

**Company Registration No. 278208**

**William Hill Organization Limited**

**Report and Financial Statements**

**52 week period ended 28 December 2010**

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# **William Hill Organization Limited**

## **Report and financial statements 2010**

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# **William Hill Organization Limited**

## **Report and financial statements 2010**

### **Officers and professional advisers**

#### **Directors**

Mr A D Steele  
Mr T Murphy  
Mr N Cooper

#### **Secretary**

Mr D Read

#### **Registered office**

Greenside House  
50 Station Road  
Wood Green  
London  
N22 7TP

#### **Auditor**

Deloitte LLP  
Chartered Accountants  
London

# William Hill Organization Limited

## Directors' report

The directors present their annual report and audited financial statements for the 52 week period ended 28 December 2010

### Principal activity

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

### Review of business developments and future activities

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

On 13 December 2010, the Company paid an interim dividend of £210,000,000 (29 December 2009 £175,000,000)  
The directors do not recommend the payment of a final dividend (29 December 2009 £nil)

### Trading performance

Gross profit movements reflected a number of factors including, the impact of sporting results, the popularity of gaming machines and an expansion in the number of betting opportunities Net operating expenses were lower in the period

### Key performance indicators

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

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

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

The KPIs for the current and preceding period for the Company are shown below

	28 December 2010	29 December 2009
Gross win growth/(decline)	5.24%	(3.73%)
Gross win %	5.62%	5.77%
Gross profit growth/(decline)	4.32%	(2.96%)
Operating expense (decline)/growth (excl. exceptionals)	(1.42%)	5.38%
Operating expense (excl. exceptionals) as a percentage of turnover	2.62%	2.88%

Details of staff costs and numbers are included in note 4 to the accounts

# William Hill Organization Limited

## Directors' report (continued)

### Review of business developments and future activities (continued)

#### *Risk and Uncertainties*

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

- The potential impact of legislative changes in the UK and overseas on the Company's scope and conduct of operations and ability to accept bets,
- The potential impact of changes to the UK and overseas fiscal environments,
- The ability of the Group to manage its bookmaking and gaming risks,
- The relationship with key suppliers, most notably the horse and greyhound industries and other providers of content and pictures,
- The payment of levies and fees to certain sporting bodies under various arrangements,
- The potential threat represented by competitors based in the UK and overseas,
- The risk that key technology or information systems could fail,
- The impact of weather or other factors on the sporting programme,
- The loss of key personnel,
- The risk of a prolonged economic recession or other geo-political events that may result in a reduction of betting activity,
- The current deficit in the defined benefits section of the pension plan,
- The dependence on maintaining and enhancing the William Hill brand,
- The risk that intermediaries such as banks refuse to accept credit and debit card transactions connected with gambling,
- The risk resulting from any inability of the Group to service its debt obligations,
- Failure to detect the fraudulent activities of customers, and
- Negative publicity surrounding the gambling industry

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

#### *Financial risk management*

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

#### *Business development*

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

#### *Regulatory development*

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

# **William Hill Organization Limited**

## **Directors' report (continued)**

### **Employees**

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

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, and through "Will2win", the Group magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests via regular meetings of the William Hill Staff Council.

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

### **Directors**

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

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

Mr A D Steele

Mr S P Lane (resigned 31 March 2010)

Mr T Murphy

Mr N Cooper (appointed 1 June 2010)

### **Donations**

During the period, the Company made charitable donations totalling £855,000 (29 December 2009 – £925,000), principally to industry-related charities serving the communities in which the Company operates.

### **Terms of payment**

The Company discharges all expenditure on behalf of the Group's UK subsidiaries. The Company's normal practice is to agree terms of trading, including payment terms, with suppliers to all UK Group undertakings and, provided suppliers perform in accordance with agreed terms, it is the Company's policy that payment should be made accordingly. At 28 December 2010, the number of creditor days for the Company was 17 days (29 December 2009 20 days).

# William Hill Organization Limited

## Directors' report (continued)

### Adoption of International Financial Reporting Standards (IFRS)

The William Hill PLC Group has used IFRS as the primary basis for its reporting for the 52 week period ending 28 December 2010

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

### Going concern

The directors have prepared the financial statements on a going concern basis consistent with their view formed after making appropriate enquiries as outlined in note 1 to the financial statements.

### Post balance sheet events

The directors note that the Company's ultimate parent company, William Hill plc, issued the following news release on 18 March 2011:

"William Hill PLC (William Hill) confirms that, following a return court hearing on Thursday 17 March, an injunction is in place preventing Playtech from selling its stake in William Hill Online. This injunction will remain in place until a further court hearing which is expected to occur in May or shortly thereafter."

The directors do not consider that these events have any material impact on the carrying value of the Company's investment in William Hill Online companies as set out in note 11 to the accounts.

