the youngest 18-24 demographic, with 79% of customers regularly using betting shops across all demographics.

¹ Gambling Commission Industry Statistics April 2008 to March 2013.



#1

Number one bookmaker in the UK by number of betting shops

The UK betting shop market has consolidated over time with four major operators together running c86% of LBOs. William Hill is the largest operator with 26% market share by number of shops¹.



2,432

Betting shops in the UK

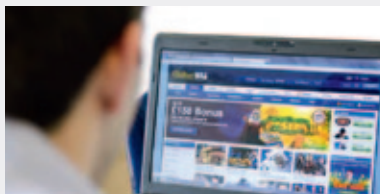
The total number of betting shops in the UK has stayed relatively stable for the last five years at around 9,000¹. We continue to target a net increase to our estate of c1% per annum.

ONLINE.

What we do

Our Online business is the leading provider of online betting and gaming to UK-based customers, with an estimated 15% market share by revenues². We had 2.4 million active online customers in 2013. Betting accounted for 48% of Online's revenues in 2013 with gaming accounting for the remaining 52%. For betting, football, horse racing and tennis are the most popular sports. The 52% of Online revenues that came from gaming were predominantly from Casino, at 43% of Online revenue, with Bingo and Poker representing 5% and 4% respectively. Mobile has been a key growth driver in recent years and we are now focused on delivering to customers a mobile gaming experience that is at least as good as our mobile Sportsbook offer.

² Gambling Data European Regulated Online Market Data Reports 2012.



#1

Number one provider of online betting and gaming to UK customers

The UK online gambling market remains one of the most fragmented in the world. Within this, William Hill is the third largest provider of sports betting and the largest provider of casino games, giving us the leading market share overall.



>40%

Our target was for mobile to generate 40% of Online's Sportsbook stakes by the end of 2013. By December 2013, it was up to 42% of stakes. Our new target is to generate 40% of gaming revenues from mobile by mid-2015.

OUR GEOGRAPHIC SPREAD.

Where we do it

The UK represented 91% of our revenues in 2012 and 85% in 2013. Part of our strategy is to diversify our sources of revenues by taking our sports betting and gaming expertise and our operational capabilities into other territories on a selective and targeted basis. This benefits us by reducing our exposure to the UK and by increasing the proportion of revenues generated in locally licensed territories outside the UK. In the last two years, we have developed locally licensed online businesses in the Italian and Spanish markets, established land-based operations in the US and established Australia as our second home market through the acquisition of the online sports betting businesses, Sportingbet and tomwaterhouse.com.



UK

Market leader in retail and online



Australia

A leading corporate bookmaker offering online betting



US

The leading operator of land-based sportsbooks in Nevada by number of outlets



Italy

Locally licensed betting and gaming online



Spain

Locally licensed betting and gaming online

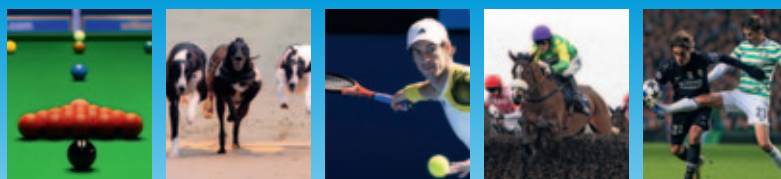
OUR BUSINESS MODEL

OUR BUSINESS MODEL
CREATES VALUE...

OUR OBJECTIVE IS TO DELIVER SUPERIOR SHAREHOLDER RETURNS BY LEVERAGING OUR CORE CAPABILITIES IN BOTH THE UK AND IN SELECTED INTERNATIONAL MARKETS.



Betting is about individuals staking money on their opinion on the likelihood of the outcome of any event.



Customers are primarily acquired via **sports betting** where we build a margin into the offer price and manage our balance of risk and reward.



In-play sports betting uses algorithms to support rapid price changes across a large volume of markets and enables us to extend the range of outcomes on which customers can bet.



Gaming is constantly available and extends the opportunity for customers to use our products. Unlike sports betting, gaming operates at a less volatile margin.

Retail



Mobile



Online



Telephone



Our **multi-channel** offer provides customers with easy access to our products to maximise our revenue.



Internationalisation, whether online or land-based, enables us to take our products to a wider market and leverages the strength of our brand to maximise our income.

OUR STRATEGY

WITH A STRATEGY
TO MAXIMISE
OUR PERFORMANCE.WIDER
PRODUCT
RANGE

William Hill provides a range of betting and gaming products to appeal to a wide customer base. In 2013, 52% of the Group's revenue was generated from betting activities, 48% from gaming (including gaming machines, casino, poker, bingo, virtual racing and numbers).

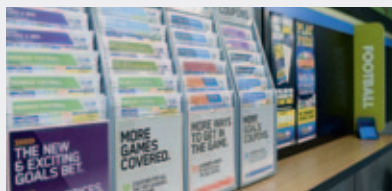
GREATER
MULTI-CHANNEL
USAGE

Our goal is to make it easier for customers to access our products wherever and whenever they want to gamble. We believe that a multi-channel operation increases loyalty. More than half of online customers in the UK are also using LBOs to place bets and, across the industry, c30% of customers between the ages of 18 and 24 gamble through both LBOs and online businesses.

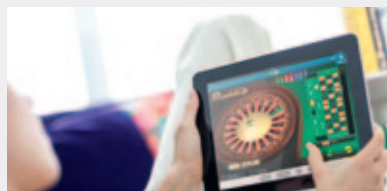
INTERNATIONAL
EXPANSION

The UK is William Hill's core market, representing 85% of Group revenues in 2013. While we continue to see opportunities to expand within the UK, we are also seeking to diversify our revenue streams, reducing our reliance on and exposure to the UK by taking our core capabilities into other territories, particularly where we can take a local licence to operate.

08-11 More on Chief Executive's overview



18 More on our products



12-13 More on Mobile



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CHAIRMAN'S STATEMENT

SIGNIFICANT STRATEGIC
PROGRESS THROUGH
DIGITAL GROWTH
AND INTERNATIONAL
EXPANSION.

WE NEED TO ENSURE THAT WE HAVE THE RIGHT BLEND OF SKILLS, EXPERIENCE AND KNOWLEDGE WITHIN WILLIAM HILL IN ORDER TO MAXIMISE THE OPPORTUNITIES FOR THE SUCCESS OF THE COMPANY.

In 2014 we are celebrating the 80th anniversary of William Hill. Our focused transformation of the Group over the last five years means William Hill is today one of the world's leading multi-channel betting and gaming businesses, with revenues diversified through the rapid growth of Online and through careful expansion into selected international markets. This accelerated in the last 12 months as we established a second home market in Australia through the acquisition of Sportingbet and tomwaterhouse.com and took full control of the Online business.

Positive performance in 2013

The Group made significant progress on our strategy to grow by developing a wider product offering, encouraging greater multi-channel usage and expanding internationally. This continues to diversify our revenue streams: for perspective on the transformation, Online and William Hill Australia accounted for 36% of net revenue and 48% of Operating profit¹ in 2013, versus 20% and 29% respectively in 2009. International markets accounted for 15% of net revenue, up from 9% in 2009.

Group net revenue² increased by 16% (52 week basis +18%) to £1,486.5m.

Excluding acquisitions completed during the two-year period and adjusting for the change to Machine Games Duty (MGD) in Retail, Group net revenue grew 3% (52 week basis: 5%). Group Operating profit¹ grew 1% to £335.0m (52 week basis +3%), despite the lack of a major international football tournament. Online has again delivered outstanding sports betting growth both in the UK and in key international territories, with Sportsbook amounts wagered up 30% (52 week basis +33%).

Basic adjusted earnings per share increased by 6% to 28.8p (2012: 27.2p, adjusted to reflect the rights issue completed in April 2013). Basic earnings per share rose 1% to 25.2p. The Group's balance sheet remains healthy. Net debt for covenant purposes stood at £796m at 31 December 2013, equivalent to 2.0 times EBITDA. A feature of the Group is its strong cash generation, which over four years created sufficient headroom to fund the Sportingbet acquisition predominantly through existing debt facilities. We also saw strong shareholder support for the £373m (net of expenses) rights issue to take control of the Online business.

Dividend

The Board has approved a final dividend of 7.9p per share (2012: 7.2p per share after rights issue adjustment), giving a total 2013 dividend of 11.6p per share (2012: 10.4p). This represents 12% growth, reflecting the results delivered in the 2013 financial year and the Board's confidence in William Hill's future.

48%

Digital diversification

Online and William Hill Australia accounted for 36% of Group net revenue and 48% of Operating profit¹ in 2013.

15%

International diversification

We continue to diversify through careful expansion into selected international markets. These represented 15% of Group net revenue in 2013.

08-11 More on Chief Executive's overview

Acquisitions

As part of the Group's strategy to increase the proportion of its revenues coming from online and mobile, and to expand internationally, we completed a number of acquisitions in 2013.

In March, we established Australia as William Hill's second home territory by acquiring Sportingbet plc's Australian businesses. We also acquired its Spanish operation in September. In total, we paid £459.4m. We subsequently acquired tomwaterhouse.com, a smaller Australian online betting business, in August for A\$35m (£20.5m) plus an earnout of up to A\$£70m (c£41m).

The Australian online betting market is very attractive, growing at c20% per annum over the last five years and projected to grow at a faster rate than the UK online market over the coming years. Sportingbet was one of the leading online corporate bookmakers and tomwaterhouse.com has been one of the fastest growing corporate bookmakers since it was established in 2010.

Sportingbet will benefit as we apply the digital capabilities we have developed through our Online business and expand into a more mass market customer base while tomwaterhouse.com will be supported by William Hill Australia's technology platform, operational scale and product portfolio in its next phase of development.

In April, we completed the acquisition of Playtech's 29% stake in the William Hill Online joint venture, as part of which we were pleased to be supported by shareholders in funding the acquisition through a £373m rights issue (net of expenses). This was the first opportunity to take full ownership of this strongly growing business and it gave the Group increased strategic and operational flexibility. We now have the freedom to use the expertise of our Online colleagues elsewhere in the Group, whether lending their digital expertise to the development of William Hill Australia or working closely with Retail management on opportunities to exploit our multi-channel offering to customers. We have also been able to increase our capital investment in the Online business, which was 60% higher in 2013, following the removal of the previous £20m contractual cap. This has enabled us to invest, for instance, in developing mobile offerings for Italy and Spain.

Regulations

The regulation of gambling remains a source of political debate in many countries, particularly as governments seek to amend their regulations to take account of the growth of online and mobile gambling, and to improve ways of addressing problem gambling.

We are one of the most respected names in the gambling industry and we continue to work closely with governments, regulators and our peers to facilitate responsible gambling by our customers and to encourage the application of high operating standards across our industry.

There is also an ongoing debate regarding the clustering of Retail betting shops and our approach to this, including the industry's Code for Responsible Gambling, is addressed in the Corporate Responsibility section on page 40.

In December 2014, the UK Government is expected to introduce a Point of Consumption tax, following the implementation of a new regulatory regime in June 2014. This is expected to change the make-up of the UK online gambling market significantly given the likely impact on industry operating profit margins. While it will lead to significant additional net cost for the Group, we do believe there is potential for a small number of large-scale operators, such as William Hill, to increase market share through this dislocation period.

Outlook

Our priorities in the coming year, therefore, continue to be growing our UK online market share by capitalising on the structural shift to mobile, both in sports betting and in gaming, and to enhance the digitalisation of William Hill Australia to take advantage of the growth opportunities in online betting in that market.

Gareth Davis
Chairman

¹ Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

² Net revenue is a gaming term that is equivalent to the Revenue defined in the statutory accounts on page 91.

CHIEF EXECUTIVE'S OVERVIEW

PERFORMING
STRONGLY
AND DELIVERING
ON OUR STRATEGY.

WITH OUR CORE CAPABILITY IN SPORTS BETTING AND EXPERTISE IN GAMING, WE FOCUS ON THREE AREAS TO EXPAND OUR BUSINESS. DEVELOPING A WIDER PRODUCT RANGE, ENCOURAGING GREATER MULTI-CHANNEL USAGE AND INCREASING THE INTERNATIONALISATION OF THE BUSINESS.

Review of the year

2013 has been a milestone year for William Hill in which we completed the substantial Online and Australia acquisitions while maintaining an appropriate capital structure through a well-supported £373m rights issue and a £375m corporate bond issue.

At the same time, performance of the existing business has been strong. Online's Sportsbook performance continues to be sparkling, with staking levels up around 400% over the five years since the start of 2009. Mobile Sportsbook now represents 39% of Sportsbook wagering in 2013. We put greater focus behind mobile gaming in 2013 and have made good progress in bringing our offer up to match the high standards we've set with our Sportsbook. Our product range is vastly improved and the customer experience is greatly enhanced, with more improvements to come in 2014. The results reflect this, with mobile gaming net revenue growing by 166%.

Importantly, Retail remains resilient, despite the ongoing squeeze on our core customer base's discretionary spend and the large-scale expansion of online and mobile in the UK.

At the same time, our international expansion strategy is progressing well with Online's locally licensed offerings in Italy and Spain taking market share, the US business now profitable and Australia established as our second home market, with potential to expand into a more mass market customer base.

Gambling remains a source of political debate. We have taken firm steps in the last year to further improve responsible gambling outcomes in our shops with the development and implementation of the ABB Code, addressing the areas that, we believe, can more effectively encourage the small proportion of customers who experience a problem to gamble responsibly. We are keen to ensure any decisions in this area are driven by facts and research.

We are committed to being a leader in this area wherever we operate and will continue to work collaboratively with governments, regulators and our peers both to help our customers and to encourage industry-wide high operating standards.

The work of the last five years to expand our product range, improve our user experience, innovate with our mobile offering and invest substantial sums in the williamhill.com brand have made us a formidable online competitor. That positions us very well ahead of the expected introduction of the Point of Consumption tax from December 2014. This has the potential to radically change the shape of the UK online gambling market and we are confident William Hill can, over time, take more market share as a result. In addition, we aim to mitigate some of the impact in 2015 by achieving £15-20m of cost savings against what we would otherwise have expected to spend in that year.

Strategy overview

With our core capability in sports betting and expertise in gaming, we focus on three areas to expand our business:

- developing a wider product range;
- encouraging greater multichannel usage; and
- increasing the internationalisation of the business.

The aim of this focus over time is to increase the proportion of the Group's revenues coming from faster growing online sources, from territories outside the UK, thereby reducing our reliance on one large economy, and from locally licensed territories, which will provide greater visibility on our long-term revenue profile.

1.5m

App downloads

Our Sportsbook app has been downloaded from the Apple App Store more than 1.5 million times since it was launched in February 2012.

50,000

Product expansion

We have vastly expanded our product range over the last five years. For example we now provide markets on 50,000 football matches a year.



We are best known for our sports betting offering and this remains a critical core capability which supports the differentiation of our offer to customers.

We continue to innovate in this area. Over the last few years, we have substantially expanded our betting range, particularly to drive the growth of the Online business. This comes both from increasing the number of events we cover and from expanding the number of markets we can offer within any given event. For instance, we have extended the number of events we cover each year to 50,000 football matches, 25,000 tennis matches and 9,000 basketball games. At the same time, we use our own algorithmic models to derive large numbers of markets that we can offer on each match.

In football, we consistently offer more than 100 in-play markets per match compared with our nearest competitor offering c60. In 2013, we launched a new cricket model to increase our pre-match and in-play offering for the summer, giving us the market-leading in-play offering for the start of the Ashes series. Our NFL and NCAA models were ready for the start of the American football season in the second half and we expanded the new Australian business's product offering by supplying football feeds from Online from the start of the UK domestic football season in August.

We also bring customers innovative offers and tools to make their betting more engaging. For example, we launched a 'Cash In My Bet' facility in December 2012 and extended it to mobile in December 2013. This allows players to settle multiple bets before the completion of every leg of the bet, offering them greater flexibility at the right price.

In August, we extended our innovative 'AccaInsurance' offer from mobile to desktop, accelerating the appeal of accumulator betting among mass market customers.

Gaming accounted for 48% of the Group's net revenue in 2013. Innovations in both Retail gaming machines and in mobile gaming are a key area of focus, given the appeal of these products in both channels and the cross-sell opportunity. We replaced the four-year-old Storm machine in half our shops with the next-generation Eclipse model between September 2013 and March 2014, and are reviewing plans to replace Storm in the remaining estate during 2014. Online continued to refresh and extend the gaming content for williamhill.com with the launch of 196 new games during 2013, with 73 games launched to support our fast-growing mobile gaming revenues.



CHIEF EXECUTIVE'S OVERVIEW

7%

Online

Online's market share in Italy's online sports betting market increased from 3% at the end of 2012 to 7% at the end of 2013.

25%

Mobile gaming

By December 2013, mobile gaming had increased to 25% of gaming net revenue. Our target is for it to be 40% by mid-2015.

**GREATER
MULTI-CHANNEL
USAGE**

The penetration of smart devices continues to increase and mobile development continues to be a high priority for the Group given the discernible switch to mobile devices by our customers.

Following the success of our mobile betting product, for which our app has been downloaded more than 1.5 million times from the Apple App Store, we have made the development of our mobile gaming offering a key priority. Mobile has grown from 6% of gaming revenues in 2012 to 25% in December 2013 and we have published a target for it to reach 40% of gaming revenues by mid-2015, which speaks to both our ambition and our confidence in the scale of the opportunity.

During the past 12 months, we have focused on establishing the right technological platforms to support mobile gaming growth, investing to ensure the user experience of our mobile sites and apps is as straightforward and streamlined as we can make it.

To achieve this, we have implemented changes that enable customers to sign in only once when transitioning between the mobile Sportsbook, Vegas, Bingo and Live Casino offerings, to move their money easily into the Casino app account and to deposit money into their account using any one of multiple different payment methods.

Given the high proportion of UK active gamblers who already have a William Hill account, we are also investing in our Customer Relationship Management capability, supported by a new data collection and storage system to give us a single customer view and enable better customer segmentation, targeting and customer services.





IN MEETING WITH INVESTORS, A NUMBER OF KEY QUESTIONS ARE REGULARLY RAISED. ON THE NEXT PAGES, RALPH TOPPING RESPONDS TO THOSE QUESTIONS.

18-19



INTERNATIONAL EXPANSION

Selective international expansion is a core part of our strategy enabling us to diversify our revenues by accessing non-UK territories, particularly as other governments change their gambling regulations to take account of developments in online and mobile gambling.

Having launched Online's locally licensed operations in Italy in 2011 and Spain in 2012, we have continued to enhance the product range in each country as regulations have evolved, such as allowing slots in Italy.

In the predominantly sports betting focused Spanish online market, we were able to enhance our market share by exercising a call option over Sportingbet's Spanish business, miapuesta, in September 2013.

We have established ourselves as the third largest online sports betting operator in Spain, increasing our market share to 15% as at Q3 2013.

In Italy, where it is important to be strong in gaming as well as sports betting, our broad product range has led to us taking 7% market share in sports and 8% in casino. In our view, the more the regulator liberalises this market, the more competitive we can be. For instance, we are expanding the range of sports betting opportunities we offer to customers through the liberalisation of 'palinsesto' – otherwise known as 'British-style sports betting'. We also launched a mobile betting app in Italy in January 2014.

In March 2013, we established Australia as our second home market through the acquisition of Sportingbet's Australian online business, comprising the Sportingbet and Centrebet brands, for £459.4m.

The regulated Australian online betting market is one of the largest in the world and has demonstrated high growth rates. Sportingbet was already a leading online bookmaker and we see significant potential to expand by improving our digital offer and by targeting the recreational or mass market customer. In August 2013, we completed the bolt-on acquisition for an upfront payment £20.5m of tomwaterhouse.com, a young, small but fast-growing corporate bookmaker that is successfully targeting the mass market customer.

In mid-2013, we laid out a 12-18 month improvement plan to install the foundations for further growth in Australia. The existing Sportingbet business is a good business focused primarily on maintaining strong relationships with a group of core, high yielding customers. The larger growth opportunity in Australia, though, is mass market, which mirrors how we grew Online so successfully. To reach that audience, we are improving the quality of the user experience via the website, enhancing the digital capabilities of the business, for instance to take advantage of customer recruitment through search engine optimisation, and changing the marketing mix to focus our investment on this larger customer base. We are making good progress, with key activities including the launch of a new website in the first half of 2014.

Ralph Topping
Chief Executive



STRATEGIC REVIEW

Mobile is attractive to us because, we believe, it reaches a wider, more recreational customer base than desktop alone as well as reducing friction for customers in interacting with our products and services. It is technologically challenging to do well, making it potentially a competitive differentiator.

We have already delivered an outstanding mobile Sportsbook performance. Our app has been downloaded more than 1.5 million times, mobile accounts for 42% of Sportsbook turnover (as at December 2013) and it has grown by more than 630% over the last two years. Research suggests William Hill is the most popular sports betting app among iPhone-owning sports gamblers with 38% market share (source: Onavo).

Our focus for the past year has been on delivering a mobile gaming experience of the same high standard as our mobile Sportsbook offer. This is arguably harder with gaming than sports-betting: for Sportsbook, mobile is another access route into the same infrastructure whereas, with gaming, the games are built into the app or mobile site and more linking of core IT systems is required, which means the technology hurdles are higher. As a result, a fully integrated mobile gaming capability is now more of a barrier to entry.

The mobile gaming opportunity is exciting, with mobile devices ideally suited to giving easy access. We have focused on delivering both product and a great user experience.

Our content has been substantially expanded during 2013, with the launch of the Vegas app in the Apple App Store being a key step. Functionality that customers now take for granted on desktop – single sign on, balance transfer and multiple payment methods – have had to be developed specifically for mobile gaming. This should also make easier the cross-selling of customers from the mobile Sportsbook into mobile gaming. Now, we're focusing on introducing the right bonus engine and implementing systems that will simplify and speed up the launch of new games on mobile.



**HOW ARE YOU
CAPITALISING
ON THE MOBILE
GROWTH
OPPORTUNITY?**

166%

Mobile gaming net revenue
grew 166% in 2013.



STRATEGIC REVIEW

2.5^{PPTS}

William Hill grew its online sports betting market share 2.5 percentage points between 2011 and 2012, at the fastest rate of any of the three companies growing their share.



WHAT DOES POINT OF CONSUMPTION TAX MEAN FOR YOUR BUSINESS?

In 2014, the UK Government intends to change the basis of its regulation of online gambling from where the operator is based to where the consumer is based. In December 2014, it plans to tax companies on the same 'Point of Consumption' basis and (as at the time of this report) has indicated a tax of 15%.

Whilst the impact will be felt across the industry, larger scale operators appear to have both higher operating margins and larger marketing budgets, giving them more flexibility to invest rather than having to cut marketing investment. Accordingly, market commentators suggest that the larger scale operators may benefit in relative terms at the expense of smaller players.

Analysts estimate the tax – which will impact the c75% of Online's revenues that come from the UK – will cost William Hill £60-70m in 2015. External views on our ability to mitigate the cost vary, with analysts' projections assuming mitigation from zero to one third of that cost, based primarily, on increased market share. There may also be opportunities to reduce business cost, although our priority as an operator is to maintain strategies designed to grow market share.

In the Board's view, this change, whilst unwelcome, creates an opportunity for William Hill to increase further its market share in one of the most fragmented online gambling markets in the world.

That Online has been able to increase its market share – from 7% in 2008 to 15% in 2013 – in a highly competitive environment speaks to the quality of our management team and betting and gaming offering, the strength of our operations and the calibre of our innovations. As a multi-channel business, our priority is to maintain Online's competitiveness through our investments in marketing and in our product range and technology to continue to differentiate our user experience. We also aim to mitigate some of the impact in 2015 by achieving £15-20m of cost savings against what we would otherwise have expected to spend in that year.

Although for the majority of customers betting is a pleasurable pastime, for a small number of them it becomes a serious problem.

Problem gambling levels – as tracked through the 1999, 2007 and 2010 Prevalence Surveys and now through the English and Scottish Health Surveys – have been relatively stable throughout the past decade and may even be declining, in spite of the growth of gambling during that time. The levels are low by international standards with around 0.5% to 0.7% of adults in Britain having a propensity to have a problem with gambling.

According to academic experts, a problem gambler typically uses six to seven gambling products regularly. There is no evidence that any single product is a cause of problem gambling.

William Hill is committed to encouraging responsible gambling. We have put measures in place to encourage customers to gamble responsibly and to provide them with tools to help control their gambling. For instance, our betting shop colleagues carry out around 2,000 responsible gambling interactions a month and facilitate self-exclusions for around 6,700 at-risk gamblers a year. In addition, we fund the research, education and treatment of problem gambling through the Responsible Gambling Trust, a leading UK charity that aims to stop people getting into problems with their gambling and to ensure that those who do develop problems receive fast and effective treatment and support.

In 2013, we started embedding a new Code for Responsible Gambling, produced by the Association of British Bookmakers following industry-wide consultation. This is the latest step in our efforts to help customers manage their gambling responsibly. It gives increased prominence to problem gambling messages in the shops and advertising. To underpin this, we have trained our colleagues on interacting with customers. We have also implemented technology upgrades to our machines that will enable customers to pre-set how long they play for or how much they spend, and we use pop-up screens based on customer spend or duration of play to force a break in their play, facilitating an active decision on whether to stop or continue playing. These behavioural tools are the right approach to helping our customers to gamble responsibly.

WHAT ARE YOU DOING ABOUT PROBLEM GAMBLING?

0.5%

The English health survey, published in December 2013, reported that the prevalence of problem gambling had fallen from 0.9% in 2010 to 0.5% of the adult population.



STRATEGIC REVIEW

A photograph of two men in conversation. The man in the foreground, on the right, has a beard and is wearing a maroon polo shirt. He is smiling and looking towards the other man. The second man, on the left, is seen from the side, wearing glasses and a light-colored shirt. The background is a blurred blue wall with some indistinct shapes.

**WHY
CONTINUE
TO INVEST
IN RETAIL?**

Even in this digital world, the LBOs are still the largest channel, both to William Hill – with 61% of our revenues – and to our customers. In total, 79% of the estimated 7-8 million people who bet during the course of a year use betting shops. The shops even appeal to the youngest, most ‘tech savvy’ customers: 79% of 18 to 24 years old bettors also use the betting shops either alone or in conjunction with digital channels.

Retail remains relevant through the continuous evolution of the customer offer. Today, the product mix is very different from ten years ago, reflecting the growing appeal of football betting and gaming.

The shop experience has changed over the years, too, with more technology such as video walls, self-service betting terminals, gaming machines and Price Finders all enhancing the leisure experience.

And it is a leisure experience. A primary driver for a customer choosing a particular William Hill shop is the relationship they have with the staff in that shop. LBOs are a community hub.

The value of Retail to William Hill as a group goes beyond its immediate revenue and profit contribution. An LBO estate 2,400-strong means we’re ubiquitous. That gives our brand huge prominence and resonance.

It also allows us to better leverage our cost base across Retail and Online.

We continue to invest in our estate. In 2013, we put £10m capex into opening 59 new shops, meaning we increased our estate by 2% as we only closed 19 shops last year.

Retail is the bedrock of our business. It has held up incredibly well during these tough economic conditions and it remains the channel of choice for the vast majority of our customers.

20%

The return on investment on the new shop portfolio regularly exceeds our targeted return on capital hurdle rate of 20% and resiting of licences also provides value.

STRATEGIC REVIEW

Trading is our core sports-betting capability. You could say it's the beating heart of William Hill. It's also a key generator of intellectual property that makes William Hill stand out from the crowd.

We benefit from the scale of our trading capability in terms of the breadth and depth of our product offering, in our event creation and pricing and in the ability to support our liability risk management.

Our product range is vast. While in Retail you can access c20,000 betting opportunities over-the-counter, in Online it's 1.3 million.

We've deliberately expanded our betting product range, allowing us to differentiate in terms of what we can offer our customers, becoming market leading in areas such as horse racing markets and in-play football betting in Europe or in NFL in-play markets in Nevada.

We've also expanded content, for example the number of different games on which we can offer prices.

Now, we're offering prices on 50,000 football matches a year. When you consider there are only 380 English Premier League matches in a season, it gives you the sense of that breadth. Everything from Manchester United, Real Madrid and Bayern Munich to NG Triglav and FK Crevna Zvezda.

Add to that 25,000 tennis matches and 9,000 basketball games. Now we're extending our depth within matches, innovating with first five-minute markets and then two- and one-minute markets.

WHAT MAKES YOUR PRODUCT OFFERING A **COMPETITIVE** DIFFERENTIATOR?



Marketing is the single largest investment in our Online business, with £24m worth of free bets in sports betting and £123m investment in online and offline marketing in 2013.

In sports betting, it's critical to be front of mind at the time the customer wants to bet. That's why TV advertising is crucial. And that's where scale, yet again, is in our favour. In our view, the three key media contracts for our industry are Channel 4 for horse racing, and Sky Sports and BT Sports for football.

All three are now bid for via an auction process. Yes, the downside is that we're now paying more than we did before.

The upside is that only those with the deepest pockets – like our Online business – are likely to buy the best spots. It's no coincidence that, as the number one Online UK operator, we own the top Channel 4 and BT Sports spots and are joint leaders on Sky Sports.

But it's about so much more than TV advertising. Having a team of experts running our online marketing is critical.

Whether it's 'pay per click' deals with Google, search engine optimisation, banner advertising campaigns or deals with affiliate websites, this is a valuable expertise to hold internally.

Our functional expertise in online marketing, based in Tel Aviv, is key in complementing and underpinning our offline marketing.



HOW DO YOU MAKE YOUR MARKETING INVESTMENT PAY?

STRATEGIC REVIEW

21%

William Hill Australia – the combination of Sportingbet Australia and tomwaterhouse.com – is one of the largest corporate bookmakers with an estimated 21% of the Australian online betting market (source: Macquarie).



HOW CAN YOU WIN IN THE COMPETITIVE AUSTRALIAN MARKET?

Australia is a very attractive online betting market. It's grown 19% per annum over the last five years and it's projected to continue to grow at 16% per annum for the next five years. That's significantly ahead of the 10% growth rates projected for the UK. It's also, compared with the UK, a relatively immature market, with only pre-match betting licensed for online betting. The Aussies gamble even more than the Brits per capita and they have one of the highest rates of smartphone penetration in the world, which makes the market ideal for mobile betting.

At a competitive level, it's becoming a consolidated market, with the 'corporate bookmakers' such as Sportingbet having capitalised on a trend towards more online betting, more fixed odds betting and more betting on sports as well as on racing. That's why we felt it was important to acquire a company with an established position, not to try to grow from scratch.

The Sportingbet business is very attractive, with a well-established core business focused on higher value customers. That's a great business that we continue to nurture. However, the growth opportunity as we see it is to expand further into the more mass market customer base, particularly with the structural shift to mobile continuing space.

To do that, we need to further 'digitalise' the business – to improve the user experience on the website and to improve marketing enablers such as search engine optimisation. We also need to change the ways in which the marketing budget is invested, increasing the rates at which we acquire new customers by using the right mix of TV, online and offline marketing, and thereby reducing the average cost per acquisition. This is critical because we expect mass market customers to be lower yielding than our existing customers but en masse much more valuable to the business.

Add into that mix the tomwaterhouse.com business – one of the fastest growing corporate bookmakers of the last few years and one of the most successful in reaching out to mass market customers but one that is in need of the product range, technology platform and operational support that it gains as being part of our business.

Altogether, that means you've got in William Hill Australia a business that, we believe, can be very competitive in a very attractive growth market.

KEY PERFORMANCE INDICATORS

HOW WE HAVE
PERFORMED.

GROUP KPIs

Net revenue¹ (£m)

2011	1,136.7	
2012	1,276.9	
2013	1,486.5	

£1,486.5m
+16%

Net revenue is the key indicator of the Group's topline growth, being the revenue retained from the amounts staked after paying out customer winnings and deducting free bets. Group net revenue increased by 16% against the 53 weeks of 2012, with all major divisions recording growth in net revenue. This performance also included net revenue from William Hill Australia, incorporating Sportingbet (from 19 March 2013) and tomwaterhouse.com (from 12 August 2013). Reported net revenue is flattered by the transition to the MGD tax regime on 1 February 2013. Adjusting the prior year from the date of introduction of MGD to reflect the current tax regime, Group net revenue grew 10%.

Operating profit² (£m)

2011	275.7	
2012	330.6	
2013	335.0	

£335.0m
+1%

Operating profit is a key indicator of the Group's success in delivering topline growth while controlling costs. Group Operating profit grew by 1% to £335.0m. Online Operating profit grew 2% to £147.8m with net revenue 10% ahead of 2012 on strong Sportsbook staking growth. Retail Operating profit was £15.2m lower than 2012 at £196.3m with good underlying cost control but additional indirect taxation following the change to MGD. William Hill Australia's part-year contribution was £12.0m. Telephone was broadly break-even while William Hill US achieved a turnaround in profitability following strong growth in amounts wagered and gross win margin.

Basic, adjusted earnings per share³ (p)

2011	22.5	
2012	27.2	
2013	28.8	

28.8p
+6%

Basic, adjusted earnings per share is a key indicator of the Group's growth after allowing for all costs, including interest and tax, and excluding amortisation from specific acquisitions and exceptional items. The growth in adjusted EPS reflects the Operating profit² growth and lower tax costs, partially offset by higher interest costs on higher net debt levels following the acquisitions completed in 2013. The pre-exceptional effective tax rate reduced to 11.5% in 2013 following changes to the corporation tax rate by the UK Government.

CORPORATE RESPONSIBILITY KPIs

Employee engagement participation (%)

2011	67	
2012	72	
2013	51	

51%
-21 ppts

This KPI reflects the proportion of our colleagues who participate in our annual employee survey, HOME Truths, which is a key measure of our colleagues' satisfaction in working for William Hill and highlights areas we can address to improve. In 2013, 8,825 colleagues participated against 10,851 in 2012. This was 21 percentage points lower than in 2012 as we changed the methods by which colleagues could respond to the survey, moving from gathering responses by telephone and via the internet to an internet-only mechanism. We were still encouraged by this level of participation and were pleased to see an improvement in our engagement index scores.

Retail net promoter score (%)

2011	54	
2012	37	
2013	47	

47%
+10 ppts

This KPI addresses the overall satisfaction of our Retail customers with their experience of our LBOs, reflecting the quality of our customer service, product range and in-shop experience. The net promoter score is based on customers' likelihood to recommend our LBOs. In 2012, we introduced new, tougher customer service measures, which rebased this performance metric. In 2013, the net promoter score improved by ten percentage points as a result of a programme we rolled out to improve customer services.

Community contributions (£m)

2011	22.7	
2012	25.2	
2013	24.9	

£24.9m
-1%

This KPI reflects our financial contribution to responsible gambling and our support for other related organisations and industries, some of which are heavily reliant on the success of our industry. It incorporates our annual donation to the Responsible Gambling Trust (RGT) to fund research, education and treatment of problem gambling, levies on our UK Retail horseracing and greyhound racing revenues to support those two industries, sponsorships of other sports and charitable donations, including matched donations for colleagues' fundraising efforts. In 2013, we and the other major LBO operators committed to a long-term underpinning of the Levy to support the future of the UK horseracing industry. Charitable donations amounted to £962,547, including £863,256 to the RGT and £56,884 in matched funding.

DIVISIONAL KPIs

ONLINE

Sportsbook gross win margin (%)

2011	7.0
2012	7.9
2013	8.1

8.1%
+0.2 ppts

This KPI gives an indication of how sporting results have affected our performance during the year. Historically, our normal range for Sportsbook gross win margin has been c7%; a consistently higher margin for mobile Sportsbook means this is likely to be slightly higher going forward. In 2013, the gross win margin was 8.1%, benefiting from favourable sporting results in the first half of the year, including an exceptional Grand National, followed by unfavourable results in the third quarter. This comprised an in-play margin of 5.3% and a pre-match margin of 10.0%. The mobile Sportsbook margin was 9.6%.

Revenue per unique active player (£)

2011	228.1
2012	226.8
2013	189.1

£189.1
-17%

This KPI reflects the average revenue generated from customers who have used our products during the year, demonstrating our effectiveness in growing the value of customers as well as growing the overall customer base. Total Online net revenue was 10% higher in 2013, with Sportsbook up 28% and gaming down 3%. Net revenue per unique active player in Sportsbook was up 6% but was weaker in the gaming products.

Unique active player (no.)

2011	1,409,000
2012	1,793,000
2013	2,361,000

2,361,000
+32%

This KPI reflects the change in the number of individual customers who have used Online's products during the year, demonstrating how successful we have been in recruiting and retaining Online customers. The number of unique active players was up 32% in 2013 to 2.4 million. Strong growth was seen in the two key products, Sportsbook and Casino, and in the key territories of the UK, Italy and Spain, with Bingo also seeing growth in new accounts.

RETAIL

OTC gross win margin (%)

2011	16.8
2012	18.2
2013	19.4

19.4%
+1.2 ppts

This KPI gives an indication of how sporting results have affected our performance during the year. At 19.4%, the gross win margin was ahead of our normalised 17-18% range for OTC betting, with strong football results earlier in the year and an outstanding Grand National result, although this was partially offset by unfavourable sporting results in the third quarter.

Average profit per LBO (£)

2011	82,866
2012	89,055
2013	81,750

£81,750
-8%

This KPI reflects the like-for-like profitability of the Retail business. Retail delivered 8% net revenue growth; stripping out the effect of the change to MGD in February 2013, this was flat. OTC net revenue was up 1%. Gaming machine net revenue, adjusted for MGD, was down 1%. Underlying cost control was good at c3.5% but the Group incurred an additional c£10m in indirect taxation costs from the change to MGD. Retail Operating profit was 7% lower at £196.3m. The average number of shops increased by 1% to 2,401. Overall, this resulted in an 8% fall in the average profit per LBO.

Average gross win per machine per week (£)

2011	901
2012	911
2013	897

£897
-2%

This KPI reflects the trends in the underlying growth in gaming machine net revenue. Based on an average of 9,431 machines, the average gross win per machine per week was £897. We increased the density of machines in the estate from 3.87 to 3.93 after the change from MGD; the move to an entirely variable rate gaming duty making possible the addition of a fourth machine in shops that would have struggled to justify it under a partially fixed-rate duty regime. Gaming machine growth has slowed as we neared the end of the useful life of the Storm cabinet. We have since replaced Storm in half the estate with the new generation Eclipse machine.

¹ Net revenue is a gaming term that is equivalent to the Revenue defined by the statutory accounts on page 91. Group and Retail net revenue performance numbers are flattered by the transition to MGD on 1 February 2013.

² Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax, and the amortisation of specific identified intangible assets recognised on acquisitions.

³ Adjusted basic EPS is based on profit for the period before exceptional items and amortisation of intangible assets recognised on acquisitions. The comparator figures have been restated to take into account the impact of the rights issue.

MARKETPLACE

OPPORTUNITIES AND CHALLENGES WITH REGULATORY CHANGE.

The market today

Internationally, the gambling industry takes many different forms, from casinos to bingo clubs, betting shops and track-side betting to lotteries and online and mobile betting and gaming.

Land-based activities remain the channel of choice for most gambling customers, across all the leading countries by gambling revenue worldwide. Online gambling first started in earnest in 1998 and mobile gambling has become more prominent in the last five years with the advent of smartphone and tablet technology.

In many countries, gambling is either state-controlled or restricted to a small number of licensees. The advent of online/mobile gambling has made many governmental restrictions on gambling more difficult to enforce and has led to many governments reviewing their gambling regulations, a trend further motivated by governments seeking to tax the online gambling industry as a new source of tax revenues.

How the market is changing

Technology

The fastest-growing products today are supported by innovations in technology. In the UK, for example, in-play betting and mobile gambling have been key drivers of the growth of the online industry in recent years. This requires significant investment in innovation and know-how, and the increasing cost of such investment to drive differentiation is increasingly favouring the scale operator. In many countries, land-based incumbents have struggled to capitalise fully on the online opportunity because of these hurdles in terms of technology and expertise.

Scale

The importance of having a large-scale operation is increasing, for instance to make affordable investments in technology, marketing and core capabilities such as sports betting trading, or to absorb the impact of regulatory changes or new taxation. International expansion further increases the benefits of scale and reduces the risks associated with exposure to any one country.

Regulation

Changing regulation is a key feature of the gambling industry today, with many markets now revising their regulatory regime to cater for the internet. A legal framework typically involves the licensing of companies that are required to comply with a domestic regulatory regime and to pay gambling taxes in return for being allowed to advertise locally. Licensing regimes, such as the UK's, can also focus on key social aims such as encouraging responsible gambling, preventing under 18s from gambling, treating customers fairly and equally, and preventing crime.

Regulation is a complex area, with each country taking a different approach, but we believe that a competitive and regulated environment drives out illegal gambling and delivers better value for customers in a safe and responsible way. While taxation and product restrictions may impact short-term performance, over the medium to long term we believe that the ability to advertise in local markets may mitigate this impact.

Overview of William Hill's key markets

The UK remains William Hill's primary market, representing 85% of net revenue in 2013. During the period April 2012 to March 2013, the British gambling industry generated a gross gambling yield of £6.3bn, a rise of £0.44bn or 8%. This covers the industry as regulated by the Gambling Commission; as such, it excludes much of the UK online gambling industry which is regulated in a number of other jurisdictions, notably Gibraltar.

Excluding the National Lottery, which has more outlets than any other part of the gambling sector at c38,000, the largest part of the industry is licensed betting offices (LBOs), which accounted for £3.2bn or 51% of the gross gambling yield. LBOs were first legalised in 1961. There are currently approximately 9,000 LBOs, only 2% higher than in March 2009, 0.7% lower than in the prior year and significantly lower than the industry's peak of c14,000 LBOs in the 1970s. The industry has consolidated into four major operators accounting for 86% of LBOs, with the rest made up of a number of small chains and independent operators. Changing customer habits have resulted in LBOs opening for longer and in bookmakers offering a wider range of betting and gaming products than ever before.

The online gambling sector has been well-established in the UK since about 1998 and has been regulated by the Gambling Commission since 2007 under the Gambling Act 2005, although much of the industry is regulated in other territories. In 2014, the UK Government intends to change the regulation from a 'Point of Transaction' basis to a 'Point of Consumption' basis, which will require companies based offshore to take a licence to provide products to UK

54,093

The number of people employed in LBOs¹.

27%

The proportion of digital wagering in Australia now coming from mobile devices².

£3.2bn

The gross gambling yield generated by LBOs in Britain¹.

consumers. The Government anticipates taxing companies on the same basis as from December 2014 at a 15% tax rate. The Online market was estimated to have generated £2.1bn of gross gambling yield in 2012, of which sports betting was the biggest contributor at £824.2m, with casino at £690.8m, poker at £263.8m and bingo at £276.1m. William Hill is the single largest provider of online gambling services, with an estimated 15% market share.

Australia

The Australian gambling market, like the UK's, is still dominated by land-based betting. It differs from the UK in having state-by-state monopoly operations and by being predominantly tote-based betting instead of fixed odds betting. The leading land-based operators are Tabcorp and Tatts.

With the development of the online market, there has been a trend towards more fixed odds betting and more betting on sports other than horse racing. The last five years have seen the emergence and establishment of the 'corporate bookmakers', akin to the specialist online operators who started growing to prominence in the UK around a decade ago. The leading corporate bookmakers are Sportingbet (including Centrebet), acquired by William Hill, and Sportsbet, acquired by Paddy Power. As in the UK, mobile has grown substantially in recent years and is now estimated to be worth A\$3bn in wagering or 27% of the total digital market, driven by smartphone penetration, which is particularly high in Australia².

Italy and Spain

A number of European countries have followed the UK in amending or establishing licensing regimes for online

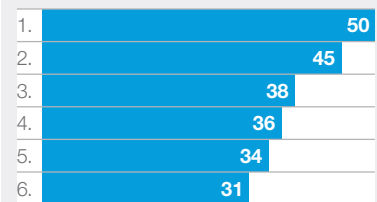
gambling. William Hill has been awarded licences to operate online in Italy and Spain. In both countries, the online market is estimated to be growing at around 10% per annum in 2013-2015³. Each country has gradually liberalised the range of products allowed, for instance Italy started to increase its permitted sports betting range in 2013 and legalised online slots from December 2012.

The US

In the US, land-based sports betting is banned under the Professional and Amateur Sports Protection Act 1992 in all but four states: Nevada, Delaware, Montana and Oregon. In practice, only the first two permit sports betting. In Nevada, sportsbooks have to be sited within casinos and are, typically, either run by the casino operator or outsourced to a specialist operator. William Hill US is the largest such operator by number of outlets and was created from the acquisition and consolidation of three small operators. In Delaware, sports betting is run by the Delaware State Lottery and William Hill US is the exclusive bookmaker for that service. The Governor of New Jersey is seeking to overturn the federal ban that prevents other states from allowing land-based sports betting. Online sports betting is banned under the Interstate Wire Act 1961. Within Nevada, we are able to offer sports betting on mobile devices as long as deposits into the customer's account are made through land-based outlets.

In September 2011, the US Department of Justice released a formal legal opinion concluding that the Act did not relate to online gaming. Since then, a number of states – including New Jersey and Nevada – have introduced legislation to permit online gaming within state boundaries.

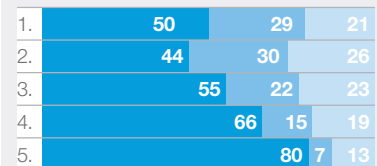
Classification of regular UK gamblers (%)



1. National lottery
2. National lottery scratch cards
3. Other lotteries
4. Race betting/gaming machines
5. Private betting
6. Playing with friends

Source: Gambling Commission.

Retail remains the primary channel even among younger customers (%)



■ Retail only ■ Retail and Online ■ Online only

1. 18-24
2. 25-34
3. 35-44
4. 45-54
5. 55+

Source: Kantar Market Tracker, 2013.

¹ Gambling Commission Industry Statistics April 2012-March 2013.

² Macquarie Research.

³ H2 Gambling Capital.

A LOOK AT OUR BUSINESS
RETAIL

RETAIL.

WILLIAM HILL IS THE UK'S LARGEST HIGH STREET BOOKMAKER BY NUMBER OF LICENSED BETTING OFFICES (LBOS) WITH APPROXIMATELY 26% OF THE 9,000 LBOS IN THE UK.

13,300

people work in our Retail business.

57%

of our Retail colleagues are women and, through training and development programmes, we have actively encouraged more women to move into management, with women holding 50% of our shop manager roles.

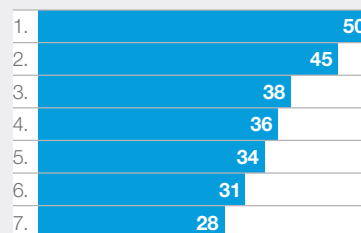
30%

of our Retail colleagues are aged 18-24, making us a disproportionately high employer of people in this age group, which is experiencing a higher level of unemployment than the average.

13

years is the average length of service by managers of William Hill betting shops.

Why a customer chooses a particular betting shop (%)



1. Location
2. Safe place
3. Speed of service
4. Friendly staff
5. Customer service
6. Pricing
7. Staff knowledge

Source: Kantar Market Tracker 2013.

Retail is the largest William Hill division, generating 61% of our revenue in 2013 and employing 13,300 people in the UK. It continues to be a highly cash-generative business as we have substantially evolved its product range to deliver what our customers want. LBOs are still the channel of choice for around 79% of the c7-8 million UK customers who gamble¹. Our view is that, as a low ticket leisure activity, gambling in the LBOs has proved and is continuing to prove to be relatively resilient in the current economic climate following the onset of the credit crunch.

Marketplace and regulatory position

The retail marketplace is regulated under the Gambling Act 2005, which enshrined the three Gambling Commission objectives that are core to our operating policies and procedures:

- Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime;
- Ensuring that gambling is conducted in a fair and open way; and
- Protecting children and other vulnerable persons from being harmed or exploited by gambling.

¹ Kantar Market Tracker, 2013.

A KEY UK CONTRIBUTOR

The British betting industry is a key contributor to the UK economy. We directly support around 38,800 full-time equivalent jobs and generate £2.3bn towards GDP. With a number of other industries being reliant on ours, notably UK horse racing, our total economic footprint is more than 100,000 FTE jobs and £5bn towards GDP². Greyhound racing is entirely dependent on the success of LBOs. We make a positive contribution to local economies, paying c£58m in business rates a year, offering flexible working arrangements and in providing a meeting place for members of local communities to take part in an enjoyable pastime.

Source: Measuring the economic contribution of the British betting industry, March 2013, Deloitte.

36 More on the ABB Code



Despite this improved regulatory environment, the number of betting shops in the industry has stayed relatively stable over the last five years at around 9,000, having declined from a peak of more than 14,000 in the 1970s. The market continues to consolidate slowly into four major operators, of which William Hill is the largest with 26% market share by number of LBOs.

The modern day betting shop offers a wide range of betting and gaming products delivered through a technology-enabled infrastructure. It is a fast moving and dynamic environment offering betting opportunities on average every three minutes throughout the trading day.

We continue to develop our LBOs to suit changing customer preferences and behaviours. In the last decade, for instance, football betting has grown 190% at William Hill at the same time as the popularity of the gaming machines has grown, with both being the preferred products of the new generation of customers using the shops.

There is a strong experiential component to Retail shop usage, with shops providing a social environment, and with many being a hub within a community.

We continue to operate in a highly regulated environment with an operating licence required for the trading companies, personal management licences required for people in senior roles and premises licences needed for each of the LBOs.

We regularly review our systems to identify ways to improve. For instance, in 2011 we reviewed how our shop colleagues interact with customers about responsible gambling and encouraged shop teams to provide written reports describing conversations they have had with those customers they suspect may have issues with their levels of gambling. In 2013, we added to this with an extensive colleague training programme as part of our commitment to responsible gambling. We are now routinely recording more than 2,000 interactions a month with customers and around 550 customers take advantage of our self-exclusion measures in Retail each month.

The regulatory environment for LBOs last changed significantly with the 2005 Gambling Act and the regulation of gaming machines. We pay 15% gross profits tax on over-the-counter (OTC) betting and, since February 2013, 20% gross profits tax on gaming machines. In addition, we pay 10.75% of gross win from UK horse racing to sustain that industry and a voluntary levy to support greyhound racing. We also donated around £900,000 to the Responsible Gambling Trust (RGT) in 2013, to fund research into gambling-related issues.

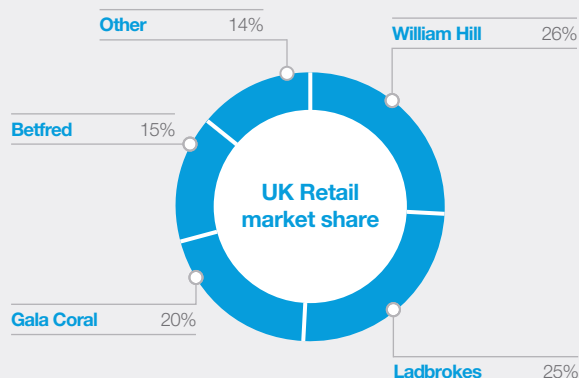
The UK betting industry is a major employer, directly providing an estimated 38,800 jobs, with up to c100,000 full-time equivalent jobs dependent on the sector. With a high proportion of our betting shop costs being fixed in nature, we are vulnerable to negative changes in our revenues. Any material adverse revenue consequence arising from regulatory change to the betting shops risks substantial shops closures and job losses. This would hit not only our industry and employees but also those reliant on ours, such as horse racing which is substantially funded by a combination of the Levy and our Retail payments for TV pictures from the race tracks.

We continue to have an active dialogue with Government to ensure that any decisions relating to the betting shops are based on facts and data, not opinion.

A LOOK AT OUR BUSINESS

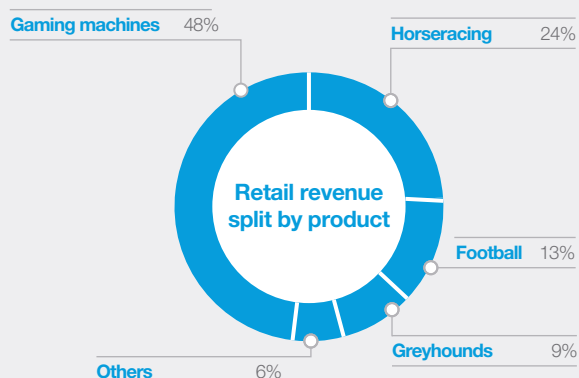
RETAIL

UK RETAIL MARKET SHARE BY NUMBER OF LBOs



Source: Gambling Commission Industry Statistics, April 2012 – March 2013.

RETAIL REVENUE SPLIT BY PRODUCT



Strategic priorities

We believe that LBO customers are looking for an entertaining and engaging experience, ranking convenience as their main reason to bet in LBOs per se and location and customer service as key reasons for choosing a particular LBO.

Given the current market share of the Retail business, competition rules would be likely to prevent us from growing through significant acquisitions. We, therefore, aim to expand Retail organically through new shop openings, expanding our LBO estate on a net basis by around 1% per annum and continuing to beat our internal hurdle rate for returns on new opening. We seek to further increase our market share through the competitiveness of our product offering and the attractiveness of our in-shop experience, particularly through the development of technology and the quality of customer service.

Wider product offering

We believe our Retail business has successfully stayed relevant to today's younger generation of gamblers by evolving our product range over time, particularly in relation to football betting and gaming machines. In this way, Retail has proven relatively resilient to the recent global economic downturn and to the advent of online and mobile gambling.

Greater multi-channel usage

It is estimated that more than half of online customers also gamble in LBOs. We are using new technology to create an engaging betting and gaming experience, and encourage customers to use different channels through cross-channel promotions, particularly around gaming launches.

We increased the number of self-service betting terminals in the estate to around 700 during 2013, giving customers access to more betting opportunities. Video walls, now in 270 shops, are a significant differentiator, particularly when coupled with our new £1m broadcast studio in Leeds, giving us our own high quality broadcast proposition.

Our new shop design is now in 200 shops. We continue to open new shops in areas where we are under-represented and plan to open a further 50 during the coming year. We intend to invest around £30m in the shop estate in 2014, the majority on new licenses and refurbishments, with a target average return on new shop capex of 20%. In the last five years, we have opened 242 new licences, increasing our estate by about 5%.

Performance review

Retail net revenue¹ was 8% higher or flat on an underlying basis.

OTC net revenue was up 1%, benefiting from a strong gross win margin of 19.4% (2012: 18.2%). The main driver of margin growth was improved results from UK horseracing and football. Amounts wagered was 6% lower: the first half saw the brunt of weather-related fixture cancellations in Q1 and a weaker football calendar in Q2. The excellent weather in July also impacted progression in the third quarter.

Gaming machine net revenue increased by 18% in the period, or -1% after adjusting for the MGD effect¹. Gross win per machine per week declined from £911 to £897 and the average number of gaming machines increased to 9,431: with a 2% increase in machine density to 3.93 per shop and a 1% increase in the average number of shops.

We continue to invest in expanding and enhancing the estate. We increased the Retail estate by a net 40 shops to 2,432, opening 59 new licences and closing 19 during the period. A further 14 shops were re-sited. There was an average of 2,401 shops in the period, around 1% higher than the prior year.

INVESTING IN SECURITY

We have high standards for the safety and security of our shops, our customers and our colleagues. Our longstanding and award-winning Counter Plan initiative focuses on training our colleagues in careful cash management.

We have also invested in incident management systems such as safe havens and StaffSafe, as well as high definition CCTV in every shop. Crime in our shops fell yet again in 2013, with robberies down 25%, cash-in-transit incidents down 34% and burglaries down 43%.



**We have
invested in high
definition CCTV
in every shop**

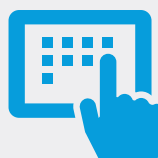


Cost of sales and operating costs were 48% and 4% higher, respectively. Both of these were impacted by the change to MGD from VAT and Amusement Machine Licence Duty in February. Additional operating costs included c£3.5m of additional repair and maintenance costs, higher content costs and higher staff costs from increased shop opening hours and the introduction of pension auto-enrolment. This was partially mitigated by savings in Retail and Group staff incentives. Looking ahead, our guidance for Retail operating cost growth for 2014 is around 3-4%.

The Retail business delivered £196.3m of Operating profit², £15.2m down on the prior year.

**ECLIPSE COMES TO RETAIL**

In 2013, we started rolling out the new generation machine, Eclipse. This brings customers a more interactive gaming experience with a more intuitive menu system and vastly improved sound. Paired with our new Bonus Club marketing and rewards card, this is one of the tools we are developing to enable a fully integrated multi-channel approach in half the estate.



**Eclipse brings a more
interactive experience
for customers**

¹ Retail net revenue growth is flattened by the transition to MGD. Underlying growth rates adjust the prior year from the date of introduction of MGD to reflect the current tax regime.

² Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax before the amortisation of specific identified intangible assets recognised on acquisitions.

A LOOK AT OUR BUSINESS
ONLINE

ONLINE.

OVER THE LAST SIX YEARS, DEVELOPMENT OF OUR ONLINE AND MOBILE OFFERING HAS BEEN OUR KEY PRIORITY. IN APRIL 2013, WE ACQUIRED FROM PLAYTECH ITS 29% STAKE IN THE WILLIAM HILL ONLINE JOINT VENTURE. THIS HAD BEEN CREATED IN DECEMBER 2008 AS PART OF OUR STRATEGY TO BUILD A HIGH PERFORMING AND COMPETITIVE ONLINE BUSINESS.

81%

of Online's revenues were
from regulated markets in 2013.

1,250

people are employed in
Gibraltar, Israel, Bulgaria,
Spain, Italy and the Philippines.

39%

of Sportsbook amounts wagered
were from mobile in 2013.

17%

of gaming net revenues
were from mobile in 2013.



INNOVATIVE OFFERS

We continue to innovate around our products and offers. At the start of the 2013/14 domestic football season, we extended our innovative AccaInsurance offer from mobile into the rest of Online. This is one of a range of offers and encourages an increase in the amount of accumulator betting in Online on football.

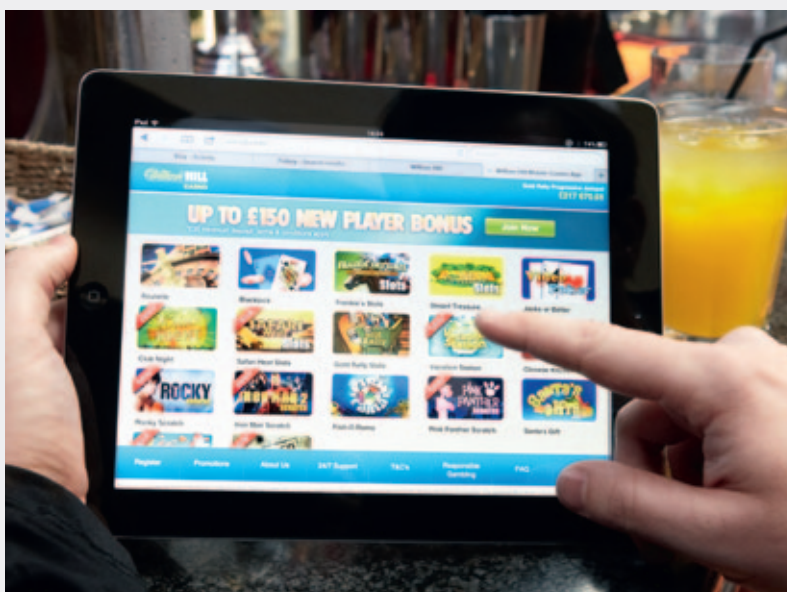
In April 2013, we acquired Playtech's 29% in Online for £424m.

This was our first opportunity to take full ownership of a growth business with a market-leading position and strong earnings and cash flow. It represented a compelling opportunity to strengthen further growth prospects for the broader Group and to increase both strategic flexibility and operational freedom. We are now better able to develop Online's future growth potential through increased capital investment to enhance further areas such as product development, website development and customer relationship management, or through bolt-on acquisitions. We can also leverage Online's assets and know-how across the broader Group, supporting pursuit of our multi-channel strategy and selective international expansion, in particular in Australia and the US.

Our Online business is the largest supplier of online betting and gaming to UK customers by revenue. We have substantially scaled-up the operation, having increased the number of employees from 350 in 2008 to around 1,250 today, adding critical capabilities in areas as diverse as mobile, marketing, customer services and customer relationship management.

INVESTING IN MOBILE GAMING

During 2013, we focused on developing a mobile gaming offering that is at least as strong as our successful mobile Sportsbook offering, having identified this as a significant growth opportunity for Online. As part of our ongoing development plan, we have expanded the product range substantially and enhanced the user experience by providing single sign on, wallet transfer and multiple payment methods. We increased mobile gaming net revenue by 166% to £40m. Our target is for mobile to generate 40% of gaming net revenue by mid-2015. We progressed from 6% in 2012 to 17% in 2013 as a whole.



We have also significantly improved Online's product range to the point where we are now offering 1.3 million betting opportunities a day via williamhill.com.

As part of our multi-channel model, Online now manages our telephone operations as well as internet, mobile and text betting, and colleagues from Online have been supporting the development of William Hill Australia.

Marketplace and regulatory position

Online, including mobile, remains the fastest growing segment of the gambling industry. Online gambling is a highly fragmented market with a large number of high-profile companies but no player with substantial cross-European market share.

Sports betting capability remains a high barrier to entry, with the most successful operators, like William Hill, benefiting from large-scale specialist teams that produce increasing volumes of betting opportunities, innovative products and proprietary algorithmic models to derive pricing for those markets.

In our view, Sportsbook is the most effective way to attract and retain customers, with a lower cost per acquisition, the longest customer lifespan and the best cross-selling potential. Sportsbook customers also have greater brand loyalty with, on average, four or five Sportsbook accounts but typically using two most frequently.

Betting customers account for 72% of the 3.7 million UK online gamblers, with almost 3% of the British adult population regularly betting online, up from 1.5% in September 2009. Of these customers, 1.3 million people bet online at least once a month and the betting customer base grew 21% in the last year¹. William Hill's online sports betting market share grew 2.5 percentage points between 2011 and 2012, faster than any other operator².

Mobile is becoming another barrier to entry, particularly in gaming, with significant investments in technology required to support delivery of a high-quality user experience for customers now very used to a sophisticated desktop experience.

The UK was the first European country to regulate online gambling under the Gambling Act 2005. The Government is in the process of changing the basis of regulation from where the companies are based (point of transaction) to where the consumer is based (point of consumption). Other countries have subsequently regulated and, at each point, we have then taken a decision whether or not to take a licence to supply our services in that country. For instance, we have taken licences in Italy and Spain but withdrew from France because we felt the regulatory and tax regime there made it economically unviable.

The ubiquity of internet and mobile access and issues of effective control have led more European countries to review their regulatory approach, further encouraged by the European Commission.

Certain states in the US have also regulated or plan to regulate online gaming, sports betting remains banned online, though we can offer mobile betting in Nevada.

Strategic priorities

Online's strategy focuses on maximising our UK market share through product development and channel innovations, such as mobile betting and gaming. Estimates indicate that we have successfully increased our market share from 10% to 15% between 2008 and 2013 as a result of revenues growing at double-digit rates since 2010.

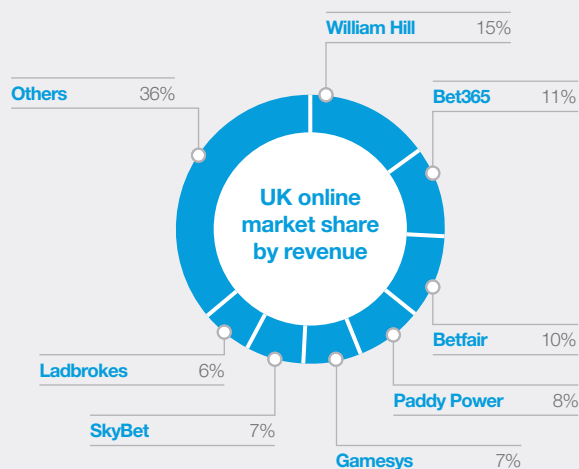
We are also taking our online offering in a focused way into a number of other countries, focusing on markets with a strong gambling culture and a competitive regulatory framework in which we have the ability to offer as many products as possible. Sportsbook and Casino are Online's most important products.

¹ Kantar Sport GB Syndicated Online Gambling Research Q2'13 Report (data up to June 2013).

² Gambling Data, European Regulated Online Markets Data Reports 2012.

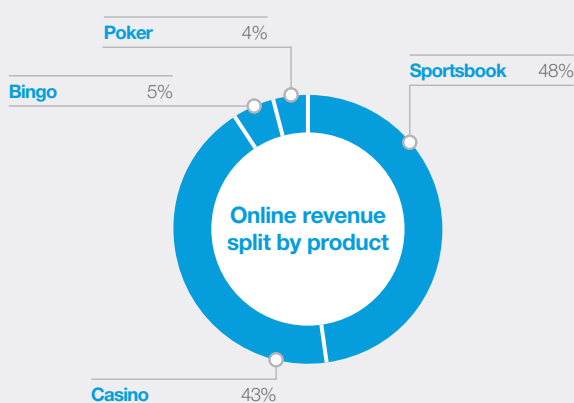
A LOOK AT OUR BUSINESS
ONLINE

UK ONLINE MARKET SHARE BY REVENUE



Source: Gambling Data, European Regulated Online Markets data reports 2012.

ONLINE REVENUE SPLIT BY PRODUCT

**Wider product offering**

Online provides all the major product verticals – Sportsbook, Casino, Poker and Bingo – and has either developed or licensed in market-leading software to support these products. Our strategy centres on Sportsbook, which plays to our core strength and brand.

Leveraging William Hill's enhanced trading capability, the Sportsbook product range has been substantially expanded in recent years and continues to be developed. We have the market-leading in-play football and tennis offering³, and are continuing to expand our pre-match and in-play product range in a variety of other sports, including horse racing, basketball and American football. The number of in-play bets we take has grown 1,400% between 2008 and 2013 and in-play represented 41% of our Sportsbook amounts wagered in 2013. Having established our ability to generate multiple bets on matches, we extended the number of matches we cover in key sports. For instance, we now offer prices on 50,000 football matches a year. The next phase of development includes the expansion of niche markets such as five-minute markets.

We have also introduced innovative tools such as 'Cash In My Bet', which we extended to mobile at the end of 2013, and offers such as AccaInsurance, which encourages greater multiples betting on football.

We have an attractive pricing approach that focuses, in football, on the hour before kick-off.

Our Sportsbook net revenue grew at a compound annual growth rate of 38% between 2008 and 2013. We have more than 1.4 million active Sportsbook accounts and around 30% of revenues from customers who initially signed up via Sportbook are generated by cross-sold gaming products.

Greater multi-channel usage

With more markets available than ever before, it becomes ever more critical to make it easy for customers to bet when they want on what they want. The increasing use of mobile technology has been a key trend in the industry in recent years, with smartphone penetration in the UK, Italy and Spain ranging from 53% to 66% and an estimated 86% of mobile internet users engaged in 'second screen' activity by using their devices while watching TV.

While PC and laptop usage is still widespread, the level of PC-only users fell below 50% for the first time in 2013 and c30% of customers are using a combination of PCs, smartphones and tablets.

Mobile betting and gaming has continued to be a major focus for us during 2013 and continues to be in 2014. Our Sportsbook app remains the number one sports betting app in the Apple App Store, downloaded more than 1.5 million times.

We hit our target of mobile accounting for 40% of Sportsbook amounts wagered in June 2013, six months ahead of schedule.

We have set a new target for mobile to be 40% of gaming net revenue by mid-2015. In December 2013 it was 24%. To achieve this, we have focused on enhancing both the product range and the user experience, addressing key 'enablers' such as a single sign-on, multiple payment systems and balance transfer facilities.

Increased internationalisation

Approximately 75% of Online's revenues in 2013 came from the UK, with Spain and Italy – our other two key licensed territories – together accounting for another 6%. The remaining revenues are spread across a large number of other countries.

We are focusing on a small number of core territories for our international expansion strategy. In defining a core territory, we focus on markets with a strong gambling culture and a competitive regulatory framework, including: the ability to offer as many products as possible, with Sportsbook and Casino being the most critical to us; a reasonable tax rate, preferably a gross profits tax; and the strength of any incumbent operators, particularly in the sports betting field. The perception of Britain's heritage as a sporting and sports betting nation is proving a strength on which we capitalise.



We are expanding in selective international markets

EXPANDING IN ITALY AND SPAIN

Online is now gaining market share in Italy and Spain where, as part of the Group's strategy to expand through selective international investments, we have established locally licensed betting and gaming websites. In Italy, we increased to c7% market share of sports betting and 8% of casino.

In the Spanish online sports betting market we are now the number three operator with c15% market share.

Performance review

The success of Online has come from the combination of marketing excellence, product enhancement and improvements to the user experience. We have continued to innovate in product and service developments during 2013 to improve customer engagement. For example, in December 2013, we extended Cash in My Bet from desktop-only functionality to mobile and it has now been used by more than 67,000 customers since launch. Other Sportsbook product enhancements include improved streaming, scorecards and further increases in our breadth of betting opportunities both in-play and pre-match. From the start of the domestic football season onwards, we stepped up the amount of free bets being offered, linked to offers such as AccaInsurance to encourage loyalty and increased accumulator betting. In gaming, our investment programme is enabling the delivery of a high-quality mobile gaming experience, with more products for customers to play and with the implementation of key enablers such as 'single sign-on' and multiple payments.

Online net revenue¹ was 10% higher and Operating profit² was up 2%, underpinned by the continued strong growth of Sportsbook, including mobile.

During the period, 81% of Online revenues came from our core markets (UK, Spain, Italy) (2012: 78% from core markets).

Sportsbook net revenue grew 28% to £212.9m, benefiting from 30% growth in amounts wagered and from a slight improvement in gross win margins: by 0.2 percentage points to 8.1% (2012: 7.9%). Favourable sporting results in the first half of the year, including an exceptional Grand National, were followed by unfavourable results in Q3, particularly in football. In-play margin in 2013 was 5.3% (2012: 4.8%) and pre-match margin was 10.0% (2012: 10.1%). Mobile Sportsbook gross win margin was 9.6% (2012: 9.1%), which continues to be above the desktop comparable.

Gaming net revenue was down 3% £233.4m (2012: £240.0m), impacted by the closure of certain markets in 2012.

Online cost of sales was 13% or £4.6m higher. This was primarily driven by increases in gambling taxes in certain markets. The 2012 position also benefited from £2m of prior year accrual releases relating to our business from Greece, a market from which we no longer take business. Mobile Sportsbook software royalties also increased. Operating costs were 14% higher, with a 15% increase in marketing investment and with other costs up 14%. Marketing investment was equivalent to 27% of net revenue, with the impact of increased free bets reducing our net revenue margin by an additional 0.3 percentage points.

Operating profit² was 2% higher at £147.8m (2012: £145.3m). The non-controlling interest for Playtech up to 14 April 2013 (the completion date of the acquisition of its 29% holding in William Hill Online) was £15.3m (full year 2012: £41.2m).

¹ Net revenue is a gaming term that is equivalent to the Revenue defined in the statutory accounts on page 91. Group and Retail net revenue performance numbers are flattered by the transition to MGD on 1 February 2013.

² Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax before the amortisation of specific identified intangible assets recognised on acquisitions.

³ Gambling Data In-Play Tracker.

A LOOK AT OUR BUSINESS
AUSTRALIA

AUSTRALIA.

DURING 2013, WE ESTABLISHED WILLIAM HILL IN A SECOND HOME MARKET THROUGH THE ACQUISITION OF TWO CORPORATE BOOKMAKERS, SPORTINGBET AND TOMWATERHOUSE.COM, IN AUSTRALIA.

21%

William Hill Australia – comprising Sportingbet Australia and tomwaterhouse.com – is one of the largest bookmakers in Australia with an estimated 21% market share (source: Macquarie).

278

people work for William Hill Australia in Sydney, Darwin and Melbourne.

247,900

unique active customers used the Sportingbet, Centrebet and tomwaterhouse.com websites in our ownership period in 2013.

£299

the cost per acquisition was £299 in 2013. This reduced during the second half of the year and improved the effectiveness of marketing investment.

ABOUT TOMWATERHOUSE.COM

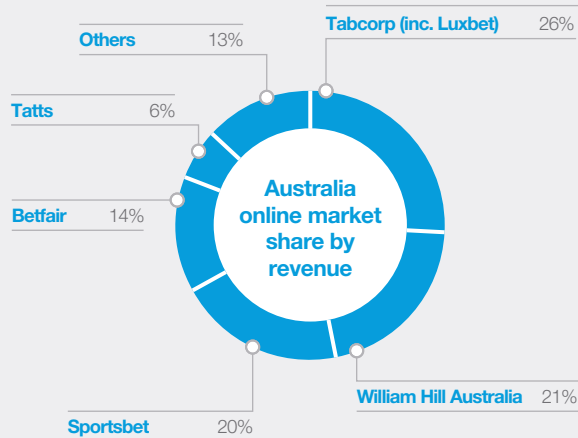
We acquired tomwaterhouse.com, one of the fastest growing corporate bookmakers in Australia in August 2013 for £20m upfront and up to c£41m in potential earnout payments, of which we have recognised c£1m in our 2013 accounts. As part of William Hill Australia, the business will benefit from a better technology platform, operational scale and a wider product portfolio.



Sportingbet's Australian business is one of the two leading online corporate bookmakers in Australia by market share. It is based in Darwin and Sydney, and comprises the Sportingbet and, since August 2011, Centrebet brands, offering sports betting products via online, mobile and telephone channels. We acquired this business as the major part of a £459.4m acquisition that also included Sportingbet's Spanish online betting and gaming business, miapuesta.

Established in 2010, tomwaterhouse.com became one of Australia's fastest growing online racing and sports betting businesses. We acquired the business for an upfront cash consideration of A\$35m (£20.5m). A potential additional earn-out on a sliding scale of up to A\$70m (c£41m) in cash is payable, subject to tomwaterhouse.com achieving incremental operating profit on a sliding scale between A\$10m and A\$30m in the year to 31 December 2015.

AUSTRALIA ONLINE MARKET SHARE BY REVENUE



Source: Macquarie Research, September 2013.



ABOUT SPORTINGBET

We acquired Sportingbet's Australian and Spanish businesses for £459.4m in March 2013. Sportingbet in Australia operates two brands, sportingbet.com.au and centrebet.com.au, which Sportingbet had acquired in August 2011. Together, they are one of the leading corporate bookmakers. We aim to expand into a more mass market customer base by improving Sportingbet's digital capabilities and user experience. Through a successfully refocused retention and reactivation programme, we have stabilised the unique actives performance and expect to drive growth in new accounts through our investment programme.

Marketplace and regulatory position

The Australian betting market is one of the largest and most attractive locally licensed online markets in which the Group did not previously have a footprint. It has demonstrated strong structural growth in areas where William Hill has particular skills: online, mobile, fixed odds and sports betting. Currently, only pre-match sports betting is licensed online in Australia, with both in-play and gaming banned although in-play is permitted by telephone.

Strategic priorities

The acquisition of Sportingbet and tomwaterhouse.com complements the Group's strategy to expand internationally. It gives William Hill exposure to an attractive locally licensed market and diversifies revenues by geography and channel. We believe we have the resources and expertise to continue to grow this business successfully, building on its already strong market position.

We are excited by the opportunity we see to develop William Hill Australia by improving our digital offer and targeting the recreational customer. We see opportunities to enhance the business, for instance by expanding the product range, improving the website user experience and applying our established and proven online marketing expertise.

Performance review

Since acquisition, William Hill Australia has generated £86.7m of net revenue¹ from amounts wagered of £1,177.1m at a gross win margin of 7.9%. With operating costs of £54.5m, we recorded an Operating profit² of £12.0m. The results of the Australian business were impacted by poor results in the peak Spring Carnival period and, reported in sterling, have been adversely affected by the c30% depreciation of the Australian dollar against sterling over our period of ownership.

We have previously outlined our 12-18 month plan to develop and enhance the business by expanding the product range, enhancing the user experience and applying our established and proven online marketing expertise. Progress against this plan has been good to date and we are already beginning to see some improvement in operational metrics from the initiatives we are undertaking.

In terms of enhancing the user experience, our principal achievement has been the development and imminent launch, (as at February 2014), of a new 'responsive design' website for sportingbet.com.au as part of our efforts to enhance the user experience. This benefits from using HTML5 which automatically optimises display of the content to suit the user's device, whether they are viewing via a desktop, laptop, tablet or smartphone.

We continue to improve the effectiveness of the marketing investment and are in the process of reallocating more of the total budget to online marketing and offline advertising. This will continue to improve during 2014 as current sponsorship contracts expire, freeing up resources to invest in our target of more mass market-focused areas. The Sportingbet brand will be the key focus of ongoing TV advertising, using the Australian cricket legend Shane Warne as our spokesperson.

In the first half of 2014, we plan to migrate tomwaterhouse.com onto the William Hill Australia technology platform, improving the user experience and giving those customers access to a much wider product range. Thereafter, tomwaterhouse.com will be supported by the William Hill Australia operations, enabling us to achieve cost synergies in that business.

¹ Net revenue is a gaming term that is equivalent to the Revenue defined in the statutory accounts on page 91.

² Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax before the amortisation of specific identified intangible assets recognised on acquisitions.

FINANCIAL REVIEW

CONTINUED STRONG CASH FLOW WITH £268M NET CASH INFLOW FROM OPERATING ACTIVITIES.



THE COST OF THE STRATEGIC EVOLUTION OF THE GROUP WAS REFLECTED IN OUR INCREASED BALANCE SHEET LEVERAGE.

The Group made £335.0m of Operating profit² in 2013, versus £330.6m in 2012. The prior year included 53 weeks and the unaudited 52 week Operating profit² in 2012 was £326.4m. The Group's effective tax rate benefited in the year from a deferred tax credit following an enacted reduction in corporation tax rates hence the substantially lower pre-exceptional tax charge, which at 11.5% was 5.0 percentage points lower than the prior year (2012: 16.5%). Against this, amortisation of specifically identified intangibles arising on acquisition was higher as a result of the Sportingbet acquisition and pre-exceptional interest charges were also higher, reflecting the additional debt taken on to fund the acquisitions made during 2013. Pre-exceptional profit after tax was £247.6m, 1.3% ahead of the prior year (2012: £244.5m).

During the period, the Group completed three acquisitions: the assets acquired inter alia from Sportingbet plc, the Australian tomwaterhouse.com business and the acquisition of the 29% minority interest held by Playtech in William Hill Online.

These were financed by a combination of the existing revolving credit facility (RCF), a short-term bridge loan and the proceeds of a £373m (net) 2-for-9 rights issue completed on 5 April. To maintain an appropriate capital structure and further diversify its debt profile, the Group issued a twice-oversubscribed seven-year bond at a coupon rate of 4.25% to raise £375m on 5 June. The proceeds of the bond issue were used to repay the bridge loan and borrowings drawn under the RCF. As at the end of the year, the Group had drawn borrowings of £905m and net debt for covenant purposes increased to £796m (1 January 2013: £339m) as a result of the acquisitions. This reflected a net debt for covenant purposes over EBITDA ratio of 2.0 times.

Pre-exceptional Income Statement

With net revenue¹ of £1,486.5m, the Group saw revenues grow by 16% or £209.6m versus the prior year (2012: £1,276.9m). By channel, Retail saw an additional £69.1m primarily arising as a result of the change in accounting following the introduction of Machines Games Duty (MGD). Online saw an additional £39.6m of net revenue following a successful year of growth from its Sportsbook operations, the US an additional £13.8m arising both as a result of improved margins and from a full year of operations versus 27 weeks in 2012, and William Hill Australia contributed £86.7m in 2013 following its acquisition during the year.

Pre-exceptional cost of sales for the Group also grew strongly, by £94.4m from £172.2m in 2012 to £266.6m. This line includes taxes, levies and royalties relating to the operation of a betting and gaming company.

Retail saw the bulk of the growth, with a £66.2m increase again largely related to the introduction of MGD, and which offset the net revenue movement. Online cost of sales grew by £4.6m due primarily to increases in taxes paid in licensed territories, together with growth in mobile Sportsbook software charges. The addition of William Hill Australia contributed a further £20.2m increase to cost of sales. The Telephone channel saw a £2.3m increase as the business rolled over a £3.4m accrual release in 2012.

Pre-exceptional net operating expenses, including other operating income, were £899.2m, up £116.4m or 14.9% on the prior year total of £782.8m. A major factor in this growth has been the acquisition of the Australian businesses, together with the full year impact of the Group's US acquisition in 2012. Including amortisation arising on acquisition, these factors accounted for £67.2m of the increase.

Online net operating expenses before amortisation of acquired intangibles grew by 14% or £32.5m: of this, marketing grew by £16.1m or 15%, and other costs grew by £16.4m or 14%: the major factors in this other cost growth are increases in staff costs, depreciation, bank charges, IT costs and content costs. Retail net operating costs grew £18.1m or 4%. Underlying Retail cost growth after adjusting for the additional week in 2012 was up 6%; of which c2% was driven by the loss of input VAT credits following the commencement of the MGD regime. On this underlying basis, labour costs grew only 2% with a 4% growth in trading hours including new unit growth partly offset by savings in staff incentives. Other lines showing substantial growth included depreciation, content costs and repairs & maintenance.

Retail costs also benefited from a decrease in central cost recharges as a result of reductions in staff incentive costs, which also served to reduce Group net corporate expenses.

Amortisation on specifically identified intangible assets arising on consolidation rose from £5.0m in 2012 to £10.9m in 2013, as a result of the full year impact of the US acquisition and the part-year impact of the Australian acquisitions. Other operating income was £7.4m (2012: £4.7m) and the Group saw £3.4m of contribution from its associate SIS (2012: £3.7m) although it does not expect to see a contribution from this source in 2014.

The Group made £335.0m of Operating profit² (2012: £330.6m) and £324.1m of pre-exceptional profit before interest and tax (2012: £325.6m).

Pre-exceptional net finance costs were £44.3m in 2013, up £11.4m or 35% on the prior year (2012: £32.9m). This was driven by the increased levels and mix of debt following the acquisitions made during 2013. Pre-exceptional pre-tax profit for the year was £279.8m (2012: £292.7m).

Exceptional costs

The Group recorded £21.1m of pre-tax exceptional costs and £1.7m of pre-tax exceptional finance costs in 2013, £22.8m in total (2012: £15.0m).

The exceptional finance costs relate to the early termination of the Group's bridge loan facility following the Group's bond issue in 2013. Of the other exceptional items, £13.5m relates to the Group's purchase and integration of assets from Sportingbet plc. Together with the £4.6m of cost incurred in 2012 on this project, this totals £18.1m. The Group saw £2.0m of exceptional costs relating to the acquisition by the Group of tomwaterhouse.com. Finally, the Group received a rebate from HMRC in 2010 relating to VAT on gaming machines. This was treated as an exceptional gain, and identified as a contingent liability given that legal action continued.

HMRC were successful at appeal in late 2013, and have subsequently advised that they will be seeking repayment. Accordingly, we have reversed this gain, reflecting a £5.6m exceptional charge in cost of sales.

Taxation

Pre-exceptional tax on profit was £32.2m (2012: £48.2m) at an effective tax rate of 11.5% (2012: 16.5%). This benefited from a deferred tax credit arising as a result of the 3% drop in enacted UK corporation tax rates from 23% to 20% as well as from the lower effective tax rate of Online division. Tax on exceptional items was a £1.7m credit (2012: £1.5m credit) making the total tax for the Group for 2013 of £30.5m (2012: £46.7m).

Looking ahead, the Group expects that the pre-exceptional effective tax rate on profit for 2014 will be around 17% and the cash tax effective rate will be 18%.

Earnings per share

Pre-exceptional profit for the year was £247.6m versus £244.5m in 2012. After deducting £15.3m of non-controlling interest (2012: £42.5m) retained profit for the period before exceptional items grew by 15% from £202.0m in 2012 to £232.3m. The reduction in the non-controlling interest deduction reflects the benefit of the purchase of the non-controlling interest in April 2013. Retained profit for the period was £211.2m versus £189.8m in 2012.

Basic adjusted earnings per share grew by 6% from a rights issue adjusted 27.2p in 2012 (previously reported as 29.4p prior to the equity raise) to 28.8p in 2013. The adjustments made relate to exceptional items and to the amortisation of acquired intangible assets: adjustments which reflect the key business metric of Operating profit² and give a better sense of underlying business progress. Basic earnings per share were 25.2p (2012: 25.0p on a rights issue adjusted basis, previously reported as 27.0p).

Cash flow and balance sheet

The Group's cash flow from operating activities declined by £26.7m in 2013 versus 2012, due mainly to a working capital swing, with £12.5m outflow during the year versus an inflow of £25.9m in 2012, together with increased cash exceptional items.

The main driver of the working capital outflow in 2013 was related to a decrease in year end payables, given a reduction in staff incentives and the impact of the Australian acquisition.

Additionally, the receivables inflow in 2012 benefited from the transition to MGD, and this was not repeated at the year-end in 2013. Capital expenditure was £84.6m in 2013 (2012: £66.3m) but this increase was offset by a reduction in dividends payable to non-controlling interests. The Group spent £874.5m on acquisitions during the year, of which circa 40% was raised via the rights issue undertaken in the year, with the remainder coming from existing debt facilities and a short-term bridge loan, later refinanced via the bond market.

Following this busy year of financing activity, the Group ends the year with a good spread of debt maturities including a £300m bond due in 2016, a £375m bond due in 2020 and a £550m revolving credit facility expiring in 2015. Of this latter facility, £230m was drawn at the end of the year giving £905m of drawn borrowings against £1,225m of committed facilities. Offsetting this, for covenant purposes, was £112m of available cash. Net debt for covenant purposes was £796m, an increase of £457m as compared to the comparable figure at the previous year end (2012: £339m). Net debt for covenant purposes over EBITDA was 2.0 times versus the prior year comparable of 1.0 times, with the movement reflecting the increased debt levels following the acquisitions made in 2013.

Despite an adverse actuarial valuation movement of £3.8m following an updated valuation to the year end, the Group's accounting pension deficit benefited from ongoing contributions made by the Group as a result of a funding plan agreed between the Group and the pension trustees. As a result, the accounting deficit fell slightly, from £21.1m at the end of 2012 to £17.5m at the end of 2013. The latest formal three-year actuarial revaluation is currently underway and the company is expected to discuss and agree a new funding plan in 2014 with the pension trustees.

Neil Cooper
Group Finance Director

¹ Net revenue is a gaming term that is equivalent to the Revenue defined in the statutory accounts on page 91.

² Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax before the amortisation of specific identified intangible assets recognised on acquisitions.

MANAGING OUR RISKS

HOW DO WE MANAGE OUR RISKS?

The Board acknowledges its responsibility to determine and execute appropriate responses to the potentially significant risks to be addressed in pursuit of the Group's strategic objectives. These actions are taken in the context of a defined risk appetite which has clear standards and definitions and which is reviewed annually by the Board. This is supported by a structured risk management process as defined below.

The Board routinely monitors risks that could materially and adversely affect William Hill's ability to achieve strategic goals, financial condition and operational results, supported by executive management and the Risk and Audit function. Risks are identified and monitored through a series of risk workshops and risk registers, both at the Group level and within the key divisions. Where we identify risks outside of defined appetites, we develop action plans to mitigate the impact of them with clear allocation of responsibilities. Progress is monitored at the executive level and reported upon to the Board's Audit and Risk Committee. An annual assessment is also conducted and reported to the Audit and Risk Committee as to the effectiveness of the risk management processes for the year.

Below is a summary of what the Board's assessment and response to the principal risks facing William Hill. A more extensive list of risks is provided in the investor relations section of our corporate website at www.williamhillplc.com. An explanation of how the Group manages its various financial risks is provided in Note 22 to the Accounts.

Area of risk	What's the issue?	What are we doing to address the issue?
UK and overseas regulation	Our continued internationalisation, alongside developments in the domestic regulatory landscape, presents continually evolving regulatory challenges to the Group. At the same time, the regulatory position in online gambling is changing rapidly, particularly in Europe where several countries are implementing tax and regulatory regimes. The European Commission is also reviewing its Money Laundering Directive and it has been suggested in its latest directive in draft that this be extended to encompass betting shops for the first time. This directive also applies to all our European licensed businesses, including Gibraltar. Our scale and position within the market sets the expectation that William Hill will be a leader in regulatory compliance and standards in the industry.	<ul style="list-style-type: none"> – We actively engage with both the UK Government and opposition parties to discuss the measures by which we fulfil our obligations under the licensing objectives in the UK, in terms of protecting the vulnerable (particularly by setting standards in promoting responsible gambling), keeping crime out of our business and behaving in a fair and responsible manner towards our customers. – In 2013, we established with the rest of the British retail betting industry the voluntary ABB Code, which shares best practice on the provision of responsible gambling information, interactions with customers and tools to enable customers to better control their gambling in the betting shops. – At an international level, we continually monitor the changing legal landscape and adapt our strategy on a country-by-country basis to changes in regulation. A high proportion of Online's revenues are derived from licensed territories, which mitigates risks associated with operating in territories without specific licensing regimes. – Senior management are responsible for regulatory issues and work with an internal team and various industry bodies to build relationships with political decision-makers and to make representations to governments. The Group actively engages in relevant government consultations, such as the stakes and prizes review undertaken in 2013.
UK and overseas taxation and duties	In the current economic climate, governments may seek to tax the gambling industry more to increase their revenues. In addition, many governments are introducing new taxation regimes as they change regulations to take account of online gambling. In particular, the expected introduction of the UK Point of Consumption tax will drive changes to the dynamics of operating in the UK online market.	<ul style="list-style-type: none"> – The Group actively engages in relevant government consultations. For instance, we supported reports by Deloitte and Gambling Compliance to help inform HM Treasury about the implications of different online taxation models. – As a Group, we are seeking to reduce our exposure to the UK, which accounted for 85% of 2013 revenues down from 91% in 2012, by investing selectively in other territories. – We are already preparing for the expected introduction of the Point of Consumption tax in the UK in December 2014. While we believe this represents an opportunity for William Hill, as a scale operator, to take market share from other operators who are weakened by the imposition of the tax, we are also reviewing ways to offset some of the additional cost through savings across the Group.
Key supplier relationships	The Group is dependent on a number of key suppliers for operations, software, systems, marketing and customer services in both Retail and Online. Contractual, operational or financial failures could cause significant damage to the business and multiple supplier failure would be a catastrophic issue for the business.	<ul style="list-style-type: none"> – We have strong, active working relationships with key strategic and software partners, with identified executives managing key relationships. – All significant contracts and service level agreements go through a robust procurement process to ensure terms and service levels provide effective protection for the business. – We monitor key supplier performance and processes are under review to strengthen this further.