### 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.

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

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

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



D Read  
Secretary  
24 March 2011

## **William Hill Organization Limited**

### **Statement of directors' responsibilities**

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

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

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

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



## **Independent auditor's report to the members of William Hill Organization Limited**

We have audited the financial statements of William Hill Organization Limited for the 52 week period ended 28 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

### **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.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 28 December 2010 and of its profit for the 52 week period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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



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

24 March 2010

## William Hill Organization Limited

### Profit and loss account 52 week period ended 28 December 2010

	Notes	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Turnover		14,569,038	13,480,270
Cost of sales		(13,932,379)	(12,870,004)
<b>Gross profit</b>		<b>636,659</b>	<b>610,266</b>
Other operating expenses		(382,065)	(387,577)
Net exceptional operating items	2	5,523	(13,159)
Total operating expenses		(376,542)	(400,736)
<b>Operating profit</b>	3	<b>260,117</b>	<b>209,530</b>
Income from fixed asset investments	5	11,570	39,406
Amounts written off - investments		-	(3,254)
<b>Profit on ordinary activities before interest</b>		<b>271,687</b>	<b>245,682</b>
Net interest payable	6	(15,792)	(27,359)
Other finance charge	22	(1,900)	(2,800)
<b>Profit on ordinary activities before taxation</b>		<b>253,995</b>	<b>215,523</b>
Tax charge on profit on ordinary activities	7	(52,531)	(46,056)
<b>Profit on ordinary activities after taxation</b>		<b>201,464</b>	<b>169,467</b>

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

## William Hill Organization Limited

### Statement of total recognised gains and losses 52 week period ended 28 December 2010

		52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
	Notes		
Profit for the financial period		201,464	169,467
Actuarial gain/(loss) recognised in the pension scheme	22	6,071	(24,228)
Deferred tax arising thereon	16	(2,532)	6,784
		<u>205,003</u>	<u>152,023</u>

# William Hill Organization Limited

## Balance sheet 28 December 2010

	Notes	28 December 2010 £'000	29 December 2009 £'000
<b>Fixed assets</b>			
Intangible assets	9	832,490	832,490
Tangible assets	10	164,239	166,735
Investments	11	520,495	520,565
		<u>1,517,224</u>	<u>1,519,790</u>
<b>Current assets</b>			
Stocks	12	186	203
Debtors	13	663,707	39,127
Cash at bank and in hand		46,713	57,586
		<u>710,606</u>	<u>96,916</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(2,035,311)</u>	<u>(1,413,107)</u>
<b>Net current liabilities</b>		<u>(1,324,705)</u>	<u>(1,316,191)</u>
<b>Total assets less current liabilities</b>		192,519	203,599
<b>Provision for liabilities</b>	15	<u>(11,701)</u>	<u>(12,569)</u>
<b>Net assets excluding pension liability</b>		180,818	191,030
Pension liability	22	<u>(22,557)</u>	<u>(31,070)</u>
<b>Net assets</b>		<u>158,261</u>	<u>159,960</u>
<b>Capital and reserves</b>			
Called-up share capital	17,18	1,468	1,468
Share premium	18	2,505	2,505
Other reserves	18	1,089	1,089
Shares held in ultimate parent company	18	(6,262)	(7,560)
Profit and loss account	18	159,461	162,458
<b>Shareholders' funds</b>	18	<u>158,261</u>	<u>159,960</u>

The financial statements of William Hill Organization Limited, registered company number 278208 were approved by the Board of Directors and authorised for issue on 24 March 2011

Signed on behalf of the Board of Directors



Mr N Cooper

Director

# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 1. Accounting policies

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

#### **Basis of preparation**

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

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

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

#### **Going concern**

The Company has net current liabilities of £1,325m, which mainly constitute amounts owed to fellow Group undertakings, who share common directors with the Company. As such, the directors are satisfied that the other Group companies, with whom these debts are held, would not demand repayment of the intercompany balance of £1,923m within 12 months, if to do so would result in the Company being unable to meet its liabilities as they fall due.

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

#### **Revenue recognition and turnover**

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

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

Turnover arises exclusively in the United Kingdom and from a single class of business.

#### **Acquisitions**

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

#### **Intangible fixed assets**

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

The Companies Act 2006 requires goodwill and intangible assets to be amortised over a finite period. The directors consider that the Company's intangible assets have an indefinite life due to the fact that the Company is a significant operator in a well established market, the proven and sustained demand for bookmaking services, and the Company's track record of successfully renewing its betting permits and licences.

# William Hill Organization Limited

## Notes to the accounts

52 week period ended 28 December 2010

### 1. Accounting policies (continued)

#### Intangible fixed assets (continued)

Consequently, the directors consider that to amortise these assets would not provide a true and fair view and so the financial statements depart from this specific requirement of the Companies Act 2006. If this departure from the Companies Act 2006 had not been made the profit for the financial period would have been reduced by amortisation. The amount of this amortisation cannot be quantified because of the indefinite life of these assets.

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

#### Tangible fixed assets

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

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

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

#### Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### Investments

Fixed asset investments are shown at cost less provision for impairment.