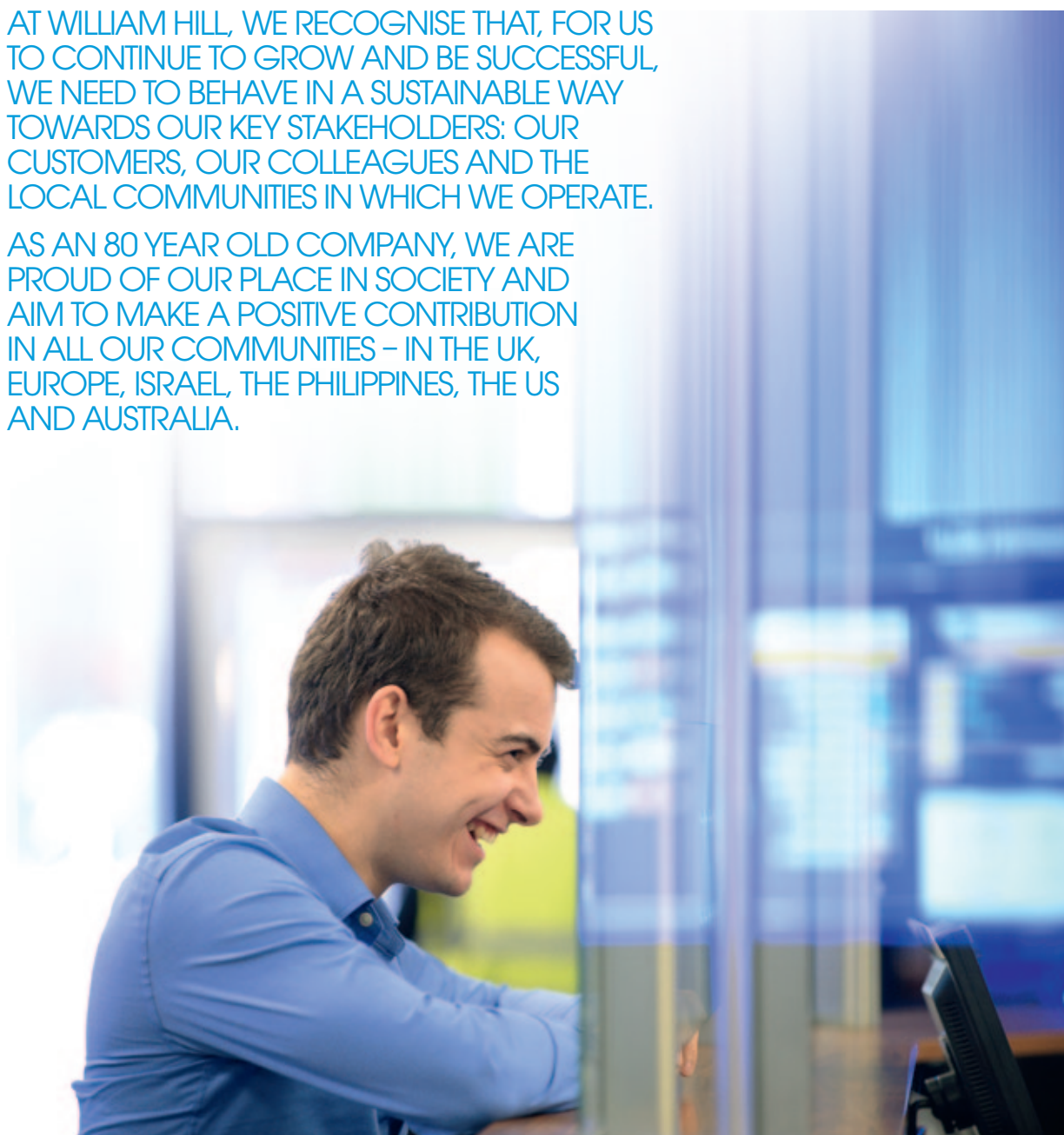
Area of risk	What's the issue?	What are we doing to address the issue?
Business continuity and disaster recovery preparedness	The Group's continuity of operation could be impaired, for example by a technology failure or terrorist attack. In particular, the Group is reliant on extensive IT systems and, if our primary systems failed and back-up systems were ineffective, our ability to offer products and pricing to customers could be seriously curtailed or shut down altogether. The growth of Online highlights the need to ensure that Online's disaster recovery capability evolves at the same pace as the live system evolution.	<ul style="list-style-type: none"> – Business continuity planning and disaster recovery are regularly reviewed by executive management and the Board. – Plans have been or are being put in place for all key operations including, where appropriate, the provision of alternative sites that could be accessed at short notice. – Back-up IT systems have been put in place for a number of business critical systems, generally in different geographic locations from the main system. However, this is not intended to be a full duplication of the operational systems as this would not be cost effective so some day-to-day activities could be curtailed should an incident occur. – Investment is currently planned for 2014 to upgrade disaster recovery systems for Online to further enhance capabilities and minimise business interruption in the event of an incident.
UK and international growth opportunities	The UK accounted for 85% of Group revenues in 2013. While this is reducing as a result of our international expansion strategy, it remains a substantial proportion of our revenues and increasing our UK market share continues to be a key growth driver in our short- and medium-term strategy. Globally, a number of governments are changing or considering changing their regulation of gambling, which could present opportunities for William Hill to expand.	<ul style="list-style-type: none"> – We perform extensive analysis of different markets and closely monitor regulatory changes in different countries to identify expansion opportunities. The Corporate Development Office, reporting to the Group Finance Director, manages lead identification and M&A support, such as the US acquisitions and the Australia acquisitions. – Online is targeting its international expansion on a small number of territories (primarily where we can take a local licence), ensuring focused investment of marketing spend in priority markets. – Acquisitions made in Nevada and Australia give the Group a foothold in new markets and reduce our dependence on the UK. – We continue to invest in product channel offerings to make our products attractive to customers.
Data protection and technology risk	The risk of cyber attacks, distributed denial of service (DDoS) or unauthorised access is a key issue for the industry and the wider online world. In addition, failure to comply with regulations regarding the use of personal customer data could risk litigation or damage to our corporate reputation. The impact of such events could increase as we continue to promote the use of online and mobile products.	<ul style="list-style-type: none"> – The Group's Retail, Telephone and Online divisions are compliant with the Payment Card Industry Data Security Standard and we regularly test the effectiveness of these systems. – Online undertakes regular external security scans and has controls in place to mitigate the effects of DDoS attacks against our systems. – We also continue to increase our capabilities to protect our systems against attacks.
Regulatory compliance	We have to ensure we have robust processes for meeting the British Gambling Commission's three licensing objectives and for complying with all the regulatory requirements of the jurisdictions in which we operate. Continuing changes in regulation, particularly of online gambling, could result in a regulatory breach and sanctions if not identified in a timely manner and result in damage to our reputation. Technology solutions put in place to block access to customers from certain jurisdictions may fail. Failure to detect money laundering or fraudulent activities could adversely affect our financial condition.	<ul style="list-style-type: none"> – A Group-wide review determined the design and operating effectiveness of the compliance operations and reporting. – A specific review, with third party validation, assessed the risks in our Online operation and to ensure that preventative controls for William Hill US are effective. – We adhere to the Proceeds of Crime Act 2002 in the UK and online gaming is a regulated sector for money laundering. We have dedicated regulatory and compliance teams within the business and we have a number of processes to detect and report suspicious activity, and to handle requests for assistance from law enforcement agencies and regulators, all of which is overseen by the Group's Money Laundering Reporting officer.
Recruitment and retention of key employees and succession planning	The William Hill Group is an increasingly complex organisation with operations in nine different countries across the world. Our success is driven through the development and retention of a focused leadership team and a number of skilled specialist employees throughout our business. The development of this population of key employees and the appropriate recruitment and integration of new talent to supplement this team underpins our growth strategy, as well as the need to ensure appropriate succession plans are developed and monitored to support our growth in the longer term.	<ul style="list-style-type: none"> – Overall, the Group provides good salary and benefits packages, including short-term bonuses and long-term share-based incentives, and regularly reviews these for competitiveness. – All employees are encouraged to become owners of the business through annual Save-As-You-Earn programmes. – Where appropriate, reward and retention packages are put in place with individuals at risk of being targeted by headhunters. – The Board has visibility to key leadership arrangements through the Remuneration Committee and undertook a thorough review of executive and senior management remuneration in 2013. – Over the last three years, the Group has conducted an annual talent review process. In 2013, this involved the top 240 managers across the entire Group. – The Group regularly reviews the levels of employee engagement through an annual employee survey and implements specific action plans to address areas of improvement. – A process is underway to identify a successor for the Chief Executive as Ralph Topping has indicated his intention to retire by the end of 2015. This process, which is being led by the Chairman and the Nomination Committee, is reviewing both internal and external candidates.

CORPORATE RESPONSIBILITY REPORT

BEING A RESPONSIBLE BUSINESS.

AT WILLIAM HILL, WE RECOGNISE THAT, FOR US TO CONTINUE TO GROW AND BE SUCCESSFUL, WE NEED TO BEHAVE IN A SUSTAINABLE WAY TOWARDS OUR KEY STAKEHOLDERS: OUR CUSTOMERS, OUR COLLEAGUES AND THE LOCAL COMMUNITIES IN WHICH WE OPERATE.

AS AN 80 YEAR OLD COMPANY, WE ARE PROUD OF OUR PLACE IN SOCIETY AND AIM TO MAKE A POSITIVE CONTRIBUTION IN ALL OUR COMMUNITIES – IN THE UK, EUROPE, ISRAEL, THE PHILIPPINES, THE US AND AUSTRALIA.



Performance		How we are doing		Comments
		2013	2012	
CUSTOMERS				
Customer protection	Number of self-exclusions – Retail	6,767	5,853	We have revised the reporting process in 2013 which contributed to an increased number of self-exclusion reports. We continue to develop our customer interaction procedures and training in Retail and Online to encourage responsible gambling.
	Number of self-exclusions – Online and Telephone	17,915	11,383	
	RIDDOR reportable accidents – customers	232	112	We aim to capture all incidents and have strengthened our Health & Safety training to reflect the 2013 changes in reporting.
Customer satisfaction	Retail Net Promoter Score	47%	37%	Higher mystery shopper scores were achieved following implementation of a customer service programme in 2013.
	Disputes referred to IBAS IBAS disputes found in customers' favour	453 1.1%	457 0.7%	Our customers can rely on an independent arbitrator to resolve customer disputes. In most cases, our original decisions are upheld, reflecting consistency with our updated terms and conditions.
COLLEAGUES				
Protection	RIDDOR Reportable accidents – Colleagues	37	35	We have strengthened our Health & Safety Training to incorporate the changes in incident reporting introduced in 2013.
	Incidents of violence in the workplace	375	166	We ensure the safety of everyone in our shops through providing regular security features and conflict management training. Our reporting changed in 2013 to capture incidents more comprehensively.
	Number of robberies	130	170	The number of actual robberies continued to decrease, down 25% in 2013.
	Number of burglaries	51	90	33% of the 51 total burglaries were attempts. A number of burglaries were combated with the use of StaffSafe.
	Number of cash-in-transit incidents	20	29	20% of all cash-in-transit incidents were attempts. Awareness in training and Counter Plan have reduced incidents.
	Average cash loss from OTC robberies (£)	390	335	Average cash loss is still showing a significant decline compared to £493 in 2008.
Training and development	Total number of training days Value of training investment (£'000)	28,145 785.4	32,995 1,030	Our business is sustainable as we attract and retain engaged employees. We offer a clear career progression and development opportunities.
Engagement	Employee Engagement Index – participation	51%	72%	Having changed our data collection method, our goal in 2013 was to achieve 50% participation, which we achieved.
Support	William Hill Foundation grants (£)	42,406	26,454	The Foundation supported colleagues in need not only in the UK but also in the Philippines, which was hard hit by typhoons and floodings throughout the year.
COMMUNITY				
Environment	Total CO ₂ equivalent (tonnes)	57,466	51,557	This increased as our business expanded, both internationally and in the UK (see p47).
Industry relationships	UK horse racing levy (£m)	17.5	16.6	We continue to support sports through sponsorship and the horseracing and greyhound levies.
	Sports sponsorship (£m)	6.4	7.6	
Community engagement	Employee charity matching scheme (£'000)	56.9	108.7	Our colleagues participated in 131 charity events that we matched in 2013.
	Responsible Gambling Trust donation (£'000)	863.3	821.8	We are the biggest single contributor to the Responsible Gambling Trust, demonstrating our continuing support for problem gambling research, treatment and education. In 2013, the industry contributed £6m, £1m more than in 2012.

CORPORATE RESPONSIBILITY REPORT

CUSTOMERS

IN THE UK, THE STANDARDS, POLICIES AND PROCEDURES BY WHICH WE OPERATE OUR BUSINESS ARE DEFINED BY THE GAMBLING COMMISSION'S LICENSING OBJECTIVES.

OBJECTIVE 1

TO PREVENT GAMBLING FROM BEING A SOURCE OF CRIME AND DISORDER, BEING ASSOCIATED WITH CRIME OR DISORDER OR BEING USED TO SUPPORT CRIME.

OBJECTIVE 2

TO ENSURE THAT GAMBLING IS CONDUCTED IN A FAIR AND OPEN WAY.

OBJECTIVE 3

TO PROTECT CHILDREN OR OTHER VULNERABLE PERSONS FROM BEING HARMED OR EXPLOITED BY GAMBLING.

Protecting the vulnerable**Encouraging responsible gambling**

Problem gambling levels – as tracked through the 1999, 2007 and 2010 Prevalence Surveys and now through the English and Scottish Health Surveys – have been relatively stable throughout the past decade and may even now be declining. The levels are low by international standards with around 0.5% to 0.7% of adults in Britain having a propensity to have a problem with gambling¹.

According to academic experts, a problem gambler typically uses around six or seven products regularly. There is no evidence that any single product is a cause of problem gambling. We have put measures in place to encourage customers to gamble responsibly and to provide them with tools to help control their gambling. For many years now, we have provided self-exclusion systems in the betting shops and for Online and Telephone customers. Since 2011, when we reviewed and revised our approach in the shops, we have required customers who want to take advantage of this facility to self-exclude for a fixed one-year term and to provide a photograph so that we can share the information with other William Hill betting shops likely to be used by that customer. We recorded 6,767 self-exclusions in Retail in 2013 and 17,915 in Online and Telephone.

The number of self-exclusions did not materially change in spite of the fact that we have substantially increased our level of interactions with customers in the shops. We undertook a further extensive colleague training programme in 2013 to help them manage such potentially confrontational situations. In Retail, we are now routinely recording every month more than 2,000 interactions and 550 self-exclusions. We are also reviewing our processes within Online to identify ways to add usefully to the existing tools, which already include enabling customers to set their own deposit limits.

Preventing underage gambling

Betting shops are an 'over 18' environment and we have continued to make good progress with our 'Think 21' age verification programme to ensure our customers are over the age of 18. We use an independent third party to test the effectiveness of our approach. Having changed our testing methodology in 2012, throughout 2013 we have been measuring colleagues' challenging of customers who appear to be under 21 at different stages of their interaction with the shop, from entering the door to approaching the counter or attempting to use a gaming machine.

¹ Health Survey for England 2013.

MORE ON CORPORATE RESPONSIBILITY

Looking after our customers' welfare is good business sense and reflects our commitment to keep gambling as an enjoyable activity.

We have continued to make good progress in all our key corporate responsibility areas and have outlined major developments in this report. As there is always more to discuss than can be encompassed within this summary report, we are again publishing a separate Corporate Responsibility Report, including the William Hill Commitment, which outlines how we behave towards our key stakeholders. This is available online at www.williamhillplc.com or from the Investor Relations department. To request a copy, please e-mail ir@williamhill.co.uk or call on +44 (0) 20 8918 3600.



Download our 2014 Corporate Responsibility Report at www.williamhillplc.com



It is pleasing to have achieved a high rate of challenges, with a greater than 80% success rate from third-party testing and an 84% success rate from regular local authority testing. This compares favourably with other 'age challenge' industries and it takes a consistently high level of focus for all our Retail colleagues to achieve this. We remain committed to sustaining such good practice.

Fair and open gambling

We strive to ensure our rules and terms and conditions are easily available and comprehensible to customers, and to resolve all betting disputes in a fair, consistent and equitable manner. In 2013, the number of disputes escalated to the Independent Betting Adjudication Service (IBAS) fell slightly to 453, with 1.1% of these being found in the customers' favour. Having moved to an improved mystery shopper programme in Retail in 2012 and provided relevant training, we saw the net promoter score increase from 37% to 47%.

2,000

Responsible gambling interactions

Our Retail colleagues are consistently recording around 2,000 responsible gambling interactions with customers a month.

84%

Age verification

In age verification tests by local authorities, we achieved an 84% success rate.

Preventing crime

Like any other responsible business, we want our shops to be a safe and crime-free place for both our colleagues and customers.

Through our longstanding and award-winning Counter Plan initiative, together with our investment in incident management systems such as safe havens and StaffSafe, we continue to be very successful in reducing the number of attempted or actual robberies, burglaries and cash-in-transit incidents across our Retail estate. In the last five years, robberies have fallen 60%, with 34% of those incidents in 2013 being classed as attempts. Burglaries have fallen 76% and cash-in-transit incidents have reduced 46%.

Money laundering in betting shops remains a focus for discussion though the number of suspicious incidents involving proceeds of crime or money laundering in betting shops remains low at less than 1% of the reported cases. As a cash business, there will always be a low risk around Retail but we take that risk very seriously and have a dedicated Money Laundering Reporting Officer, comprehensive training, clear systems for escalation and fraud alert software on the gaming machines. In 2013, we reported 154 cases to the National Crime Agency (previously the Serious Organised Crime Agency).

THE ABB CODE

The key change during 2013/2014 has been the development and implementation of the industry's own voluntary code of practice, the Association of British Bookmakers' Code for Responsible Gambling and Player Protection in Licensed Betting Offices in Great Britain, which William Hill took a lead to develop with the industry body.

It focuses on improving our performance in four areas:

- issuing clearer and more accessible information on how to gamble responsibly and highlighting the sources of help available;
- providing customers with new tools such as mandatory time- and money-based reminders, and the ability to set spend and time limits on gaming machines and request machine session data;
- training staff to detect the signs of potential problem gambling more quickly and how to interact more effectively with those identified; and
- undertaking more consistent central analysis of data to identify abnormal activity both in specific shops and, where possible, that relating to individual customers.

We have made good progress in all these areas, with the technology changes to the machines being the last key step, implemented before the agreed 1 March 2014 deadline.

We expect these measures to have a positive influence on responsible gambling.

abb
association of british bookmakers ltd

CORPORATE RESPONSIBILITY REPORT

AWARD-WINNING SECURITY

In 2011, our Counter Plan Refresh training programme won the Security Training Initiative of the Year at the Security Excellence Awards. In 2013, Mark Hephherd followed that up by being awarded Security Manager of the Year, in competition with some key figures across the wide-ranging security industry.



**Security Manager of the Year at
Security Excellence Awards 2013
– Mark Hephherd (centre)**



COLLEAGUES

THROUGHOUT 2013, WE CONTINUED TO EMBED OUR HOME PRINCIPLES ACROSS THE GROUP WITH HOME-FOCUSED EVENTS IN A NUMBER OF LOCATIONS. AS WE BECOME EVER MORE DIVERSE AND INTERNATIONAL, HOME BECOMES INCREASINGLY HELPFUL IN ENGAGING OUR COLLEAGUES IN NEW OPERATIONS, SUCH AS IN WILLIAM HILL US AND WILLIAM HILL AUSTRALIA, BY CLEARLY IDENTIFYING THE PRINCIPLES BY WHICH WE OPERATE.

HOME REPRESENTS THE WAY WE WORK AT WILLIAM HILL.

HOME STANDS FOR:

HUNGRY FOR SUCCESS

OUTSTANDING SERVICE

MAKING IT HAPPEN

EVERYONE MATTERS

Health and safety

Health and safety has been a major focus during the year.

In January 2013, Jacob Marx, a young New Zealand lawyer, lost his life following the collapse of a signage sub-fascia outside our shop in Camden Road. This matter is of deep regret to the Group and we extend our sympathies to Jacob Marx's family. At the time of writing, the inquest has not taken place and we are co-operating fully with an ongoing health and safety enquiry.

The key changes we have made during 2013 were identified as priorities in conjunction with Westminster City Council, with whom we entered into a Primary Authority relationship in 2012. This gives Westminster full transparency on our health and safety management systems, including the health and safety objectives as overseen by the Board's Corporate Responsibility Committee (CR Committee), and it has proved to have been a very constructive relationship on both sides.

In our view, the standard of our health and fire safety in the Retail operation has improved significantly during the last few years through, for instance, updating our policies, improving risk assessments and rolling out training for fire risk assessments. These improvements are having a positive effect on the culture and standards within the LBOs, with the use of the health and safety manual, procedures and assessments improving measurably.

We have developed a 'root cause analysis' approach for accidents and incidents, with accelerated accident investigation and process improvement. This has driven changes such as improving our approach to asbestos management.

In the coming year, we will formulate a national inspection plan with Westminster City Council, centring on key risk areas and including violence in the workplace.

In March 2014, we will roll back our policy on mandatory dual-manning of LBOs after lunchtime hours in our low-risk and medium-risk shops. It brings us in line with not only other LBO operators but also other companies in the retail sector and allows us to remain competitive against a challenging economic backdrop. Before making this decision, we undertook an extensive four-month trial, which included consultation with colleagues as well as testing whether the changed approach affected our ability to fulfil our licensing obligations or affected our high security and health and safety standards.

Human rights

Following a review, the Board considers that it is not necessary for the Group to operate a specific human rights policy at present. Our policies already operate within a framework to comply with relevant laws, to behave in an ethical manner and to respect the human rights of our employees and other stakeholders in the business.

¹ Scottish and English Health Surveys, 2012.

The CR Committee, on behalf of the Board, reviewed the ten principles of the UN's Global Compact, covering areas of human rights, labour, the environment and anti-corruption. Given that the Global Compact is a widely accepted benchmark for human rights, the CR Committee has confirmed that it is satisfied that William Hill's policies operate in a way that is consistent with the Global Compact.

Pension auto-enrolment and colleague saving schemes

During the year the regulations for the auto-enrolment of UK colleagues into a workplace pension scheme came into effect. We agreed to offer a defined contribution section within the existing pension scheme under which joiners were asked to contribute 4% of salary, matched by the Group with a further 4%. Whilst this is higher than the statutory minimum, this was offered as there were concerns that a lower rate would likely not create a retirement provision substantial enough for anything other than a very small annuity. Around 65% of colleagues who were automatically enrolled have remained in the scheme, saving for their retirement.

We have supported UK colleagues' saving by introducing the Christmas Shopping Saving Scheme and Leeds Credit Union Scheme.

Engagement

In June, we held our first International Colleague Forum, bringing together 16 colleagues from six international locations to share their colleagues' views from across the Group, thus building on the success of the colleague forums we have in many locations.

Colleagues are also encouraged to make their voice heard through the annual 'HOME Truths' engagement survey, which we have held each year since 2010. This year, the highest scores related to managers treating colleagues with respect, putting customers first and training. We saw a significant improvement in scores relating to team working, benefits and individuals feeling valued for their contribution to William Hill. Areas that colleagues highlighted to be addressed included communications and work/life balance.

Development

We reviewed our talent pool again in 2013, building on the extensive review first conducted in 2011 and updated in 2012. This is a critical part of our internal succession planning process, identifying the development needs and potential of our top 240 managers. For the second time, a small group of high-potential individuals are taking part in a 14-month programme to develop both their commercial and leadership skills.

Project Africa (see page 47) continues to be one of the most challenging – and unusual – ways in which we develop our people. The three projects conducted in the year saw colleagues from many different parts of the business participate in the programme, which pushes people mentally, emotionally and physically by putting them in an environment that presents leadership, motivational and engagement challenges as well as the requirement to handle specific projects in a short window of time.

The Retail Academy, established in 2012, is proving an early success. During the year, almost 3,000 colleagues undertook the first stage of the programme, called The William Hill Way.

A further 650 undertook the 'Stepping Up' programme to prepare Customer Services Assistants who want to go on to become Deputy Managers and 27 shop managers went through 'Taking the Lead' to prepare them for becoming a multi-site manager. During 2013 and 2014, all our 104 District Operations Managers will go through the 'Maximising Performance' programme. We continue to run our 'Springboard' women's development programme, which we have run each year since our Different Perspectives event in 2010 was held to encourage more women into management positions across the Group. Another 49 women participated in Springboard in 2013.

The following is a breakdown by gender of our Board, senior managers and all colleagues.

Gender diversity

1.	2	6
2.	60	295
3.	8,609	7,949

■ Women ■ Men

1. Board of directors
2. Senior managers
3. All colleagues

While legislation requires that we define 'senior managers' as the directors of our subsidiary companies, the Board considers that including such information does not provide a meaningful analysis of how the Group operates. The breakdown shows the proportion of senior managers by our own internal grading system. For reporting purposes, there are 40 directors of subsidiary companies, comprising 34 men and six women.

CELEBRATING OUR COLLEAGUES

In May, 235 people gathered at The Grand Hotel in Brighton from across the William Hill world to recognise the winners and runners-up in the HOME Awards, awarded in 15 different categories for everything from National Shop of the Year to Outstanding Contribution to Innovation to Most Promising Newcomer. In September, 99 colleagues who recorded 25 years' or 40 years' service including our Chief Executive who has served the Company for 40 years, attended our annual Long Service Awards, with a weekend of celebrations at the Ayr Gold Cup.



A weekend of celebrations
at the Ayr Gold Cup



CORPORATE RESPONSIBILITY REPORT

£47m

The major UK LBO operators have agreed a long-term deal with the racing industry, underpinning the Levy with at least £47m a year.

CHARITABLE ACTIVITIES

Our colleagues participated in 131 charity events, raising £56,884 that was matched by the William Hill Foundation. We made charitable donations of £962,547, the largest of which was £863,256 to the Responsible Gambling Trust to support its independent work in problem gambling-related research, education and treatment.



We made charitable donations of £962,547 in 2013

COMMUNITY

EMPLOYING 17,000 PEOPLE IN NINE COUNTRIES, WILLIAM HILL IS NOW AN INTERNATIONAL BUSINESS BUT WE ARE ALSO A VERY LOCAL ONE MAKING AN ACTIVE CONTRIBUTION TO LOCAL COMMUNITIES.

THE BRITISH BETTING INDUSTRY IS A KEY CONTRIBUTOR TO THE UK ECONOMY, WITH OTHER INDUSTRIES RELIANT ON OURS, NOTABLY UK HORSE RACING AND GREYHOUND RACING.

WE MAKE A POSITIVE CONTRIBUTION TO LOCAL ECONOMIES, THROUGH BUSINESS RATES, BY OFFERING FLEXIBLE WORKING ARRANGEMENTS, IN PROVIDING A MEETING PLACE FOR MEMBERS OF LOCAL COMMUNITIES TO TAKE PART IN AN ENJOYABLE PASTIME, IN CONTRIBUTING TO AND SPONSORING A WIDE RANGE OF SPORTS AND IN SUPPORTING OUR COLLEAGUES' EFFORTS TO RAISE FUNDS FOR CHARITIES.

Our community activities are carefully selected for a number of reasons, including giving back to the industry and communities in which we operate and also to help those in hardship. At the same time, our approach promotes the very best development in our colleagues and encourages them to be generous with their time and effort on worthwhile causes.

The William Hill Foundation

The William Hill Foundation, which started as a hardship fund during these challenging economic times, continued to support colleagues across the world, including those in Manila who were affected by Typhoon Haiyan. We donated £25,000 to the Disasters Emergency Committee. The Foundation made grants to colleagues totalling £42,406 during the year.

The Foundation also oversees our work in Kenya, where we have continued with our programme of working with The Island School at Ol Maisor in the remote province of Laikipia.

Throughout 2013, colleagues across the Group continued to support a wide range of local charities and initiatives. In Manila, for instance, we are supporting Casili Elementary School, located about five hours from Manila. Through our colleagues' efforts, supported by William Hill, we have provided a power generator, refurbished the school library, repainted the school and cemented the classroom flooring. We also donated two boats because around 40% of students cross a major river, taking them up to two hours to reach the school.

We have built on the success of one of the Different Perspectives charitable programmes we supported in 2012 by developing a corporate relationship with Catch22, a 'social business' that supports young people and adults by 'helping

people turn their lives around'. Five project teams are supporting Catch22 and helping 18 to 24 year olds find work across the UK. The teams are providing mentoring and helping with CV writing, interview skills and, where appropriate, work experience. Another two teams are doing similar work with smaller charities where Catch22 don't provide cover and our operations in Northern Ireland, Tel Aviv, Bulgaria and the US all have similar programmes.

This fits well with the fact that we are a disproportionately high employer of this otherwise under-employed age group, with 30% of our colleagues in Retail being aged 18-24. During 2013, almost 60% of new colleagues in Retail were aged 18-24. In March 2014, we are launching a pilot apprenticeship scheme for this same age group, recruiting up to 200 apprentices in the first instance.

Supporting sport

We continue to support the horseracing industry, which receives funds from us both from the statutory levy (10.75% of Retail UK horseracing gross win) and for payments for TV pictures from the tracks. The Levy in 2013 was £17.5m. The four major LBOs operators reached a long-term deal with the horseracing industry in 2013, increasing the existing Levy yield by £4.5m per annum and providing a guaranteed underpin of £47m a year. We paid a voluntary donation of £2.4m to the British Greyhound Racing Fund for the upkeep of stadias and animal welfare.

We continue to support a wide range of sports through sponsorship, from darts, snooker, greyhound racing and horse racing to football, where a ground-breaking deal with the English Football Association saw us become an 'Official Supporter' of the England Football Team, and 'Official Supporter' and 'Official Betting Partner' of The FA Cup.

Environment

In 2012, we reported, for the first time, an emissions figure (tonnes of CO₂ equivalent) for the Group. This covered 'Scope 1' (direct, e.g., vehicles, refrigerant gases) and 'Scope 2' emissions (indirect energy, e.g., electricity and gas). It excluded CFC refrigerant gases such as R22, travel figures relating to fuel used in company vehicles and 'Scope 3' emissions as these are not required under the current regulations. We reported 51,557 tonnes of CO₂ equivalent in 2012.

In 2013, this increased by 11% to 57,466. This figure now includes our new operations in Australia, Nevada and Spain, together with an additional net 40 shops, reflecting our ongoing expansion of the UK Retail estate. However, the majority of the difference relates to improved reporting as we were able to identify data that were missing from the 2012 calculations including CFC refrigerant gases and travel figures for fuel for company vehicles. On that basis, the 2012 reported number would have been 56,377 and this year-on-year increase of 2% related to the expansion of the Group. Unsurprisingly given the location of the Retail business and our corporate offices, 95% of our total consumption occurs in the UK. Electricity accounts for 94% of our consumption.

We have identified an intensity measure to track our performance – tonnes of CO₂ equivalent per £1m of net revenue – on which we saw a year-on-year reduction of 12%.

Going forward, we are establishing a Carbon Management Committee, bringing together functions from across the business to analyse our data, investigate ways in which future greenhouse gas measures can be introduced and identify potential energy saving initiatives around the Group.



PROJECT AFRICA

Project Africa started in 2012 with our first team arriving in October 2012. During 2013, three further teams have travelled to Ol Maisor to help develop the school further, with colleagues from nearly all our locations and from shop workers to senior managers joining the project.

The response of colleagues to the project has been extraordinary. To date, they have raised more than £150,000. With travel costs for the teams being met by the business, every penny of the money raised and donated goes directly to the project.

During the year, we completed the library we started in 2012, which has become an invaluable community resource, and built teachers' accommodation at the school site.

Perhaps most critically, we have installed a clean water supply for both drinking and hand-washing using filtration systems that clean water from the local river and water capture systems for rainwater from the building roofs. This has many benefits: it will aid students' concentration, improve health for students and their families, reduce the amount that families have to spend on healthcare to treat problems caused by relying on the dirty river water and provide a more reliable water supply outside the rainy season.

In the coming year, two further teams will be helping the project. Priorities for the next stage include working with the teachers to improve teaching standards as we are now sponsoring four children per year into secondary school and developing a local medical facility so that the community doesn't have to travel long distances to the nearest substantial town for healthcare support.



CHAIRMAN'S INTRODUCTION

SUPPORTING THE
GROUP'S PROGRESS.

"GARETH, IT HAS BEEN ANOTHER YEAR OF PROGRESS FOR WILLIAM HILL, HOW HAS THE BOARD SUPPORTED THIS?"

In 2013, we continued to make significant strategic progress with good growth in key areas. Some of our major strategic achievements included establishing William Hill Australia with the acquisition of Sportingbet's Australian business and tomwaterhouse.com, gaining full control of our Online business and strengthening our balance sheet with a £373m rights issue and a £375m corporate bond.

During this important time the Board provided able strategic leadership for the business in addition to demonstrating good governance.

Planning for success

The Board and management have confidence in the future of William Hill and see significant growth opportunities, particularly in mobile and in selected markets outside the UK. We recognise, however, the challenges we face with the likely introduction of the Point of Consumption tax on UK online revenues from December 2014 and the continuation of a challenging retail environment. During 2013, therefore, the Board spent much time focused on unlocking and fully exploiting opportunities in the future and managing our challenges to enable the Group to continue delivering above market returns to our shareholders.

Ensuring leadership for the future

Making sure we have the right leadership for the business remains a key priority for the Board and throughout 2013 we continued to deploy a range of development programmes for senior

managers in the business. Ralph Topping has been with William Hill for over 40 years and has been Chief Executive since 2008. It should come as no surprise, therefore, that during 2013, following discussion with Ralph, the Board agreed it would be prudent to start searching for a successor so that we can make good progress in an orderly manner. We appointed The Zygos Partnership to conduct the search and we gave them an extensive brief so we can consider the talent pool which is within William Hill and also in the wider external market.

It is important to ensure we have the right mix of talent, business background and skills on the Board and I was delighted to announce recently that Sir Roy Gardner will join the Board as a Non-executive Director with effect from 3 March 2014. David Edmonds is the Board's Senior Independent Non-executive Director and he completes his nine years of service in 2014. David will not seek re-election at the Annual General Meeting to be held on 8 May 2014 and I would like to thank David for his significant contribution to the Board over the past years. Sir Roy will take over as Senior Independent Non-executive Director following David Edmonds' retirement.

Commitment to the business and good governance

2013 was a busy year for both management and the Board and I would like to pass on my gratitude for the enthusiasm and commitment demonstrated. Management and the executive directors spent a considerable amount of time delivering on both the strategic progress and performance during the year. Given the increased international spread of the business, many of our Non-executive Directors visited our new and existing businesses including Gibraltar, Australia, the US, Israel, Bulgaria and the Philippines.

In 2012 the Financial Reporting Council introduced a revised version of the UK Corporate Governance Code (the Code) and this applied to William Hill for 2013.

As good governance is a vital underpin for good business, the Board reviewed its governance arrangements against the revised Code. The report from the Audit & Risk Committee explains why we have not decided to put the external audit to tender for now but apart from that I can report that for 2013 William Hill was in full compliance with the Code.

To further strengthen our commitment to governance and improve our management team, during 2013 Thomas Murphy, who was General Counsel and Company Secretary, relinquished his role as Company Secretary. I am pleased to report that the Board has appointed Luke Thomas, who brings many years of experience, as our dedicated Company Secretary.

Engaging with our stakeholders

We continued to listen to and understand the views of our shareholders. In addition to the usual processes, we met with institutional holders, particularly around results announcements, and we engaged extensively with our largest shareholders on proposals to change some of our remuneration arrangements and on other governance issues such as succession planning. As can be seen from the Remuneration Report, the proposed remuneration changes should position us well during a critical time for the business to motivate and retain our highly talented management team in what is a very competitive market.

Annual General Meeting (AGM)

The AGM remains an important opportunity for the Board to meet with shareholders, particularly those who may not otherwise have the chance to engage with the Board and senior managers. I and the rest of the Board were pleased to talk to many of our shareholders at the 2013 AGM. Our 2014 AGM is scheduled for 11.00 a.m. on 8 May 2014 at The Cavendish Conference Centre in London and we look forward to seeing you there.

Gareth Davis
Chairman

2013 REPORT ON CORPORATE GOVERNANCE

Introduction and Statement of Compliance

The Board believes that good corporate governance contributes to William Hill's performance and the report which follows explains our most important governance processes and how they support the business. In particular we have applied the principles of good corporate governance advocated by the UK Corporate Governance Code, published by the Financial Reporting Council in September 2012. It is the view of the Board that the Company has been compliant with the principles of the Code during the whole of 2013 with the exception of Code provision C.3.7, which recommends that the FTSE 350 companies should put the external audit contract out to tender at least every ten years. The report from the Audit & Risk Committee explains the reasons why it has been decided not to have undertaken a tender.

The Board of Directors

The Board's Role

The Board of William Hill remains committed to high standards of corporate governance, which we consider to be vital to the effective management of the business and to maintaining the confidence of investors. We have a defined framework of roles and responsibilities in place to support the Board's operation. The Board is responsible for:

- development of strategy and major policies;
- reviewing performance;
- approving interim dividend payments and recommending final dividend payments;
- approval of the annual operating plan, financial statements, major acquisitions and disposals;
- the Group's corporate governance and corporate responsibility arrangements; and
- the appointment and removal of directors.

Board balance and composition

As at 31 December 2013, and for the whole of 2013, the Board comprised five independent Non-executive Directors, the Chairman (who was independent upon his appointment) and two executive directors who are collectively responsible for the long-term success of the Company. The roles of Chairman and Chief Executive are separated, clearly defined in writing and approved by the Board. David Edmonds is the Senior Independent Non-executive Director.

During the period, the Company satisfied the Code requirements that at least half the Board, excluding the Chairman, should comprise Non-executive Directors determined by the Board to be independent.

The proportion of women members of the Board currently stands at 25%. The Company regards each of David Edmonds, Ashley Highfield, David Lowden, Georgina Harvey and Imelda Walsh as independent Non-executive Directors. Gareth Davis satisfied the independence criteria detailed in provision A.3.1 of the Code upon his appointment as Chairman on 1 September 2010.

The Board comprises individuals with wide business experience gained in various sectors of industry and in the public sector. The directors' aim is to ensure that the balance of the Board reflects the needs of the Group's business and to ensure a thorough consideration of the important issues facing William Hill and its performance.

BOARD BALANCE

Ralph Topping

Bookmaking and gaming



David Lowden

International business and finance



Georgina Harvey

Media and publishing



David Edmonds

Regulatory, public sector and business



Gareth Davis

International regulated business



Neil Cooper

Leisure, international business and finance



Imelda Walsh

Retail and human resources



Ashley Highfield

Media and technology



BOARD OF DIRECTORS

**Gareth Davis**

Chairman

Responsibilities:

Chairman of the Board
Responsibility for best practice corporate governance

Board committees:

Nomination Committee (Chairman)
Corporate Responsibility Committee
Remuneration Committee

Current directorships:

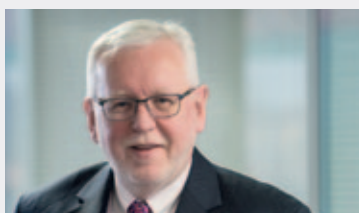
Wolseley plc (Chairman)
DS Smith PLC (Chairman)

Former roles:

Chief Executive, Imperial Tobacco Group PLC

Year of appointment:

2010

**Ralph Topping**

Chief Executive

Responsibilities:

The Group's overall strategic direction, the day-to-day management and profitability of the Group's operations

Board committees:

Corporate Responsibility Committee

Current directorships:

Scottish Professional Football League (Non-executive Chairman)

Former roles:

Various roles within William Hill PLC

Year of appointment:

2007. Appointed Chief Executive in February 2008

**Neil Cooper**

Group Finance Director

Responsibilities:

Finance, strategic planning, internal audit and investor relations

Former roles:

Finance Director, Bovis Homes Group PLC;
Group Finance Controller, Whitbread PLC;
Commercial Finance Director, Whitbread Hotels & Restaurants division;
Other finance and divisional roles, Whitbread PLC;
Consultant, PricewaterhouseCoopers;
Finance and project management roles, Reckitt & Colman PLC

Qualifications:

Management Accountant (FCMA)

Year of appointment:

2010

**David Edmonds, CBE**

Senior Independent Non-executive Director

Board committees:

Corporate Responsibility Committee
Remuneration Committee, Audit and Risk Management Committee, Nomination Committee

Current directorships:

Barchester Healthcare Ltd. (Board Member)
Swanton Care & Community Ltd. (Chairman)
NHS Shared Business Services (Chairman)
E20 LLP (Chairman)

Other organisations:

Chairman, Legal Services Board, Board Member, London Legacy Development Corporation, Chairman, Governing Board Kingston University, Chairman, Hammerson Pension Trustees

Former roles:

Chairman, Wincanton plc, NHS Direct Health Trust; Director General of Telecommunications at Ofcom; Legal Services Commissioner; Trustee, Social Market Foundation; Board Member, Keele University, Science & Business Park Ltd; Board Member, Office of Communications; Board Member, English Partnerships; Managing Director, Group Central Services, National Westminster Group Plc; Chief Executive of the Housing Corporation; Non-executive Director, Hammerson plc

Year of appointment:

2005

**Ashley Highfield**

Independent Non-executive Director

Board committees:

Corporate Responsibility Committee (Chairman)
Audit and Risk Management Committee
Nomination Committee

Current directorships:

Johnston Press PLC (Chief Executive)
BAFTA (Member)
British Film Institute (Governor)

Former roles:

Managing Director and Vice President, Microsoft UK;
CEO, Project Kangaroo;
Director, New Media & Technology;
Member of executive board and management board, BBC;
Managing Director, Flextech Interactive Limited

Qualifications:

Chartered Information Engineer (CEng)
Fellow of Royal Society of Arts (FRSA)

Year of appointment:

2008

**David Lowden**

Independent Non-executive Director

Board committees:

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

Current directorships:

Berendsen plc (Non-executive Director)
Michael Page International plc (Non-executive Director)

Former roles:

Non-executive Director, Cable & Wireless Worldwide plc;
Chief Executive, Taylor Nelson Sofres PLC;
Chief Operating Officer, Taylor Nelson Sofres PLC;
Group Finance Director, Taylor Nelson Sofres PLC;
Group Finance Director, Asprey Plc;
Chief Financial Officer, A.C. Nielsen Corporation;
Various senior finance roles in Norcross Plc; Federal Express Corporation and KPMG

Qualifications:

Chartered Accountant

Year of appointment:

2011

**Georgina Harvey**

Independent Non-executive Director

Board committees:

Remuneration Committee
Corporate Responsibility Committee
Nomination Committee

Current directorships:

Big Yellow Group PLC (Non-executive Director)
McColl's Retail Group plc
(Non-executive Director)

Former roles:

Managing Director of Regionals,
Trinity Mirror plc;
Managing Director of Wallpaper* Group,
IPC Media;
Managing Director of IPC Advertising, IPC Media;
Sales Director, IPC Magazines;
Various advertisement sales and
management roles, Express Newspapers

Year of appointment:

2011

**Imelda Walsh**

Independent Non-executive Director

Board committees:

Remuneration Committee (Chairman)
Audit and Risk Committee
Corporate Responsibility Committee
Nomination Committee

Current directorships:

Comic Relief (Trustee)
Now Pensions Ltd. (Trustee)
Mentoring Foundation (Non-executive Director)
Mothercare plc (Non-executive Director)
Mitchells & Butlers plc (Non-executive Director)

Former roles:

Institute of Employment Studies
(Board member);
Human Resources Director, J Sainsbury Plc;
Human Resource Director, Barclays Bank Plc;
Commercial Human Resources Director,
Coca-Cola & Schweppes Beverages Ltd;
Human Resources roles at Diageo Plc;
Commissioner, Workplace Retirement
Income Commission

Year of appointment:

2011

**Luke Thomas**

Company Secretary

Responsibilities:

Board support, company secretariat,
corporate governance and pensions

Former roles:

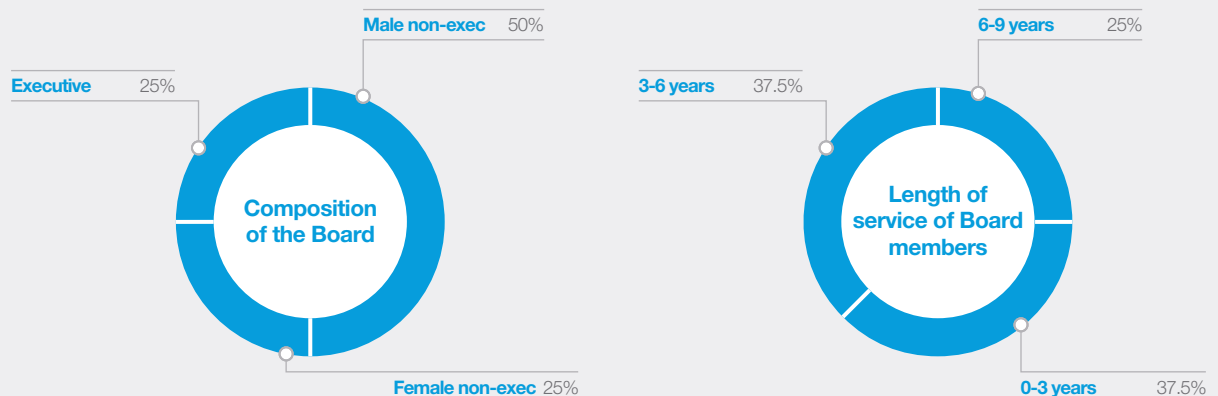
Head of Governance, Centrica plc
Group Deputy Secretary, RSA Insurance
Group plc
Deputy Secretary, Spirent Communications plc

Qualifications:

Fellow of the Institute of Chartered Secretaries
and Administrators (ICSA)

Year of appointment:

2013

BOARD COMPOSITION AND APPROACH

STATEMENT ON CORPORATE GOVERNANCE

The operation of the Board

Role of Chairman, Chief Executive and Senior Independent Director

Throughout 2013, the Chairman, Gareth Davis, was responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. The Chief Executive, Ralph Topping, is the executive responsible for the running of the business. David Edmonds is the Senior Independent Non-executive Director and his main role is to satisfy the function outlined in the Code of being available to shareholders if there are concerns which normal contact has failed to resolve, to lead the process for evaluating the Chairman's performance and to chair the Nomination Committee when it is considering succession to the role of Chairman. The role of the Senior Independent Director also includes, if needed, a process under which he / she might intervene to maintain Board and Company stability. The role specifications of Chairman, Chief Executive and Senior Independent Non-executive Director are defined in writing and approved by the Board. No one individual has unfettered powers of decision-making.

Matters reserved to the Board

The Board considers that its primary role is to provide leadership to the Group, to set the Group's long-term strategic objectives and to oversee robust corporate governance and risk management practices. The Board operates within a formal Schedule of Matters Reserved to it. This schedule is reviewed and updated on a regular basis. Other powers are delegated to the various Board Committees and senior management. Details of the roles and responsibilities of the Board Committees are set out within this report.

Matters reserved to the Board include:

- setting the overall direction, long-term objectives and strategy of the Group and delegating day-to-day management to the Chief Executive;
- reviewing Group performance;
- reviewing the arrangements in place relating to regulatory and industry issues;
- approving the appointment and removal of any Board member and the Company Secretary;

- reviewing and approving the terms of reference of the various Board Committees and receiving reports from Committee Chairmen on a regular basis;
- approving changes to the Group's capital structure, any significant acquisitions and disposals, capital investment projects and material contracts;
- approval of the Group's annual plan, Annual Report and Accounts and Half Yearly Statement, Interim Management Statement and setting the Group's dividend policy;
- approval of the Group's charitable donations and Group-wide corporate responsibility policies;
- undertaking reviews of Board, Committee and individual director performance; and
- succession planning for senior management and the Board (on the recommendation of the Nomination Committee).

The authority delegated to senior management provides a practical framework to executive management, which seeks to achieve the dual objectives of maintaining effective financial and operational controls whilst providing sufficient flexibility to manage the business. Examples of areas of such delegated authority include: the release of capital expenditure against approved budgets; treasury activity within approved limits; payroll processing; property transactions; LBO activities; the setting of bet acceptance limits; and routine transaction processing.

How the Board operates

The Chairman, along with the executive directors and Company Secretary, has established Board processes designed to maximise its performance. Key aspects of these are shown below:

- Board meetings are scheduled to ensure consideration of issues relevant for the Board and to provide adequate time for discussion of each agenda item. Progress against previously agreed actions are dealt with as a standing item at each meeting;

- papers for Board and Committee meetings are circulated in advance of the relevant meeting and where a director is unable to attend he or she is still provided with the papers in order to comment on the matters to be discussed. Papers are retained in an electronic system providing directors with remote access to current and prior papers at any time;
- comprehensive reporting packs are provided to the Board, which are designed to be clear, accurate and analytical, whilst avoiding excessive and unnecessary information;
- reporting packs are normally distributed at least four working days in advance of Board meetings, enabling them to be as up-to-date as possible whilst allowing sufficient time for their review and consideration in advance of the meeting;
- management accounts with commentary are distributed to the Board on a regular basis. The Board regularly reviews risk management and challenges this where appropriate;
- Board discussions are held in a collaborative atmosphere of mutual respect allowing for questions, scrutiny and constructive challenge, where appropriate;
- full debates allow decisions to be taken by consensus (although any dissenting views would be minuted accordingly);
- the development of strategy is led by the executives with input, challenge, examination and ongoing testing from the Non-executive Directors;
- Group strategy is reviewed by the Board, most particularly at the Board's annual strategy meeting. The annual strategy meeting in 2013 looked at Company, industry and more general market trends relevant to William Hill. Senior managers attended the annual strategy meeting to provide additional strategic input across all parts of the business. A comprehensive process is in place to track and follow-up on actions arising from the annual strategy meeting. Strategic matters are also reviewed as appropriate at each Board meeting;
- good working relationships exist between Non-executive Directors and non-Board members of the senior management team, which are encouraged by the executive directors;

- members of the senior management team draw on the collective experience of the Board, including its Non-executive Directors;
- the Board systematically visits the Group's business locations both to review its operations and to meet with local management.

Conflicts of interest

In accordance with the Companies Act 2006, the Company's Articles of Association include provisions reflecting recommended practice concerning conflicts of interest. The Board has in place procedures for directors to report any potential or actual conflicts to the other members of the Board for their authorisation where appropriate. In deciding whether to authorise a conflict or potential conflict of interest only non-interested directors (i.e., those who have no interest in the matter under consideration) will be able to take the relevant decision; in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. In addition, the directors may impose conditions or limitations when giving authorisation if they think this is appropriate.

Board Committees

The Remuneration Committee, the Nomination Committee, the Audit and Risk Management Committee and the Corporate Responsibility Committee are standing committees of the Board.

The terms of reference of the Committees are available upon request or via the Group's corporate website (www.williamhillplc.com) and are regularly reviewed by the relevant committee and the Board. All committees have access to independent expert advice as necessary. Appointments to Board committees are for three-year terms extendable by no more than two additional three-year terms.

Board performance

Information and professional development

The Chairman, supported by the Company Secretary, takes responsibility for ensuring that the directors receive accurate, timely and clear information. The Board receives reports from management on the performance of the Group at Board meetings and other information. Regular updates are provided on relevant legal, corporate governance and financial reporting developments and directors are encouraged to attend external seminars on areas of relevance to their role.

The Chairman is responsible for taking the lead on issues of director development and encouraging all Board members to engage in Board and Committee meetings by drawing on their skills, experience and knowledge. In particular, in 2013 the Chairman led a process whereby many of the Non-executive Directors deepened their knowledge of the business through a series of individual site visits across the business. The visits included Gibraltar, Australia, the US and Manila and incorporated meetings with local management and employees and inspections of operations. Observations following site visits are shared with the rest of the Board.

For newly-appointed directors, we have an induction programme covering a range of general, industry, and Group specific information and this is supplemented by an ongoing series of meetings with external advisers and employees. Induction programmes are also in place for appointment to the Board Committees.

Each director has access to all required information relating to the Group and to the advice and services of the Company Secretary. The Board also obtains advice from professional advisers as and when required and directors may, as required, obtain external advice at the expense of the Group.

Board performance evaluation

As reported in the 2012 Annual Report, a review of the effectiveness of the Board was undertaken by SCT Consultants. The Board agreed to build on the work and the output of the 2012 performance review and once again requested SCT Consultants to perform a review as this would provide a good indication of progress. SCT Consultants have no other connection with the Company. This work was led by Margaret Exley who had conducted the previous Board evaluation in 2012, which helped to provide a consistent assessment. The review was conducted by a series of interviews with all Board members and the former and current Company Secretary. Margaret Exley also reviewed supporting documents, such as Board and Committee minutes and supporting papers. Further discussions were then held between Margaret Exley and the Chairman to review the output of the work. Margaret Exley then presented and discussed the findings with the Board.

The review concluded that good progress had been made in many areas and some additional recommendations were made for consideration by the Board. In particular:

- the review highlighted the importance of ensuring an effective governance and transition process for Chief Executive succession planning. This included ensuring an effective overall Board composition in light of the appointment of a successor to the Chief Executive. A good deal of good work had been done on Chief Executive succession;
- each year the Board holds a meeting devoted specifically to strategy. The strategy meeting in 2013 reflected the recommendations in the previous year's Board evaluation and represented further ongoing improvement in preparation, analysis, input and overall engagement. There were clear outcomes and the Board had a good sense of strategic direction and intent;
- there had been ongoing improvement in the performance measures considered by the Board. There had also been a wider consideration of issues such as the competitive landscape and of the risks to the business;
- the Non-executive Directors had become more familiar with the pipeline of talent in the business. Further time was recommended, however, for the Board to have a wider discussion of talent, succession and development plans;
- there has been a streamlining of the membership of committees which had enabled some improvement in sequencing of committees and Board meetings. The appointment of a dedicated Company Secretary will allow more time for ongoing improvements in Board processes. The remit and objectives of committees had been clarified where necessary and will be formally reflected in amended terms of reference;
- the Chairman and Chief Executive should continue to develop a climate where challenge is welcomed and differences respected.

Ongoing actions arising from the performance review will be discussed by the Board regularly in 2014.

STATEMENT ON CORPORATE GOVERNANCE

Board meetings during 2013

Attendance at Board and Board Committee meetings

Details of Board and Committee attendance during 2013 are set out in the table below. All directors are expected to attend all Board and relevant Committee meetings.

	Board		Audit & Risk Management Committee	Corporate Responsibility Committee	Nomination Committee	Remuneration Committee
	Scheduled	Ad Hoc				
Number of meetings held	11	1	6	5	6	7
Meetings attended						
Gareth Davis	11	1	N/A	5	6	7
David Edmonds	10	1	5	4	6	7
Imelda Walsh	11	1	6	5	6	7
David Lowden	11	1	6	1 ¹	6	7
Georgina Harvey	11	1	1 ¹	5	6	7
Ashley Highfield	10	1	6	5	6	1 ¹
Ralph Topping	9	1	N/A	1	N/A	N/A
Neil Cooper	10	1	N/A	N/A	N/A	N/A

Where a director was not in attendance, this was due to other unavoidable commitments. For example, both Ralph Topping and Neil Cooper missed a meeting due to their attendance at discussions with shareholders in respect of the launch of the £373m rights issue. Ralph Topping also had international commitments on Company business. Directors who were unable to attend a Board or Committee meeting receive the relevant papers and can provide their comments to the Chairman of the Board or Committee, as appropriate. In addition, any director who misses a meeting will receive the minutes of that meeting for future reference.

¹ Membership of the Audit & Risk Management, Corporate Responsibility and Remuneration Committees were reviewed in early 2013 and as a result of the review it was agreed that some directors would no longer serve on certain committees. Where this is the case, the director concerned attended each meeting of the respective committee during 2013 prior to no longer serving on that committee.

Summary of Board activity during 2013

Each scheduled Board meeting reviews individual reports received from the Chief Executive, the Group Finance Director, the General Counsel and the Company Secretary, as well as reviewing progress against previously agreed actions and progress against the outcomes of the annual Board strategy meeting.

Other topics and discussions in Board meetings held in 2013 included:

- the acquisition of Sportingbet's Australian business and the acquisition of online sports betting business tomwaterhouse.com;
- gaining full control of our Online business;
- approval of a £373m rights issue and a £375m corporate bond;
- consideration of the implication of the proposed introduction of a 'Point of Consumption tax' on UK online revenues;
- Board evaluation and governance;
- approval of the annual operating plan for 2014;

Presentations made to the Board included:

- business systems
- future trends
- risk management
- corporate development
- developments in William Hill Online
- marketing
- investor relations
- business developments

Engagement with shareholders

Relations with shareholders

The Board remains committed to maintaining good relationships with both institutional and private shareholders. There is a regular dialogue with institutional shareholders, although care is exercised to ensure that any price sensitive information is released at the same time to all shareholders, in accordance with the requirements of the UK Listing Authority.

Presentations provided to institutional shareholders and analysts following the publication of the Group's quarterly financial results are made available on the Group's corporate website, www.williamhillplc.com, and a recording of the results presentations and trading update can be accessed via telephone for a period following the meeting.

The Chairman is available to discuss strategy and governance issues with shareholders and David Edmonds, as the Senior Independent Non-executive Director, is available to shareholders if they have concerns that have not, or cannot, be addressed through the Chairman or Group Finance Director.

Meetings between the Chairman, Chief Executive and/or the Group Finance Director and shareholders can be held on request to discuss governance and corporate responsibility issues generally. As noted in the Remuneration Report, during 2013 we engaged extensively with our largest shareholders on proposals to change some of our remuneration arrangements.

Summary of meetings with shareholders during the year

The Group obtains feedback from its brokers, Citigroup and Investec, on the views of institutional investors on a non attributable basis and the Chief Executive and/or Group Finance Director communicate the issues and concerns of major shareholders to the Board. As a matter of routine, the Board receives regular reports from its advisers on issues relating to recent share price performance, trading activity and institutional investor sentiment. The Board also receives copies of relevant analysts' reports on an ad hoc basis and has the support of an in-house Investor Relations team. This team was proud to receive the Best IR (Travel and Hotels) award in the Institutional Investor magazine 2013 European Survey and the Best Company IR (Travel & Leisure) in the IR Magazine European Awards 2013.

AGM

The Board regards the AGM as an important opportunity to communicate directly with all shareholders. At the AGM in 2013 we took the opportunity to summarise our performance and achievements in the prior year and to provide a business update.

Board members, including the chairmen of the Remuneration, Nomination, Audit and Risk Management, and Corporate Responsibility Committees, attended the 2013 meeting and intend to attend the 2014 meeting to be available to answer questions. At the conclusion of the formal AGM, shareholders are provided with an opportunity to discuss business matters informally with the directors and this provides the directors with a further opportunity to understand and respond to the views of its shareholders.

In order that shareholders are aware of the other shareholders' voting intentions, the details of proxy votes for the AGM held in 2013 are announced at the relevant general meeting and are made available on the Group's website following the meeting. The website also contains copies of the Notice of Meeting and explanatory notes. A separate resolution is proposed on each substantially separate issue. It is intended to continue with these practices for 2014 and future shareholder meetings. It is planned to post the Notice of the 2014 AGM to shareholders with the 2013 Annual Report and Accounts at least 20 working days prior to the date of the meeting.

The Articles of Association of the Company require that any newly appointed directors will be subject to election at the following AGM and also that directors will submit themselves for re-election at least once every three years. However, in accordance with the provisions of the Code, the Board has agreed that all directors should be subject to annual re-election by shareholders.

Internal control

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness. Executive directors and senior management are responsible for the implementation and maintenance of the internal control systems, which are subject to a yearly review that is documented. The Internal Audit department maintains an assurance framework recording the key internal controls in every division and department throughout the Group.

The Board monitors the ongoing process by which critical risks to the business are identified, evaluated and managed. This process is consistent with both the Turnbull Guidance on Internal Control, and the revised guidance issued by the Financial Reporting Council in June 2010, and has been in place for the year under review and up to the date of approval of the Annual Report and Accounts.

Each year the Board assesses the effectiveness of the Group's system of internal controls (including financial, operational and compliance controls and risk management systems) on the basis of:

- established procedures, including those already described, which are in place to manage perceived risks;
- regular reports to the Audit and Risk Management Committee which inform the Committee on the adequacy and effectiveness of internal control systems and significant control issues;
- the continuous Group-wide process for formally identifying, evaluating and managing the significant risks to the achievement of the Group's objectives;
- reports to the Audit and Risk Management Committee on the results of internal audit reviews and work undertaken by other departments; and
- management's controls self-assessment.

The Group's internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, internal control systems.

The Board regularly reviews the actual and forecast performance of the business compared with the annual plan, as well as other key performance indicators (both financial and non-financial).

Lines of responsibility and delegated authorities are clearly defined. The Group's policies and procedures are regularly updated and distributed throughout the Group. The Audit and Risk Management Committee receives reports on a regular basis on compliance with the Group's policies and procedures.

No significant failings or weaknesses were identified as a result of the review of the effectiveness of the Group's system of internal control.

Assessment of risk

A corporate risk register is maintained and is regularly updated following detailed review by Internal Audit and senior management during the year. The register is approved annually by the Audit and Risk Management Committee and the Board.

The register records the key risks facing the business, the assessment of the likelihood of the risks crystallising and their potential materiality, and the Group's response to each risk. Responsibility for management of the risks is attributed to senior management.

The Board uses the control and risk management processes to identify and manage any significant risks arising from social, environmental and ethical issues. Further details of the Group's corporate responsibility practices are described on page 40 to 47 and in the separate Corporate Responsibility Report.

Internal Audit

The Internal Audit department reviews the extent to which systems of internal control are effective; are adequate to manage the Group's significant risks; safeguard the Group's assets; and, in conjunction with the Company Secretary, aim to ensure compliance with legal and regulatory requirements. It provides independent and objective assurance on risks and controls to the Board and senior management.

Internal Audit's work is focused on areas of greatest risk to the Group, as determined by a structured risk assessment process involving executive directors and senior management. The output from this process is summarised in an annual audit plan, which is reviewed and approved by the Audit and Risk Management Committee. The Group Director of Risk and Audit and the Head of Group Audit reports regularly to the Audit and Risk Management Committee on its work undertaken, the results of audit reviews, the adequacy of the Internal Audit function's resources and on progress against the annual audit plan.

The role of the Internal Audit department and the scope of its work continue to evolve to take account of changes within the business and emerging best practice.

Going concern

The Directors have prepared the financial statements on a going concern basis consistent with their view, formed after making appropriate enquiries, that the Group is operationally and financially robust. More details of the Group's going concern assumption can be found in the Accounts section of this report on page 91.

Remuneration

The Directors' Remuneration Report is set out on pages 61 to 77.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE



THE COMMITTEE OVERSEES THE EFFECTIVENESS OF THE GROUP'S FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT. IT ALSO OVERSEES THE RELATIONSHIP OF THE EXTERNAL AUDITOR, MONITORS THE INTEGRITY OF THE GROUP'S FINANCIAL STATEMENTS AND THE EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION.

Membership and meetings

Set out below is the current membership of the Audit and Risk Management Committee together with the year in which membership commenced. During the year, all the members of the Committee were independent Non-executive Directors.

Director	Year of appointment
David Lowden, Chairman	2011
David Edmonds	2005
Ashley Highfield	2009
Imelda Walsh	2011

The Company Secretary acts as secretary to the Committee. Other individuals attend at the request of the Committee Chairman and during the year the external auditors, Chairman, Chief Executive, Group Finance Director, Group General Counsel, Group Director of Audit and Risk, Head of Group Audit, Head of IT Audit and the Group Financial Controller would usually attend all or some of the meetings to report to the Committee and provide clarification and explanations where appropriate. The Committee also meets with the external auditors without executive management present on a regular basis. The Committee met on six occasions during the year and details of attendance at Committee meetings is set out on page 54.

The Chairman of the Committee, David Lowden, has recent and relevant financial experience. He is a chartered accountant and has previously held senior financial positions within other international companies. David Edmonds, Ashley Highfield, and Imelda Walsh are all financially literate and have significant general business experience of executive roles in both private and public organisations and details of each director's significant current and prior appointments are set out on pages 50 and 51.

Role of the Audit and Risk Management Committee

A full copy of the terms of reference for the Committee can be obtained via the website www.williamhillplc.com or by request to the Company Secretary. The Committee's principal responsibilities are to:

- review and advise the Board on the Group's interim and annual financial statements, its accounting policies and to monitor the integrity of the financial statements and announcements relating to financial performance;
- assist the Board as necessary in ensuring that the Company's Annual Report and Accounts is fair, balanced and understandable in accordance with applicable legislation and governance recommendations;
- review the major risks affecting the Group and assist the Board with reviewing the effectiveness of the controls operating over the Group's financial and non-financial risks;
- review the nature and scope of the work to be performed by the external and internal auditors, the result of that work and management's response, and their effectiveness;
- oversee the relationship with the external auditors including making recommendations to the Board regarding their appointment or removal and developing a policy regarding the provision of non-audit services to the Group. The Committee is also responsible for overseeing the tender of external audit services in accordance with applicable legislation or good governance;

- meet with the executive directors and management, as well as privately with both the external and internal auditors; and
- report to shareholders annually on its role and responsibilities.

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

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

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

Main activities during 2013

The Committee has discharged its responsibilities during the year by performing the following activities.

Financial statements

During the year, the Committee reviewed and discussed the financial disclosures made in the preliminary results announcement, Annual Report and Accounts, Interim Management Statement and the other trading statements made by the Group together with any related management letters, letters of representation and reports from the external auditors. Significant financial reporting issues and judgments were considered together with any significant accounting policies and changes proposed to them.

Internal control and risk management

The Committee reviewed the Group's internal control and risk management systems and received reports from a number of departments, and, where appropriate, presentations from senior management, on the major risks faced by the Group and the procedures established to identify, assess, manage, monitor and report on these risks. The Committee reviewed and approved the statements on internal controls on page 55.

External auditors

The Committee has responsibility for overseeing the relationship with the external auditors and during 2013 it approved the external auditors' engagement letter, audit fee and audit and client services plan (including the planned levels of materiality). The external auditors regularly attended Committee meetings in 2013 and met at least once with the Committee without executive management. The Chairman of the Committee also met privately with the external auditors. Letters of representation were reviewed during the year, prior to signature by executive management.

During the year, the Committee received regular reports from the external auditors including a formal written report dealing with the audit objectives; the auditors' qualifications, expertise and resources; effectiveness of the audit process; procedures and policies for maintaining independence; and compliance with the ethical standards issued by the Auditing Practices Board. The external auditors' management letter was reviewed, as was management's response to issues raised.

The Committee monitors the ethical guidance regarding rotation of audit partners. The current audit partner, Rob Matthews, was appointed in 2009 hence his five year term will expire in 2014, in accordance with the latest guidance. Following a series of interviews with the Committee Chairman and the Group Finance Director a new audit partner, Paul Franek, was agreed by the Committee. A comprehensive handover process has commenced to ensure there is a smooth transition.

The Committee regularly reviews the Group's written policy regarding the employment by the Group of former employees of the external auditors and the policy on non-audit services provided by the external auditors. The policy also sets out the criteria to be followed when considering whether external auditors should be engaged to undertake non-audit services with the aim of safeguarding the external auditors' objectivity and independence. The external auditors are excluded from performing any day-to-day accountancy work for the Group. In accordance with the policy, during the year the Committee considered and approved any non-audit work to be undertaken by the external auditors involving fees in excess of £25,000. Where no committee meeting was scheduled within an appropriate time frame, approval was sought from the Committee Chairman and subsequently ratified at the next meeting. All non-audit services provided by the external auditors are reported to the Committee at its next scheduled meeting.

Deloitte has been the external auditor of the Group for more than 20 years and a tender in respect of the external audit has not been sought since William Hill was listed on the London Stock Exchange in 2002. There are no contractual obligations restricting the Group's choice of external auditors. During the year, an external audit effectiveness review was commissioned by the Committee Chairman, which involved issuing a survey to senior managers within the Group who have regular contact with Deloitte.

The main areas covered by the survey were in respect of Deloitte's:

- qualifications;
- expertise and resources;
- effectiveness; and
- independence.

The findings and conclusions of the survey were then reviewed by the Committee. The Committee confirms that it is satisfied with the performance of the external auditors during the year, and with the policies and procedures in place to maintain their objectivity and independence. The Committee recommended that Deloitte be re-appointed at the forthcoming Annual General Meeting and the Board accepted and endorsed this recommendation. The Committee also carefully considered whether a formal tender process is required in respect of the external auditor. The Committee noted the ongoing proposals, both within the UK and within the EU, for regulatory reform in respect of the provision of audit services. Furthermore, the Committee considered the new perspective in respect of the audit which would follow with the introduction of Deloitte's new audit partner. Given the foregoing and in view of the changes within William Hill's business over the last few years, the Committee concluded that now would not be the right time to seek a tender in respect of the external auditor. The Committee will keep the matter under close review, particularly once there is clarity and certainty on the implementation of regulatory changes.

Internal Audit

During the year the Committee approved the annual audit plan and internal audit methodology for the Internal Audit department and it monitored progress against the plan. Audit reports were circulated to the Committee members after each audit and the Committee monitored progress against actions identified in those reports and the external auditors' management letter.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Internal Audit department acts under agreed terms of reference and the Committee has established a number of procedures to monitor and review the Internal Audit department's effectiveness using guidance from a self-assessment questionnaire prepared by Internal Audit, feedback from senior management and a review of the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing. During the year the Committee also assessed the resources the department has to complete its remit and it reviewed the effectiveness of the Internal Audit Department. The Internal Audit department has unrestricted access to all Group documentation, premises, functions and employees as required to enable it to perform its functions. The appointment and removal of the Director of Audit and Risk and Head of Group Audit is the responsibility of the Committee. The Director of Audit and Risk and Head of Group Audit have direct access to the Board and Committee Chairmen and are accountable to the Committee. During the year the Director of Audit and Risk and Head of Group Audit continued to meet regularly with the Committee Chairman without executive management.

Disclosure of Significant Issues Considered by the Committee

An important part of the Committee's responsibilities is to review key issues in respect of the annual financial statement. The Committee pays particular attention to the matters which it considers may affect the integrity of the Group's financial statement. This process is primarily focussed on the key issues identified by management for consideration and by discussing with the external auditor their plan in respect of the audit of the annual financial statements. Towards the end of 2013 the Committee reviewed a comprehensive plan prepared by Deloitte, which explained the:

- scope and approach of the audit, including consideration of materiality thresholds;
- key areas of change in the focus of the audit; and
- areas of significant audit risk which would be reviewed in particular.

The key areas identified by management and/or reviewed by Deloitte included:

- reviewing the accounting treatment and disclosures associated with the acquisitions of the Australian businesses during 2013. This included assessing their valuation and useful life of intangible assets;
- reviewing the accounting treatment and disclosures associated with the acquisition of Playtech's 29% share in the William Hill Online business;
- the carrying value of goodwill and intangibles across the Group. The Group regularly conducts reviews as to whether the carrying value of goodwill and intangibles should be impaired;
- revenue recognition treatment and the valuation of ante post open bets. These are reviewed routinely;
- assumptions used in respect of the liability regarding the defined benefit pension scheme;
- reviewing the treatment in respect of the pre-exceptional tax charge and also the tax on exceptional items for the year. These are reviewed routinely;
- the effectiveness of key controls within the business.

Further details in respect of accounting treatments and assumptions are provided as appropriate in the Notes of the financial statements. The Committee considered management's treatment of each of the key areas and other related issues and also considered Deloitte's review of such matters. Following this, the Committee was satisfied that the judgements made by management were reasonable and that appropriate disclosures had been included in the accounts. The Committee also noted that Deloitte were prepared to issue an audit opinion, which appears on pages 81 to 84 of this Annual Report, in respect of the financial statements.

Other activities

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

- PCI DSS Compliance (i.e. standards for handling customer cardholder information in respect of credit or debit cards)
- Group Cashflow Management
- Group Management Accounting
- US Financial Controls
- UK Gambling Act Compliance
- Retail Security
- Retail Gaming
- Self Service Betting Terminals
- Brand and Marketing Strategy
- Payment Processing
- Project Delivery
- Online Risk and Fraud
- International Markets/Customers
- Live Casino
- Business Information Systems (BIS) Supplier Management
- Software Licensing
- Trading Systems and Data Feeds
- Technology Strategy
- Mobile Strategy and Delivery
- BIS Security Incident Management
- BIS Security Testing and Remediation
- User Access Account Management
- Tel Aviv Marketing Systems and Architecture
- US Mobile Blocking
- US BIS Security
- Review of legislative and governance changes in narrative reporting for listed companies

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

David Lowden
Chairman, Audit and Risk Committee

REPORT OF THE CORPORATE RESPONSIBILITY COMMITTEE



WILLIAM HILL OPERATES IN HIGHLY REGULATED ENVIRONMENTS WHICH SHAPE MUCH OF OUR CORPORATE RESPONSIBILITY APPROACH TOWARDS OUR COLLEAGUES AND CUSTOMERS. OUR HOME PRINCIPLES, HOWEVER, LEAD US TO A UNIQUE AND TAILORED APPROACH ON HOW WE INTERACT WITH OUR KEY STAKEHOLDERS.

The Corporate Responsibility (CR) Committee sets the Group's CR policies, ensures the business operates in a sustainable way and advises the Board on environmental, social and ethical matters.

Membership and meetings

The following is the membership of the CR Committee together with the year in which membership commenced. Ralph Topping is the executive director responsible for CR.

Director	Year of appointment
Ashley Highfield, Chairman	2008
David Edmonds	2005
David Lowden	2011
Gareth Davis	2010
Georgina Harvey	2011
Imelda Walsh	2011
Ralph Topping	2007
Thomas Murphy	2007

The Company Secretary acts as secretary to the Committee. The CR Committee meetings are regularly attended by relevant members of the executive committee and management team, so that informed presentations are made by individuals responsible for key areas such as human resources, health & safety, security and regulation. The Committee met on five occasions during the year and details of attendance at Committee meetings is set out on page 54.

Role of the CR Committee

A full copy of the terms of reference for the Committee can be obtained via the website at www.williamhillplc.com or by request to the Company Secretary. The Committee's principal responsibilities are to:

- review CR policies and practices for the Group and set new CR policies as appropriate;
- review CR performance across a range of performance metrics;

- ensure the business operates in a sustainable way;
- advise the Board on environmental, social and ethical matters;
- monitor CR risks as part of the Group's overall risk management framework; and
- review and approve the annual CR report.

The Chairman of the CR Committee reports to the Board on the outcome of meetings.

Main activities during 2013

CR continues to be an important matter for William Hill and during 2013 the Company published its first separate CR Annual Report, which is available at www.williamhillplc.com. During the year the CR Committee reviewed a number of reports on CR related matters, in particular on health and safety, interactions with regulatory authorities and on the latest developments and the next steps in respect of Project Africa. CR performance and issues in relation to employees, community involvement and customers were reviewed regularly. The Committee also discussed and agreed a way forward on ongoing changes in environmental reporting.

Ashley Highfield
Chairman, Corporate Responsibility Committee

VIEW OUR CR REPORT

See more on pages 40-47 regarding our CR approach and activities. You can download a separate and more detailed CR annual report from www.williamhillplc.com or request a copy by sending your name and address to ir@williamhill.co.uk. Alternatively, please call the Investor Relations team on +44 (0) 20 8918 3600.



You can download our CR report from www.williamhillplc.com



REPORT OF THE NOMINATION COMMITTEE



OUR NOMINATION COMMITTEE HAS A CRITICAL ROLE IN ENSURING THERE IS AN EFFECTIVE PROCESS IN PLACE FOR FUTURE BOARD APPOINTMENTS AND SUCCESSION PLANNING. THE COMMITTEE ALSO ENSURES THAT THE BOARD OF WILLIAM HILL HAS THE RIGHT BLEND OF SKILLS, EXPERIENCE AND KNOWLEDGE IN ORDER TO MAXIMISE THE OPPORTUNITIES FOR THE SUCCESS OF THE COMPANY OVER THE LONGER TERM.

Membership and meetings

Set out below is the membership of the Nomination Committee together with the year in which membership commenced.

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

The Company Secretary acts as secretary to the Committee. All members of the Committee are independent Non-executive Directors and the Committee is chaired by the Board Chairman. In order to ensure there are fully informed discussions, the Chief Executive and/or the Group Human Resources Director are invited to attend the meeting as appropriate. The Committee met on six occasions during 2013.

Role of the Nomination Committee

A full copy of the terms of reference for the Committee can be obtained via the website at www.williamhillplc.com or by request to the Company Secretary.

The Committee's principal responsibilities are to:

- make appointment recommendations to the Board for the appointment, re-appointment or replacement of directors;
- devise and consider succession planning arrangements for directors and as appropriate other senior executives; and
- regularly review the structure, skills, size, composition and balance of the Board and recommend any proposed changes.

The Chairman of the Nomination Committee reports to the Board on the outcome of meetings.

Non-executive Directors are appointed for an initial three year term, extendable by a further two additional three-year terms. The terms and conditions of appointment of non-executive and service contracts of executive directors are available to shareholders for inspection at the Company's registered office during normal business hours and at the AGM.

On joining the Board, Non-executive Directors receive a formal appointment letter, which identifies the time commitment expected of them. Once appointed, the new director undergoes a tailored induction and familiarisation programme implemented by the Company Secretary with input from the Chairman and Chief Executive. Any potential director is required to disclose all significant outside commitments prior to appointment and the Board has approved a policy requiring disclosure and approval by the Board of all additional appointments for executive or Non-executive Directors. There were no material changes in the outside commitments of a director during the period which impacted on the time required to commit to the Company.

Main activities during 2013

During 2013, the Nomination Committee played an important part in ensuring that the leadership of the business remains well positioned for the future. Following discussion between the Chairman (on behalf of the Committee) and Ralph Topping, it was agreed that it would be prudent to commence a search for a successor for the Chief Executive. A detailed description of the role and capabilities required for the successor appointment was approved by the Committee together with a selection process. Some of the capabilities for the role identified included a strong ability to continue:

- to drive revenue growth and to focus on the development of the Group's technology-led business;
- providing clear leadership and for continuing to develop a highly motivated management team;
- effective internal and external communication with the business' key stakeholders;
- playing an effective role representing the Company's position with relevant industry associations and regulators.

The Committee appointed The Zygos Partnership, an external consultancy, to conduct the search and they are responsible for finding suitable candidates from outside of William Hill. The Zygos Partnership has no other connection with the Company. In addition, we have internal processes to identify potential Board level candidates and the Nomination Committee runs this in parallel with any external search.

David Edmonds, the Senior Independent Director, completes his nine years of service in 2014. The Committee also therefore prepared a role description for a Non-executive Director appointment and the Zygos Partnership were once again appointed to conduct the search. Some of the important attributes for the new appointment included finding an individual with strong experience of leading multi-national operations and on governance. In February 2014, we were pleased to announce Sir Roy Gardner would join the Board as a Non-executive Director from 3 March 2014.

During 2013, the Committee also:

- reviewed and agreed revisions to the membership of certain Board committees;
- recommended to the Board that Gareth Davis' appointment as a Non-executive Director and Chairman be extended for a further three years to August 2016;
- considered several updates in respect of the recruitment of a successor Chief Executive; and
- discussed succession planning and the composition of the Non-executive Directors.

Board diversity

The Board supports diversity, recognising the benefits that diverse viewpoints can contribute in decision-making. It is the intention of the Board always to keep the benefits that derive from a diverse Board in mind when making appointments. Currently 25% of the Board is comprised of women. We do not believe that setting a quota is the most appropriate method for achieving a balanced Board and all our appointments are made on merit. We pursue diversity, including gender diversity, throughout the business and will continue to follow a policy of appointing talented people at every level to deliver high performance. We will ensure our development in this area is consistent with our own strategic objectives and is enhancing in terms of Board effectiveness.

Gareth Davis
Chairman, Nomination Committee

DIRECTORS' REMUNERATION REPORT



WE HAVE UNDERTAKEN A MAJOR REVIEW OF OUR REMUNERATION ARRANGEMENTS DURING THE YEAR. WE FIRMLY BELIEVE THAT OUR PROPOSED REMUNERATION POLICY WILL ENSURE THAT OUR EXECUTIVE TEAM ARE INCENTIVISED TO GROW OUR BUSINESS AND DELIVER ABOVE MARKET RETURNS TO SHAREHOLDERS OVER THE NEXT FEW YEARS.

Dear shareholder,

Following my appointment as Chair of the Remuneration Committee ('the Committee') in January 2013, I am pleased to present the Directors' Remuneration Report for the financial period which ended on 31 December 2013.

During 2013, William Hill established a second home territory in Australia and completed the acquisition of Playtech's 29% stake in William Hill Online. We also delivered another strong set of results. Over the past five years, William Hill has been transformed from a predominately UK Retail business to an international leader in our sector, particularly with our online operations.

Given these changes, during 2013 the Committee decided to review remuneration arrangements for senior executives. This was a comprehensive review of all aspects of remuneration and how it could support the further development of William Hill. We see significant growth opportunities, particularly in mobile and in selected markets outside the UK. We recognise, however, the challenges we face, including the likely introduction of a new Point of Consumption Tax (POCT) in the UK affecting our Online business from December 2014. The gambling industry is at a critical juncture and the Board is focused on unlocking and fully exploiting opportunities as they arise to enable the Group to continue delivering above market returns for our shareholders.

Highlights from 2013

The Group's strong earnings per share (EPS) growth and upper quartile total shareholder return (TSR) performance over the last four years have resulted in 2010 and 2011 PSP awards vesting in full, based on performance to 31 December 2013. The Committee considers that the long-term incentive payouts are representative of performance over the respective periods.

However, despite our strong results in 2013, profit before interest and tax, our primary annual bonus measure, did not meet the stretching targets set by the Committee, including a Threshold level which would permit the Committee to also consider performance against personal objectives. Therefore no annual bonus awards have been made to the Chief Executive or the Group Finance Director in respect of 2013, despite both executives meeting many of their individual performance objectives for the year.

Approach for 2014

The Committee is fully aware of the importance of incentivising and retaining members of our industry-leading executive team. The Board has also started a search for a successor to Ralph Topping who has confirmed his intention to retire. We need to be able to offer appropriate remuneration packages to new recruits (including a new Chief Executive) in a very competitive market for talent. The Committee also wants our current Chief Executive to be appropriately incentivised to drive the business forward over the remainder of his tenure, and to leave a strong foundation in place for his successor. In determining our proposals for 2014, the Committee recognised that executive director remuneration, particularly incentive provision, was significantly behind market levels for an increasingly international company of our complexity and size. We were also guided by what we felt was best for the on-going success of William Hill whilst recognising changing expectations regarding remuneration policy amongst investors.

DIRECTORS' REMUNERATION REPORT

In line with our commitment to explain the rationale and context for remuneration decisions, the Chairman and I had constructive meetings with our major shareholders, the ABI and ISS/RREV in the period December 2013 to February 2014 to discuss and develop our key remuneration proposals for 2014, which are summarised below:

- No increase in base salary for the Chief Executive and the Group Finance Director in 2014. We have however reviewed our approach to pension supplements. The Group Finance Director will now receive a pension supplement of 20% of salary and this will be our policy for all future PLC appointments including a new Chief Executive. Ralph Topping will retain his current supplement of 25% of salary.
- A proposal to introduce a new Performance Share Plan (PSP) for 2014 with a four year performance period for future PSP awards. This change will align the Company's long-term incentive plan to our natural business cycle given the four-year nature of the major international football tournaments. In view of the longer performance period, the typical annual grants for the Chief Executive and Group Finance Director have been increased in line with market practice from 150% of salary to 200% and 175% of salary respectively. 50% of the award will be based on TSR, as now and 25% on EPS. The remaining 25% will be based on achievements against certain revenue related measures – the 'Business Performance Measures'. These are net revenue growth in mobile Sportsbook, mobile gaming, and our Australian digital business. The Committee believes that this combination of measures will create the best alignment for the delivery of the Company's ambitious growth plans during a demanding period with the expected introduction of POCT in December 2014.
- The proposed changes to annual bonus are less significant with, in the case of the Chief Executive, a small increase in the potential maximum award and the target bonus reverting to the historic level of 90% of salary. For a new Chief Executive the target bonus will be reduced to 85% of salary. The maximum bonus of 150% of salary for the Group Finance Director is now aligned with the market, and the target bonus is increased to 70% of salary. The current high level of 70% of bonus being deferred in shares for three years, is maintained for the current Chief Executive but the Committee believes it is more appropriate to reduce this to 50% for a new Chief Executive, in line with the deferral requirement for the Group Finance Director.
- A significant change to our shareholding guideline for the PLC directors is that, in line with best practice, only owned shares will count; previously the guideline included deferred shares. The Chief Executive will be expected to own 150% of salary in shares and the Group Finance Director 100% of salary. A new Chief Executive will be expected to own shares worth 200% of salary.
- The rules of our incentive plans will reflect the latest best practice, in particular the introduction of clawback and malus clauses. As a Committee, we would like wider discretion, which can be used to adjust the vesting outcome of both the annual bonus and PSP if we feel that the payment is inconsistent with the Group's overall performance. However, we recognise that this is an area where investors and institutions want greater transparency and we welcomed the opportunity to clarify our position when we spoke to our shareholders. We therefore commit to consulting in advance of any final decision to exercise discretion where the proposal to do so would be to the benefit of Management. No discretion was exercised by the Committee during 2013 in respect of existing remuneration policy.

The Committee recognises that the proposed increases in remuneration potential are significant but believe that they are essential to remain competitive, particularly in the context of the adoption of a longer PSP performance period, the introduction of malus and clawback and tougher share ownership guidelines.

Even after the changes, the total target remuneration for both the Chief Executive and the Group Finance Director will remain below the median of the FTSE 70 to 130 comparator group.

Now that we have commenced the search for a new Chief Executive, these changes will enable us to compete for the best candidates. Our recruitment policy, set out on page 69, reflects these changes.

Our Chairman, Gareth Davis, has agreed to extend his appointment until 31 August 2016. His leadership of the Company during the transition to a new Chief Executive will be of critical importance. The Committee also reviewed his fee, taking into account the additional commitment required over the transition period and that the scale and complexity of William Hill had changed considerably since he was first appointed. His fee on appointment in 2010 was £250,000 per annum and the Committee recommended to the Board that this be increased to £300,000. However, we have determined that this increase will be implemented in two phases. In September 2013 his fee was increased to £280,000 and from September 2015 it will rise to £300,000.

The Committee has updated the format of the Remuneration Report this year, in line with new regulations governing the disclosure and approval of directors' remuneration. The Policy Report will be put forward for a binding vote and the Annual Report on Remuneration will be subject to an advisory vote, both at our AGM on 8 May 2014. We will also be putting forward a separate resolution to adopt a new PSP.

Finally, I would like to thank my colleagues on the Committee for their hard work during 2013 and the support we have received from the William Hill management team.

The activities of the Committee during the year are summarised on page 72.

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

Imelda Walsh
Chairman, Remuneration Committee

This Directors' Remuneration Report covers the remuneration of the executive and Non-executive Directors of William Hill PLC. In line with new regulations governing the disclosure and approval of directors' remuneration, the report is split into three sections: an annual statement from the Chair of the Committee, a Remuneration Policy Report and an Annual Report on Remuneration.

This part of the Directors' Remuneration Report, the Remuneration Policy Report, sets out the remuneration policy for the Company and has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012, the latest guidelines from the Association of British Insurers, National Association of Pension Funds and ISS/RREV and the views of our major shareholders.

The Policy Report will be put to a binding shareholder vote at the Annual General Meeting on 8 May 2014.

Remuneration Policy report

This part of the Directors' Remuneration Report sets out the remuneration policy for the Company and, subject to approval, will take effect from 8 May 2014, the date of the AGM.

How the Remuneration Committee operates to set the remuneration policy

The Company's Remuneration Committee ('the Committee') is constituted in accordance with the recommendations of the UK Corporate Governance Code. The Committee is a committee of the Board which determines the Group's policy on the remuneration of the executive directors, Chairman and other relevant senior management. It works within defined terms of reference which are available on the Company's corporate website: www.williamhillplc.com

The Committee's key objectives are to:

- set and agree with the Board a competitive and transparent remuneration framework which is aligned to the Group strategy and is in the interests of both the Company and its shareholders; and
- determine the specific remuneration packages for each of the executive directors and other senior management, including basic salary, incentives, other benefits and any compensation payments.

Remuneration policy

The remuneration policy for executive directors and senior management is designed to support the business needs of the Group, to ensure it has the ability to attract and retain senior leaders of a high calibre, and to align the long-term interests of executive directors and senior management with those of our shareholders.

The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Group's business environment and in remuneration practice. There must be transparency and alignment to the delivery of strategic objectives at both a Group and an individual level. There must also be

scope to reward for exceptional effort and achievement that delivers value both for the Company and the shareholders. Likewise, failure to achieve individually or at Corporate level will not be rewarded.