#### Stocks

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

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 28 December 2010

#### 1. Accounting policies (continued)

##### Pension costs

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

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

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

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

##### Leases

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

##### Share-based payments

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

The Group issues equity-settled share-based payments to certain employees and operates a number of HMRC approved Save As You Earn (SAYE) share option schemes open to all eligible employees which allow the purchase of shares at a discount. The cost to the Company of both of these share-based payments is measured at fair value at the date of grant. Fair value is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes-Merton pricing formula. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option has also been adjusted to take into account any market conditions applicable to the option.

Further descriptions of the company's share based payment plans are given in note 19.

## William Hill Organization Limited

### Notes to the accounts

#### 52 week period ended 28 December 2010

#### 2. Exceptional operating items

	<i>Note</i>	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Write-down in carrying value of joint venture asset	(1)	-	(3,122)
Cost of acquisition of Playtech assets	(2)	-	(7,741)
Claw-back of recharged subsidiary expenses	(3)	-	(2,296)
VAT refund	(4)	5,523	-
Exceptional operating income/(expense)		<u>5,523</u>	<u>(13,159)</u>

- (1) During the prior period, losses of the joint venture of £3,122,000 were charged as an exceptional cost to write down the carrying value of the entity to nil. On 10 January 2010, William Hill PLC announced the completion of Codere's purchase of William Hill's 50% stake in the Victoria Apuesta joint venture.
- (2) On 30 December 2008, the Group acquired assets, businesses and contracts comprising an affiliate marketing business, customer service operation and gaming brands and websites from Playtech Limited (details of this transaction are included within the 2008 Annual Report and Accounts of the Group). Costs incurred in the period relating to this acquisition were £7,741,000.
- (3) During the prior period, an exceptional adjustment of £2,295,527 was made in respect of a claw-back of recharged expenses by a subsidiary of the Company. The expenses were over-charged in prior periods.
- (4) During 2010, the Company recognised £5.5m in respect of a VAT reclaim received in the period, this arose following a favourable High Court judgement. The reclaim concerned overpaid VAT on the Group's gaming machines during previous periods. Due to the size and nature of the amount, it was decided to disclose the item as exceptional. Whilst this refund has been received from HMRC, it remains subject to an appeal by HMRC, which if successful, could result in full repayment of these amounts, although the directors consider this unlikely.



# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 3. Operating profit

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Operating profit is stated after charging/(crediting)		
Depreciation	25,798	27,380
Operating lease charges - Land and buildings	52,919	52,139
- Other	1,550	2,058
Profit on disposal of fixed assets	(713)	(1,341)
	<u>          </u>	<u>          </u>

Fees payable to the auditor are shown below

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	10	10
Tax services	3 450	236
	<u>          </u>	<u>          </u>
Total fees payable to Deloitte	460	246
	<u>          </u>	<u>          </u>

<sup>1</sup> Deloitte LLP does not provide services for the Group's pension schemes. The audit fees payable to Deloitte LLP are reviewed by the Group Audit Committee to ensure such fees are competitive. The Committee sets the policy for awarding non-audit work to the auditor and reviews the nature and extent of such work and related fees in order to ensure that independence is maintained.

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 28 December 2010

#### 4. Staff costs

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
<b>Directors' remuneration was as follows.</b>		
Directors' emoluments excluding pension contributions	1,068	1,013
Defined contribution pension payments	56	79
<b>Number of directors who:</b>		
Were members of a defined benefit scheme	1	1
Were members of a defined contribution scheme	1	1
Exercised share options	2	2
<b>Highest paid director:</b>		
Total emoluments excluding pension contributions	£'000 589	£'000 400
Accrued pension entitlement	31	31

The directors had shares potentially receivable under the various long term incentive plans (LTIPs) and Profit Share Plan (PSP). The terms of the LTIP and PSP are provided in the accounts of the Company's ultimate parent, William Hill PLC.

N Cooper and S Lane were directors of William Hill plc during the same periods as they were directors of the Company. N Cooper received emoluments of £516,651 (2009: £nil) and S Lane received emoluments of £400,510 (2009: £576,815) from William Hill plc during the period, but it is not practicable to allocate this sum between the companies of the Group and, accordingly, their remuneration is not included within the disclosures above.