The Committee is also mindful of ensuring that there is an appropriate balance between the level of risk and reward for the individual, the Company and for our shareholders. When setting the levels of short-term and long-term variable remuneration, the degree of stretch in performance conditions and the split between equity and cash within the package, consideration is given to obtaining the appropriate proportion of each so as not to encourage unnecessary risk-taking. As well as financial risk, the Committee also ensures that there is an appropriate focus on Environment, Safety and Governance (ESG) issues.

The remuneration package is reviewed periodically taking into account all elements of remuneration, i.e., not looking at any single element in isolation, to ensure it remains competitive. The Committee undertakes the determination of individual remuneration packages for executive directors and senior management annually. Whilst pay benchmarking provides context for setting pay levels, it is not considered in isolation.

The total remuneration package is structured so that a significant proportion is linked to performance conditions measured over both the short and longer term. It is also the Company's policy to ensure that a high proportion of the potential remuneration package is paid in shares, which is designed to ensure that executives have a strong ongoing alignment with shareholders through the Company's share price performance.

The table below summarises each element of the remuneration policy for the executive directors, explaining how each element operates and how each part links to the corporate strategy.

DIRECTORS' REMUNERATION REPORT

Element of remuneration package	Base Salary
Purpose and link to strategy	<ul style="list-style-type: none"> – Provides a sound basis on which to recruit and retain key employees of appropriate calibre to deliver the strategic objectives of the Company. – Reflects the market value of the role and the post holder's experience, competency and performance within the Company.
Operation	<ul style="list-style-type: none"> – Paid monthly in cash via payroll. – Normally reviewed by the Committee annually and fixed for 12 months commencing 1 January. Any salary increase may be influenced by: <ul style="list-style-type: none"> – The commercial need to do so; – Role, experience and performance; – Average change in wider workforce pay; – Company profitability and prevailing market conditions; and – Periodic benchmarking of similar roles at comparable companies, such as the FTSE 70-130 used in 2013.
Opportunity	<ul style="list-style-type: none"> – The general policy is to pay around mid-market levels with annual increases typically in line with the wider workforce. Increases beyond those granted to the workforce may be awarded in certain circumstances such as where there is a change in the individual's responsibility, or where the salary set at initial appointment was below the level expected once the individual gains further experience and a track record of performance in the role. An above market positioning may be appropriate in exceptional circumstances to reflect the criticality of the role and the experience and performance of the individual. – Base salary levels for 2014 are: Chief Executive – £650,000 Group Finance Director – £380,000
Performance metrics	<ul style="list-style-type: none"> – Executive directors participate in the Company's annual performance management process. Individual and Company performance is taken into account when determining appropriate salary increases.
Recovery or withholding	<ul style="list-style-type: none"> – No recovery or withholding applies,
Element of remuneration package	Benefits
Purpose and link to strategy	<ul style="list-style-type: none"> – Operate competitive, cost-effective benefits to help recruit and retain executive directors and senior management. – As with employee benefits for the wider workforce, certain benefits (e.g. private medical insurance) are provided to minimise disruption (e.g., from illness) to the day-to-day operation of the business.
Operation	<ul style="list-style-type: none"> – Benefits include private medical insurance (covering the executive, spouse and dependent children), a fully expensed car or car allowance, subsidised travel card, permanent health insurance and life assurance benefits. – Cash alternatives may be provided for any or all of these benefits, depending on individual circumstances. – The Group Finance Director participates in the Company's flexible benefits scheme. – Relocation and related benefits may be offered where a director is required to relocate. The benefit must be taken up within 12 months of appointment unless exceptional circumstances prevail.
Opportunity	<ul style="list-style-type: none"> – The aim is to provide market competitive benefits and their value may vary from year to year depending on the cost to the Company from third party providers.
Performance metrics	<ul style="list-style-type: none"> – No performance metrics apply.
Recovery or withholding	<ul style="list-style-type: none"> – Relocation and related benefits may be subject to clawback either in full or part if an executive resigns within two years of joining.
Element of remuneration package	Pension
Purpose and link to strategy	<ul style="list-style-type: none"> – Market competitive, cost-effective retirement benefits are provided to act as a retention mechanism and to recognise long service.
Operation	<ul style="list-style-type: none"> – Company Pension Savings Plan (a defined contribution plan) or cash allowance in lieu of Company pension contributions once statutory limits (Protection and Annual Allowance) are reached, or a combination of both.
Opportunity	<ul style="list-style-type: none"> – From April 2008, the Chief Executive has been drawing his pension and is therefore accruing no further pension benefits. He is paid an annual cash supplement of 25% of salary in lieu of pension contributions. – The Group Finance Director receives a company contribution of 20% of salary paid into the Company's Pension Savings Plan. Any amount above the Annual Allowance (being £40,000 for the tax year 2014/15) is paid as a cash allowance. – A company contribution of 20% of salary will apply to new executive directors going forward, including a new Chief Executive.
Performance metrics	<ul style="list-style-type: none"> – No performance metrics apply.
Recovery or withholding	<ul style="list-style-type: none"> – No recovery or withholding applies.

Element of remuneration package	Annual Performance Bonus (cash & shares)
Purpose and link to strategy	<ul style="list-style-type: none"> – Incentivise executive directors and senior management to achieve specific, pre-determined goals during a one-year period. – Rewards financial and individual performance linked to the Company's strategy. – Deferred proportion of bonus, awarded in shares, provides a retention element and additional alignment of interest with shareholders.
Operation	<ul style="list-style-type: none"> – Bonus payment is determined by the Committee after the year end, based on performance against challenging targets set at the start of the year. – For the current Chief Executive, 30% of the bonus is payable in cash with the remaining 70% deferred into shares for three years under the Executive Bonus Matching Scheme ('EBMS'). For the Group Finance Director these proportions change to 50% cash, 50% deferred shares. For new executive directors, including a new Chief Executive, at least 50% of bonus will be deferred. – The deferred element may be subject to forfeiture in the event of the executive director's departure prior to vesting. – Since the Performance Share Plan was introduced in 2010, no matching shares (to deferred bonus), under EBMS, are offered to the Chief Executive of Group Finance Director. – The value of dividend payments will accrue in shares (or cash, at the discretion of the Committee) on vested deferred bonus shares.
Opportunity	<ul style="list-style-type: none"> – The Maximum bonus for the Chief Executive is 175% of salary; Target bonus is 90% of salary; and Threshold bonus is 30% of salary. For a new Chief Executive the Target bonus will be reduced to 85% of salary. – The Maximum bonus for the Group Finance Director is 150% of salary; Target bonus is 70% of salary; and Threshold bonus is 30% of salary.
Performance metrics	<ul style="list-style-type: none"> – The bonus policy is for at least 75% of the bonus to be based on an appropriate mix of financial metrics, such as Company or business unit profits, and no more than 25% on individual objectives. The Committee is committed to ensuring that targets are demanding. – No bonus in respect of the individual objectives will be payable unless at least the threshold level of performance is achieved in respect of any profit-related metrics. – The Committee, in its discretion, acting fairly and reasonably, may alter the bonus outcome if it feels that the payout is inconsistent with the Group's overall performance taking account of any factors it considers relevant. The Committee will consult with leading investors before any exercise of its discretion to increase the bonus outcome.
Recovery or withholding	<ul style="list-style-type: none"> – In line with current best practice, bonus may be clawed back if within three years there has been a material misstatement of results, a calculation error, misleading information or conduct justifying summary dismissal is discovered.
Element of remuneration package	Long-term incentives: Performance Share Plan
Purpose and link to strategy	<ul style="list-style-type: none"> – To drive performance and retention and align interests of executives and shareholders through building a shareholding. – Incentivises participants to profitably grow the business and to achieve superior long-term shareholder returns in line with the Company's strategy. – Retains key executives over the performance period.
Operation	<ul style="list-style-type: none"> – Awards, normally in the form of nil-cost options, are granted annually with vesting dependent on the achievement of stretching performance conditions and the executive director's continued employment. – PSP awards have a four year performance and vesting period. – The value of dividend payments will accrue in shares (or cash, at the discretion of the Committee) on vested PSP award shares.
Opportunity	<ul style="list-style-type: none"> – The rules of the PSP state that PSP awards cannot normally exceed 225% of base salary. This limit may be increased to 300% of base salary in circumstances considered by the Committee to be exceptional. – Quantum is reviewed annually (subject to the above limits) taking into account overall remuneration, the performance of the Company and of the executive director being made the award. – The normal policy maximum is 200% of salary for the current Chief Executive and 175% of salary for the current Group Finance Director.
Performance metrics	<ul style="list-style-type: none"> – The appropriateness of the performance conditions and the targets to be set are reviewed annually. – At least 50% of the award will be based on relative TSR with the remainder on EPS growth targets and business performance measures. Each performance condition is measured independently. – The relative TSR performance condition measures the Company's TSR performance against a comparator group as constructed at the grant date and measured over the four-year performance period. For a ranking below median, none of this element of the award will vest. For a median ranking 25% of this element of the award will vest, rising on a straight-line basis to full vesting of this element for a ranking at or above upper quartile. The Committee has discretion regarding the treatment of delisted companies for the purposes of the TSR comparator group.

DIRECTORS' REMUNERATION REPORT

Performance metrics (continued)	<ul style="list-style-type: none"> – The EPS range will be based on adjusted EPS over the four-year performance period. 25% of the award will vest for a threshold level of performance and 100% will vest at the maximum level, with straight line vesting in between. – For the business performance measures, a sliding scale of four-year targets will be set. None of the awards relating to these measures will vest if performance is below threshold, 25% will vest at threshold with full vesting for maximum performance. Maximum performance is set as significantly exceeding the Company's internal expectations. – The Committee has discretion to set different performance targets for future awards provided that the new targets are not materially less challenging, given the prevailing circumstances than those attached to previous awards. – The Committee also retains the flexibility to vary the mix of metrics for each year's award in light of the business priorities at the time. Nevertheless relative TSR will always apply to at least 50% of any award and business performance measures targets cannot exceed 25%. – The Committee, in its discretion, acting fairly and reasonably, may alter the PSP vesting outcome if it feels that the payout is inconsistent with the Group's overall performance taking account of any factors it considers relevant. The Committee will consult with leading investors before any exercise of its discretion to increase the PSP vesting outcome.
Recovery or withholding	– Clawback applies on the same basis as annual bonus.
Element of remuneration package	All employee share schemes
Purpose and link to strategy	– All employees including executive directors are encouraged to become shareholders through the operation of the HMRC approved SAYE plan (and/or such other HMRC approved all-employee share plans as the Company may adopt in the future).
Operation	– The SAYE has standard terms under which all UK employees including executive directors, with at least three months service, can participate
Opportunity	– All eligible employees can save up to the HMRC limits applying over a three or five year savings period. HMRC limits will apply to any other HMRC all-employee share plan.
Performance metrics	– No performance metrics apply.
Recovery or withholding	– No recovery or withholding applies.
Element of remuneration package	Share ownership policy
Purpose and link to strategy	– To align interests of management and shareholders and promote a long-term approach to performance and risk management.
Operation	<ul style="list-style-type: none"> – The current Chief Executive is expected to hold William Hill shares to the value of a minimum of 150% of salary, and the Group Finance Director a minimum of 100% of salary. – The policy for a new Chief Executive will be a minimum of 200% of salary. – Only shares owned outright by the executive director are included in the guideline, which is expected to be achieved within five years of appointment to the Board. – The Committee will review progress annually with an expectation that executive directors will make progress towards the achievement of the shareholding policy guideline each year. – Half of vested PSP awards (after sale of shares to cover associated personal tax liabilities) must be retained until the guideline is met.
Opportunity	N/A
Performance metrics	N/A
Recovery or withholding	N/A

Notes to the Policy Table

Choice of performance measures:

The performance measures that are used for annual bonus and PSP are a subset of the Company's key performance indicators.

Annual bonus – The main emphasis is on financial metrics, for example Company profit on ordinary activities before exceptional items, interest and tax (PBIT). PBIT measures the underlying profits generated by the business and whether management is converting growth into profits effectively. Individual objectives measure whether management is delivering against stated key business and personal targets which are linked to the corporate strategy.

PSP – Relative TSR provides a measure of the long-term success of the Company relative to appropriate peer comparators. EPS growth is a measure of the overall profitability of the business for investors over the long-term and therefore helps align the interests of management with shareholders. Business performance measures provide a more rounded assessment of long-term performance and focus executive reward more directly on some of the key drivers of future business growth.

The TSR comparator group and the EPS targets will be disclosed for each award in the policy for the current year in the Annual Report on Remuneration. Business performance measures, where used, are likely to be too sensitive to disclose in advance for commercial reasons. The Company will, however, fully disclose the original targets and the extent to which they have been achieved on a retrospective basis at the end of the performance period. The Annual Report on Remuneration will also provide a broad update on progress after each year of the performance period.

Incentive plan discretions

The Committee will operate the annual bonus plan, EBMS and PSP (existing and 2014 plans) according to their respective rules, the policy set out above and in accordance with the Listing Rules and HMRC rules where relevant. Copies of the PSP and EBMS rules are available on request from the Company Secretary. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or a payment;
- The choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan (including the treatment of delisted companies for the purpose of the TSR Comparator Group);
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends).

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Legacy arrangements

For the avoidance of doubt, in approving the Policy Report, authority is given to the Company to honour any commitments entered into with current or former directors that have been disclosed previously to shareholders, including awards made under the Executive Bonus Matching Scheme and Performance Share Plan.

Remuneration scenarios for executive directors

The Company's remuneration policy results in a significant proportion of the remuneration received by executive directors being dependent on Company performance. The chart below shows how total pay for the executive directors varies under three different performance scenarios: Minimum, Target and Maximum:

Minimum

Comprises of the fixed elements of pay being base salary, benefits and pension. Base salary and pension is effective as at 1 January 2014 and the benefits value is the actual value for 2013.

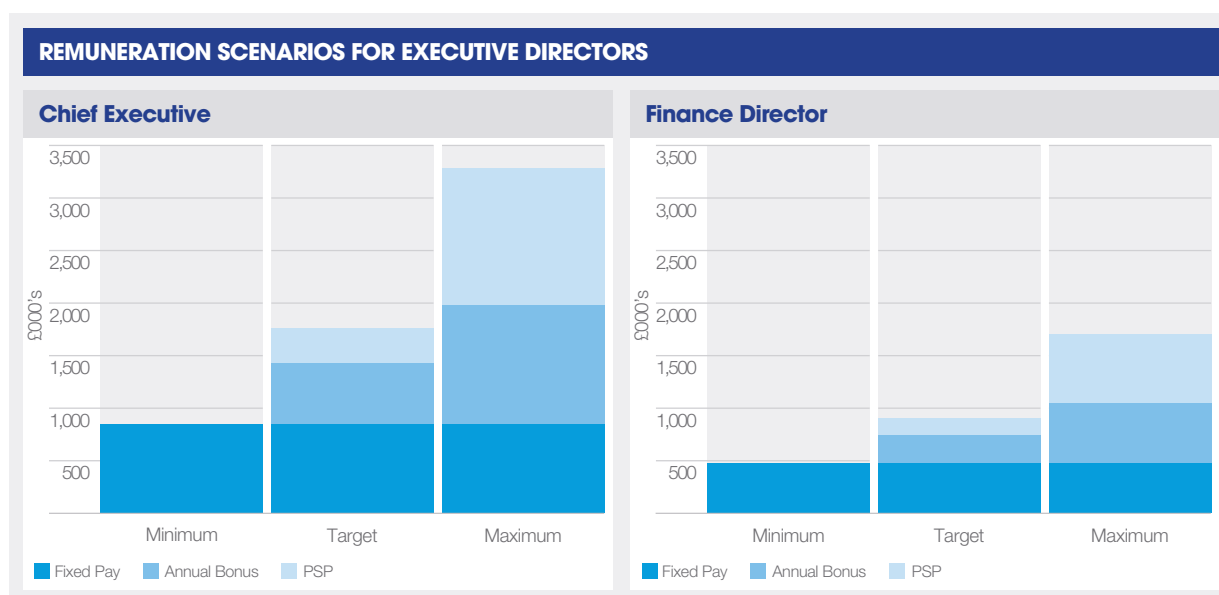
Target

Comprises of fixed pay and the target value of bonus (Chief Executive 90% of salary, Group Finance Director 70% of salary) and normal policy¹ PSP awards (Chief Executive 50% of salary, Group Finance Director 43.75% of salary).

Maximum

Comprises of fixed pay and the maximum value of bonus (Chief Executive 175% of salary, Group Finance Director 150% of salary) and normal policy¹ PSP awards (Chief Executive 200% of salary, Group Finance Director 175% of salary).

No account has been taken of share price growth, or of dividend shares awarded in respect of the deferred element of bonus and PSP awards over the deferral/performance periods.



¹ For PSP awards the chart assumes the normal policy maximum of 200% of base salary for the Chief Executive and 175% of base salary for the Group Finance Director. The rules of the PSP state however that PSP awards cannot normally exceed 225% of base salary and, in exceptional circumstances, 300% of base salary – see Policy Table above.

DIRECTORS' REMUNERATION REPORT

A breakdown of the elements included in the remuneration scenario charts is shown in the table below.

	Fixed (£'000)				Annual Bonus (£'000)		PSP (£'000)	
	Base Salary	Benefits	Pension	Total Fixed	Target	Maximum	Target	Maximum
CEO	650.0	30.4	162.5	842.9	585.0	1,137.5	325.0	1,300.0
Group Financial Director	380.0	14.9	76.0	470.9	266.0	570.0	166.3	665.0

Executive directors' service contracts

It is the Company's policy that the period of notice for executive directors will not exceed twelve months and, accordingly, the employment contracts of the executive directors are terminable on twelve months' notice by either party.

In the event of a directors' departure, the Company's policy on termination payments is as follows:

- The Company may pay base salary, employer pension contributions and the cost of benefits (or if the Company so decides an amount equal to 10% of base salary at the termination date) in lieu of notice either as a lump sum or in monthly instalments.
- The Company will seek to ensure that no more is paid than is warranted in each individual case and will seek to apply the principles of mitigation to any proposed payment, where it is appropriate to do so. Under the current executive directors' contracts, monthly payments are reduced in lieu of notice by 80% of one-twelfth of the base annual salary or fee that the executive director is entitled to receive from any alternative employment or consultancy arrangement, during the period compensation is paid. Under new contracts, 100% of one-twelfth of all earnings may be recovered.
- There is no entitlement to cash bonus paid (or associated deferred shares) following notice of termination (by either the employee or Company) on cessation of employment, and 'bad leavers' will not receive any bonus in such circumstances. However, where the individual is considered a 'good leaver' (in the event of death or termination of employment by reason of ill health, disability, injury, statutory redundancy, agreed retirement, sale of employing company or business out of the Group or at the discretion of the Committee), the Company's normal policy is that a performance-related bonus will be paid at the normal time and this will be time pro-rated based on the proportion of the bonus year for which the individual was employed. If at the time the individual is under notice or has left employment, all of the bonus will be payable in cash.

- In the event of a director's departure, any outstanding share awards will be treated in accordance with the relevant plan rules. The default treatment under the Performance Share Plan ('PSP') and Executive Bonus Matching Scheme ('EBMS') is that any outstanding awards will lapse on cessation of employment.
- However, in certain prescribed 'good leaver' circumstances such as death, injury, disability and in any other circumstances at the discretion of the Committee, unvested EBMS shares will normally fully vest on leaving and will be released to the participant within one month after the end of the retention period. In exceptional circumstances and at the discretion of the Committee, the leaving executive director may receive the deferred shares prior to the end of the retention period.
- Under the 2014 PSP, an individual who leaves by reason of death, injury, disability, ill-health, statutory redundancy, agreed retirement, sale of the employing company or business out of the Group and in any other circumstances at the discretion of the Committee will normally receive a pro-rated proportion of outstanding PSP awards which can be exercised up to six months (or such longer period as the Committee permits and up to 12 months in the case of death) after the performance period ends and subject to performance over that period. Exceptionally, the Committee may decide to release the PSP shares, following cessation of employment subject to the Committee's assessment of performance, to be exercised in the six months after the leaving date (or such longer period as the Committee permits and up to 12 months in the case of death) and in exceptional circumstances the Committee may decide to allow a greater number of shares to vest than if the level of vesting was calculated on a pro-rata basis. The provisions governing the vesting of PSP awards under the previous PSP are broadly similar and these awards will vest on the terms set out in that plan.

The contracts of the executive directors do not provide for any enhanced payments in the event of a change of control of the Company or for liquidated damages.

Copies of the executive directors' service contract are available for inspection at the Company's registered office: Greenside House, 50 Station Road, Wood Green, London, N22 7TP.

Remuneration policy across the Group

The remuneration policy for the executive directors and senior management is designed with regard to the policy for employees across the Company as a whole. The Committee is kept updated through the year on general employment conditions, basic salary increase budgets, the level of bonus pools and payouts, and participation in share plans. The Committee is therefore aware of how total remuneration at the executive director level compares to the total remuneration of the general population of employees. Common approaches to remuneration policy which apply across the Company include:

- a consistent approach to 'pay for performance' is applied throughout the Company, with annual bonus schemes being offered to all employees;
- offering pension, medical and life assurance benefits for all employees;
- ensuring that salary increases for each category of employee are considered taking into account the overall rate of increase across the Company, as well as Company and individual performance;
- encouraging broad-based share ownership through the use of all-employee share plans.

Recruitment policy

The Committee's overriding objective is to appoint executive directors with the necessary background, skills and experience to ensure the continuing success of the Company. We recognise that the increasing pace of change and technology development in our industry, as well as the international nature of the William Hill business, will mean that the right individuals may often be highly sought after.

The remuneration package for a new executive director will therefore be set in accordance with the Company's approved remuneration policy as set out on pages 63 to 70 of the Directors' Remuneration Report, subject to such modifications as are described below. The maximum level of variable remuneration (excluding any buyout arrangements) that may be offered on an annual basis to a new executive will be in accordance with the individual plan limits, being 175% of salary in the annual bonus plan and 225% of salary (or 300% of salary in exceptional circumstances) in the Performance Share Plan.

In the majority of cases, where an external appointment is made, the individual, on resignation, will forfeit incentive awards connected with their previous employment. The Committee may therefore decide to offer further cash or share-based payments to 'buy-out' these existing entitlements by making awards of a broadly equivalent value, in the Committee's view, under either the Company's existing incentive plans or under other arrangements. In determining the appropriate form and amount of any such award, the Committee will consider various factors, including the type and quantum of award, the length of the performance period and the performance and vesting conditions attached to each forfeited incentive award.

Where an individual is appointed to the Board, different performance measures may be set for the year of joining the Board for the annual bonus, taking into account the individual's role and responsibilities and the point in the year the executive joined.

For an internal appointment, any variable pay element granted in respect of the prior role may be allowed to pay out according to its terms, adjusted as appropriate to take into account the terms of the executive director appointment. The salary level for a new executive director will be determined with care by the Committee, taking into account the individual's background, skills, experience, the business criticality and nature of the role being offered, the Company's circumstances, and taking into account relevant external and internal benchmarks. Above all, the Committee must exercise its own judgement in determining the most appropriate salary for the new appointment.

In certain circumstances, the Committee will have set a starting salary which is positioned below the relevant market rate and may therefore wish to adjust the executive director's salary, at a level above the average increase in the Company, as the individual gains experience and establishes a strong performance track record in the role. Conversely the salary may need to be positioned above the relevant market rate in order to attract the most appropriate candidate for the role.

Benefits will be provided in accordance with the approved policy. Relocation expenses or allowances, legal fees and other costs relating to the recruitment may be paid as appropriate.

The Committee recognises that our shareholders need to fully understand the remuneration package for a new executive director, and is committed to communicating full details and our reasons for agreeing the remuneration at the time of appointment. We will clearly identify any remuneration elements which are specific to the initial appointment.

Fees for a new Non-executive Director or chair will be set in accordance with the approved policy.

Chairman and Non-executive Directors

The table below summarises each element of the remuneration policy applicable to the Non-executive Directors.

Purpose and link to strategy	To attract and retain Non-executive Directors of appropriate calibre and experience.
Operation	The Chairman's fee is reviewed annually by the Committee (without the Chairman present). The remuneration policy for the Non-executive Directors, other than the Chairman, is determined by a sub-committee of the Board comprising the Chairman and the executive directors, within the limits set by the Articles of Association and based on independent surveys of fees paid to Non-executive Directors of similarly sized companies to William Hill, remuneration is set taking account of the commitment and responsibilities of the relevant role.
Opportunity	The Chair receives a single fee to cover all his Board duties. Non-executive Directors receive a fee for carrying out their duties, together with additional fees for those Non-executive Directors who chair the primary Board committees and the Senior Independent Director. Details of current fee levels are set out in the Annual Report on Remuneration.
Performance metrics	No performance metrics apply.
Recovery or withholding	No recovery or withholding applies.

Non-executive Directors do not have service contracts. They are engaged by letters of appointment which are terminable by either party with no notice period and no compensation in the event of such termination. Non-executive Directors cannot participate in any of the Company's incentive schemes and are not eligible to join the Company's pension and benefits schemes.

Non-executive Directors are appointed for an initial term of three years and would be expected to serve for an additional three-year term, subject to satisfactory performance and annual re-election at the AGM. Non-executive Directors may then be requested to serve for a further three-year term subject to rigorous review at the relevant time and agreement with the director.

DIRECTORS' REMUNERATION REPORT

Consideration of shareholder views

The Committee engages pro-actively with the Company's major shareholders. For example, when any material changes are made to the remuneration policy, the Committee Chair will inform major shareholders of these in advance, and will offer a meeting to discuss details as required. During the period December 2013 to February 2014, the Chairman, Gareth Davis, and the Chair of the Committee, Imelda Walsh consulted with the main shareholder advisory bodies, the ABI and ISS/RREV, and our major shareholders to discuss with them the proposed changes to our remuneration policies and practices for 2014 onwards.

Consideration of employment conditions elsewhere in the Company

In setting the remuneration of the executive directors, the Committee takes into account the overall approach to reward for employees in the Company. William Hill operates in a number of different environments and has many employees who carry out diverse roles across a number of countries. All employees, including directors, are paid by reference to the market rate and base salary levels are reviewed regularly. When considering salary increases for directors, the Company will be sensitive to pay and employment conditions across the wider workforce. The Committee does not formally consult with employees on the executive remuneration policy. The Company holds regular forums with employee groups and conducts an annual employee engagement survey. The Group HR Director, David Russell, regularly updates the Committee on pay and conditions applying to employees across the Company.

Annual Report on Remuneration

Implementation of Remuneration Policy in 2014

Base Salaries

Base salaries for executive directors are reviewed annually by the Committee. No salary increases were awarded to executive directors in 2014. Only base salary is pensionable.

The current base salaries as at 1 January 2014 are:

	2014	2013	Increase
Ralph Topping	£650,000	£650,000	0%
Neil Cooper	£380,000	£380,000	0%

Chairman and Non-executive Directors' fees

In considering the re-appointment of Gareth Davis as Chairman, the Committee was asked by the Board to review the fee for the role. Since 2010, William Hill has grown from a predominantly UK retail business into an international multi-channel company. The Chairman is leading the search for a new Chief Executive and will play a critical role in supporting the transition. In recognition of these demands, the Committee recommended a revised fee of £300,000 per annum. This increase will however be implemented in two phases: from 1 September 2013 the fee increased to £280,000 and from 1 September 2015 the fee will increase to £300,000.

The Non-executive Directors' fees were last reviewed in March 2008 and have not been increased since then. There is due to be a review of fees during 2014. The current annual fee levels at the start of 2014 are:

– Base fee of £50,000

Supplementary Fees:

- Senior Independent Director – £5,000
- Audit Committee Chair – £18,000
- Remuneration Committee Chair – £13,000
- Corporate Responsibility Committee Chair – £13,000

Benefits and Pension

Benefits will be provided in line with the information set out in the Policy Table.

The Chief Executive will receive a pension contribution of 25% of his base salary and the Group Finance Director, following the removal of the pension earnings contribution cap of £140,400 (for the tax year 2013/14) will receive a contribution of 20% of his total base salary from 1 January 2014 subject to approval of the Remuneration Policy report. The change brings the pension in line with practice in the wider market and the Company's policy for executive directors.

Annual bonus

The Annual bonus maximum, target and threshold levels of bonus for 2014 as a percentage of base salary are as follows:

	Maximum	Target	Threshold
Ralph Topping	175%	90%	30%
Neil Cooper	150%	70%	30%

The Chief Executive's on-Target bonus reverts to its previous level after it was temporarily reduced at the time the 2011 Share Retention award was made. There is a corresponding increase in bonus opportunity from 165% to 175% of salary to retain the stretch payout above target performance. Threshold bonus is unchanged.

The Group Finance Director's bonus opportunity was significantly below market and is increased from 120% to 150% of salary with target bonus moving from 60% to 70% of salary. Threshold bonus is unchanged.

Consistent with the prior year, 75% of the 2014 bonus is payable for achieving Company profit on ordinary activities before exceptional items, interest and tax (PBIT) targets and 25% on individual targets. No bonus in respect of the individual element will be payable unless the threshold level of PBIT has been achieved.

The PBIT targets and individual objectives themselves are deemed to be commercially sensitive and will not be disclosed prospectively. However, retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report.

Deferral of bonus into shares will apply in accordance with the policy.

Long-term incentives

The maximum normal annual award limit under the new PSP is 225% of salary and, subject to its approval at the 2014 AGM, it is intended that awards with a face value of 200% and 175% of salary will be granted to the Chief Executive and Group Finance Director respectively in 2014.

The proposed increases in 2014 PSP award levels from the previous normal award level of 150% of salary (which applied before the Chief Executive was granted his retention award) brings quantum towards mid-market levels against companies of a broadly similar size but still remains below the opportunity provided by some of the Company's key competitors. It should also be noted that, in light of the Chief Executive's intention to retire, his award will be time pro-rated for the period in service and performance will be measured at the end of the four-year performance period. In addition the Group Finance Director's award takes into account the move to a four-year performance period.

The Committee also reviewed the measures determining long-term performance in light of the Company's strategic outlook. TSR and EPS continue to be relevant arbiters of performance, but the Committee felt that, in light of the additional commercial challenges, it was now appropriate to introduce some additional revenue-related business performance measures which will focus executives on the key drivers of future growth, and to further re-enforce alignment to shareholder interests.

The Committee also decided to increase the performance and vesting period to four years to further encourage performance over a longer-term horizon. This change will also provide a fairer measure of performance as the major international football tournaments also operate on a four-year cycle. The four-year performance period will apply to each performance measure.

- TSR will apply for 50% of the award. The TSR comparator group will comprise 888, Betfair, Betsson, Bwin, Enterprise Inns, Greene King, JD Wetherspoon, Ladbrokes, Lottomattica, Marston's, Mitchells & Butlers, OPAP, Paddy Power, Playtech, Rank, The Restaurant Group and Unibet.
- EPS will apply for 25% of the award. Vesting will be based on achievement of a four-year growth target by comparing the EPS outturn in 2017 with 2013. None of this part of the award will vest if compound annual growth in EPS is less than 4% p.a., 25% will vest for 4% growth and 100% will vest for 8% p.a.

growth or better. Vesting is on a straight-line basis for performance in between these points. The Committee believes the above range is very challenging in light of internal and external forecasts and the expected introduction of a Point of Consumption Tax ('POCT') by HM Government in December 2014. To illustrate the degree of stretch required, if the impact of POCT (assuming for this purpose only that there is no mitigation) was applied to the 2013 EPS of 28.8p, the 4% to 8% p.a. growth range would be equivalent to around 10.5% to 15% p.a.

- The business performance measures will apply for 25% of the award. Three measures have been chosen – Mobile Sportsbook net revenue growth, Mobile Gaming net revenue growth and Australia digital net revenue growth – and each will have an equal weighting. These measures reflect the Company's focus on capitalising on the structural shift to mobile gaming and on international expansion by exploiting its core capabilities in a second growth territory.
- For each measure, a sliding scale of four-year growth targets will be set using the 2013 actual result as the base figure.

Net Revenues	Mobile Sportsbook	Mobile Gaming	Australia Digital*
2013	£95.9m	£40.0m	\$156.1m

*Annualised to reflect William Hill's part-ownership of Sportingbet and tomwaterhouse.com.

- None of the award relating to each measure will vest if performance is below threshold, 25% will vest at threshold with full vesting for maximum performance or better. Awards shall vest on a straight line basis for performance between threshold and maximum. Maximum performance will be set so as to significantly exceed the Company's internal expectations.
- The Committee considers that the targets applying to each business performance measure are demanding but too sensitive to disclose in advance for commercial reasons. However, there will be full disclosure of the original targets set and the extent to which they have been achieved on a retrospective basis at the end of the performance period. The Committee will also provide a broad update on progress in these areas after each year of the four-year performance period.

Remuneration in 2013

Membership of the Remuneration Committee

The members of the Committee during 2013 are listed in the table below. All members of the Committee are Independent Non-executive Directors. No director plays a part in any discussion directly relating to their own remuneration.

Name	Year of appointment
Imelda Walsh (chair)	2011
Gareth Davis	2010
David Edmonds	2005
David Lowden	2011
Georgina Harvey	2011
Ashley Highfield ¹	2008

¹Ashley Highfield resigned from the Committee in January 2013 but has been involved with remuneration matters considered by the Committee throughout 2013.

The Head of Reward & Engagement, John Machin acts as Secretary to the Committee.

DIRECTORS' REMUNERATION REPORT

Committee activity during the year

The following table sets out the major issues covered by the Committee over the course of the year:

January 2013

- Consider senior management remuneration

February 2013

- Approve 2012 Group bonus payments and 2013 EBMS awards
- Approve William Hill Online 2012 bonus and LTIP payments
- Release of 2010 EBMS awards and approval of any matching shares
- Implications for share awards in view of the rights issue
- 2013 bonus, EBMS and PSP designs & communications
- Approve 2012 Directors' Remuneration Report
- Consideration of future incentive policy

May 2013

- Adjusting EPS & PSP targets due to the rights issue
- Performance targets for 2013 PSP and EBMS awards

July 2013

- Incentive arrangements for 2014 – first proposals
- TSR methodology and determination of vesting
- Chairman's fee on re-appointment
- Remuneration packages for selected senior executives
- Consideration of impact of new voting and reporting proposals on pay

October 2013

Updated 2014 incentive proposals

Latest developments in corporate governance

Review of reporting requirements for 2013 Directors' Remuneration Report

November 2013

Final 2014 incentive proposals

Annual bonus and long-term incentives – performance updates

Consideration of recruitment policy

December 2013

2014 incentive proposals – shareholder consultation planning

Approval of vesting of 2011 CEO retention award

2013 Directors' Remuneration Report drafting

Advice to the Committee

During 2013, the Committee consulted Ralph Topping, Chief Executive, Neil Cooper, Group Finance Director and David Russell, Group Director, Human Resources about remuneration items relating to individuals other than themselves. Legal advice was also taken as appropriate from Thomas Murphy, General Counsel. Luke Thomas, Company Secretary, also provided corporate governance advice and support to the Committee. Appropriate Company employees and external advisers may attend Committee Meetings at the invitation of the Chair.

External advisors

The Committee was advised during the year by New Bridge Street ('NBS'), a trading name of Aon Plc. NBS was appointed by the Company following a competitive tender in 2012. Aon Plc, NBS's parent company, is also the worldwide insurance broker for William Hill.

NBS provided advice in respect of the remuneration review covering a wide range of issues. These included the structure and quantum of remuneration, advice on short-term and long-term incentive performance conditions and targets, share ownership guidelines, Committee discretion, assistance with drafting the remuneration report in line with new reporting regulations, executive director remuneration and non-executive chairman fee benchmark data, TSR performance monitoring updates and advice on the implications of the 2013 Rights Issue on incentives.

NBS fees incurred for 2013 were £282,708 (excluding VAT*).

NBS are members of the Remuneration Consultants Group and are signatories to its Code of Conduct. The Committee monitors the relationship with external advisers on a regular basis and remains confident that NBS is independent and no conflicts of interest exist.

The Committee received certain legal advice during the year from Pinsent Masons LLP ('Pinsent Masons'). Pinsent Masons is on the Company's legal panel, having most recently been re-appointed to the panel following a re-tender process at the end of 2013.

As a member of the Company's legal panel, Pinsent Masons advises the Company on a number of areas, including on share plans and incentives. Pinsent Masons provided legal advice specifically to the Committee in connection with a single issue only, being the impact of the 2013 Rights Issue on the Company's share incentive plans.

Pinsent Mason's fees incurred for its advice to the Committee for 2013 were £8,500 (excluding VAT*).

* VAT of 20% was paid on the advisors fees shown above which William Hill does not reclaim.

Statement of shareholder voting at 2012 AGM

At the 2013 AGM, a resolution was proposed for shareholders to approve the 2012 Directors' Remuneration Report. The following votes were received:

	2012 Remuneration Report	
	Total number of votes	% of votes cast
For	602,620,148	97.11
Against	17,904,025	2.89
Total	620,524,173	100%

There were 1,443,528 votes withheld. A majority (over 50%) of the votes cast was required for the resolution to be passed and the Report was duly approved by shareholders.

Chief Executive – five-year earnings history

The five year single total remuneration history of the Chief Executive is shown in the table below:

Financial Year	2009	2010	2011	2012	2013
Ralph Topping					
Single figure remuneration (£'000)	£1,055	£1,650	£3,403 ⁵	£1,914	£4,974
Annual Bonus Outcome (% Maximum)	90%	100%	94%	100%	0%
LTIP Vesting Outcome (% Maximum)	0% ¹	0% ²	49% ³	–	100% ⁴

¹ 2007 EBMS Matching award.

² 2008 EBMS Matching Award.

³ 2009 EBMS Matching Award.

⁴ 2010 and 2011 PSP Awards.

⁵ Includes value of retention bonus at grant. An additional 46,649 dividend shares have accrued over the vesting period valued at £187,482 as at 31 December 2013.

Audited information

Single total figure of remuneration for each director

Name of director	Year	Fees/ basic salary £	Benefits in kind ¹ £	Annual bonuses £	Pension ² £	PSP ⁵ £	Other Payment ³ £	2013 Total £
Executive directors⁴								
Ralph Topping	2013	650,000	30,431	0	162,500	4,123,139	7,450	4,973,520
	2012	650,000	28,926	1,072,500	162,500	–	–	1,913,926
Neil Cooper	2013	380,000	14,926	0	27,855	2,589,738	–	3,012,519
	2012	380,000	14,174	456,000	26,865	–	–	877,039
Non-executive Directors								
Gareth Davis	2013	260,000	–	–	–	–	–	260,000
	2012	250,000	–	–	–	–	–	250,000
David Edmonds	2013	59,333	–	–	–	–	–	59,333
	2012	68,000	–	–	–	–	–	68,000
Ashley Highfield	2013	63,000	–	–	–	–	–	63,000
	2012	63,000	–	–	–	–	–	63,000
Georgina Harvey	2013	50,000	–	–	–	–	–	50,000
	2012	50,000	–	–	–	–	–	50,000
David Lowden	2013	68,000	–	–	–	–	–	68,000
	2012	68,000	–	–	–	–	–	68,000
Imelda Walsh	2013	63,000	–	–	–	–	–	63,000
	2012	50,000	–	–	–	–	–	50,000

Notes:

¹ Benefits for Ralph Topping included private healthcare, life assurance and company car; benefits for Neil Cooper included private healthcare, life assurance, income protection, company car and subsidised travel card.

² £162,500 paid as supplement in lieu of pension contributions to the Company Scheme.

³ The 'other payment' to Ralph Topping represents compensation for a June 2013 dividend payment, which would have been normally made on EBMS shares vesting in 2013. Because of the 2013 Company Rights Issue the record date for the June 2013 dividend was moved from 3 May 2013 to 13 March 2013 which was then before the vesting date for EBMS shares (19 March 2013). The Committee therefore agreed to pay compensation equivalent to the 'lost dividend' for those participants who held 2013 vested EBMS shares until the original record date of 3 May 2013.

⁴ Executive directors are required to obtain the Board's prior written consent to accept external appointments. Ralph Topping was appointed non-executive Chairman of the Scottish Professional Football League Limited (previously the Scottish Premier League) on 15 October 2009. He did not receive any fees in 2013 in relation to this appointment. Neil Cooper was a director of SIS Holdings Limited until his resignation on 23 May 2013. He did not receive any fees in 2013 in relation to this appointment.

⁵ Calculated using the average share price of 390.1p for the last quarter of 2013.

DIRECTORS' REMUNERATION REPORT

2013 Annual Bonus

The 2013 Annual Bonus Plan for the Chief Executive and Group Finance Director was primarily based upon the annual profit before interest and taxes and exceptional items (PBIT) performance of the Group measured against annual PBIT targets as approved by the Board of Directors of William Hill PLC.

75% of the potential bonus award was based on this Group measure, being 123.75% of salary for the Chief Executive and 90% of salary for the Group Finance Director.

The 2013 Group PBIT performance targets were set, as they are annually, taking into account business expectations for the year and relevant external factors. The 2013 PBIT threshold and target were set at a level, which represented stretching performance. The actual Group PBIT for 2013 of £324.1m was below the threshold PBIT and therefore no bonus was payable in respect of the Group financial (PBIT) element.

Performance	2013 Group PBIT Target (Pre-bonus spend)	2013 Group PBIT Actual
Threshold	£334.4m	£324.1m
Target	£352.0m	
Maximum	£369.6m	

The remaining 25% of the potential bonus award was based on individual performance against key business objectives, being 41.25% of salary for the Chief Executive and 30% of salary for the Group Finance Director.

Ralph Topping's individual objectives related to ongoing international expansion in key markets such as the US, Australia, Spain and Italy; leading the buyout of the Playtech joint venture; continuing significant progress in developing a multi-channel proposition and in particular accelerating the development of mobile; ensuring that our approach to responsible gambling is fully embedded within the business, whilst playing an active part in the work of the betting sector in these areas; and continuing to strengthen the Senior Management team.

Neil Cooper's individual objectives related to mergers & acquisition activity including completion of the Australia and Playtech deals; managing the 2013 Rights Issue; and a range of corporate finance, planning, financial systems and tax projects.

Despite achieving a number of the above individual objectives, no bonus was payable to either executive director in respect of the individual performance element since as the rules of the annual bonus plan provide that the individual element of bonus is only payable if the threshold level of Group PBIT is achieved. Therefore, both executive directors have been awarded no bonus in respect of 2013.

2013 Long-term incentives vesting in relation to performance ending in 2013

The 2010 and 2011 PSP awards will vest in full based on performance up to the end of 2013. For the purposes of the single figure table, the values are based on the average share price for the last quarter of 2013 (390.1p). The original awards were adjusted for the 2013 rights issue by the theoretical ex-rights price adjustment factor and include the value of dividends that have accrued on vested share awards. The EPS targets attached to half of the awards were also adjusted by the same factor.

2010 PSP awards

In 2010, the Committee awarded Ralph Topping PSP shares to the value of 225% of salary and Neil Cooper shares to the value of 200% of salary ('2010 PSP awards'). The vesting of one half of the 2010 PSP awards the ('EPS tranche') depended on the aggregate adjusted EPS growth over the four year period: 2010 to 2013. The aggregate EPS range for 2010 to 2013 was 78.8p to 97.4p. No shares vest if aggregate EPS growth is below 78.8p; for EPS growth at the threshold of 78.8p, 25% of the EPS tranche vests; for EPS growth of 97.4p or above, the full EPS tranche vests; a sliding scale applies for performance between threshold and maximum. The vesting of the remaining half of the 2010 PSP awards the ('TSR tranche') depended on the Company's relative TSR performance over the four year performance period: 2010 to 2013 against a comparator group of 16 gambling and leisure companies. For a ranking below median, none of the TSR tranche vests; for a median ranking 25% of the TSR tranche vests, rising on a straight-line basis to full vesting for a ranking at or above upper quartile.

The Company's aggregate EPS growth over the four year performance period was 98.7p which is above the maximum of the range – the EPS tranche therefore vests in full. The Company's TSR performance ranking was 3.23 relative to the comparator group of 15 companies, representing upper quartile performance, over the four year performance period – the TSR tranche therefore vests in full.

The 2010 PSP awards therefore vest in full. Ralph Topping receives 587,889 shares comprised of the original PSP award plus an additional 72,618 shares in lieu of dividends paid over the performance period. Neil Cooper receives 385,049 shares comprised of the original PSP award plus an additional 47,562 shares in lieu of dividends paid over the performance period.

2011 PSP awards

In 2011, the Committee awarded Ralph Topping PSP shares to the value of 100% of salary and Neil Cooper shares to the value of 100% of salary ('2011 PSP awards'). The vesting of one half of the 2011 PSP awards ('the EPS tranche') depended on the aggregate adjusted EPS growth over the three year period: 2011 to 2013. The aggregate EPS range for 2011 to 2013 was 60.5p to 71.9p. No shares vest if aggregate EPS growth is below 60.5p; for EPS growth at the threshold of 60.5p, 25% of the EPS tranche vests; for EPS growth of 71.9p or above, the full EPS tranche vests; a sliding scale applies for performance between threshold and maximum. The vesting of the remaining half of the 2011 PSP awards ('the TSR tranche') depended on the Company's relative TSR performance over the three year performance period: 2011 to 2013 against a comparator group of 16 gambling and leisure companies. For a ranking below median, none of the TSR tranche vests; for a median ranking 25% of the TSR tranche vests, rising on a straight-line basis to full vesting for a ranking at or above upper quartile.