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Total remuneration, including directors, was		
Wages and salaries	216,990	205,364
Social security costs	17,020	16,360
Pensions costs (note 22)	3,125	35,032
	237,135	256,756
Share based remuneration (note 19)	3,680	5,165
	240,815	261,921
	No.	No
Average monthly number of persons employed during the period, including directors, all of whom were engaged in the administration and provision of betting services	15,385	15,294

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 28 December 2010

#### 4. Staff costs (continued)

Included in pension costs is a gain of £6,071,000 (52 weeks ended 29 December 2009 £24,228,000 loss) relating to actuarial gains and losses, which have been included in the statement of recognised gains and losses

#### 5. Income from fixed asset investments

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Income from shares in subsidiary undertakings	11,570	36,637
Income from share in associated undertaking	-	2,769
	<u>11,570</u>	<u>39,406</u>

#### 6. Net interest payable

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Interest payable on loans from Group undertakings	28,159	37,258
Interest payable on finance leases	2	20
Interest payable to unrelated parties	11	143
Interest receivable on loans to Group undertakings	(11,834)	(9,038)
Interest receivable from unrelated parties	(546)	(1,024)
	<u>15,792</u>	<u>27,359</u>

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 28 December 2010

#### 7. Tax charge on profit on ordinary activities

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Current taxation		
Current period	50,587	50,704
Adjustments in respect of prior period	1,565	(6,347)
Total current taxation	<u>52,152</u>	<u>44,357</u>
Deferred taxation		
Originating and reversal of timing differences of current period	493	1,715
Adjustment in respect of prior period	761	(16)
Effect of decreased tax rate on opening liability	(875)	-
Total deferred tax charge (note 16)	<u>379</u>	<u>1,699</u>
Total tax charge on profit on ordinary activities	<u><u>52,531</u></u>	<u><u>46,056</u></u>

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

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
<b>Reconciliation to current tax charge/(credit):</b>		
Profit before taxation	<u>253,995</u>	<u>215,523</u>
Tax at 28% (29 December 2009 28%)	71,119	60,346
Tax allowances in excess of depreciation	401	858
Permanent differences	2,292	3,009
Group relief received for no consideration	(19,221)	-
Adjustments in respect of prior periods	1,565	(6,347)
Other short term timing differences	(764)	(2,475)
Non taxable income	(3,240)	(11,034)
Current tax charge for the period	<u><u>52,152</u></u>	<u><u>44,357</u></u>

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 28 December 2010

#### 8. Dividends paid

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Equity shares		
Interim dividend paid of £14.30 per share (29 December 2009 £11.92 per share)	<u>210,000</u>	<u>175,000</u>

The interim dividend was paid on 13 December 2010

#### 9. Intangible fixed assets

	£'000
<b>Cost:</b>	
At 29 December 2009 and 28 December 2010	<u>832,490</u>
<b>Net book value:</b>	
At 29 December 2009 and 28 December 2010	<u>832,490</u>

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

# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 10. Tangible fixed assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Plant and machinery £'000	Total £'000
<b>Cost:</b>				
At 30 December 2009	131,664	224,038	82,876	438,578
Additions	7,151	13,826	3,271	24,248
Disposals	(1,096)	(2,261)	(1,643)	(5,000)
At 28 December 2010	<u>137,719</u>	<u>235,603</u>	<u>84,504</u>	<u>457,826</u>
<b>Accumulated depreciation:</b>				
At 30 December 2009	61,294	143,056	67,493	271,843
Charge for period	6,235	15,977	3,586	25,798
Disposals	(874)	(1,615)	(1,565)	(4,054)
At 28 December 2010	<u>66,655</u>	<u>157,418</u>	<u>69,514</u>	<u>293,587</u>
<b>Net book value:</b>				
At 28 December 2010	<u>71,064</u>	<u>78,185</u>	<u>14,990</u>	<u>164,239</u>
At 29 December 2009	<u>70,370</u>	<u>80,982</u>	<u>15,383</u>	<u>166,735</u>

	28 December 2010 £'000	29 December 2009 £'000
The net book value of land and buildings comprises		
Freehold	13,338	13,695
Long leasehold	3,173	3,227
Short leasehold	54,553	53,448
	<u>71,064</u>	<u>70,370</u>

# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 11. Investments held as fixed assets

	Investments in subsidiary undertakings £'000	Investment in associate £'000	Investment in joint venture £'000	Total £'000
Cost at 29 December 2009	530,920	15,939	10,895	557,754
Disposals (1)	(70)	-	(10,895)	(10,965)
At 28 December 2010	<u>530,850</u>	<u>15,939</u>	<u>-</u>	<u>546,789</u>
Provision at 29 December 2009	(10,355)	(15,939)	(10,895)	(37,189)
Disposals (1)	-	-	10,895	10,895
At 28 December 2010	<u>(10,355)</u>	<u>(15,939)</u>	<u>-</u>	<u>(26,294)</u>
<b>Net book value:</b>				
At 28 December 2010	<u>520,495</u>	<u>-</u>	<u>-</u>	<u>520,495</u>
At 29 December 2009	<u>520,565</u>	<u>-</u>	<u>-</u>	<u>520,565</u>

(1) Disposals in the period relate to the liquidation of a number of the Company's dormant subsidiaries and of the joint venture arrangement in Spain that was fully impaired in the period to 29 December 2009

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

Directly owned:	Country of incorporation	Proportion of all classes of issued share capital owned by the Company	Nature of trade
Willstan Racing (Ireland) Limited	Republic of Ireland	100%	Betting services
Willstan Limited	Northern Ireland	100%	Betting services
Willstan (IOM) Limited	Isle Of Man	100%	Betting services
William Hill Credit Limited	Great Britain	100%	Betting services
WHG Trading Limited	Gibraltar	71%	Betting services
WHG (International) Limited	Gibraltar	71%	Betting Services
WH (Ad-agency) Limited	Israel	71%	Marketing
William Hill (Malta) Limited	Malta	71%	Betting services
Eurotech Services Limited	Bulgaria	71%	Customer services

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

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

As at 29 December 2009 the Company owned 19.5% of the ordinary share capital of Satellite Information Services (Holdings) Limited ('SIS'), a company incorporated in Great Britain. A provision was made for the cost of the investment in 1999, to recognise an impairment in its carrying value.

# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 12. Stocks

	28 December 2010 £'000	29 December 2009 £'000
Raw materials and consumables	<u>186</u>	<u>203</u>

### 13. Debtors

	28 December 2010 £'000	29 December 2009 £'000
Trade debtors	1,894	4,313
Other debtors	12,082	5,210
Amounts owed by fellow group companies	617,501	-
Prepayments and accrued income	<u>32,230</u>	<u>29,604</u>
	<u>663,707</u>	<u>39,127</u>

There were no amounts falling due after more than one year (29 December 2009 £nil) The company no longer presents intercompany balances net, to reflect that the amounts will not be settled on a net basis

### 14. Creditors: amounts falling due within one year

	28 December 2010 £'000	29 December 2009 £'000
Trade creditors	6,515	9,812
Amounts owed to fellow Group undertakings	1,923,379	1,324,434
Corporation tax	29,060	28,150
Other taxation including social security	18,585	18,155
Obligations under finance leases	374	506
Other creditors	24,537	10,679
Accruals and deferred income	<u>32,861</u>	<u>21,371</u>
	<u>2,035,311</u>	<u>1,413,107</u>

Of the amounts within obligations under finance leases, £242,000 was due after more than one year (2009 £337,000)

### 15. Provision for liabilities

	28 December 2010 £'000	29 December 2009 £'000
Deferred tax liability (note 16)	<u>11,701</u>	<u>12,569</u>



## William Hill Organization Limited

### Notes to the accounts 52 week period ended 28 December 2010

#### 16. Deferred taxation

	28 December 2010		29 December 2009	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Deferred taxation				
Accelerated capital allowances	6,288	-	6,389	-
Held over gains	7,839	-	8,384	-
Rolled over gains	-	2,957	-	3,066
Short term timing differences	(2,426)	-	(2,204)	-
	<u>11,701</u>	<u>2,957</u>	<u>12,569</u>	<u>3,066</u>
Deferred tax liability (note 15)	11,701	2,957	12,569	3,066
Deferred tax asset in pension liability (note 22)	(8,343)	-	(12,122)	-
	<u>3,358</u>	<u>2,957</u>	<u>447</u>	<u>3,066</u>

The enacted rate of corporation tax of 27% (29 December 2009 – 28%) has been used to calculate the amount of deferred taxation. Provision has been made for all deferred tax assets and liabilities in respect of accelerated capital allowances, held over capital gains and short term timing differences, arising from transactions recognised in the financial statements of the current and previous periods.

No provision has been made for the deferred tax liability of £2,957,000 (29 December 2009 – £3,066,360) in respect of capital gains rolled over into non-depreciating assets as it is the intention to retain these assets for the foreseeable future. Tax on these rolled over gains would only become payable if the assets were sold without further rollover relief.

#### Movement in the period:

	£'000
At 30 December 2009	447
Amount charged to profit and loss account (note 7)	379
Amount charged to statement of total recognised gains and losses (note 18)	2,532
	<u>3,358</u>
At 28 December 2010	<u>3,358</u>

## William Hill Organization Limited

### Notes to the accounts 52 week period ended 28 December 2010

#### 17. Called-up share capital

	28 December 2010 £'000	29 December 2009 £'000
<b>Called-up, allotted and fully paid:</b>		
14,685,856 ordinary shares at 10p each	1,468	1,468
100 'B' shares of 10p each	-	-
	<u>1,468</u>	<u>1,468</u>

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

#### 18. Reconciliation of movements in shareholder's funds and statement of movement in reserves

	Called-up share capital £'000	Share premium account £'000	Other reserves £'000	Shares held in ultimate parent company £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 30 December 2009	1,468	2,505	1,089	(7,560)	162,458	159,960
Profit for the financial period	-	-	-	-	201,464	201,464
Dividends paid on equity shares	-	-	-	-	(210,000)	(210,000)
Actuarial gain recognised in the pension scheme	-	-	-	-	6,071	6,071
Deferred tax arising thereon	-	-	-	-	(2,532)	(2,532)
Credit recognised in respect of share remuneration	-	-	-	-	3,298	3,298
Movements on reserves due to transfer of shares to recipients	-	-	-	1,298	(1,298)	-
At 28 December 2010	<u>1,468</u>	<u>2,505</u>	<u>1,089</u>	<u>(6,262)</u>	<u>159,461</u>	<u>158,261</u>