The Company's aggregate EPS growth over the three year performance period was 78.5p which is above the maximum of the range – the EPS tranche therefore vests in full. The Company's TSR performance ranking was 1.63 relative to the comparator group of 15 companies, representing upper quartile performance, over the four year performance period – the TSR tranche therefore vests in full.

The 2011 PSP awards therefore vest in full. Ralph Topping receives 358,186 shares comprised of the original PSP award plus an additional 38,252 shares in lieu of dividends paid over the performance period. Neil Cooper receives 208,941 shares comprised of the original PSP award plus an additional 22,313 shares in lieu of dividends paid over the performance period.

PSP and EBMS awards granted in 2013

	Scheme	Basis of award granted	Shares awarded	Face value of award ¹	Maximum vesting	Percentage vesting for threshold performance	Vesting period
Ralph Topping	PSP 2013	100% of salary	166,710	£650,000	100%	25% under TSR element, 25% under EPS element	Performance measured over the three financial years ending 31 December 2015. Awards will vest to participants on the third anniversary of grant, subject to continued employment
Neil Cooper	PSP 2013	100% of salary	97,461	£380,000	100%		
Ralph Topping	EBMS 2013	70% of 2012 annual bonus	192,550	£750,750	100%	Deferred bonus, subject to continued employment	Awards will vest to participants on the third anniversary of grant
Neil Cooper	EBMS 2013	50% of 2012 annual bonus	58,477	£228,000	100%		

¹ Face value based on a share price of 389.9p being the share price on the date of grant.

The PSP award is granted in the form of nil cost options and is subject to two equally weighted performance conditions, relative TSR and EPS growth.

The relative TSR performance condition measures the Company's TSR performance against a comparator group of gaming and leisure companies (888 Holdings, Boyd Gaming, BWIN Party Digital, Greene King, Ladbrokes, Lottomatica, Marston's, Mitchells & Butlers, OPAP, Paddy Power, Rank Group, Restaurant Group, Wetherspoon (JD), Whitbread) as constructed at the grant date and measured over a three-year performance period. For a ranking below median, none of this element of the award will vest. For a median ranking 25% of this element of the award will vest, rising on a straight-line basis to full vesting of this element for a ranking at or above upper quartile.

The EPS range for the award is based on the aggregate adjusted EPS over the three financial years: 2013 to 2015. The threshold vesting requirement was set to be consistent with external analyst expectations at the time of award. The aggregate EPS range for threshold to maximum vesting is 89.0p to 99.3p, with 25% vesting for threshold and full vesting for achieving the maximum or better.

EBMS awards are granted in the form of nil cost options.

DIRECTORS' REMUNERATION REPORT

PSP, EBMS and other share awards

The table below sets out details of the executive directors' outstanding awards under the PSP, EBMS, SAYE and other plans:

Name of director	Scheme	Number of shares at 1 January 2013 (pre- Rights Issue)	Number of shares at 1 January 2013 (adjusted for Rights Issue)	Granted during the period	Lapsed during the period	Exercised during the period	Number of shares at 31 December 2013	Date from which exercisable	Expiry date
Ralph Topping	PSP 2010	545,280	587,888	–	–	–	587,888	May 2014	May 2020
	PSP 2011	332,226	358,186	–	–	–	358,186	Apr 2014	Apr 2021
	PSP 2012	292,267	315,104	–	–	–	315,104	Mar 2015	Mar 2022
	PSP 2013	–	–	166,710	–	–	166,710	Apr 2016	Apr 2023
	EBMS 2010	149,669	162,782	–	–	(180,524) ⁵	0	Mar 2013	Apr 2013
	EBMS 2011	350,984	378,410	–	–	–	378,410	Mar 2014	Apr 2014
	EBMS 2012	292,716	315,589	–	–	–	315,589	Mar 2015	Apr 2015
	EBMS 2013	–	–	192,550	–	–	192,550	Apr 2016	May 2016
	Retention	552,995	596,206	–	–	–	642,855 ⁴	Dec 2013	Jun 2014
	SAYE 2012	5,056	5,451	–	–	–	5,451	Aug 2015	Feb 2016
Total		2,521,193	2,719,616	359,260	–	(180,524)	2,962,743⁴		
Neil Cooper	PSP 2010	357,142	385,049	–	–	–	385,049	May 2014	May 2020
	PSP 2011	193,798	208,941	–	–	–	208,941	Apr 2014	Apr 2021
	PSP 2012	170,864	184,215	–	–	–	184,215	Mar 2015	Mar 2022
	PSP 2013	–	–	97,461	–	–	97,461	Apr 2016	Apr 2023
	EBMS 2011	78,784	84,940	–	–	–	84,940	Mar 2014	Apr 2014
	EBMS 2012	96,367	103,897	–	–	–	103,897	Mar 2015	Apr 2015
	EBMS 2013	–	–	58,477	–	–	58,477	Apr 2016	May 2016
	SAYE 2011	5,976	6,442	–	–	–	6,442	Aug 2014	Feb 2015
	Total	902,931	973,484	155,938	–	–	1,129,422		

Notes:

¹ PSP awards are subject to two performance conditions, with half the award subject to a relative TSR measure and half subject to an aggregate adjusted EPS measure. Except for the 2010 PSR award which is measured over four years, both measures are assessed over three financial years.

² EBMS awards are deferred bonus shares which will vest after three years, subject to continued service only.

³ The CEO retention award is subject to continued service only and vested on 31 December 2013.

⁴ The number includes 46,649 dividend shares.

⁵ The number includes 17,742 dividend shares.

Options granted under the SAYE scheme are not subject to performance criteria.

Table of directors' share interests

The share interests of each person who was a director of the Company during the year as at 31 December 2013 (together with interests held by his or her connected persons) were as follows:

Name of director	Legally owned			PSP awards		EBMS awards ¹		Retention award		SAYE		Total	% of salary held under Shareholding Policy ²
	01.01.13 ³	Post Rights Issue ³	31.12.13	Unvested	Vested	Unvested	Vested	Unvested	Vested	Unvested	Vested	31.12.13	% salary
Executive directors													
Ralph Topping	395,399	483,265	180,495	1,427,888	–	886,549	–	–	642,855	5,451	–	3,143,238	112%
Neil Cooper	2,345	2,866	2,866	875,666	–	247,314	–	–	–	6,442	–	1,132,288	3%
Non-executive Directors													
Gareth Davis	94,000	114,888	114,888	–	–	–	–	–	–	–	–	114,888	–
David Edmonds	24,000	29,333	29,333	–	–	–	–	–	–	–	–	29,333	–
David Lowden	10,000	12,222	12,222	–	–	–	–	–	–	–	–	12,222	–
Ashley Highfield	5,548	7,147	7,147	–	–	–	–	–	–	–	–	7,147	–
Georgina Harvey	10,000	12,222	12,222	–	–	–	–	–	–	–	–	12,222	–
Imelda Walsh	10,000	12,222	12,222	–	–	–	–	–	–	–	–	12,222	–

During the period 1 January to 28 February 2014, there have been no changes in the directors' share interests.

¹ All EBMS Awards are deferred shares.

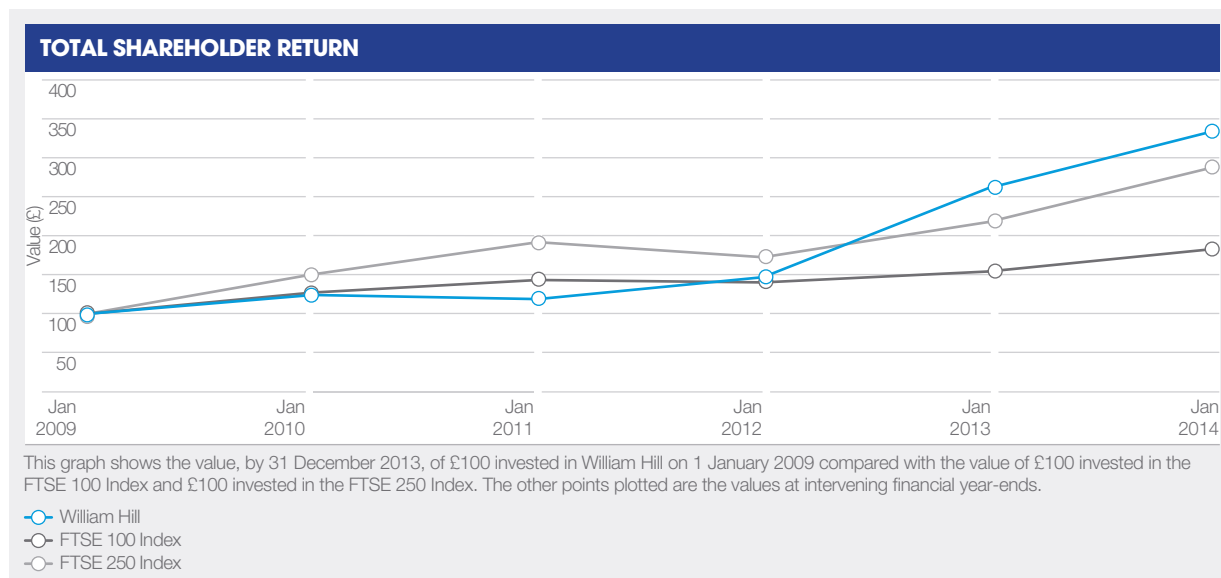
² Calculated as legally owned shares on 31.12.13 multiplied by 31 December 2013 share price of 401.9p divided by current base salary.

³ Shareholding post March 2013 Rights Issue. All directors exercised their Rights to the new issue shares.

The Chief Executive is expected to hold William Hill shares to the value of a minimum of 150% of salary, and the Group Finance Director a minimum of 100% of salary (within five years of appointment to the PLC Board).

Total shareholder return chart

The chart below shows the Company's TSR performance compared with that of the performance of the FTSE 100 and FTSE 250 Indices. As a member of both indices in recent times, the Committee believes both indices are appropriate to compare William Hill's performance against.



During 2013 William Hill's TSR increased by 28%; the corresponding increase for the FTSE 100 and FTSE 250 Indices were 19% and 32% respectively.

Change in remuneration of the Chief Executive

	Base Salary			Taxable Benefits			Bonus		
	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change
CEO	£650,000	£650,000	0%	£30,431	£28,926	5.2%	0	£1,072,500	-100%
Salaried Employees	£20,021	£19,551	2.4%	£572	£544	5.1%	£0	£902	-100%

The change in the Chief Executive's remuneration is compared to the change in remuneration of all full-time salaried employees across the Retail, Online and Group areas of the UK business who were employed throughout 2012 and 2013. Part-time and hourly paid employees in either 2012 or 2013 are excluded from the comparison figure.

Relative importance of spend on pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in 2013 compared to 2012. It can be seen that dividend increases are well above remuneration cost increases, despite profit being lower:

	2013	2012	% change
Profit after tax	£226.5m	£231.0m	-1.9%
Dividends	£87.1m	£71.1m	22.5%
Employee remuneration costs	£327.1m	£312.9m	4.5%

Auditable sections of the Annual report on Remuneration

The auditable sections of the Annual Report on Remuneration are shown from page 73 (starting with the single total figure of remuneration for each director) up to page 77 (including the section titled table of directors' share interests).

Approval

This report was approved by the Board of directors on 28 February 2014 and signed on its behalf by:

Imelda Walsh
Chairman, Remuneration Committee

DIRECTORS' REPORT

The directors present their Annual Report on the affairs of the Group, together with the financial statements and auditor's report, for the period ended 31 December 2013. The following also form part of this report:

- pages 50 to 51, which show the names of all persons who were directors of the Company during the year;
- the reports on corporate governance set out on pages 48 to 60;
- Information relating to financial instruments, as provided in the Notes to the financial statement;
- related party transactions as set out in Note 33 to the financial statement;
- Greenhouse gas emissions, set out on page 47.

Details of committee memberships for each director are set out on pages 50 to 51. Details of the directors' interests are set out in Note 1 to the Parent Company financial statements.

Management report

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the 'Management Report' can be found in the Strategic report and this Directors' Report, including the sections of the Annual Report and Accounts incorporated by reference.

Annual Report and Accounts

The directors are aware of the responsibilities in respect of the Annual Reports and Accounts. The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

The Statement of Directors' Responsibilities appears on page 80.

Strategic Report

The Board has prepared a Strategic Report which provides an overview of the development and performance of the Group's business for the period ended 31 December 2013 and which covers likely future developments in the Group. The Chairman's overview, the Chief Executive's Statement, the strategic review, key performance indicators, marketplace report, divisional overview, corporate responsibility report, financial review and managing our risks sections together provide information which the directors consider to be of strategic importance to the Group.

Results and dividends

The Group's profit on ordinary activities after taxation and exceptional items for the period was £226.5m (53 weeks ended 1 January 2013 – £231.0m). The directors recommend a final dividend of 7.9p per share to be paid on 6 June 2014 to ordinary shareholders on the Register of Members on 2 May 2014 which, if approved, together with the interim dividend of 3.7p per share paid on 6 December 2013, makes a total of 11.6p per share for the year.

Directors' and Officers' liability insurance

Pursuant to Article 155 of the Articles of Association and subject to the provisions of the Companies Act, the directors and officers of the Company shall be indemnified out of the assets of the Company, against liability in defending proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company. In addition the Group has purchased and maintains Directors' and Officers' insurance cover against certain legal liabilities and costs for claims incurred in respect of any act or omission in the execution of their duties.

Share Capital

As at 28 February 2014, the Company had an allotted and fully paid up share capital of 867,315,849 ordinary shares of 10 pence each with an aggregate nominal value of £86,731,585.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights. There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws and regulations. This will include insider trading laws and market requirements relating to close periods. Also included will be the requirements of the Listing Rules whereby directors and certain employees of the Company require the necessary approval to deal in the Company's securities.

Each ordinary share of the Company carries one vote. Further information on the rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, a copy of which can be obtained from the Company Secretary. Changes to the Articles of Association must be approved by special resolution of the Company.

The holders of ordinary shares are entitled to receive the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights, and to receive a dividend, as and when declared.

Substantial shareholdings

As at 31 December 2013, the Company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, of the notifiable interests in the ordinary share capital of the Company set out in the table below.

Name of holder	Percentage shareholding
The Capital Group Companies, Inc.	13.40%
BlackRock, Inc.	5.86%
Schroders plc	4.98%

In the period 31 December 2013 to 28 February 2014, the following changes were disclosed in accordance with the Disclosure and Transparency Rules:

Name of holder	Percentage shareholding
The Capital Group Companies, Inc.	9.90%
Artemis Investment Management LLP	5.06%

Significant agreements – change of control

There are no significant agreements to which the Company is party which take effect, alter or terminate in the event of a change of control in the Company following a takeover bid.

Nevada Regulation

Shareholders of William Hill are subject to regulation by the Nevada State Gaming Control Board and the Nevada Gaming Commission as a result of the Company's ownership of licensed subsidiaries in Nevada and the Company's registration as a publicly traded company operating in Nevada. Information regarding Nevada gaming regulatory requirements can be assessed by shareholders at www.williamhillplc.com.

Employee policies

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and the Group magazine 'Will2win'. An employee engagement survey is also conducted annually, the results of which are communicated to employees for review and to managers for action. Employee representatives are consulted regularly through colleague forums on a wide range of matters affecting their current and future interests.

The Company operates a SAYE Share Option Scheme which is open to all eligible employees. Options under the scheme are granted with an exercise price up to 20% below the prevailing share price. The maximum permissible monthly savings under the scheme is currently £250.

William Hill is committed to equal opportunities in the workplace. In all aspects of employment including recruitment, promotion, training and development and terms and conditions of employment, all employees and applicants for employment are given equal opportunities regardless of gender, marital or family status, race, nationality, ethnic origin, religion, age, disability and sexual orientation. William Hill endeavours to ensure that all employees are made aware of the provisions of the policy and of their responsibility to uphold and promote it. William Hill will not tolerate harassment, discrimination or victimisation in the workplace in any form.

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

Political donations

There were no political donations made during the period (2012: nil).

Authority to purchase own shares

An authority for the Company to purchase its own shares remains valid until the forthcoming Annual General Meeting, when it is intended that a resolution will be put forward to shareholders to renew such authority.

Issue of new ordinary shares

During the financial period ended 31 December 2013, 161,380,787 new ordinary shares of the Company were issued. This included 156,872,327 shares taken up under the Rights Issue at a price of 245p per share and 1,102,475 under the employee Sharesave Scheme at prices between 139p and 348p per share. In addition, 955,683 new ordinary shares were issued under the Employee Bonus Matching Scheme and 2,450,302 shares issued under the William Hill Online Long Term Incentive Plan.

Annual General Meeting

The AGM will be held at 11.00 a.m. on 8 May 2014 at Cavendish Conference Centre, 22 Duchess Mews, London W1G 9DT. The notice of the AGM and an explanation of the items of non routine business are set out in the explanatory circular that accompanies this Annual Report.

Auditor and disclosure of information to auditor

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

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

Deloitte LLP have expressed their willingness to be re-appointed as auditors of the Company. A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming AGM.

By Order of the Board

Luke Thomas
Company Secretary
28 February 2014

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

In addition, each of the directors considers that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the board

R J Topping
Director
28 February 2014

N Cooper
Director
28 February 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIAM HILL PLC

OPINION ON FINANCIAL STATEMENTS OF WILLIAM HILL PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Group Statement of Accounting Policies, and the related notes 1 to 33, the Parent Company Balance Sheet, the Parent Company Statement of Accounting Policies and the related notes 1 to 14. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

SEPARATE OPINION IN RELATION TO IFRSS AS ISSUED BY THE IASB

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

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

GOING CONCERN

As required by the Listing Rules we have reviewed the directors' statement on page 55 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIAM HILL PLC

ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of intangible assets identified in current year acquisitions <p>The current year acquisitions of Sportingbet and tomwaterhouse.com in Australia were significant, and the valuation of the associated intangible assets requires complex valuation techniques dependent on significant management judgement.</p>	<p>We used our own valuations specialists to assist us with our audit work on the underlying assumptions and methodology prepared by management's external advisers, which are used for the identification and valuation of acquired intangible assets. This included discussions with management's advisers, evaluating the valuation techniques used, assessing the reasonableness of underlying assumptions such as discount rates and growth rates, comparing these with those used by other market participants and comparing the results of our work with management's own fair value estimates. Where appropriate, we re-performed sensitivity analyses. We also evaluated the adequacy of the related disclosures in note 16 to the financial statements.</p>
Impairment of goodwill and intangible assets <p>The annual impairment test is a complex process requiring significant management judgement and is based on assumptions about future profitability.</p>	<p>We reviewed and challenged the calculations performed by management as part of their impairment reviews and the appropriateness of the underlying assumptions which they used. We assessed the budgets used in the Group's forecasts having regard to previous year's results and considered the accuracy of prior year forecasts against the current year's results, the appropriateness of the discounted rate used by management through comparison to previous years and those used by similar entities, and performed a sensitivity analysis on the underlying assumptions. We also considered whether there was any evidence which brought into question the assumption that certain of the Group's intangible assets have indefinite useful lives.</p>
Revenue recognition including the completeness and valuation of antepost revenue deferral <p>The appropriate identification and subsequent valuation of all open bets in place at the year end has a material impact on revenue recognised in the period</p>	<p>We tested the operating effectiveness of manual and automated controls in the revenue cycle including cash reconciliations from the betting operating system and cash held at a sample of licensed betting offices. We recalculated the amount and validity of revenue recognised on a sample of bets placed during the year and where appropriate assessed whether the open bets were included in the fair value of antepost liabilities.</p>
Valuation of pension scheme liabilities <p>The pension scheme represents an area of significant judgement for the financial statements, particularly in relation to the assumptions adopted such as discount rate, inflation, and mortality rates.</p>	<p>We worked with our own actuarial experts to test the assumptions used by management in valuing the Group's defined benefit pension scheme liabilities such as discount rate, inflation and mortality rates and compared those assumptions to industry benchmarks and prior years rates adopted.</p>
Valuation of corporation tax provisions <p>The way in which William Hill organises its operations in different jurisdictions requires management to exercise a degree of judgement as to the way that these corporation tax laws should be interpreted and the way in which they interact.</p>	<p>We worked with our own tax specialists in different jurisdictions where William Hill has significant operations to review the calculations for current and deferred tax balances using their experience of similar structures and operations. We also considered correspondence with the various tax authorities.</p>

The Audit and Risk Management Committee's consideration of these risks is set out on page 38 of the Report of the Audit and Risk Management Committee.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £14.1 million, which is 5% of pre-tax profit before those exceptional items disclosed in note 3 to the Group financial statements, and below 2% of equity. Pre-tax profit before exceptional items has been used to exclude the effect of volatility of exceptional items from our determination.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.3 million as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also agreed to report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at four locations. Three of these, the UK, Gibraltar and Australia, were subject to a full audit, whilst the remaining location, the USA, was subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at that location. The three locations, subject to full audit procedures, represent the principal business units and together with the Group Functions, account for 95.5% of the Group's net assets, 98.5% of the Group's revenue and 99.1% of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the four locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

We include all component audit teams in our team briefing, discuss their risk assessment and in the current year a senior member of the team has visited both Australia and Gibraltar to review documentation of the findings from their work. The audit procedures in the UK and the USA were performed by members of the Group audit team.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and 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

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIAM HILL PLC

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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 and express an opinion on 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 Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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

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 Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Robert Matthews

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London

28 February 2014

CONSOLIDATED INCOME STATEMENT

for the 52 weeks ended 31 December 2013

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 31 December 2013 Total £m	Before exceptional items (restated) £m	Exceptional items (note 3) £m	53 weeks ended 1 January 2013 Total (restated) £m
Continuing Operations							
Amounts wagered*	2	7,800.8	–	7,800.8	5,884.8	–	5,884.8
Revenue	1,2	1,486.5	–	1,486.5	1,276.9	–	1,276.9
Cost of sales	2,3	(266.6)	(5.6)	(272.2)	(172.2)	–	(172.2)
Gross profit	2	1,219.9	(5.6)	1,214.3	1,104.7	–	1,104.7
Other operating income	1	7.4	–	7.4	4.7	–	4.7
Other operating expenses	3	(906.6)	(15.5)	(922.1)	(787.5)	(14.5)	(802.0)
Share of results of associates	4	3.4	–	3.4	3.7	–	3.7
Profit before interest and tax	2,5	324.1	(21.1)	303.0	325.6	(14.5)	311.1
Investment income	7	1.1	–	1.1	0.6	–	0.6
Finance costs	3,8	(45.4)	(1.7)	(47.1)	(33.5)	(0.5)	(34.0)
Profit before tax	2,3	279.8	(22.8)	257.0	292.7	(15.0)	277.7
Tax	3,9	(32.2)	1.7	(30.5)	(48.2)	1.5	(46.7)
Profit for the period		247.6	(21.1)	226.5	244.5	(13.5)	231.0
Attributable to:							
Equity holders of the parent		232.3	(21.1)	211.2	202.0	(12.2)	189.8
Non-controlling interest		15.3	–	15.3	42.5	(1.3)	41.2
		247.6	(21.1)	226.5	244.5	(13.5)	231.0
Earnings per share (pence)							
Basic	11			25.2			25.0
Diluted	11			24.7			24.7

* Our definition of amounts wagered has been reviewed and updated this year, as described in our Statement of Group Accounting Policies, and we have restated the comparative periods accordingly. The presentation of revenue is unaffected by this change.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 52 weeks ended 31 December 2013

	Notes	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Profit for the period		226.5	231.0
Items that will not be reclassified subsequently to profit or loss:			
Actuarial remeasurements in defined benefit pension scheme	32	(3.8)	5.6
Tax on remeasurements in defined benefit pension scheme	25	(1.7)	(3.0)
		(5.5)	2.6
Items that may be reclassified subsequently to profit or loss:			
(Loss)/gain on cash flow hedges	24	(0.6)	0.4
Exchange differences on translation of foreign operations		(98.6)	(1.7)
		(99.2)	(1.3)
Other comprehensive (loss)/income for the period		(104.7)	1.3
Total comprehensive income for the period		121.8	232.3
Attributable to:			
Equity holders of the parent		106.5	191.0
Non-controlling interest		15.3	41.3
		121.8	232.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 52 weeks ended 31 December 2013

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non- controlling interest £m	Total equity £m
At 2 January 2013	70.6	321.4	6.8	(26.1)	(2.7)	(0.7)	653.1	1,022.4	14.6	1,037.0
Profit for the financial period	–	–	–	–	–	–	211.2	211.2	15.3	226.5
Other comprehensive loss for the period	–	–	–	–	–	(99.2)	(5.5)	(104.7)	–	(104.7)
Total comprehensive income for the period	–	–	–	–	–	(99.2)	205.7	106.5	15.3	121.8
Purchase of own shares (note 27)	0.2	–	–	–	(9.6)	–	9.0	(0.4)	–	(0.4)
Transfer of own shares to recipients (note 27)	–	–	–	–	8.5	–	(8.5)	–	–	–
Rights issue, net of costs (note 26)	15.7	357.7	–	–	–	–	–	373.4	–	373.4
Other shares issued during the period	0.2	1.6	–	–	–	–	–	1.8	–	1.8
Credit recognised in respect of share remuneration (note 31)	–	–	–	–	–	–	8.9	8.9	–	8.9
Tax credit in respect of share remuneration	–	–	–	–	–	–	2.9	2.9	–	2.9
Dividends paid (note 10)	–	–	–	–	–	–	(87.1)	(87.1)	–	(87.1)
Distributions to non-controlling interest	–	–	–	–	–	–	–	–	(21.6)	(21.6)
Purchase of non-controlling interest, net of costs (note 28)	–	–	–	–	–	–	(414.8)	(414.8)	(8.3)	(423.1)
Reversal of non-controlling interest perpetuity creditor	–	–	–	–	–	–	9.7	9.7	–	9.7
At 31 December 2013	86.7	680.7	6.8	(26.1)	(3.8)	(99.9)	378.9	1,023.3	–	1,023.3

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non- controlling interest £m	Total equity £m
At 28 December 2011	70.3	318.3	6.8	(26.1)	(11.7)	0.6	529.6	887.8	11.8	899.6
Profit for the financial period	–	–	–	–	–	–	189.8	189.8	41.2	231.0
Other comprehensive income for the period	–	–	–	–	–	(1.3)	2.5	1.2	0.1	1.3
Total comprehensive income for the period	–	–	–	–	–	(1.3)	192.3	191.0	41.3	232.3
Transfer of own shares to recipients	–	–	–	–	9.0	–	(9.0)	–	–	–
Shares issued during the period	0.3	3.1	–	–	–	–	(0.2)	3.2	–	3.2
Credit recognised in respect of share remuneration	–	–	–	–	–	–	10.6	10.6	–	10.6
Tax credit in respect of share remuneration	–	–	–	–	–	–	0.9	0.9	–	0.9
Dividends paid	–	–	–	–	–	–	(71.1)	(71.1)	–	(71.1)
Distributions to non-controlling interest	–	–	–	–	–	–	–	–	(38.5)	(38.5)
At 1 January 2013	70.6	321.4	6.8	(26.1)	(2.7)	(0.7)	653.1	1,022.4	14.6	1,037.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Notes	31 December 2013 £m	1 January 2013 £m
Non-current assets			
Intangible assets	12	1,854.8	1,433.4
Property, plant and equipment	13	249.2	227.7
Interest in associate	15	14.0	12.6
Deferred tax asset	25	18.6	11.5
Loans receivable	16	4.6	–
		2,141.2	1,685.2
Current assets			
Inventories	17	0.2	0.2
Trade and other receivables	18	56.4	37.7
Cash and cash equivalents	18	206.7	151.7
Derivative financial instruments	24	–	0.4
Investment property held for sale	19	9.4	–
		272.7	190.0
Total assets		2,413.9	1,875.2
Current liabilities			
Trade and other payables	20	(278.7)	(227.5)
Corporation tax liabilities		(37.6)	(38.7)
Borrowings	21	–	(0.1)
Derivative financial instruments	24	(12.3)	(7.0)
		(328.6)	(273.3)
Non-current liabilities			
Borrowings	21	(895.9)	(402.6)
Retirement benefit obligations	32	(17.5)	(21.1)
Amounts owed to non-controlling interest	28	–	(8.7)
Deferred tax liabilities	25	(148.6)	(132.5)
		(1,062.0)	(564.9)
Total liabilities		(1,390.6)	(838.2)
Net assets		1,023.3	1,037.0
Equity			
Called-up share capital	26	86.7	70.6
Share premium account		680.7	321.4
Capital redemption reserve		6.8	6.8
Merger reserve		(26.1)	(26.1)
Own shares held	27	(3.8)	(2.7)
Hedging and translation reserves		(99.9)	(0.7)
Retained earnings		378.9	653.1
Equity attributable to equity holders of the parent		1,023.3	1,022.4
Non-controlling interest		–	14.6
Total equity		1,023.3	1,037.0

The financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 28 February 2014 and are signed on its behalf by:

R J Topping
Director

N Cooper
Director

CONSOLIDATED CASH FLOW STATEMENT

for the 52 weeks ended 31 December 2013

	Notes	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Net cash from operating activities	29	267.6	294.3
Investing activities			
Dividend from associate	15	2.0	2.0
Interest received	7	1.1	0.6
Proceeds on disposal of property, plant and equipment		1.8	1.3
Loans	16	(6.9)	–
Acquisitions (net of cash acquired)	16	(451.4)	(19.4)
Purchase of non-controlling interest, net of costs	28	(423.1)	–
Purchases of property, plant and equipment		(49.6)	(45.8)
Expenditure on computer software		(35.0)	(20.5)
Net cash used in investing activities		(961.1)	(81.8)
Financing activities			
Proceeds on issue of shares under share schemes		1.8	3.2
Purchase of own shares		(0.4)	–
Proceeds on rights issue		384.3	–
Fees in respect of rights issue		(10.9)	–
Dividends paid	10	(87.1)	(71.1)
Distributions to non-controlling interests		(21.6)	(38.5)
Net amounts drawn down on/(repayments under) borrowing facilities	21	120.0	(67.5)
Debt facility issue costs		(1.9)	(1.2)
Issue of £375m Guaranteed Notes due 2020	21	375.0	–
Finance fees paid on £375m Guaranteed Notes		(4.0)	–
Net cash from/(used in) financing activities		755.2	(175.1)
Net increase in cash and cash equivalents in the period		61.7	37.4
Changes in foreign exchange rates		(6.7)	–
Cash and cash equivalents at start of period		151.7	114.3
Cash and cash equivalents at end of period		206.7	151.7

STATEMENT OF GROUP ACCOUNTING POLICIES

GENERAL INFORMATION

William Hill PLC is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Greenside House, 50 Station Road, London, N22 7TP. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 2 and note 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with our accounting policies.

BASIS OF ACCOUNTING

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. The Group financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in our accounting policies. The key accounting policies adopted are set out below.

ADOPTION OF NEW AND REVISED STANDARDS

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

IFRS 7 (revised)	Financial instruments: Disclosures
IFRS 13	Fair value measurement
IAS 1 (revised)	Presentation of financial statements
IAS 19 (revised)	Employee benefits
IAS 34 (revised)	Interim financial reporting

The key impact of IAS 19 (revised) 'Employee Benefits' has been to remove the separate assumptions for expected return on plan assets and discounting of scheme liabilities. This is replaced with a net interest cost based on the net defined benefit liability and the discount rate, measured at the beginning of the year. Accordingly, this replaces the separate disclosures of interest cost on the defined benefit obligation and the expected return on plan assets with a single net interest expense line. Adoption of IAS 19 (revised) also introduces a new term, "remeasurements", for the actuarial gains and losses on the defined benefit obligation, being the difference between actual investment returns and the return implied by the net interest cost, in the Statement of Comprehensive Income. This has not had a material impact on the Group's financial statements.

STANDARDS IN ISSUE BUT NOT EFFECTIVE

A complete list of standards that are in issue but not yet effective is included with our full accounting policies in an appendix to the Annual Report.

We do not anticipate that there will be a material impact on the Group's financial statements from standards that are in issue but not yet effective.

KEY ACCOUNTING POLICIES

Below we set out our key accounting policies. A complete list of our accounting policies is included in the Annual Report as an appendix on pages 133 to 140.

REVENUE RECOGNITION

Amounts wagered does not represent the Group's statutory revenue measure and now comprises the gross takings receivable from customers in respect of individual bets placed in the period in over the counter LBO, Telephone, US, Australian and Online sportsbook businesses and net revenue for the period for LBO machines and Online casino, poker and bingo products. This represents a change in treatment of LBO machines wagering, for which gross takings was previously utilised. This change has been made in order to improve consistency across the Group's segments and is reflected in current and prior period results. The presentation of net revenues, which is the Group's statutory revenue measure, is unaffected by this change.

Revenue is measured at the fair value of the consideration received or receivable from customers and represents amounts receivable for goods and services that the Group is in business to provide, net of discounts, marketing inducements, VAT and other sales related taxes, as set out below.

In the case of the LBO (including gaming machines), Telephone, US, Online sportsbook, Australian and Online casino operations (including games on the online arcade and other numbers bets), revenue represents gains and losses from betting activity in the period. Open positions are carried at fair value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed. Revenue from the online poker business reflects the net income ('rake') earned from poker games completed by the period end.

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

Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software licensing income and hotel revenues and is recognised on an accruals basis.

GOING CONCERN

As highlighted in notes 21 and 22 to the financial statements, the Group meets its day to day working capital requirements from positive operational cash flow and its available cash resources. These are supplemented when required by additional drawings under the Group's bank loan facilities, which are committed until November 2015. Whilst there are a number of risks to the Group's trading performance, the Group does not have any material financial repayment obligations before November 2015. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available committed facilities and its banking covenants.

After making enquiries and after consideration of the Group's existing operations, cash flow forecasts and assessment of business and regulatory risks, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

EXCEPTIONAL ITEMS

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

STATEMENT OF GROUP ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in the Statement of Group Accounting Policies included on pages 133 to 140, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill or intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Note 12 provides information on the assumptions used in these financial statements. Actual outcomes could vary.

Retirement benefit costs

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth and mortality. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent periods. Note 32 provides information on the assumptions used in these financial statements.

Valuation of antepost bet liabilities

In assessing the fair value of open bet positions, the directors use their judgement in selecting appropriate valuation techniques and inputs, based upon actual experience and the profile of the bets placed. The outcomes of bets are inherently uncertain; consequently, any difference will be reflected in subsequent accounting periods.

Taxation

Due to the multinational nature of the Group and the complexity of tax legislation in various jurisdictions in which the Group operates, the directors must apply judgement in estimating the likely outcome of certain tax matters whose final outcome may not be determined for a number of years and which may differ from the current estimation. In forming that judgement, the directors make assumptions regarding the interpretation and application of tax laws to the circumstances of those specific items.

These estimates are updated in each period until the outcome is finally determined through resolution with a tax authority and/or legal process. Differences arising from changes in estimates or from final resolution may be material and will be charged or credited to the income statement in the period of re-estimation or resolution.

Valuations and useful economic lives of assets on acquisition

In assessing the fair value of assets and liabilities acquired in business combinations, the directors use their judgement in selecting suitable valuation methods and inputs and in estimating the useful economic lives (UELs) of assets. The range of inputs considered in these valuations varies according to the item being valued and typically includes discount rates and the forecast future performance of the business being acquired, both of which involve a degree of estimation.

UELs are reviewed on a periodic basis and changes are recognised prospectively through an adjustment to the asset's amortisation charge in the income statement. A change in UEL of an asset, including the allocation of a definite life to an asset which previously had an indefinite life, may result in a materially different amortisation charge in that and subsequent years.

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. REVENUE

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

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Rendering of services and revenue as disclosed in the Consolidated Income Statement	1,486.5	1,276.9
Other operating income	7.4	4.7
Interest on bank deposits (note 7)	1.1	0.6
Total revenue as defined in IAS 18	1,495.0	1,282.2

2. SEGMENT INFORMATION

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

The Retail distribution channel comprises all activity undertaken in LBOs including gaming machines. The Online segment comprises all activity undertaken online including online sports betting, online casino, online poker sites and other online gaming products. The Telephone segment comprises the Group's telephone betting services. The US segment comprises betting activity undertaken in the USA. The Australia segment comprises online and telephone sports betting under the Centrebet, Sportingbet and tomwaterhouse.com brands in Australia which were acquired in transactions during the period (see note 16). Other activities include on-course betting and greyhound stadia operations.

Segment information for the 52 weeks ended 31 December 2013 is as follows:

	Retail £m	Online £m	Telephone £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Amounts wagered	2,874.1	3,165.0	252.0	310.2	1,177.1	22.4	–	7,800.8
Payout	(1,967.1)	(2,718.7)	(235.5)	(287.5)	(1,090.4)	(15.1)	–	(6,314.3)
Revenue	907.0	446.3	16.5	22.7	86.7	7.3	–	1,486.5
GPT, duty, levies and other costs of sales	(203.3)	(40.2)	–	(2.0)	(20.2)	(0.9)	–	(266.6)
Gross profit	703.7	406.1	16.5	20.7	66.5	6.4	–	1,219.9
Depreciation	(25.8)	(0.7)	–	(0.5)	(3.1)	(0.2)	(4.0)	(34.3)
Amortisation	(2.6)	(18.2)	(0.2)	–	–	–	–	(21.0)
Other administrative expenses	(479.0)	(239.4)	(16.3)	(15.3)	(51.4)	(6.0)	(25.6)	(833.0)
Share of result of associates	–	–	–	–	–	–	3.4	3.4
Operating profit/(loss)¹	196.3	147.8	–	4.9	12.0	0.2	(26.2)	335.0
Amortisation of acquired intangibles	–	(4.0)	–	(2.5)	(4.4)	–	–	(10.9)
Exceptional operating items	(5.6)	–	–	–	(15.5)	–	–	(21.1)
Profit/(loss) before interest and tax²	190.7	143.8	–	2.4	(7.9)	0.2	(26.2)	303.0
Non-operating exceptional items							(1.7)	(1.7)
Investment income							1.1	1.1
Finance costs							(45.4)	(45.4)
Profit before tax								257.0

¹ The Group defines operating profit as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

² The reports used by the Chief Executive to make strategic decisions use operating profit as a key metric. A reconciliation to profit/(loss) before interest and tax has been provided for information purposes only.

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. SEGMENT INFORMATION

	Retail £m	Online £m	Telephone £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Statement of Financial Position information								
Total segment assets	1,389.3	374.5	0.6	54.4	449.4	11.4	115.7	2,395.3
Total segment liabilities	(86.0)	(120.8)	(4.9)	(8.6)	(32.4)	(0.3)	(951.4)	(1,204.4)
Included within total assets:								
Goodwill	681.0	183.9	–	18.1	280.6	7.1	–	1,170.7
Other intangibles with indefinite lives	484.6	–	–	–	86.2	–	–	570.8
Investment in associates	–	–	–	–	–	–	14.0	14.0
Capital additions	39.6	34.7	–	2.6	2.8	–	8.8	88.5

Net assets/(liabilities) have been allocated by segment based on the information reviewed by the Group's Chief Executive. Corporate net assets include net borrowings and the net defined benefit pension liability as well as any assets and liabilities that cannot be allocated to a particular channel other than on an arbitrary basis.

Capital additions in the above table are stated on an accruals basis.

Segment information for the 53 weeks ended 1 January 2013:

	Retail £m	Online £m	Telephone £m	US £m	Other £m	Corporate (restated) £m	Group (restated) £m
Amounts wagered ¹	2,951.5	2,498.5	279.2	132.2	23.4	–	5,884.8
Payout	(2,113.6)	(2,091.8)	(263.2)	(123.3)	(16.0)	–	(4,607.9)
Revenue	837.9	406.7	16.0	8.9	7.4	–	1,276.9
GPT, duty, levies and other costs of sales	(137.1)	(35.6)	2.3	(0.9)	(0.9)	–	(172.2)
Gross profit	700.8	371.1	18.3	8.0	6.5	–	1,104.7
Depreciation	(24.8)	(0.8)	–	(0.2)	(0.2)	(3.3)	(29.3)
Amortisation	(2.6)	(11.5)	(0.3)	–	–	–	(14.4)
Other administrative expenses	(461.9)	(213.5)	(17.5)	(8.4)	(5.8)	(27.0)	(734.1)
Share of result of associates	–	–	–	–	–	3.7	3.7
Operating profit/(loss)²	211.5	145.3	0.5	(0.6)	0.5	(26.6)	330.6
Amortisation of acquired intangibles	–	(3.6)	–	(1.4)	–	–	(5.0)
Exceptional operating items	–	(4.6)	–	(5.3)	–	(4.6)	(14.5)
Profit/(loss) before interest and tax³	211.5	137.1	0.5	(7.3)	0.5	(31.2)	311.1
Non-operating exceptional items						(0.5)	(0.5)
Investment income						0.6	0.6
Finance costs						(33.5)	(33.5)
Profit before tax							277.7

¹ The presentation of amounts wagered for the 2012 comparative period has been revised following a change in accounting policy. Revenues are not affected by this change.

² The Group defines operating profit as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

³ The reports used by the Chief Executive to make strategic decisions use operating profit as a key metric. A reconciliation to profit/(loss) before interest and tax has been provided for information purposes only.

2. SEGMENT INFORMATION

	Retail £m	Online £m	Telephone £m	US £m	Other £m	Corporate £m	Group £m
Statement of Financial Position information							
Total segment assets	1,354.4	346.2	0.8	50.2	11.6	100.5	1,863.7
Total segment liabilities	(65.9)	(104.3)	(1.7)	(8.9)	(0.1)	(486.1)	(667.0)
Included within total assets:							
Goodwill	681.0	183.9	–	18.4	7.1	–	890.4
Other intangibles with indefinite lives	484.6	–	–	–	–	–	484.6
Investment in associates	–	–	–	–	–	12.6	12.6
Capital additions	39.3	20.8	–	1.2	–	–	61.3

There are no inter-segmental sales within the Group.

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

	Revenues		Non-current assets	
	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m	31 December 2013 £m	1 January 2013 £m
United Kingdom	1,263.4	1,164.1	1,396.9	1,412.1
Rest of the World	223.1	112.8	744.3	273.1
	1,486.5	1,276.9	2,141.2	1,685.2

Revenue information is based on the location of the customer. Non-current asset information is based on physical location (for tangible assets) or primary operating location of the company using the asset (for intangible assets).

The reconciliation of segment assets/(liabilities) to the Consolidated Statement of Financial Position is as follows:

	Assets		Liabilities	
	31 December 2013 £m	1 January 2013 £m	31 December 2013 £m	1 January 2013 £m
Total segment assets/(liabilities)	2,395.3	1,863.7	(1,204.4)	(667.0)
Corporation tax liabilities	–	–	(37.6)	(38.7)
Deferred tax assets/(liabilities)	18.6	11.5	(148.6)	(132.5)
Total assets/(liabilities)	2,413.9	1,875.2	(1,390.6)	(838.2)

NOTES TO THE GROUP FINANCIAL STATEMENTS

3. EXCEPTIONAL ITEMS

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

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Operating		
Sportingbet acquisition and integration costs ¹	(13.5)	(4.6)
VAT repayment ²	(5.6)	–
tomwaterhouse.com acquisition and integration costs ³	(2.0)	–
US acquisition costs	–	(5.3)
Spanish back taxes	–	(4.6)
	(21.1)	(14.5)
Non-Operating		
Costs in respect of refinancing ⁴	(1.7)	–
Fair value loss on hedging arrangements	–	(0.5)
	(1.7)	(0.5)
Total exceptional items	(22.8)	(15.0)

The tax impact of exceptional items is as follows:

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Tax credit in respect of VAT repayment ²	1.3	–
Tax credit in respect of refinancing costs ⁴	0.4	–
Tax credit in respect of Spanish back taxes	–	0.1
Tax credit in respect of US acquisition costs	–	1.3
Tax credit in respect of fair value loss on hedging arrangements	–	0.1
	1.7	1.5

¹ On 19 March 2013, the Group acquired a number of operations from the Sportingbet Plc Group, as described in note 16. Costs relating to this acquisition were charged as exceptional items.

² During 2013, HMRC was successful in appealing against a 2010 court ruling, on the basis of which the Group had received a refund of VAT on the Group's gaming machines. That refund is now expected to be repaid to HMRC and is charged as an exceptional item in 2013.

³ On 12 August 2013, the Group acquired tomwaterhouse.com, as described in note 16. Costs relating to this acquisition were charged as exceptional items.

⁴ In June 2013, the Group issued a £375m corporate bond and used the proceeds to settle £275m borrowed under a Term Loan Facility arranged in December 2012, with the remainder used to clear down outstanding amounts under the Group's revolving credit facility. The Term Loan Facility was immediately cancelled and the remaining balance of finance fees, which were being expensed over the life of the debt, was charged as an exceptional item.