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 28 December 2010

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

	28 December 2010 £'000	29 December 2009 £'000
Profit and loss reserve		
Profit and loss account excluding pension liability	182,018	193,528
Pension liability (note 22)	(22,557)	(31,070)
Profit and loss account including pension liability	<u>159,461</u>	<u>162,458</u>

#### 19. Share based payments

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

- (a) Performance Share Plans (PSP), Executive Bonus Matching Scheme (EBMS) and Long Term Incentive Plans from 2003 to 2010,
- (b) Save As You Earn share option schemes, encompassing awards made in the years from 2003 to 2010, and
- (c) Save As You Earn share option schemes granted before 7 November 2002 (2002 SAYE) encompassing an award made in 2002

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

In accordance with the transition provisions included in FRS 20, the Group has recognised an expense in respect of all grants after 7 November 2002 that were unvested as of 1 January 2005. In the context of the Group's schemes, this includes (a) PSP, LTIP, EBMS, and (b) 2003 to 2010 SAYE schemes above. The total expense recognised (excluding employers' National Insurance costs) in respect of these schemes was £3.3m in the 52 weeks ended 28 December 2010 (52 weeks ended 29 December 2009 £5.0m)

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

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

# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 19. Share based payments (continued)

	28 December 2010 No.	29 December 2009 No.
Outstanding at beginning of the period	6,646,524	2,513,196
Granted during the period	3,324,139	4,331,670
Rights issue	-	1,037,686
Forfeited during the period	(38,490)	(992,046)
Exercised during the period	(728,057)	(243,982)
	<u>9,204,116</u>	<u>6,646,524</u>
Outstanding at the end of the period	9,204,116	6,646,524
	<u>56,904</u>	<u>155,116</u>
Exercisable at the end of the period	56,904	155,116

As the PSP, EBMS and LTIP are conditional awards of shares and therefore the recipients do not have to pay an exercise price, the shares have, in effect, a zero cost exercise price. The weighted average share price at the date of exercise for share options exercised during the period was £2.01 (52 weeks ended 29 December 2009 £2.01). The options outstanding at 28 December 2010 had a remaining weighted average contractual life of 7.3 years (29 December 2009 – 6.5 years).

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

	28 December 2010	29 December 2009
Weighted average share price at date of grant	£1.75 – £2.00	£2.70
Weighted average exercise price	Nil	Nil
Expected volatility	35 – 38%	30%
Expected life	1 – 4 years	1 – 4 years
Risk free interest rate	1.2 – 4.9%	4.1%
Expected dividend yield	3.7 – 4.3%	5.5%

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

The weighted average fair value of the options granted under the PSP, LTIP and EBMS schemes at the date of grant was £1.20 per option (29 December 2009 £1.07). The expense recognised (excluding employers' national insurance costs) in respect of relevant PSP, LTIP and EBMS schemes in the 52 weeks ended 28 December 2010 was £5.2m (52 weeks ended 29 December 2009 £2.3m).

# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 19. Share based payments (continued)

#### (b) SAYE schemes for 2003 to 2010

The SAYE Share Option Schemes, which are open to all eligible employees, are based on a three, five or seven year monthly savings contract. Options under the schemes are granted with an exercise price up to 20% below the share price when the savings contract is entered into. The options remain valid for six months beyond the end of the relevant savings contract.

	28 December 2010		29 December 2009	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	7,523,268	1.78	3,911,947	3.39
Granted during the period	1,864,922	1.60	5,217,342	1.39
Rights issue	-	-	1,249,503	2.39
Forfeited during the period	(2,182,999)	3.10	(2,807,018)	(2.20)
Exercised during the period	(175,574)	1.28	(48,506)	(1.25)
Outstanding at the end of the period	7,029,617	1.68	7,523,268	1.78
Exercisable at the end of the period	265,066	3.44	479,789	3.10

The exercise price for the 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 SAYE schemes following the rights issue was £1.24, £2.77, £3.23, £3.25, £3.49, £1.98, £1.39 and £1.60 respectively.

The weighted average share price at the date of exercise for share options exercised during the period was £1.74 (52 weeks ended 29 December 2009 £2.13). The options outstanding at 28 December 2010 had a remaining weighted average contractual life of 2.6 years (29 December 2009 – 2.6 years).

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

	28 December 2010	29 December 2009
Weighted average share price at date of grant	£2.13	£2.55
Weighted average exercise price	£1.60	£1.85
Expected volatility	35 – 37%	32%
Expected life	4 – 6 years	4 – 6 years
Risk free interest rate	4.3%	4.0%
Expected dividend yield	3.7%	6.4%

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

# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 19. Share based payments (continued)

The weighted average fair value of the options granted under these SAYE schemes at the date of grant was £0.34 per option (29 December 2009 £0.70). The credit recognised in respect of relevant SAYE schemes in the 52 weeks ended 28 December 2010 was £1.9m (52 weeks ended 29 December 2009 £2.7m expense)

#### (c) Pre 7 November 2002 schemes

In accordance with the transition provisions included in FRS20, the Group has not recognised an expense in respect of all grants before 7 November 2002 that were unvested as of 1 January 2005. In the context of the Group's schemes, this includes options outstanding in relation to the Executive Director Incentive Plan (EDIP) and the 2002 SAYE Share Option Scheme.

	29 December 2009		29 December 2009	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	163,175	1.27	843,640	1.80
Rights issue	-	-	363,666	1.27
Forfeited during the period	(38,179)	1.27	-	-
Exercised during the period	(124,996)	1.27	(1,044,131)	(1.27)
Outstanding at the end of the period	-	-	163,175	1.27
Exercisable at the end of the period	-	-	163,175	1.27

The weighted average share price at the date of exercise for share options exercised during the period was £1.93 (29 December 2009 £1.72). There were no options outstanding at 28 December 2010.

### 20. Capital commitments

The Company undertakings had capital commitments as follows

	28 December 2010 £'000	29 December 2009 £'000
Contracted but not provided for	13,400	7,030

Financial commitments at 28 December 2010 reflect various contracts signed to acquire tangible fixed assets

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 28 December 2010

#### 21. Contingent liabilities

##### Bank Facilities

On 2 December 2010, the Company, jointly and severally, together with William Hill PLC, gave a guarantee in respect of the Group's obligations under a £550m revolving credit facility agreed between William Hill PLC and a syndicate of banks on that date. The directors of the company consider that there is a very low probability of default on the facilities by William Hill PLC.

##### VAT refund

In June 2010 the Company recognised a £5.5m credit following a refund of overpaid VAT from HMRC. The VAT repayment relates to our claim that the application of VAT to income from AWP machines contravened the European Union's principle of fiscal neutrality. HMRC have challenged a similar claim made by Rank plc and our claim will not be determined until the Rank case is resolved. Rank plc received a favourable judgement at the High Court in March 2009 and in April 2010 HMRC's appeal was heard at the Court of Appeal. The Court of Appeal did not make a judgement but referred the case to the European Court of Justice, which is due to hear the case in 2011. Should HMRC ultimately be successful in their appeal then the Group would have to repay the monies received, although the directors consider this unlikely.

#### 22. Pensions

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

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Defined contribution scheme (charged to operating profit)	5,552	2,621
Defined benefit scheme (charged to operating profit)	1,744	5,383
Defined benefit scheme (charged to other finance charges)	1,900	2,800
Defined benefit scheme (charged to statement of total recognised gains and losses)	(6,071)	24,228
	<u>3,125</u>	<u>35,032</u>

##### Defined contribution scheme

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

The total cost charged to income in respect of the scheme represents contributions payable to this scheme by the Company at rates specified in the rules of the scheme. As at 28 December 2010, contributions of £nil (29 December 2009: £358,000) due in respect of the current reporting period had not been paid over to the scheme.

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 28 December 2010

#### 22. Pensions (continued)

##### Defined benefit scheme

The Company operates a defined benefit scheme for eligible employees, which is now closed to new members. Under the scheme, the employees are entitled to retirement benefits varying between 1.67% and 3.33% of final salary for each year of service on attainment of a retirement age of 63. No other post-retirement benefits are provided. The scheme is a funded scheme and the contribution rate for future service benefits for 2010 was 25% of members' pensionable pay. In addition, during 2010, the Company made an additional contribution of £9.4m as part of a funding plan agreed with the Trustee to remove the funding deficit disclosed at the last formal actuarial valuation at 30 September 2007. The general principles adopted by the Trustees for the purpose of this funding valuation are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pensions right.

A full actuarial valuation of the scheme was carried out at 30 September 2007 and updated to 28 December 2010 by a qualified independent actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The current triennial valuation at 30 September 2010 is ongoing.

With effect from 31 March 2011, the defined benefit scheme will be closed to future accrual. Employed members of this scheme will be automatically transferred into the defined contribution scheme.

The major assumptions used by the actuary were

	28 December 2010	29 December 2009
Rate of increase of salaries	4.50%	4.60%
Rate of increase in pensions in payment	3.50%	3.60%
Discount rate	5.50%	5.70%
Inflation assumption	3.50%	3.60%
The mortality assumption is kept under review and has been updated. The current life expectancies for a male member underlying the value of the accrued liabilities are		
Life expectancy at age 63	28 December 2010	29 December 2009
Member currently aged 63	24 years	24 years
Member currently aged 45	25 years	25 years



# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 22 Pensions (continued)

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

	28 December 2010		29 December 2009	
	Return	Fair value £'000	Return	Fair value £'000
Equities	6.30%	149,900	6.50%	132,000
Gilts and cash	5.50%	37,400	5.70%	33,300
Corporate bonds	4.30%	74,500	4.50%	64,860
Total fair value of assets		261,800		230,160
Present value of scheme liabilities		(292,700)		(273,352)
Deficit in scheme		(30,900)		(43,192)
Related deferred tax asset (note 16)		8,343		12,122
Net pension liability		<u>(22,557)</u>		<u>(31,070)</u>