4. SHARE OF RESULTS OF ASSOCIATES

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Share of profit after taxation in associated undertakings	3.4	3.7

The above represents the Group's share of the profit of Satellite Information Services (Holdings) Limited, further details of which are given in note 15.

5. PROFIT BEFORE INTEREST AND TAX

Profit before interest and tax has been arrived at after charging/(crediting):

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Net foreign exchange losses	1.1	1.8
Gain on disposal of fixed assets	(0.4)	(1.0)
Staff costs (note 6)	327.1	312.9
Impairment of property, plant and equipment (note 13)	–	–
Depreciation of property, plant and equipment (note 13)	34.3	29.3
Amortisation of software (note 12)	21.0	14.4
Amortisation of intangibles arising on acquisitions (note 12)	10.9	5.0

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

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Audit Fees		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.3	0.3
Audit-related assurance services	0.1	0.1
The audit of the Company's subsidiaries, pursuant to legislation	0.2	0.1
	0.6	0.5
Non-Audit Fees		
Tax advisory services	0.3	0.4
Reimbursement of tax advisory fees earned in 2010	(0.5)	–
Corporate finance services	0.3	–
	0.1	0.4
Total fees payable to Deloitte LLP	0.7	0.9

Deloitte LLP does not provide services for the Group's pension schemes.

The audit fees payable to Deloitte LLP are reviewed by the Audit and Risk Management Committee ('the Committee') to ensure such fees are competitive. The Committee sets the policy for awarding non-audit work to the auditor and reviews the nature and extent of such work and related fees in order to ensure that independence is maintained. The fees disclosed above consolidate all payments made to Deloitte LLP by the Company and its subsidiaries during the year and are presented net of VAT and other sales taxes.

6. STAFF COSTS

The average monthly number of persons employed, including directors, during the period was 17,089 (53 weeks ended 1 January 2013: 16,883) all of whom are engaged in the administration and provision of betting and gaming services and the operation of stadia. Their aggregate remuneration comprised:

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Wages and salaries	280.9	271.8
Social security costs	21.4	20.8
Share-based remuneration (inclusive of NIC provisions)	12.8	13.3
Other pension net costs	12.0	7.0
	327.1	312.9
Remeasurement loss/(gain) (note 32)	3.8	(5.6)
Total staff costs	330.9	307.3

The £3.8m relating to remeasurement losses (53 weeks ended 1 January 2013: £5.6m gain) has been charged to other comprehensive income.

NOTES TO THE GROUP FINANCIAL STATEMENTS

7. INVESTMENT INCOME

	52 weeks ended 31 December 2013	53 weeks ended 1 January 2013 (restated)
	£m	£m
Interest on bank deposits	1.1	0.6

Following the introduction of IAS 19 (revised 2011), finance income and finance costs relating to the Group's pension scheme assets and liabilities are presented net in finance costs. This presentation has been applied also to the prior year's results.

8. FINANCE COSTS

	52 weeks ended 31 December 2013	53 weeks ended 1 January 2013 (restated)
	£m	£m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	41.0	29.0
Amortisation of finance costs	3.7	2.2
Net interest payable	44.7	31.2
Loss on revaluation of amounts due to non-controlling interest	–	0.9
Interest on net pension scheme liabilities (note 32)	0.7	1.4
	45.4	33.5

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	52 weeks ended 31 December 2013	53 weeks ended 1 January 2013
	£m	£m
Current tax:		
UK corporation tax	48.9	60.9
Overseas tax	5.2	2.2
Adjustment in respect of prior periods	0.3	(2.2)
Total current tax charge	54.4	60.9
Deferred tax:		
Origination and reversal of temporary differences	(4.2)	0.1
Impact from changes in statutory tax rates	(18.8)	(12.6)
Adjustment in respect of prior periods	(0.9)	(1.7)
Total deferred credit	(23.9)	(14.2)
Total tax on profit on ordinary activities	30.5	46.7

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The effective tax rate in respect of ordinary activities before exceptional items is 11.5% (53 weeks ended 1 January 2013: 16.5%). The effective tax rate in respect of ordinary activities after exceptional items was 11.9% (53 weeks ended 1 January 2013: 16.8%). The current period's charge excluding exceptional items is lower than the UK statutory rate of 23.25% mainly due to a lower effective tax rate on the income of Online and a deferred tax credit resulting from the enacted reduction in the UK corporation tax rate to 20%. The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	52 weeks ended 31 December 2013		53 weeks ended 1 January 2013	
	£m	%	£m	%
Profit before tax	257.0		277.7	
Tax on Group profit at standard UK corporation tax rate of 23.25% (2012: 24.5%)	59.8	23.3	68.0	24.5
Impact of changes in statutory tax rates	(18.8)	(7.4)	(12.6)	(4.5)
Lower effective tax rate of Online	(12.9)	(5.0)	(8.6)	(3.1)
Tax on share of results of associates	(0.8)	(0.3)	(0.9)	(0.3)
Adjustment in respect of prior periods	(0.6)	(0.2)	(3.9)	(1.4)
Permanent differences – non-deductible expenditure	3.8	1.5	4.7	1.6
Total tax charge	30.5	11.9	46.7	16.8

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

There are no material unrecognised deferred tax assets.

10. DIVIDENDS PROPOSED AND PAID

	52 weeks ended 31 December 2013 Per share	53 weeks ended 1 January 2013 (restated) Per share	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Equity shares:				
– current period interim dividend paid	3.7p	3.2p	32.1	24.0
– prior period final dividend paid	7.2p	6.2p	55.0	47.1
	10.9p	9.4p	87.1	71.1
Proposed dividend	7.9p	7.2p	69.1	55.0

The proposed final dividend of 7.9p will, subject to shareholder approval, be paid on 6 June 2014 to all shareholders on the register on 2 May 2014. In line with the requirements of IAS 10 – 'Events after the Reporting Period', this dividend has not been recognised within these results. The Group estimates that approximately 875 million shares will qualify for the final dividend.

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. Details of shares held by the William Hill Holdings 2001 Employee Benefit Trust and in treasury are given in note 27.

The comparator per share figures have been restated to take into account the impact of the rights issue as described in note 26; dividends paid during the period of 10.1p have been presented as 9.4p and the proposed final 2012 dividend of 7.8p has been presented as 7.2p.

NOTES TO THE GROUP FINANCIAL STATEMENTS

11. EARNINGS PER SHARE

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

	52 weeks ended 31 December 2013			53 weeks ended 1 January 2013 (restated)		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Profit after tax attributable to equity holders of the parent for the financial period (£m)	211.2	–	211.2	189.8	–	189.8
Exceptional items (note 3) (£m)	22.8	–	22.8	13.7	–	13.7
Exceptional items – tax charge (note 3) (£m)	(1.7)	–	(1.7)	(1.5)	–	(1.5)
Amortisation of intangibles (net of tax) (£m)	9.2	–	9.2	4.5	–	4.5
Adjusted profit after tax for the financial period (£m)	241.5	–	241.5	206.5	–	206.5
Weighted average number of shares (million)	838.3	15.3	853.6	757.9	11.7	769.6
Earnings per share (pence)	25.2	(0.5)	24.7	25.0	(0.3)	24.7
Amortisation adjustment (pence)	1.1	–	1.1	0.6	–	0.6
Exceptional adjustment (pence)	2.5	–	2.5	1.6	(0.1)	1.5
Earnings per share – adjusted (pence)	28.8	(0.5)	28.3	27.2	(0.4)	26.8

An adjusted earnings per share, based on profit for the period before exceptional items and before the amortisation of specifically identified intangible assets arising on acquisitions, has been presented in order to highlight the underlying performance of the Group.

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury. The effect of this was to reduce the average number of shares by 0.8m in the 52 weeks ended 31 December 2013 (53 weeks ended 1 January 2013: 0.9m).

The comparator 2012 figures have been restated from the previously reported 27.0p (basic) and 26.6p (diluted) earnings per share to take into account the impact of the rights issue (as described in note 26) in line with IAS 33 “Earnings Per Share”.

12. INTANGIBLE ASSETS

	Goodwill £m	Licence value £m	Brands, trade names and customer relationships £m	Acquired technology platforms £m	Computer software £m	Total £m
Cost:						
At 28 December 2011	913.6	484.6	19.9	–	83.8	1,501.9
Acquisitions	19.2	–	13.1	3.0	–	35.3
Additions	–	–	–	–	20.5	20.5
Effect of foreign exchange rates	(0.8)	–	(0.5)	(0.1)	–	(1.4)
At 1 January 2013	932.0	484.6	32.5	2.9	104.3	1,556.3
Acquisitions	353.9	–	166.7	7.6	0.4	528.6
Additions	–	–	–	–	35.0	35.0
Effect of foreign exchange rates	(73.6)	–	(34.8)	(1.9)	–	(110.3)
At 31 December 2013	1,212.3	484.6	164.4	8.6	139.7	2,009.6

Accumulated amortisation:

At 28 December 2011	41.6	–	12.7	–	49.2	103.5
Charge for the period	–	–	4.5	0.5	14.4	19.4
At 1 January 2013	41.6	–	17.2	0.5	63.6	122.9
Charge for the period	–	–	9.2	1.7	21.0	31.9
At 31 December 2013	41.6	–	26.4	2.2	84.6	154.8

Net book value:

At 31 December 2013	1,170.7	484.6	138.0	6.4	55.1	1,854.8
At 1 January 2013	890.4	484.6	15.3	2.4	40.7	1,433.4

12. INTANGIBLE ASSETS

In order to better present the composition of assets recognised in acquisitions, the category formerly named "Intangibles arising on acquisitions" has been split into two categories. The presentation in comparative periods is on a consistent basis.

The amortisation period for the Group's computer software is between three and ten years. The use of a ten-year life in respect of some of the software assets is supported by warranties written into the relevant software supply contract.

Licences are judged to have an indefinite life and are accordingly not amortised but are subject to annual impairment reviews. The directors consider that the Group's licences have an indefinite life due to: the fact that the Group is a significant operator in a well-established market; the proven and sustained demand for bookmaking services; and the Group's track record of successfully renewing its betting permits and licences.

Acquired technology platforms include bookmaking-related software platforms and systems recognised at fair value in business combinations. There are no individually material items within this category.

Brands, trade names and customer relationships

This category of assets includes brands, trade names and customer relationships recognised in business combinations. These include the following significant items:

(i) Online assets

The Group holds assets with an original cost of £19.9m arising from the 2009 acquisition of assets, businesses and contracts from Playtech that are fully amortised and continue to be used. These assets relate to trade names and affiliate relationships.

(ii) US assets

In 2012, the Group acquired three US businesses. Brands and customer relationships were recognised of £13.1m and are being amortised over lives of between three and ten years.

(iii) Sportingbet assets

In March 2013, the Group acquired businesses and assets from the Sportingbet group as described in note 16. Brand and customer relationship assets were recognised of £163.1m. Of these assets, items with a carrying value of £86.2m have indefinite lives and the remainder are being amortised over lives ranging between three and 15 years.

(iv) tomwaterhouse.com assets

As described in note 16, the Group acquired tomwaterhouse.com in August 2013. An identifiable brand of £3.6m was recognised and is being amortised over three years.

Impairment reviews

The Group performs an annual impairment review for goodwill and other intangible assets with indefinite lives, by comparing the carrying amount of these assets with their recoverable amount. The most recent test was conducted at 31 December 2013. Testing is carried out by allocating the carrying value of these assets to cash generating units (CGUs) and determining the recoverable amounts of those CGUs through value in use calculations. Where the recoverable amount exceeds the carrying value of the assets, the assets are considered as not impaired.

Value in use calculations are based upon estimates of future cash flows derived from the Group's long range Operating Profit forecasts by division. Operating Profit forecasts are derived from the Group's annual strategic planning or similarly scoped exercise. These are high level forecasts, looking four years ahead, with separate extrapolation of net revenue and expense by division based on a combination of recently observable trends, management expectations and known future events. For the purposes of the value in use calculation, the long range operating forecast is extended to cover a five year period and year one of the long range Operating Profit forecast is replaced immediately prior to use if an annual budget for that year has been subsequently approved. This is done to ensure that year one of the test reflects latest detailed planning for that period. The implications, if any, of a materially different operating profit outcome for annual budget versus the relevant year of the long range forecast are also considered at that point. Cash flows beyond that five year period are extrapolated using long-term growth rates as estimated for each CGU separately, which do not exceed expectations of long-term growth in the local market. Both the following year's budget and the long range Operating Profit forecasts are approved by management.

Discount rates are applied to each CGU's cash flows that reflect both the time value of money and the risks that apply to the cash flows of that CGU. These are estimated by management on the basis of typical debt and equity costs for listed gaming and betting companies, with samples chosen where applicable from the same markets or territories as the CGU. Further risk premia and discounts are applied, if appropriate, to this rate to reflect the risk profile of the specific CGU relative to the market in which it operates. Our discount rates are calculated on a pre-tax basis and the calculations incorporate estimates of the tax rates that will apply to the future cash flows of the applicable CGU.

NOTES TO THE GROUP FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS

The principal assumptions underlying our cash flow forecasts are as follows:

1. We assume that the underlying business model will continue to operate on a comparable basis, as adjusted for key sporting events (for example, the 2014 World Cup), expected regulatory or tax changes and planned business initiatives.
2. Our forecasts anticipate the continuation of recent growth or decline trends in staking, gaming net revenues and expenses, as adjusted for changes in our business model or expected changes in the wider industry or economy.
3. We assume that we will achieve our target sports betting gross win margins as set for each territory, which we base upon our experience of the outturn of sports results over the long term, given the tendency for sports results to vary in the short term but revert to a norm over a longer term.
4. In our annual budget process, expenses incorporate a bottom up estimation of our cost base. For employee remuneration, this takes into account staffing numbers and models by division, while other costs are assessed separately by category, with principal assumptions including an extrapolation of recent cost inflation trends and the expectation that we will incur costs in line with agreed contractual rates.

The other significant assumptions incorporated into our impairment reviews are those relating to discount rates and long-term growth assumptions, as noted below separately for each CGU.

Recoverable values of CGUs

Cash generating unit	Discount rate %	Long-term growth rate %	Recoverable value £m
Retail	11.5	2.6	2,000.0
Online	9.8	2.6	2,809.4
Stadia	11.5	2.6	11.8
US	13.8	3.0	75.8
Sportingbet	10.5	2.9	547.9
tomwaterhouse.com	11.5	2.9	91.8

No impairment was identified in any of the CGUs tested.

The Retail CGU is defined as the Retail segment, which we describe in note 2. The CGU holds goodwill of £681.0m and other intangibles with indefinite lives of £484.6m.

The Online CGU is defined as the Online segment, which we describe in note 2, and holds goodwill of £183.9m.

The Stadia CGU is defined as the combined assets and operations of the two greyhound stadia operated by the business, which are included within the Other segment as described in note 2. Goodwill allocated to this CGU is £7.1m.

The US CGU is defined as the US segment, which we describe in note 2. Goodwill at the balance sheet date was valued at £18.1m.

The Sportingbet CGU is defined as the Australian assets and operations acquired from the Sportingbet plc group during the year as described in note 16. These operations are included within the Australian segment as described in note 2 and operate under the Sportingbet and Centrebet brands. This CGU includes goodwill of £258.2m and other intangible assets with indefinite lives with a carrying value of £86.2m at the balance sheet date.

The tomwaterhouse.com CGU is defined as the tomwaterhouse.com business acquired during the year as described in note 16 and which operates under the tomwaterhouse.com brand. This CGU is included within the Australian segment as described in note 2 and holds £22.4m of goodwill at the balance sheet date.

Sensitivity of impairment reviews

In the Stadia CGU, a fall in the cash flows of 4% or an increase in discount rates of 0.4% would be required to reduce the recoverable amount to equal the carrying value. For all other CGUs, no impairment would occur under any reasonably possible changes in assumptions upon which the recoverable amount was estimated.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost:			
At 28 December 2011	330.2	151.6	481.8
Acquisitions	0.5	0.8	1.3
Additions	27.2	13.6	40.8
Disposals	(10.4)	(58.2)	(68.6)
At 1 January 2013	347.5	107.8	455.3
Acquisitions	–	4.7	4.7
Additions	37.5	16.0	53.5
Disposals	(7.5)	(0.1)	(7.6)
Effect of foreign exchange rates	–	(1.0)	(1.0)
At 31 December 2013	377.5	127.4	504.9

Accumulated depreciation:			
At 28 December 2011	144.6	122.0	266.6
Charge for the period	21.8	7.5	29.3
Disposals	(10.1)	(58.2)	(68.3)
At 1 January 2013	156.3	71.3	227.6
Charge for the period	24.3	10.0	34.3
Disposals	(6.0)	(0.2)	(6.2)
At 31 December 2013	174.6	81.1	255.7

Net book value:

At 31 December 2013	202.9	46.3	249.2
At 1 January 2013	191.2	36.5	227.7

The net book value of land and buildings comprises:

	31 December 2013 £m	1 January 2013 £m
Freehold	40.0	41.1
Long leasehold	7.6	6.4
Short leasehold	155.3	143.7
	202.9	191.2

Of the total net book value of land and buildings, £4.0m (1 January 2013: £3.6m) relates to administrative buildings and the remainder represents licensed betting offices in the UK and betting locations in Nevada. The cost of assets on which depreciation is not provided amounts to £5.5m representing freehold land (1 January 2013: £6.0m).

The carrying amount of the Group's fixtures, fittings and equipment includes an amount of £nil (1 January 2013: £0.2m) in respect of assets held under finance leases.

At 31 December 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £4.0m (1 January 2013: £2.4m).

NOTES TO THE GROUP FINANCIAL STATEMENTS

14. SUBSIDIARIES

The principal subsidiaries of the Company, their country of incorporation, ownership of their share capital and the nature of their trade are listed below:

	Country of incorporation	Proportion of all classes of issued share capital owned by the Company	Nature of trade
Directly owned:			
William Hill Holdings Limited	Great Britain	100%	Holding company
Held through intermediate companies:			
William Hill Investments Limited	Great Britain	100%	Holding company
Will Hill Limited	Great Britain	100%	Holding company
William Hill Organization Limited	Great Britain	100%	Retail betting and gaming machines
Willstan Limited	Northern Ireland	100%	Retail betting and gaming machines
BJ O'Connor Limited	Jersey	100%	Retail betting and gaming machines
Willstan (IOM) Limited	Isle Of Man	100%	Retail betting and gaming machines
The Regal Sunderland Stadium Limited	Great Britain	100%	Stadium operation
Team Greyhounds (Brough Park) Limited	Great Britain	100%	Stadium operation
American Wagering, Inc.	USA	100%	Holding Company
Leroy's Horse & Sports Place	USA	100%	Retail and mobile betting
Brandywine Bookmaking, LLC	USA	100%	Retail betting
CN Acquisition Subco, Inc.	USA	100%	Retail betting
Computerized Bookmaking Systems, Inc.	USA	100%	Bookmaking software sales
Sportingbet Australia Pty Limited	Australia	100%	Online and telephone betting
Centrebet International Limited	Australia	100%	Online and telephone betting
Tom Waterhouse N.T. Pty Limited	Australia	100%	Online and telephone betting
WHG Trading Limited	Gibraltar	100%	Online betting and gaming
WHG (International) Limited	Gibraltar	100%	Online betting and gaming
WHG Spain PLC	Gibraltar	100%	Online betting and gaming
William Hill (Malta) Limited	Malta	100%	Online betting and gaming
WHG Services (Bulgaria) EOOD	Bulgaria	100%	Customer services
Cellpoint Investments Limited	Cyprus	100%	Holding company
Ad-gency Limited	Israel	100%	Marketing services

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

15. INTERESTS IN ASSOCIATE

The Group uses the equity method of accounting for associates and joint ventures. The following table shows the aggregate movement in the Group's investment in associates.

	£m
At 2 January 2013	12.6
Share of profit before interest and taxation	4.8
Share of interest	(0.4)
Share of taxation	(1.0)
Dividend received	(2.0)
At 31 December 2013	14.0

At 31 December 2013, William Hill Organization Limited, a principal subsidiary of the Company, held an investment of 19.5% (1 January 2013: 19.5%) of the ordinary share capital of Satellite Information Services (Holdings) Limited (SIS), a company incorporated in Great Britain. The Group is able to exert significant influence over SIS, by way of its 19.5% holding and its seat on the Board of directors.

The SIS group of companies provides real time, pre-event information and results, as well as live coverage of horse racing, greyhound racing and other sporting activities and events via satellite. The statutory financial statements of SIS are prepared to the year ending 31 March. The consolidated figures above are based on statutory accounts to March 2013 and management accounts thereafter.

15. INTERESTS IN ASSOCIATE

The following financial information relates to SIS:

	31 December 2013 £m	1 January 2013 £m
Total assets	137.0	153.6
Total liabilities	(65.0)	(89.1)
Total revenue	284.5	177.8
Total profit after tax	17.5	18.7

William Hill Organization Limited also holds directly or indirectly 33% of the entire share capital of Lucky Choice Limited and of 49's Limited. These companies were formed for the purpose of promoting and publicising certain numbers betting formats. In the opinion of the directors, the results of these companies are not material to the results of the Group. Consequently, the investments have been stated at cost and have not been accounted for under the equity method, which would normally be appropriate for an associated undertaking.

16. ACQUISITIONS

(a) Acquisition of Australian and Spanish operations from Sportingbet PLC (Sportingbet)

On 19 March 2013, the Group acquired the Australian sportsbook operations of Sportingbet and the Miapuesta brand and was granted a call option over Sportingbet's locally licensed Spanish business. The acquisition, representing a further step in the Group's strategy of selective international expansion, was made for a cash consideration of £459.4m and resulted in the Group acquiring 100% of the share capital of the entities acquired.

The call option over the Spanish business was exercised in September 2013 for nil additional consideration and control was assumed on 17 September 2013.

Goodwill recognised on acquisition represented expected profit enhancements from future revenue growth prospects and is not expected to be deductible for tax purposes.

The acquisition-date fair values of the assets and liabilities acquired are provisional. These may be further adjusted, particularly in respect of intangible assets, current liabilities and deferred tax provisions, as we gain further understanding of the business. The provisional purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Intangible non-current assets	170.7
Property, plant & equipment and software	5.1
Investment property	10.8
Cash at bank	25.9
Receivables	9.3
Payables	(49.0)
Deferred tax provisions	(43.0)
Total net assets acquired	129.8
Goodwill	329.6
Total consideration	459.4

The aggregate cash consideration, net of cash acquired, was as follows:

	£m
Cash consideration paid	459.4
Net cash acquired	(25.9)
Net acquisition cash flows	433.5

Included within the intangible non-current assets were £170.7m of separately identifiable intangibles that comprised brands, customer relationships, contractual relationships and software.

The fair value of the trade and other receivables comprised contractually receivable sums of £13.9m, net of a provision of £4.6m for potentially unrecoverable amounts.

NOTES TO THE GROUP FINANCIAL STATEMENTS

16. ACQUISITIONS

The acquired Australian operations have been included within a new operating segment under the name "Australia", which was created on their acquisition, and their contribution to the period's result was revenues of £78.5m and a £2.3m loss after exceptional items. Had they been acquired on 2 January 2013, they would have contributed £104.2m of revenue and £5.7m of profit before tax and after exceptional items during the 52 weeks to 31 December 2013. The acquired Spanish operations have been included within the "Online" operating segment and generated a £0.6m loss in the period. The revenues of the acquired Spanish operations are not separable from those of other businesses operated by the Group in Spain and are included within the Online results in note 2. Had they been acquired on 2 January 2013, they would have contributed an additional £4.1m of revenue and a £1.0m loss before tax during the 52 weeks to 31 December 2013.

Simultaneously with the purchase, the Group entered into a loan agreement with the joint purchaser, GVC, under which the Group lent £12.0m to GVC. This loan is repayable in instalments over the period to June 2016. At the end of the period, ca. £5.1m had been repaid. Of the remaining £6.9m, £4.6m is presented as a non-current loan receivable.

(b) Acquisition of tomwaterhouse.com

On 12 August 2013, the Group acquired 100% of Tom Waterhouse N.T. Pty Limited ("tomwaterhouse.com"), an Australian online betting business, as part of a strategy of selective international expansion as the Group develops its second "home" market in Australia.

The acquisition was completed for a cash consideration of AU\$35m (£20.5m). A potential additional earn-out on a sliding scale of up to AU\$70m is payable to the vendors, subject to tomwaterhouse.com achieving incremental operating profit on a sliding scale between AU\$10m and AU\$30m in the year to 31 December 2015. The Group has the option at its sole discretion to pay this earn-out in cash or in shares of William Hill PLC, with the number of such shares to be calculated based on the share price in the 30 days prior to settlement. At the date of acquisition, this earn-out was accounted for as a derivative liability of £0.6m.

Goodwill recognised on acquisition represented expected profit enhancements from both future revenue growth prospects and expected cost synergies and is not expected to be deductible for tax purposes.

The acquisition-date fair values of the assets and liabilities acquired are provisional. These may be further adjusted, particularly in respect of intangible assets, current liabilities and deferred tax provisions, as we gain further understanding of the business. The provisional purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Intangible assets	3.6
Cash in bank and on hand	2.6
Deferred tax provision	(0.4)
Other net liabilities	(9.0)
Total net liabilities acquired	(3.2)
Goodwill	24.3
Total consideration	21.1

The aggregate cash consideration, net of cash acquired, was as follows:

	£m
Total consideration	21.1
Less contingent element	(0.6)
Cash consideration paid	20.5
Net cash acquired	(2.6)
Net acquisition cash flows	17.9

Included within the intangible non-current assets was a brand with a fair value of £3.6m. The fair value of the trade and other receivables was not materially different from the contractually receivable sums.

The tomwaterhouse.com business has been included within the "Australia" operating segment and generated £8.2m in revenues and a loss of £5.6m in the period after exceptional items. Had the business been acquired on 2 January 2013, it would have contributed £20.7m of revenue and a £13.3m loss before tax during the 52 weeks to 31 December 2013.

17. INVENTORIES

	31 December 2013 £m	1 January 2013 £m
Raw materials, consumables and bar stocks	0.2	0.2

18. OTHER FINANCIAL ASSETS

Trade and other receivables

Trade and other receivables comprise:

	31 December 2013 £m	1 January 2013 £m
Trade debtors	7.7	1.9
Other debtors	12.8	4.2
Prepayments	35.9	31.6
	56.4	37.7

Trade receivables are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts. During the course of the current and previous financial period, there have been no material bad debt expenses and the Group holds provisions for bad or doubtful debt of £5.5m as at 31 December 2013.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits held by the Group with an original maturity of three months or less. In total the Group has £206.7m in cash and cash equivalents (2012: £151.7m). The carrying amount of these assets approximates their fair value. These amounts include £68.3m of client funds in the Online business that are matched by liabilities of an equal value, £5.1m of restricted funds in the US business that cannot be withdrawn without approval from the local regulator and which match or exceed betting and customer liabilities (including £1.8m of client funds) and £17.5m of client funds in the Australian business that are matched by equal liabilities.

19. INVESTMENT PROPERTY

The Group owns eight residential investment properties in Guernsey, all of which are classified as held for sale at 31 December 2013. These assets are presented within current assets.

The properties are held at a fair value of £9.4m, based upon estimates of current market prices advised by independent estate agents at 31 December 2013. Fair value movements during the year of £1.4m have been charged to profit.

During the year, rental income on these properties amounted to £0.2m. The properties and the income generated by them are included within the Corporate segment as described in note 2.

20. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	31 December 2013 £m	1 January 2013 (restated) £m
Trade creditors	113.8	82.1
Other creditors	9.5	10.1
Taxation and social security	55.7	27.2
Accruals	99.7	108.1
	278.7	227.5

The average credit period taken for trade purchases is 10 days (period ended 1 January 2013: 12 days).

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

Included in trade creditors is an amount of £87.6m (1 January 2013: £58.8m) in respect of amounts due to clients, representing deposits received and customer winnings. This is offset by an equivalent or greater amount of client funds held, which is included in cash and cash equivalents.

Following a review of the presentation of taxation liabilities, we have chosen to present only corporation tax liabilities on the face of the Statement of Financial Position and other tax liabilities within trade and other payables in a category "taxation and social security". This change is reflected in the comparative year presentation also. There is no change to the basis of measurement or to the value of current or total liabilities presented.

NOTES TO THE GROUP FINANCIAL STATEMENTS

21. BORROWINGS

	31 December 2013 £m	1 January 2013 £m
Borrowings at amortised cost		
Bank loans	230.0	110.0
Less: expenses relating to bank loans	(2.5)	(3.8)
£300m 7.125% Guaranteed Notes due 2016	300.0	300.0
Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	(1.0)	(1.2)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	(1.9)	(2.5)
£375m 4.25% Guaranteed Notes due 2020	375.0	–
Less: expenses relating to £375m 4.25% Guaranteed Notes due 2020	(3.7)	–
Total Borrowings at amortised cost	895.9	402.5
Obligations under finance leases	–	0.2
Total Borrowings	895.9	402.7
Less: amount shown as due for settlement in 12 months (shown under current liabilities)	–	(0.1)
Amount shown as due for settlement after 12 months	895.9	402.6
The gross borrowings, including finance leases, are repayable as follows:		
Amounts due for settlement within one year	–	0.1
In the second year	230.0	0.1
In the third to fifth years inclusive	300.0	410.0
After more than five years	375.0	–
	905.0	410.2

Bank facilities

As at 31 December 2013, the Group had the following bank facilities:

1. A revolving credit bank loan facility of £550m provided by a syndicate of banks which expires in November 2015. At the period-end, £230m of this facility was drawn down.
2. An overdraft facility of £5m, of which £nil was drawn down at the period-end.

During the period, the Group repaid and cancelled the Term Loan Facilities of £325m that were established during 2012. The remaining unamortised finance fees on the facility were charged to exceptional costs as described in note 3.

£550m Revolving Credit Facility (RCF)

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

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

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

Overdraft facility

At 31 December 2013, the Group had an overdraft facility with National Westminster Bank plc of £5m (1 January 2013: £5m). The balance on this facility at 31 December 2013 was £nil (1 January 2013: £nil).

21. BORROWINGS

Corporate bonds

(i) £300m 7.125% Guaranteed Notes due 2016

As part of its strategy to diversify its funds and strengthen its balance sheet, the Company issued £300m of corporate bonds to investors in 2009. These bonds mature in November 2016 and are guaranteed by William Hill Organization Limited, a principal subsidiary of the Company. The bonds carry a coupon of 7.125% but together with the discount on issue of the bonds bear an effective interest rate of 7.25%.

(ii) £375m 4.25% Guaranteed Notes due 2020

In June 2013, the Group issued £375m of corporate bonds and used the net proceeds to repay £275m borrowed under a Term Loan Facility used to part fund the acquisition of Sportingbet plc's Australian business and Playtech's stake in Online, with the remainder of the bond used to reduce outstanding amounts under the Group's RCF. The bonds, which are guaranteed by William Hill Organization Limited, bear a coupon rate of 4.25% and are due for redemption in June 2020.

Finance fees and associated costs incurred on both issues of bonds, together with the discount on the 2009 issue, have been capitalised in the Consolidated Statement of Financial Position and are being amortised over the life of the respective bonds using the effective interest rate method.

Weighted average interest rate

	52 weeks ended 31 December 2013 %	53 weeks ended 1 January 2013 %
The weighted average interest rates paid were as follows:		
Bonds	5.9%	7.2%
Bank Loans	3.5%	5.1%
Bank Loans including hedging arrangements	3.5%	5.5%

Fair value of loans and facilities

It is the directors' opinion that due to the Group's bank borrowings being subject to floating interest rates and given the proven cash generation capability of the Group, there is no significant difference between book and fair value of the Group's bank loans.

The Company's £300m 7.125% Guaranteed Notes due 2016 are listed on the London Stock Exchange and at the period end date their fair value was £339.8m.

The Company's £375m 4.25% Guaranteed Notes due 2020 are listed on the London Stock Exchange and at the period end date their fair value was £367.5m.

NOTES TO THE GROUP FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. Financial risk management is primarily carried out by the Group Treasurer under risk management policies approved by the Board of directors and supervised by the Group Finance Director. The Board provides written principles for risk management, as described in the Strategic Report on page 38. The principal financial risks faced by the Group comprise liquidity risk, financing risk, credit risk, interest rate risk, currency risk and pensions risk. These risks are managed as described below.

Liquidity risk

Liquidity risk is the risk that the Group has insufficient funds available to settle its liabilities as they fall due. The Group's business generates strong operating cash flows and the Group aims to maintain sufficient cash balances to meet its anticipated working capital requirements based on regularly updated cash flow forecasts. Liquidity requirements that cannot be met from operational cash flow or existing cash resources are satisfied by drawings under the Group's RCF. The Group maintains adequate committed but undrawn facilities to meet such requirements. Details of the Group's borrowing arrangements are provided in note 21.

The table below details the Group's expected maturity for its derivative and non-derivative financial liabilities. The table has been drawn up on the undiscounted contractual maturities of the financial instruments including interest that will be receivable or payable on them. The interest payments in respect of the floating rate liabilities are estimated based on the three month sterling LIBOR rate at the period end date.

	Average effective interest rate	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m	Total £m
31 December 2013						
2020 Bond including interest	4.3%	15.9	15.9	47.8	398.2	477.8
2016 Bond including interest	7.1%	21.4	21.4	319.6	–	362.4
Bank Loans including interest ¹	2.7%	9.2	238.4	–	–	247.6
Other financial liabilities	–	216.6	–	–	–	216.6
Total		263.1	275.7	367.4	398.2	1,304.4

1 January 2013

Finance leases	1.0%	0.1	0.1	–	–	0.2
2016 Bond including interest	7.1%	21.4	21.4	341.0	–	383.8
Bank Loans including interest ¹	2.5%	6.3	6.3	115.8	–	128.4
Other financial liabilities	–	200.3	–	–	–	200.3
Total		228.1	27.8	456.8	–	712.7

¹ Bank loan interest includes commitment fees payable on the undrawn portion of the RCF.

Capital management and financing risk

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

Financing risk is the risk that the Group is unable to access sufficient finance to refinance its debt obligations as they fall due. The Group manages this risk by maintaining a balance between different funding sources including equity and debt. It seeks to mitigate its debt financing risk by diversifying its sources of loan finance. The bank loan and corporate bond markets are currently used for this purpose. The Board also seeks to mitigate the Group's refinancing risk by having an appropriately balanced debt maturity profile.

22. FINANCIAL RISK MANAGEMENT

Net debt to EBITDA* ratio

The Group assesses its debt capital structure primarily through use of the Net debt to EBITDA* ratio. As one of the financial covenants under its bank loan facility, the Group must ensure that its Net debt to rolling 12-month EBITDA* does not exceed 3.5 times. Based on current forecasts, the Group expects to operate within these covenant limits throughout the lifetime of the facility.

The net debt to EBITDA ratio at 31 December 2013 was:

	31 December 2013 £m	1 January 2013 £m
Nominal value of bank loans	230.0	110.0
Nominal value of corporate bonds	675.0	300.0
Obligations under finance leases	–	0.2
Counter indemnity obligations under bank guarantees	3.1	2.9
Cash (excluding customer balances and other restricted cash)	(112.1)	(74.6)
Net debt for covenant purposes	796.0	338.5
EBITDA for covenant purposes	402.4	339.2
Net debt to EBITDA ratio	2.0	1.0

* For the purposes of bank loan covenants, EBITDA is calculated as profit before depreciation, amortisation, interest, tax and share-based payment charges less, for the periods applicable, EBITDA attributable to the non-controlling interest in Online. This calculation incorporates annualised profit measures for businesses that have not been owned for a full 12 month period.

Credit risk

The Group is exposed to credit risk from counterparties defaulting on their obligations resulting in financial loss to the Group. It arises in relation to transactions with commercial counterparties and to transactions with financial institutions with which the Group deposits its surplus funds and from counterparties with which the Group has entered into derivative financial transactions for hedging purposes. It also arises from customers who have been granted credit with which to bet with the Group.

The Group manages its financial counterparty credit risk by limiting or otherwise closely monitoring the amount that can be deposited with any one institution and by restricting the counterparties with which it will deposit funds to institutions with specified minimum credit ratings or which meet specified criteria. The Group's policy is to mitigate its credit risk with respect to derivative transactions by using a number of different counterparties for material transactions. As at 31 December 2013, the Group had only entered into immaterial derivative contracts for currency hedging purposes.

Interest rate risk

Interest rate risk arises primarily from the Group's borrowings. The Group has a policy which aims to maintain a balance between fixed and floating rate debt exposures appropriate to the expected performance of the business, the Group's debt burden and the wider economic environment. The Board has approved a fixed interest rate exposure target range of between 50% and 75% but with substantial flexibility around this range to allow for changing circumstances. At 31 December 2013 approximately 75% of the Group's gross borrowings were at fixed rates and 25% were at floating rates.

Based on the current level of borrowings, a 100 basis points change in interest rates would have the following impact on the Group Financial Statements:

	Increase of 100 basis points £m	Decrease of 100 basis points £m
Decrease in profit	0.2	–
Decrease in equity reserves	0.2	–

Currency risk

The Group is exposed to foreign exchange transaction risk through its Online operation which undertakes business in multiple currencies. On a net basis the foreign currency cash flow exposures are not considered to be material and are not hedged, other than those in relation to the Group's Online operations in Israel and the Philippines, where a proportion of the transaction exposure is hedged through a series of foreign currency forward transactions as described in note 24.

The Group's reporting currency is sterling and it is therefore also exposed to translation risk from its business in Australia operating in Australian dollars and its business in the US operating in US dollars.

NOTES TO THE GROUP FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT

Revenue by currency

Revenue by currency is analysed below.

	52 weeks ended 31 December 2013 %	53 weeks ended 1 January 2013 %
Sterling	85.0	90.9
Australian dollar	5.9	–
Euro	5.1	6.1
Other currencies	4.0	3.0
Total	100.0	100.0

Pensions risk

The Group operates defined benefit and defined contribution pension schemes for its employees. Pension risk arises in respect of the defined benefit scheme where the cost of funding retirement benefits ultimately falls upon the Group. In common with many such pension schemes the Group's defined benefit scheme is currently in a funding deficit position and during 2013 the Group made additional deficit repair contributions of £8.8m to the scheme plus a contribution of £1.5m towards the cost of life assurance premiums and other expenses of the scheme.

The Group seeks to manage the cash flow impact arising from pensions risk. Accordingly, the defined benefit scheme was closed to new entrants in 2002 and was restricted as to future accrual from April 2011. The Group attempts to further manage its exposure by agreeing with the Pension Scheme Trustees the assumptions to be used to calculate the scheme liabilities, the investment strategy to be followed and any cash contributions to be made by the Group. Having completed a formal triennial actuarial valuation in 2010, the Group has agreed a recovery plan with the Trustees which aims to eliminate the funding deficit over the period to 2018. An updated triennial actuarial valuation is currently underway.

23. FINANCIAL INSTRUMENTS

The carrying value of the Group's financial instruments by category, as defined by IAS 39, (together with non-financial instruments for reconciling purposes) is analysed as follows:

	31 December 2013 £m	1 January 2013 £m
<i>Derivatives used for hedging</i>		
Forward currency contracts	–	0.4
<i>Loans and receivables</i>		
Investments in associates	14.0	12.6
Cash and cash equivalents	206.7	151.7
Receivables	25.1	6.1
Total financial assets	245.8	170.8
Non-financial assets	2,168.1	1,704.4
Total assets	2,413.9	1,875.2
<i>Fair Value through the Income Statement</i>		
Held for trading (Ante post bets, contingent consideration and forward currency contracts)	(12.3)	(7.0)
<i>Liabilities at amortised cost</i>		
Borrowings	(895.9)	(402.7)
Trade and other payables	(216.6)	(200.3)
Amounts owed to non-controlling interest	–	(9.7)
Total financial liabilities	(1,124.8)	(619.7)
Non-financial liabilities	(265.8)	(218.5)
Total liabilities	(1,390.6)	(838.2)
Net assets	1,023.3	1,037.0

23. FINANCIAL INSTRUMENTS

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

Fair value hierarchy

The hierarchy (as defined in IFRS 13) of the Group's financial instruments carried at fair value was as follows:

	31 December 2013				1 January 2013			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets/(liabilities) held at fair value								
Forward currency contracts	–	(0.2)	–	(0.2)	–	0.4	–	0.4
Contingent consideration	–	–	(0.5)	(0.5)	–	–	–	–
Antepost bet liabilities	–	–	(11.6)	(11.6)	–	–	(7.0)	(7.0)
Total	–	(0.2)	(12.1)	(12.3)	–	0.4	(7.0)	(6.6)

Antepost bet liabilities are valued using methods and inputs that are not based upon observable market data and all movements on the balance are recognised in revenue in the Income Statement. There are no reasonably possible changes to assumptions or inputs that would lead to material changes in the fair value determined, although the final value will be determined by future sporting results. The principal assumptions relate to anticipated gross win margins on unsettled bets.

Forward currency contracts are classified as level 2 in the hierarchy, as their value is determined using inputs that are observable, either directly or indirectly. Changes in their fair value are recorded in the Income Statement, except in cases where the hedging arrangement qualifies for hedge accounting.

Contingent consideration liabilities are classified as level 3 in the hierarchy. These liabilities represent the present value of the cash outflows under earn-out agreements that would result from acquired businesses performing in line with management's current estimates. They key inputs into the fair value estimation include the forecast performance of the underlying business and the discount rate applied in deriving a present value from those forecasts.

As at 31 December 2013, the Group had forward contracts outstanding for a total of ILS1.1 million at an average rate of ILS5.7404 to £1 with final expiry on 12 January 2015 and forward contracts for a total of PHP 4.7 million at an average rate of PHP 73.3811 to £1 with final expiry on 12 January 2015, which combined are valued as a liability of £0.2m.

A reconciliation of movements on level 3 instruments is provided in the table below.

	Contingent consideration £m	Antepost bet liabilities £m
At 2 January 2013	–	(7.0)
Total gains or losses:		
in profit or loss	–	0.2
in other comprehensive income	0.1	–
Recognised in acquisitions	(0.6)	–
Settlements	–	(4.8)
Transfers out of level 3	–	–
At 31 December 2013	(0.5)	(11.6)

24. DERIVATIVE FINANCIAL INSTRUMENTS

Details of the Group's derivative financial instruments are given below.

Antepost bets

Antepost bets are a liability arising from an open position at the period end date in accordance with the Group's accounting policy for derivative financial instruments. Antepost bets at the period end totalled £11.6m (2012: £7.0m) and are classified as current liabilities.

Forward Contracts

The Group enters into forward purchase contracts to hedge its cash flow exposure to Israeli Shekels and Philippine Pesos. The fair value of forward foreign currency contracts at period end was a liability of £0.2 m (2012: asset of £0.4m).

Contingent consideration on acquisition of tomwaterhouse.com

As described in note 16, an element of the consideration on the acquisition of tomwaterhouse.com is contingent upon future performance of the tomwaterhouse.com business. At the year-end, the fair value of this liability was estimated at £0.5m.

NOTES TO THE GROUP FINANCIAL STATEMENTS

25. DEFERRED TAX

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

	At 2 January 2013 £m	Acquired in business combinations £m	Amount charged to reserves £m	Amount credited/ (charged) to income £m	Amount credited/ (charged) to Statement of Comprehensive Income £m	At 31 December 2013 £m
Fixed asset timings differences	(15.7)	(0.8)	–	4.9	0.2	(11.4)
Held over gains	(5.8)	–	–	1.0	–	(4.8)
Retirement benefit obligations	4.9	–	–	0.3	(1.7)	3.5
Licences and other intangibles	(111.0)	(47.7)	–	16.2	10.1	(132.4)
Other timing differences	–	5.1	–	(1.3)	(1.0)	2.8
Share remuneration	5.6	–	2.9	1.3	–	9.8
Tax losses	1.0	–	–	1.5	–	2.5
	(121.0)	(43.4)	2.9	23.9	7.6	(130.0)

The enacted future rate of UK corporation tax of 20% (53 weeks ended 1 January 2013: 23%), the Gibraltar statutory income tax rate of 10% (2012: 10%) and the Australian corporation tax rate of 30% have been used to calculate the amount of deferred tax.

Certain deferred tax assets and liabilities have been offset in the above analysis. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2013 £m	1 January 2013 £m
Deferred tax liabilities	(148.6)	(132.5)
Deferred tax assets	18.6	11.5
	(130.0)	(121.0)

26. CALLED-UP SHARE CAPITAL

	31 December 2013		1 January 2013	
	Number of shares	£m	Number of shares	£m
Called-up, allotted and fully paid – ordinary shares of 10p each:				
At start of period	705,853,439	70.6	702,197,647	70.3
Shares issued	161,380,787	16.1	3,655,792	0.3
At end of period	867,234,226	86.7	705,853,439	70.6

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

On 5 April 2013, the Group issued 156.9m ordinary shares of 10p each through a 2-for-9 rights issue. The shares were issued at £2.45 each and raised £373.4m after expenses of £10.9m, which were debited to share premium. The excess of cash received over nominal value of the shares issued was recorded as share premium.