Analysis of the amount charged to operating profit

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Current service cost	5,700	4,800
Past service costs	348	372
Total operating charge	<u>6,048</u>	<u>5,172</u>

Analysis of the amount charged to other finance charge

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Expected return on pension scheme assets	(13,400)	(9,900)
Interest on pension scheme liabilities	15,300	12,700
Net expense	<u>1,900</u>	<u>2,800</u>

# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 22. Pensions (continued)

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

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000
Actual return less expected return on pension scheme assets	(12,471)	(22,600)
Experience gains and losses arising on the scheme liabilities	-	(2,600)
Changes in assumptions underlying the present value of the scheme	6,400	49,428
Total loss recognised in the STRGL	<u>(6,071)</u>	<u>24,228</u>

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

	28 December 2010 £'000	29 December 2009 £'000
At start of period	273,352	215,352
Movement in period		
Current service costs	5,700	4,800
Contributions from scheme members	800	1,000
Actuarial losses	6,400	46,728
Interest costs	15,300	12,700
Benefits paid	(9,200)	(7,600)
Past service costs	348	372
At the end of period	<u>292,700</u>	<u>273,352</u>

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

	28 December 2010 £'000	29 December 2009 £'000
At start of period	230,160	189,449
Movement in period		
Expected return on scheme assets	13,400	9,900
Contributions from sponsoring company	14,140	14,835
Actuarial gains	12,500	22,600
Contributions from scheme members	800	1,000
Benefits paid	(9,200)	(7,624)
At the end of period	<u>261,800</u>	<u>230,160</u>

# William Hill Organization Limited

## Notes to the accounts 52 week period ended 28 December 2010

### 22. Pensions (continued)

History of scheme for the current and previous four periods

	52 week period ended 28 December 2010 £'000	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Present value of benefit obligation	(292,700)	(273,352)	(215,352)	(232,453)	(231,781)
Fair value of scheme assets	261,800	230,160	189,449	229,202	206,713
Deficit	(30,900)	(43,192)	(25,903)	(3,251)	(25,068)
Experience adjustments on scheme liabilities	-	2,600	-	4,900	4,800
Percentage of scheme liabilities (%)	-	1%	-	2%	2%
Experience adjustments on scheme assets	(12,500)	(22,600)	(62,100)	(100)	13,655
Percentage of scheme assets (%)	5%	10%	33%	0%	7%

### 23. Operating lease commitments

At 28 December 2010, the Company was committed to making the following payments within one year as follows

	28 December 2010		29 December 2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Payments due within one year for leases which expire				
Within one year	1,228	1,001	2,031	1,145
Between two and five years	6,330	1,134	9,354	734
After five years	37,491	-	35,052	-
	<u>45,049</u>	<u>2,135</u>	<u>46,437</u>	<u>1,879</u>

### 24. Ultimate parent company and related party transactions

The Company is taking advantage of the exemption granted by paragraph 3(c) of FRS 8, Related Party Disclosures not to disclose transactions with companies within the William Hill PLC Group who are related parties

The parent company of the largest and smallest groups for which group accounts are prepared of which this Company is a member, is in both cases William Hill PLC, a company incorporated in Great Britain. At the balance sheet date, the Company's ultimate parent company and controlling party was William Hill PLC, a company incorporated in Great Britain. The Company's immediate parent company and controlling entity is Will Hill Limited, a company incorporated in Great Britain and registered in England and Wales.

The financial statements of William Hill PLC and Will Hill Limited for the period ended 28 December 2010 are available from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ.

During the period, the Company made purchases of £34,800,000 (52 weeks ended 29 December 2009 £32,914,000) from Satellite Information Services Limited, a subsidiary of Satellite Information Services (Holdings) Limited. At 28 December 2010 the amount payable to Satellite Information Services Limited was £nil (29 December 2009 £nil).

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 28 December 2010

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

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

		Transactions in period £'000	Amounts owed by/(amounts owed to) related parties as of 28 December 2010 £'000
Brand charge	WHG Trading Limited	58,703	20,592
Service charge	WHG Trading Limited	3,568	-
Service charge	WHG (International) Limited	6,940	(28,489)
		<u>          </u>	<u>          </u>

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

#### 25. Post balance sheet events

The directors note that the Company's ultimate parent company, William Hill plc, issued the following news release on 18 March 2011

"William Hill PLC (William Hill) confirms that, following a return court hearing on Thursday 17 March, an injunction is in place preventing Playtech from selling its stake in William Hill Online. This injunction will remain in place until a further court hearing which is expected to occur in May or shortly thereafter "

The directors do not consider that these events have any material impact on the carrying value of the Company's investment in William Hill Online companies as set out in note 11 to the accounts