27. OWN SHARES

	£m
At 2 January 2013	(2.7)
Purchase of own shares	(9.6)
Transfer of own shares to recipients	8.5
At 31 December 2013	(3.8)

Own shares held comprise:

	31 December 2013			1 January 2013		
	Number of shares	Nominal value £m	Cost £m	Number of shares	Nominal value £m	Cost £m
William Hill Holdings EBT	843,732	0.1	3.8	500,000	0.1	2.7

The shares held in the William Hill Holdings EBT were purchased at a weighted average price of £4.52 (1 January 2013: £5.32).

28. NON-CONTROLLING INTEREST (NCI)

The non-controlling interest relates to the 29% share in Online owned by Playtech Limited ("Playtech") during the prior and part of the current period.

On 15 April 2013, the Group purchased Playtech's stake in the Online business for a cash consideration of £423.8m. As this was a transaction with minority equity owners of the business without a change of control, it has been recognised as an equity transaction in the Group's reserves and not as a business combination or investment. Directly attributable costs of £2.8m have been recorded in equity along with a receipt of £3.5m representing a subsequent working capital adjustment. A liability of £9.7m, representing fixed annual fees due to Playtech, was also reversed through equity following the end of the underlying obligation.

As a result of the purchase of this minority stake, the financial statements show a nil non-controlling interest in the Statement of Financial Position and present a non-controlling share of profits only up to 14 April 2013, being £15.3m. A reconciliation of the movements in non-controlling interests is provided in the Consolidated Statement of Changes in Equity.

29. NOTES TO THE CASH FLOW STATEMENT

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Profit before interest and tax, excluding exceptional items	324.1	325.6
Adjustments for:		
Share of result of associates	(3.4)	(3.7)
Depreciation of property, plant and equipment	34.3	29.3
Amortisation of computer software	21.0	14.4
Amortisation of specifically identified intangible assets recognised on acquisitions	10.9	5.0
Gain on disposal of property, plant and equipment	(0.4)	(1.0)
Cost charged in respect of share remuneration	8.9	10.6
Defined benefit pension cost less cash contributions	(8.1)	(8.8)
Changes in foreign exchange rates	–	(0.4)
Fair value movements on investment property	1.4	–
Exceptional operating expense	(16.0)	(9.6)
Movement on financial derivatives	4.6	(0.6)
Operating cash flows before movements in working capital:	377.3	360.8
(Increase)/decrease in receivables	(5.8)	15.7
(Decrease)/increase in payables	(6.7)	10.2
Cash generated by operations	364.8	386.7
Income taxes paid	(55.9)	(52.0)
Interest paid	(41.3)	(40.4)
Net cash from operating activities	267.6	294.3

NOTES TO THE GROUP FINANCIAL STATEMENTS

30. OPERATING LEASE ARRANGEMENTS

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Minimum lease payments under operating leases recognised as an expense in the period:		
– plant and machinery	1.0	1.1
– other (including land and buildings)	60.9	58.2
	61.9	59.3

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

	31 December 2013 £m	1 January 2013 £m
Within one year	51.8	49.9
In the second to fifth years inclusive	178.5	168.1
After five years	222.2	212.5
	452.4	430.5

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

31. SHARE-BASED PAYMENTS

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

- Performance Share Plan (PSP), Long Term Incentive Plan (LTIP), William Hill Online Long Term Incentive Plan (William Hill Online LTIP), Executive Bonus Matching Scheme (EBMS) and Retention Award (RA), encompassing awards made in the years from 2004 to 2013; and
- Save As You Earn share option scheme involving options granted after 7 November 2002 (SAYE) encompassing grants made in the years from 2005 to 2013.

Details of these schemes are provided on pages 65 to 77 in the Directors' Remuneration Report.

Costs of schemes

The costs of the schemes during the period, excluding provisions for National Insurance, were:

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
PSP, LTIP, William Hill Online LTIP, EBMS and RA scheme	8.1	9.8
SAYE schemes	0.8	0.8
	8.9	10.6

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

The PSP and EBMS provide conditional awards of shares dependent on the Group's earnings per share growth and Total Shareholder Return (TSR) performance over a three-year period as well as continued employment of the individual at the date of vesting (awards are usually forfeited if the employee leaves the Group voluntarily before the awards vest). EBMS shares are exercised automatically on fulfilment of the service condition. If PSP options remain unexercised after a period of ten years from the date of grant, the options lapse.

The William Hill Online LTIP provided conditional awards that were dependent on profit achieved in Online.

The RA scheme was an award in 2012 of 552,995 William Hill shares to Ralph Topping which was subject to continued service until 31 December 2013. Further to the rights issue in April this year, the number of shares awarded was adjusted to 596,206 shares. An additional 46,649 dividend shares were awarded over the retention period, resulting in 642,855 shares vesting on this date.

The PSP, LTIP and EBMS are conditional awards of shares and the recipients do not have to pay an exercise price. The weighted average share price at the date of exercise for share awards exercised during the period was £4.26 (53 weeks ended 1 January 2013: £2.61). The awards outstanding at 31 December 2013 had a remaining weighted average contractual life of 4.2 years (1 January 2013: 5.0 years).

31. SHARE-BASED PAYMENTS

Options under these schemes are as follows:

	31 December 2013 Number	1 January 2013 Number
Outstanding at beginning of the period	15,587,389	13,709,267
Granted during the period	3,285,210	4,846,425
Rights issue uplift during the period	869,801	–
Forfeited during the period	(416,865)	(203,523)
Exercised during the period	(2,690,150)	(2,764,780)
Outstanding at the end of the period	16,635,385	15,587,389
Exercisable at the end of the period	1,765,405	48,698

Following the rights issue during the year (as described in note 26), the number of shares issuable to participants in certain share schemes was adjusted upwards. This is described above as a “rights issue uplift”.

SAYE schemes

Options under the SAYE Share Option Scheme, which is open to all eligible employees, are based on a three, five or seven year monthly savings contract. Options under the scheme are granted with an exercise price up to 20% below the share price when the savings contract is entered into. The options remain valid for six months beyond the end of the relevant savings contract.

The exercise prices for the 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013 SAYE schemes were £3.00, £3.00, £3.23, £1.82, £1.29, £1.48, £1.40, £1.65, and £3.12 respectively. For options granted prior to 2013, these have been adjusted to account for the effects of the rights issue in early 2013.

The weighted average share price at the date of exercise for share options exercised during the period was £4.38 (53 weeks ended 1 January 2013: £3.06). The options outstanding at 31 December 2013 had a remaining weighted average contractual life of 2.3 years (1 January 2013: 2.6 years).

Options under these schemes are as follows:

	31 December 2013		1 January 2013	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	6,550,374	1.68	6,828,123	1.56
Granted during the period	2,323,901	3.13	3,051,594	1.78
Rights issue uplift during the period	483,366	–	–	–
Forfeited during the period	(823,076)	2.23	(1,009,156)	1.79
Exercised during the period	(1,102,475)	1.58	(2,320,187)	1.40
Outstanding at the end of the period	7,432,090	1.97	6,550,374	1.68
Exercisable at the end of the period	86,916	1.78	174,345	2.52

Following the rights issue during the year (as described in note 26), the number of shares issuable to participants in certain share schemes was adjusted upwards. This is described above as a “rights issue uplift”.

Fair values of share-based payments

Share-based payments are valued using the Black-Scholes-Merton pricing formula. The inputs are as follows:

	SAYE		PSP, LTIP, EBMS, William Hill Online LTIP, RA	
	31 December 2013	1 January 2013	31 December 2013	1 January 2013
Weighted average share price at date of grant	£3.74	£2.62	£4.26	£2.27
Weighted average exercise price	£3.13	£1.78	£nil	£nil
Expected volatility	25%	26%	25%	26%
Expected life	2-6 years	3-6 years	3 years	3 years
Risk free interest rate	0.5%	2.2%	0.5%	2.2%
Expected dividend yield	3.3%	4.7%	3.3%	4.7%

NOTES TO THE GROUP FINANCIAL STATEMENTS

31. SHARE-BASED PAYMENTS

Expected volatility was determined by calculating the historical volatility of the Group's shares over a period matching the option life. The expected life of the option used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For PSP, LTIP, EBMS, and William Hill Online LTIP schemes, the value of the option has also been adjusted to take into account the market conditions applicable to the option (i.e. TSR requirements) by applying a discount to the option value.

This discount is calculated based on an estimate of the probability of achieving the relevant condition and was 25% for the 52 weeks ended 31 December 2013 (53 weeks ended 1 January 2013: 25%)

The weighted average fair value of the awards granted under the PSP, LTIP, EBMS, and William Hill Online LTIP schemes at the date of grant was £3.03 per option (1 January 2013: £1.55). The weighted average fair value of the options granted under SAYE grants at the date of grant was £0.34 per option (53 weeks ended 1 January 2013: £0.34).

32. RETIREMENT BENEFIT SCHEMES

The Group operates a number of defined contribution and defined benefit pension schemes. The UK schemes are operated under a single trust and the assets of all the schemes held separately from those of the Group in funds under the control of trustees. The respective costs of these schemes are as follows:

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Defined contribution scheme (charged to profit before interest and tax)	9.8	5.2
Defined benefit scheme (charged to profit before interest and tax)	2.2	1.5
Defined benefit scheme (charged to finance costs)	0.7	1.4
Defined benefit scheme (charged/(credited) to other comprehensive income)	3.8	(5.6)
	16.5	2.5

Defined contribution schemes

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

The total cost charged to income in respect of these schemes represents contributions payable to the schemes by the Group at rates specified in the rules of the respective schemes. At 31 December 2013, contributions of £1.4m (1 January 2013: £nil) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

The Group also operates a defined benefit scheme in the UK for eligible employees which closed to new members in 2002. Under the scheme, employees are entitled to retirement benefits varying between 1.67% and 3.33% of final pensionable pay for each year of service on attainment of a retirement age of 63. With effect from 1 April 2011, the defined benefit scheme was closed to future accrual but maintains the link for benefits accrued up to 31 March 2011 with future salary increases (up to a maximum of 5% per annum). Employed members of this scheme were automatically transferred into one of the defined contribution schemes. The costs of administering the scheme are borne by the Group.

The general principles adopted by the Trustees for the purposes of this funding valuation are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pensions right. The Group expects to make deficit repair contributions of ca. £9.4m to the scheme during 2014 plus a £1.5m contribution towards the cost of life assurance and costs of running the scheme.

For the purposes of preparing the information disclosed in these accounts, a full actuarial valuation of the scheme was carried out at 30 September 2010 and updated to 31 December 2013 by a qualified independent actuary. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Disclosure of principal assumptions

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

	31 December 2013	1 January 2013
Rate of increase of salaries	4.40%	4.00%
Rate of increase of pensions in payment	3.30%	3.00%
Discount rate	4.70%	4.50%
Rate of RPI inflation	3.40%	3.00%
Rate of CPI inflation	2.60%	2.30%

32. RETIREMENT BENEFIT SCHEMES

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

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

	31 December 2013	1 January 2013
Life expectancy at age 65		
Member currently aged 65	22 years	22 years
Member currently aged 40	25 years	25 years

The assets in the scheme are set out in the table below. Assets with quoted prices in an active market are identified separately.

	31 December 2013 £m	1 January 2013 £m
Equities (quoted)	72.8	100.2
Corporate Bonds (quoted)	50.5	53.3
Corporate Bonds (unquoted)	27.0	8.9
Property (unquoted)	5.9	5.7
Gilts and Cash (quoted)	138.5	126.7
Gilts and Cash (unquoted)	15.6	1.1
Total market value of assets	310.3	295.9
Present value of scheme liabilities	(327.8)	(317.0)
Deficit in scheme	(17.5)	(21.1)

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

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Current service cost	0.9	0.9
Administration expenses	1.3	0.6
Past service cost	–	–
Total operating charge	2.2	1.5

Analysis of the amount charged to net finance costs:

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Net interest	0.7	1.4

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

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Actual return less expected return on pension scheme assets	(3.0)	(10.1)
Experience gains arising on the scheme liabilities	–	–
Actuarial loss arising from changes in demographic assumptions	–	–
Actuarial loss arising from changes in financial assumptions	6.8	4.5
Actuarial remeasurements	3.8	(5.6)

NOTES TO THE GROUP FINANCIAL STATEMENTS

32. RETIREMENT BENEFIT SCHEMES

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

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
At beginning of period	317.0	308.9
Movement in period:		
Service cost	0.9	1.5
Interest cost	14.0	14.3
Actuarial loss due to changes in demographic assumptions	–	–
Actuarial loss due to changes in financial assumptions	6.8	4.5
Benefits paid	(10.0)	(12.2)
Insurance premium for risk benefits	(0.9)	–
At end of period	327.8	317.0

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

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
At beginning of period	295.9	274.8
Movement in period:		
Interest Income on assets	13.3	12.9
Return on assets in excess of interest income	3.0	10.1
Contributions from the sponsoring companies	10.3	10.3
Administration expenses recognised charged to profit before interest and tax	(1.3)	–
Benefits paid	(10.0)	(12.2)
Insurance premium for risk benefits	(0.9)	–
At end of period	310.3	295.9

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

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

Assumption	Changes in assumption	Impact on defined benefit liabilities
Discount rate	Decrease by 0.25% p.a.	Increase of £17.4m
Rate of increase in inflation	Increase by 0.25% p.a.	Increase of £16.5m
Life expectancy	Members assumed to live one year longer	Increase of £8.0m

If the change in assumptions were in the opposite direction to that shown above, the impact on the defined benefits liabilities would be of a similar magnitude, but in the opposite direction.

32. RETIREMENT BENEFIT SCHEMES

Nature and extent of the risks arising from financial instruments held by the defined benefit scheme

Pension assets and liabilities (pre-tax) of £310.3m and £327.8m respectively are held on the Group's Consolidated Statement of Financial Position as at 31 December 2013. Through the scheme the Company is exposed to a number of potential risks as described below:

- Asset volatility: the scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields; however, the scheme invests in equities. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- Changes in bond yields: the risk of a decrease in bond yields, which increases the value of the scheme liabilities, is partially offset by the upside benefit of an increase in the value of the scheme's bond holdings.
- Inflation risk: a significant proportion of the scheme's defined benefit obligation is linked to inflation and therefore higher inflation would result in a higher defined benefit obligation. The majority of the scheme's assets are either unaffected by inflation or only loosely correlated with inflation and therefore an increase in inflation would also increase the deficit.
- Life expectancy: if the Scheme's members live longer than expected, the scheme's benefits will need to be paid for longer, increasing the defined benefit obligation.

The Trustees and the Company manage risks in the scheme through the following strategies:

- Diversification: investments are diversified to reduce the impact of the failure of any single investment on the overall level of assets.
- Investment strategy: the Trustees are required to review their investment strategy on a regular basis.

Alongside the risk assessment above, the Group has agreed a deficit recovery plan with the Trustees aimed at eliminating the deficit over the period to 2018.

The weighted average duration of the scheme's defined benefit obligation as at 31 December 2013 and 1 January 2013 was 21 years.

33. RELATED PARTY TRANSACTIONS

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

Trading transactions

Associate

During the period the Group made purchases of £42.5m (53 weeks ended 1 January 2013: £41.3m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 31 December 2013 the amount receivable from Satellite Information Services Limited by the Group was £nil (1 January 2013: £3.1m).

Purchases were made at market price.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Short-term employee benefits (including salaries)	1.9	2.5
Post-employment benefits (employer's contribution)	–	–
Share-based payments (IFRS 2 charges)	2.4	3.5
	4.3	6.0

The disclosures above include ca. £60,000 received by directors in respect of dividends on the Company's ordinary shares.

The values presented above include share-based payments measured in accordance with IFRS 2. This is a different basis from that used for the presentation in the Directors' Remuneration Report. Other than the inclusion of dividends and the basis of measurement of share-based payments, all values above are presented on a consistent basis with those disclosed in the Directors' Remuneration Report.

Pension schemes

The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in note 32.

PARENT COMPANY BALANCE SHEET

As at 31 December 2013

	Notes	31 December 2013 £m	1 January 2013 £m
Fixed assets			
Investments	4	38.2	38.2
		38.2	38.2
Current assets			
Debtors			
Due within one year	5	2,827.0	2,526.7
Due after more than one year	6	4.6	–
		2,831.6	2,526.7
Creditors: amounts falling due within one year	7	(232.9)	(862.2)
Net current assets		2,598.7	1,664.5
Total assets less current liabilities		2,636.9	1,702.7
Creditors: amounts falling due after more than one year	8	(895.9)	(402.5)
Net assets		1,741.0	1,300.2
Capital and reserves			
Called-up share capital	9,11	86.7	70.6
Premium on ordinary shares	10,11	680.7	321.4
Capital redemption reserve	11	6.8	6.8
Own shares held	11	(1.4)	(0.3)
Profit and loss account	11	968.2	901.7
Shareholders' funds	11, 12	1,741.0	1,300.2

The Parent Company financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 28 February 2014 and are signed on its behalf by:

R J Topping
Director

N Cooper
Director

PARENT COMPANY STATEMENT OF ACCOUNTING POLICIES

for the 52 weeks ended 31 December 2013

The unconsolidated financial statements for the Company have been prepared in accordance with UK law and applicable UK GAAP accounting standards. A summary of the Company's principal accounting policies, which have been applied consistently throughout the period and the preceding period, is set out below.

BASIS OF ACCOUNTING

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

EXEMPTIONS

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone. The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements'. The cash flows of the Company are subsumed within the William Hill PLC Group financial statements. The Company is also exempt under the terms of FRS 8 'Related Parties' from disclosing related party transactions with entities that are part of the William Hill PLC Group.

INVESTMENTS

Fixed asset investments are shown at cost less provision, if any, for impairment.

Cost is measured by reference to the nominal value only of the shares issued for investments in subsidiaries acquired for consideration that includes the issue of shares qualifying for merger relief. Any premium is ignored.

TAX

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FOREIGN EXCHANGE

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction or at an average rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

FINANCE COSTS

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

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recorded at the fair value of the proceeds received, net of discounts and direct issue costs. Finance charges, including the unwinding of any discounts, premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest rate method. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any accrued finance costs are included in accruals and deferred income within creditors.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the William Hill PLC Group in line with the Group's risk management policies.

Termination payments made or received are spread over the life of the underlying exposure in cases where the underlying exposure continues to exist. In other cases termination payments are taken to the profit and loss account.

PARENT COMPANY STATEMENT OF ACCOUNTING POLICIES

OWN SHARES HELD

Own shares held in treasury and held in employment benefit trusts are included within reserves.

SHARE-BASED PAYMENTS

The Company issues equity-settled share-based payments to certain employees within the William Hill PLC Group and operates a number of HMRC approved Save As You Earn (SAYE) share option schemes open to all eligible employees within the William Hill PLC Group, which allow the purchase of shares at a discount. The cost to the Group of both of these share-based payments is measured at fair value at the date of grant. Fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and is borne by the employing company within the Group.

Fair value is measured by use of the Black-Scholes-Merton pricing formula. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option has also been adjusted to take into account any market conditions applicable to the option.

Further descriptions of the Group's share-based payment plans are given in note 31 to the Group financial statements.

GOING CONCERN

As highlighted in notes 21 and 22 to the Group financial statements, the Group meets its day to day working capital requirements from positive operational cash flow and its available cash resources. These are supplemented when required by additional drawings under the Group's bank loan facilities, which are committed until November 2015. Whilst there are a number of risks to the Group's trading performance, the Group does not have any material financial repayment obligations before November 2015. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available committed facilities and its banking covenants.

After making enquiries and after consideration of the Group's existing operations, cash flow forecasts and assessment of business and regulatory risks, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

for the 52 weeks ended 31 December 2013

1. DIRECTORS' REMUNERATION AND INTERESTS

The Company had no employees other than directors during the current or prior period. The Company did not operate any pension schemes during the current or prior period. Details of directors' remuneration, share interests, share options and other entitlements, which form part of these financial statements, are given in the parts of the Directors' Remuneration Report on pages 65 to 77 which are described as having been audited.

Directors' interests

The directors had the following interests, including family interests (all of which were beneficial) in the ordinary shares of William Hill PLC:

	31 December 2013 Number	1 January 2013 Number
Chairman		
Gareth Davis	114,888	94,000
Executive Directors:		
Ralph Topping	180,495	395,399
Neil Cooper	2,866	2,345
Non-executive Directors:		
David Edmonds	29,333	24,000
David Lowden	12,222	10,000
Ashley Highfield	7,147	5,848
Georgina Harvey	12,222	10,000
Imelda Walsh	12,222	10,000

No director had any interest in shares in any other Group company.

Directors' share options

Details of directors' share options are provided in the Directors' Remuneration Report on pages 65 to 77.

2. PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. William Hill PLC recorded a profit for the 52 weeks ended 31 December 2013 of £153.1m (53 weeks ended 1 January 2013: £222.5m).

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

3. DIVIDENDS PROPOSED AND PAID

	52 weeks ended 31 December 2013 Per share	53 weeks ended 1 January 2013 Per share	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Equity shares:				
– current period interim dividend paid	3.7p	3.2p	32.1	24.0
– prior period final dividend paid	7.2p	6.2p	55.0	47.1
	10.9p	9.4p	87.1	71.1
Proposed dividend	7.9p	7.2p	69.1	55.0

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

The per share comparator figures have been restated to take into account the impact of the rights issue as described in note 9; dividends paid of 10.1p have been presented as 9.4p and the proposed final 2012 dividend of 7.8p has been presented as 7.2p.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4. INVESTMENTS

	£m
Cost and net book value:	
At 2 January 2013 and 31 December 2013	38.2

It is the opinion of the directors that the total value of the Company's investment in its subsidiaries is not less than the amounts at which they are stated in the Parent Company Balance Sheet

The principal subsidiaries of the Company, their country of incorporation, ownership of their share capital and the nature of their trade are shown in note 14 to the Group financial statements.

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2013 £m	1 January 2013 £m
Amounts owed by Group undertakings	2,824.7	2,524.8
Loans receivable	2.3	–
Prepaid finance fees	–	1.9
Amounts owed by Group undertakings	2,827.0	2,526.7

6. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Debtors falling due after more than one year comprise the non-current portion of sums owed by GVC, as described in note 16 to the Group financial statements.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2013 £m	1 January 2013 £m
Amounts owed to Group undertakings	228.5	857.4
Accruals and deferred income	4.4	4.8
	232.9	862.2

8. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	31 December 2013 £m	1 January 2013 £m
Bank overdrafts, loans and derivative financial instruments		
Borrowings at amortised cost		
Bank loans	230.0	110.0
£375m 4.25% Guaranteed Notes due 2020	375.0	–
£300m 7.125% Guaranteed Notes due 2016	300.0	300.0
	905.0	410.0
The borrowings are repayable as follows:		
Amounts due for settlement within one year	–	–
In the second year	230.0	–
In the third to fifth years inclusive	300.0	410.0
After more than five years	375.0	–
	905.0	410.0
Less: expenses relating to bank loans	(2.5)	(3.8)
Less: expenses related to £375m 4.25% Guaranteed Notes due 2020	(3.7)	–
Less: discount on bond issue £300m issued at £297.9m	(1.0)	(1.2)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	(1.9)	(2.5)
	895.9	402.5

Bank facilities

As at 31 December 2013, the Company had a committed bank loan facility of £550m provided by a syndicate of banks. At the period-end, £230m of this facility was drawn down. This facility is a Revolving Credit Facility ("RCF"), expiring in November 2015.

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

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

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

Corporate bonds

(i) £300m 7.12% Guaranteed Notes due 2016

As part of its strategy to diversify its funding sources, the Company issued £300m of corporate bonds to investors in 2009. These bonds mature in November 2016 and are guaranteed by William Hill Organization Limited, a principal subsidiary of the Company. The bonds carry a coupon of 7.125% but together with the discount on issue of the bonds bear an effective interest rate of 7.25%.

(ii) £375m 4.25% Guaranteed Notes due 2020

In June 2013, the Company issued £375m of corporate bonds and used the net proceeds to repay £275m borrowed under a Term Loan Facility used to part fund the acquisition of Sportingbet plc's Australian business and Playtech's stake in Online, with the remainder of the bond used to clear down outstanding amounts under the Company's revolving credit facility. The bonds, which are guaranteed by William Hill Organization Limited, bear a coupon rate of 4.25% and are due for redemption in June 2020.

Finance fees and associated costs incurred on both issues of bonds, together with the discount on the 2009 issue, have been capitalised in the balance sheet and are being amortised over the life of the respective bonds using the effective interest rate method.

Further details of borrowings are shown in note 21 to the Group financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

9. CALLED-UP SHARE CAPITAL

	31 December 2013		1 January 2013	
	Number of shares	£m	Number of shares	£m
Called-up, allotted and fully paid – ordinary shares of 10p each:				
At start of period	705,853,439	70.6	702,197,647	70.3
Shares issued in the period	161,380,787	16.1	3,655,792	0.3
At end of period	867,234,226	86.7	705,853,439	70.6

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

On 5 April 2013, the Group issued 156.9m ordinary shares of 10p each through a 2-for-9 rights issue. The shares were issued at £2.45 each and raised £373.4m after expenses of £10.9m, which were debited to share premium. The excess of cash received over nominal value of the shares issued was recorded as share premium.

Share options

Options have been granted to subscribe for ordinary shares of the Company under various share option and award schemes as shown below:

	Number of shares under option	Price per share	Exercise period
Long Term Incentive Plan (2004)	7,230	nil	Between 2007 and 2014
Retention award	642,855	nil	Before 30 June 2014
Performance Share Plan (2005)	22,655	nil	Between 2008 and 2015
Performance Share Plan (2006)	10,867	nil	Between 2009 and 2016
Performance Share Plan (2010)	1,697,213	nil	Between 2014 and 2020
Performance Share Plan (2011)	1,392,028	nil	Between 2014 and 2020
Performance Share Plan (2012)	2,072,422	nil	Between 2015 and 2022
Performance Share Plan (2013)	1,211,748	nil	Between 2016 and 2023
Executive Benefit Matching Scheme (2011)	2,740,664	nil	March 2014
Executive Benefit Matching Scheme (2012)	3,129,448	nil	March 2015
Executive Benefit Matching Scheme (2013)	2,073,462	nil	April 2016
SAYE 2006	14,632	£3.00	Between 2013 and 2014
SAYE 2008	11,354	£1.82	Between 2013 and 2014
SAYE 2009	858,874	£1.29	Between 2014 and 2015
SAYE 2010	278,630	£1.48	Between 2013 and 2016
SAYE 2011	1,421,481	£1.40	Between 2014 and 2017
SAYE 2012	2,782,551	£1.65	Between 2015 and 2018
SAYE 2013	2,034,399	£3.12	Between 2016 and 2019

Note 31 to the Group financial statements has further information on these schemes, including the valuation models and assumptions used.

10. SHARE PREMIUM

	£m
At 2 January 2013	321.4
Shares issued in the period	370.2
Rights issue cost	(10.9)
At 31 December 2013	680.7

11. RESERVES

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Own shares held £m	Profit and loss account £m	Total £m
At 2 January 2013	70.6	321.4	6.8	(0.3)	901.7	1,300.2
Profit for the financial period	–	–	–	–	153.1	153.1
Rights issue (net of costs)	15.7	357.7	–	–	–	373.4
Other shares issued during the period	0.2	1.6	–	–	–	1.8
Purchase of own shares	0.2	–	–	(9.6)	9.0	(0.4)
Transfer of own shares to recipients	–	–	–	8.5	(8.5)	–
Dividends paid	–	–	–	–	(87.1)	(87.1)
At 31 December 2013	86.7	680.7	6.8	(1.4)	968.2	1,741.0

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2013 £m	1 January 2013 £m
Opening shareholders' funds	1,300.2	1,147.5
Profit for the financial period	153.1	222.5
Dividends paid	(87.1)	(71.1)
Shares issued during the period	1.4	3.2
Rights issue (net of costs)	373.4	–
Movement on reserves due to transfer of own shares to recipients	–	(1.9)
Net increase to equity shareholders' funds	440.8	152.7
Closing shareholders' funds	1,741.0	1,300.2

13. FINANCIAL COMMITMENTS

The Company had no capital commitments at 31 December 2013 (1 January 2013: £nil).

The Company had no commitments under non-cancellable operating leases at 31 December 2013 (1 January 2013: £nil).

14. RELATED PARTY TRANSACTIONS

The Company is taking advantage of the exemption granted by paragraph 3(c) of FRS 8 'Related Party Disclosures' not to disclose transactions with companies within the William Hill PLC Group, which are related parties.

FIVE-YEAR SUMMARY

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Summarised results:					
Amounts wagered ¹	7,800.8	5,884.8	5,228.6	4,609.5	4,298.8
Revenue	1,486.5	1,276.9	1,136.7	1,071.8	997.9
Profit before interest, tax and exceptional items (including associates)	324.1	325.6	272.1	273.2	253.0
Profit before interest and tax and after exceptional items (including associates)	303.0	311.1	221.9	272.7	199.8
Profit before tax	257.0	277.7	187.4	193.3	120.9
Profit for the financial period	226.5	231.0	146.5	156.0	81.2
Summarised statements of financial position:					
Assets employed:					
Non-current assets	2,141.2	1,685.2	1,643.7	1,670.6	1,674.4
Current assets	272.7	190.0	164.6	156.7	176.0
Current liabilities	(328.6)	(273.3)	(257.8)	(224.9)	(552.7)
Non-current liabilities	(1,062.0)	(564.9)	(650.9)	(747.7)	(541.4)
Net assets	1,023.3	1,037.0	899.6	854.7	756.3
Financed by:					
Equity attributable to equity holders of the parent	1,023.3	1,022.4	887.8	843.2	744.1
Minority interest	–	14.6	11.8	11.5	12.2
Total equity	1,023.3	1,037.0	899.6	854.7	756.3
Key statistics:					
Operating profit (£m) ²	335.0	330.6	275.7	276.8	258.5
Adjusted Basic earnings per share ³	28.8p	27.2p	22.5p	20.2p	19.2p
Diluted earnings per share ³	24.7p	24.7p	15.1p	17.1p	8.8p
Dividends per share (paid) ⁴	10.9p	9.4p	8.1p	7.0p	2.3p
Share price – high	£4.95	£3.58	£2.48	£2.17	£2.65
Share price – low	£3.39	£1.95	£1.68	£1.56	£1.61

All amounts are stated on an IFRS basis.

¹ Amounts wagered have been restated in prior years to reflect a change in our accounting policy.

² Operating profit is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

³ Earnings per share and dividends per share in prior periods have been restated to reflect the rights issue in accordance with IAS33 Earnings Per Share.

⁴ Dividends per share have been presented on a paid basis, except as restated in prior years to reflect the impact of the rights issue in 2013.

SHAREHOLDER INFORMATION

William Hill PLC listed on the London Stock Exchange on 20 June 2002 and the share price on listing was 225p. Shareholders can access the current share price on www.williamhillplc.com.

To find the shop closest to you, go to our shop locator on www.williamhillplc.com.

FINANCIAL CALENDAR

2013 Final Results	28 February 2014
2014 Q1 Interim Management Statement	25 April 2014
2014 Half Year Results	1 August 2014
2014 Q3 Interim Management Statement	October 2014

AGM

8 May 2014

REGISTRAR

The registrar of the Company is Computershare Investor Services PLC The Pavilions, Bridgwater Road, Bristol BS99 6ZZ (www.computershare.com). Telephone 0870 703 6251. Please contact Computershare for advice regarding any change of name or address, transfer of shares or loss of share certificate. Computershare will also be able to respond to queries on the number of shares you hold and the payment details for dividends.

You may give instructions for your dividend to be used to purchase additional William Hill shares and full details of the dividend reinvestment plan can be found in the Investor Relations section of our corporate website (www.williamhillplc.com) under shareholder services. A Mandate Form and Terms and Conditions can be obtained from Computershare Investor Services PLC, in writing, by telephoning the number above or online at www.investorcentre.co.uk, in the Downloadable Forms section.

PROFESSIONAL ADVISERS

Auditor:

[Deloitte LLP](#)

2 New Street Square
London EC4A 3BZ

Financial adviser and
corporate broker:

[Citi](#)

Citigroup Centre
33 Canada Square
London E14 5LB

Corporate broker:

[Investec](#)

2 Gresham Street
London EC2V 7QP

Registrars:

[Computershare Investor Services PLC](#)

The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

ABBREVIATIONS AND GLOSSARY

ABB

Association of British Bookmakers

ABI

Association of British Insurers

AGM

Annual General Meeting

API

Application Programming Interface. It specifies how software components should interact with each other

Company

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

CR

Corporate Responsibility

DCMS

Department of Culture, Media and Sport

DEFRA

Department for Environment, Food and Rural Affairs

DPS

Dividends Per Share

EBITDA

Earnings Before Interest, Taxation, Depreciation and Amortisation

EBMS

Executive Bonus Matching Scheme

EPS

Earnings Per Share

FOBT

Fixed Odds Betting Terminal. These are gaming machines operated in our shops, which have Category B2 and B3 content and Category C content as defined by the 2005 Gambling Act

FTE

Full Time Equivalent

Gambling Act

The legislation that received Royal Assent in 2005 regarding the modernisation of the laws relating to betting and gaming within the UK

Gambling Commission

The Gambling Commission for Great Britain, the regulatory body for casinos, bingo clubs, gaming machines, betting, remote gambling and larger lotteries (including all local lotteries but excluding the National Lottery)

GPT

Gross Profit Tax

Gross profit tax

A duty charged by the UK Government of 15% of a bookmaker's gross win, introduced in October 2001

GRA

Gibraltar Regulatory Authority

Gross win

Total customer stakes less customer winnings

HMRC

HM Revenue and Customs

HOME principles

HOME was established 2010 in response to the results of our employee engagement survey. The four principles, grouped under the acronym HOME, stand for Hungry for success, Outstanding service, Making it happen, and Everyone matters

Horse racing levy

A levy attributable to bets taken on horse racing and payable to the Horserace Betting Levy Board, primarily for the purposes of augmenting prize money available for winning horses and providing certain racecourse amenities

IAS

International Accounting Standards

IBAS

Independent Betting Adjudication Service

IFRS

International Financial Reporting Standards

ISS

Institutional Shareholder Services

KPI

Key Performance Indicators

LIBOR

London Interbank Offered Rate

LBO

Licensed Betting Office

LTIP

Long-Term Incentive Plan

NFL

The National Football League is a professional American football league in the US

NCAA

The National Collegiate Athletic Association is an association of institutions and individuals that organises the athletic programmes of colleges and universities in the US and Canada

Operating profit

Operating profit is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions

OTC

Over The Counter

PBIT

Profit Before Interest and Tax

POCT

Point of Consumption Tax. The UK government announced at the Budget 2012 that gambling taxes will be reformed so that remote gambling is taxed on a "point of consumption" basis. Remote gambling operators, regardless of their location, will pay tax on the gross gambling profits generated from UK customers. This change is expected to take effect from December 2014

PSP

Performance Share Plan

RIDDOR

Reporting of Injuries, Diseases and Dangerous Occurrences

RGA

Remote Gambling Association

RGT

Responsible Gambling Trust

SBA

Safe Bet Alliance

SIS

Satellite Information Services (Holdings) Limited or its subsidiary Satellite Information Services Limited, as the context requires

Sportsbook

Bets placed and accepted online on sporting and other events

TSR

Total shareholder return

William Hill or the Group

The Company and its subsidiaries or any of them, as the context may require

VAT

Value Added Tax

William Hill Online

William Hill Online was a joint venture between William Hill and Playtech set up in 2008. Following the acquisition of Playtech's stake in April 2013, it is now fully owned by the William Hill Group and is referred to as "Online" in this Annual Report.

Wrapper

A layer of code that translates a computer programme's existing interface into a compatible format in order to allow incompatible data formats to work together

STATEMENT OF GROUP ACCOUNTING POLICIES

GENERAL INFORMATION

William Hill PLC is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Greenside House, 50 Station Road, London, N22 7TP. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 2 and note 2 to the Group Financial Statements.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with our accounting policies.

BASIS OF ACCOUNTING

The Group financial statements have been prepared in accordance with IFRS as issued by the IASB. The Group financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in our accounting policies. The key accounting policies adopted are set out below.

ADOPTION OF NEW AND REVISED STANDARDS

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

IFRS 7 (revised)	Financial instruments: Disclosures
IFRS 13	Fair value measurement
IAS 1 (revised)	Presentation of financial statements
IAS 19 (revised)	Employee benefits
IAS 34 (revised)	Interim financial reporting

The key impact of IAS 19 (revised) 'Employee Benefits' has been to remove the separate assumptions for expected return on plan assets and discounting of scheme liabilities. This is replaced with a net interest cost based on the net defined benefit liability and the discount rate, measured at the beginning of the year. Accordingly, this replaces the separate disclosures of interest cost on the defined benefit obligation and the expected return on plan assets with a single net interest expense line. Adoption of IAS 19 (revised) also introduces a new term, "remeasurements", for the actuarial gains and losses on the defined benefit obligation, being the difference between actual investment returns and the return implied by the net interest cost, in the statement of comprehensive income. This has not had a material impact on the Group's financial statements.

STANDARDS IN ISSUE BUT NOT EFFECTIVE

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

IFRS 9	Financial instruments
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interest in other entities
IAS 27 (revised)	Separate financial statements
IAS 28 (revised)	Investments in associates and joint ventures
IAS 32 (revised)	Financial instruments: Presentation
IAS 36 (revised)	Impairment of assets
IAS 39 (revised)	Financial instruments: Recognition and measurement

We do not anticipate that there will be a material impact on the financial statements from standards that are in issue but not yet effective.

STATEMENT OF GROUP ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2013. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

Business combinations

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, including separately identifiable intangible assets, is recognised as goodwill. Any discount on acquisition, i.e. where the cost of acquisition is below the fair values of the identifiable net assets acquired, is credited to the Income Statement in the period of acquisition.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

GOODWILL

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

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

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

REVENUE RECOGNITION

Amounts wagered does not represent the Group's statutory revenue measure and now comprises the gross takings receivable from customers in respect of individual bets placed in the period in over the counter LBO, Telephone, US, Australian and Online sportsbook businesses and net revenue for the period for LBO machines and Online casino, poker and bingo products. This represents a change in treatment of LBO machines wagering, for which gross takings was previously utilised. This change has been made in order to improve consistency across the Group's segments and is reflected in current and prior period results. The presentation of net revenues, which is the Group's statutory revenue measure, is unaffected by this change.

Revenue is measured at the fair value of the consideration received or receivable from customers and represents amounts receivable for goods and services that the Group is in business to provide, net of discounts, marketing inducements, VAT and other sales related taxes, as set out below.

In the case of the LBO (including gaming machines), Telephone, US, Online sportsbook, Australian and Online casino operations (including games on the online arcade and other numbers bets), revenue represents gains and losses from betting activity in the period. Open positions are carried at fair value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed. Revenue from the online poker business reflects the net income ('rake') earned from poker games completed by the period end. In the case of the greyhound stadia, revenue represents income arising from the operation of the greyhound stadia in the period, including sales of refreshments and tote income.

Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software licensing income and hotel revenues and is recognised on an accruals basis.

INVESTMENT INCOME

Interest income

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

LEASING

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

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

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

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

FOREIGN CURRENCIES

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

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

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

STATEMENT OF GROUP ACCOUNTING POLICIES

FINANCE COSTS

Finance costs and income arising on interest-bearing financial instruments carried at amortised cost are recognised in the consolidated income statement using the effective interest rate method. Finance costs include the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price.

PROFIT BEFORE INTEREST AND TAX

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

RETIREMENT BENEFIT COSTS

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

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

The key impact of IAS 19 (revised) 'Employee Benefits', which has been adopted in 2013, is to remove the separate assumptions for expected return on plan assets and discounting of scheme liabilities. This is replaced with a net interest cost based on the net defined benefit liability and the discount rate, measured at the beginning of the year. Accordingly, this replaces the separate disclosures of interest cost on the defined benefit obligation and the expected return on plan assets into a single net interest expense line.

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

TAXATION

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

INTERNALLY GENERATED INTANGIBLE ASSETS – COMPUTER SOFTWARE AND SYSTEMS

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

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

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

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

INTANGIBLE ASSETS – LICENCES

Betting licences recognised in acquisitions are recorded at fair value. They are judged to have an indefinite life and are accordingly not amortised but are subject to annual impairment reviews. The directors consider that the Group's licences have an indefinite life due to: the fact that the Group is a significant operator in a well-established market; the proven and sustained demand for bookmaking services; and the Group's track record of successfully renewing its betting permits and licences.

INTANGIBLE ASSETS ARISING ON ACQUISITIONS

Intangible assets arising on acquisitions are recorded at their fair value.

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

Trade names	– five years
Affiliate relationships	– five years
Non-competition agreements	– over the life of the agreement
Acquired brands	– decided separately for each asset, with lives ranging from three years to indefinite
Customer relationships	– between three and eight years
Bookmaking and mobile technology	– between three and five years
Wagering/lottery contracts	– ten to twelve years

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

STATEMENT OF GROUP ACCOUNTING POLICIES

INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. This process is described in more detail in note 12 to the financial statements.

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

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

INVENTORIES

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

SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees and operates an HMRC approved Save As You Earn (SAYE) share option scheme open to all eligible employees which allows the purchase of shares at a discount. The cost to the Group of share-based payment plans is measured at fair value at the date of grant. Fair value is expensed on a straight-line basis over the vesting period, adjusted for the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes-Merton pricing formula. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option has also been adjusted to take into account any market conditions applicable to the option.

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

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

EQUITY INSTRUMENTS

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

FINANCIAL INSTRUMENTS

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits held by the Group with an original maturity of three months or less.

Trade receivables

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

Financial liabilities and equity

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

Interest-bearing borrowings

Interest-bearing borrowings are recorded at the fair value of the proceeds received, net of discounts and direct issue costs. Finance charges, including the unwinding of any discounts, premiums payable on settlement or redemption and direct issue costs, are charged on an accrual basis to the income statement using the effective interest method. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any accrued finance costs are included in accruals and deferred income within trade and other payables.

Trade payables

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

Derivative financial instruments and hedge accounting

The Group's activities expose it to the risks of changes in interest rates and foreign currency exchange rates. The Group may use fixed rate borrowings to hedge some of its interest rate exposure. The Group makes use of foreign currency forwards to hedge a proportion of its largest foreign currency transactional exposures. Where possible and practicable, the Group retains foreign currency cash balances equivalent to its foreign currency liabilities to hedge its exposure to foreign currency exchange rates. The Group does not use derivative financial instruments for speculative purposes.

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

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Income Statement under other operating expenses.

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

STATEMENT OF GROUP ACCOUNTING POLICIES

GOING CONCERN

As highlighted in notes 21 and 22 to the financial statements, the Group meets its day to day working capital requirements from positive operational cash flow and its available cash resources. These are supplemented when required by additional drawings under the Group's bank loan facilities, which are committed until November 2015. Whilst there are a number of risks to the Group's trading performance, the Group does not have any material financial repayment obligations before November 2015. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available committed facilities and its banking covenants.

After making enquiries and after consideration of the Group's existing operations, cash flow forecasts and assessment of business and regulatory risks, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

EXCEPTIONAL ITEMS

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

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill or intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Note 12 provides information on the assumptions used in these financial statements. Actual outcomes could vary.

Retirement benefit costs

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth and mortality. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent periods. Note 32 provides information on the assumptions used in these financial statements.

Valuation of antepost bet liabilities

In assessing the fair value of open bet positions, the directors use their judgement in selecting appropriate valuation techniques and inputs, based upon actual experience and the profile of the bets placed. The outcomes of bets are inherently uncertain; consequently, any difference will be reflected in subsequent accounting periods.

Taxation

Due to the multinational nature of the Group and the complexity of tax legislation in various jurisdictions in which the Group operates, the directors must apply judgement in estimating the likely outcome of certain tax matters whose final outcome may not be determined for a number of years and which may differ from the current estimation. In forming that judgement, the directors make assumptions regarding the interpretation and application of tax laws to the circumstances of those specific items.

These estimates are updated in each period until the outcome is finally determined through resolution with a tax authority and/or legal process. Differences arising from changes in estimates or from final resolution may be material and will be charged or credited to the income statement in the period of re-estimation or resolution.

Valuations and useful economic lives of assets on acquisition

In assessing the fair value of assets and liabilities acquired in business combinations, the directors use their judgement in selecting suitable valuation methods and inputs and in estimating the useful economic lives (UELs) of assets. The range of inputs considered in these valuations varies according to the item being valued and typically includes discount rates and the forecast future performance of the business being acquired, both of which involve a degree of estimation.

UELs are reviewed on a periodic basis and changes are recognised prospectively through an adjustment to the asset's amortisation charge in the income statement. A change in UEL of an asset, including the allocation of a definite life to an asset which previously had an indefinite life, may result in a materially different amortisation charge in that and subsequent years.

Design and production:

Radley Yeldar | www.ry.com

Printing:

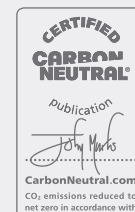
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