

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.**

This document comprises (i) a circular prepared for the purposes of the Extraordinary General Meeting convened pursuant to the Notice of Extraordinary General Meeting contained in this document, and (ii) a prospectus relating to the Company prepared in accordance with the Listing Rules and the Prospectus Rules of the FSA made under section 73A of the Financial Services and Markets Act 2000. This document has been approved by the Financial Services Authority in accordance with section 85 of the Financial Services and Markets Act 2000 and will be made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

If you have sold or do sell or have otherwise transferred or do transfer all your Ordinary Shares (other than ex rights) held in certified form before 24 March 2009 (the “**Ex-rights Date**”) please forward this document together with the accompanying Form of Proxy and any Provisional Allotment Letter that you may receive as soon as possible to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee except that **such documents should not be forwarded or transmitted into any jurisdictions where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States, Canada, Australia, Japan or the Republic of South Africa** (the “**Restricted Jurisdictions**”). If you sell or have sold or transferred part of your holding of Ordinary Shares (other than ex rights) held in certified form prior to the Ex-rights Date, you should refer to the instructions regarding split applications set out in Part III of this document and the Provisional Allotment Letter. If you sell or have sold or transferred all or part of your holding of Ordinary Shares (other than ex rights) held in uncertificated form before the Ex-rights Date, a claim transaction will automatically be generated by Euroclear UK & Ireland which on settlement will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

The Existing Ordinary Shares are listed on the Official List and traded on the London Stock Exchange’s main market for listed securities. Application has been made to the FSA for the New Ordinary Shares to be admitted to the Official List. Application has also been made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange’s market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence (for normal settlement) on at 8.00 a.m. on 24 March 2009.



## **William Hill PLC**

*(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4212563)*

### **1 for 1 Rights Issue of**

**347,907,117 New Ordinary Shares at 105 pence per New Ordinary Share**

**and**

### **Notice of Extraordinary General Meeting**

**Citi**

**Sole Sponsor, Sole Bookrunner, Financial Adviser and Underwriter**

**Barclays Capital**  
*Joint Lead Manager  
and Underwriter*

**RBS Hoare Govett**  
*Joint Lead Manager  
and Underwriter*

**Lloyds TSB Corporate Markets**  
*Co-Lead Manager*

**This document does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction where such offer or solicitation would be unlawful. The distribution of this document and/or the accompanying documents (including the Provisional Allotment Letter), and/or the transfer of Nil Paid Rights or Fully Paid Rights through CREST in jurisdictions outside the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of these restrictions may constitute a violation of the securities law of any such jurisdiction.** Citigroup Global Markets Limited and Citigroup Global Markets U.K. Equity Limited (each and together, “**Citi**”), Barclays Bank PLC, Lloyds TSB Bank plc and RBS Hoare Govett Limited (together, the “**Lead Managers**”) are each regulated in the United Kingdom by the FSA, are each acting exclusively for the Company and for no-one else in connection with the Rights Issue and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Rights Issue and will not be responsible to any other person for providing the protections afforded to their respective clients, or for advising any such person on the contents of this document or in connection with any transaction referred to in this document.

**The whole of the text of this document should be read in its entirety by any Shareholder and any other person contemplating a purchase of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares. Your attention is drawn to the Letter from the Chairman of William Hill which is set out in Part I of this document. Your attention is also drawn to the section headed “Risk Factors” at the beginning of this document for a discussion of certain factors that should be considered by Shareholders when deciding on what action to take in relation to the Rights Issue, and by others in deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights or New Ordinary Shares.**

In addition to this document, subject to the passing of the Resolution, Qualifying non-CREST Shareholders other than certain Overseas Shareholders (subject to certain exceptions) are expected to be sent a Provisional Allotment Letter on or around 23 March 2009. Qualifying CREST Shareholders (none of whom will receive a Provisional Allotment Letter) other than certain Overseas Shareholders (subject to certain exceptions) are expected to receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on or around 24 March 2009. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear UK & Ireland as soon as practicable after Admission has become effective. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue. The latest time and date for acceptance and payment in full for the Nil Paid Rights is expected to be 11.00 a.m. on 7 April 2009. The procedures for acceptance and payment are set out in Part III of this document and also, for Qualifying non-CREST Shareholders only, in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to Part III of this document.

Notice of an Extraordinary General Meeting of the Company to be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA at 10.30 a.m., on 23 March 2009, is set out at the end of this document. You will find enclosed a Form of Proxy for use at the meeting. To be valid, the Form of Proxy should be completed and returned to the Company's registrars, Capita Registrars Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU ("Capita") as soon as possible and, in any event, so as to be received no later than 10.30 a.m. on 21 March 2009. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting at the Extraordinary General Meeting should they so wish.

Subject to certain exceptions, this document does not constitute an offer to sell or a solicitation of an offer to buy the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in any of the Restricted Jurisdictions. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or under the applicable securities laws of any state of the United States, any province or territory of Canada, Japan, the Republic of South Africa or Australia. Subject to certain exceptions, none of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters may be offered, sold, taken up, exercised, resold, transferred, renounced or delivered, directly or indirectly, within the United States (absent an applicable exemption from the registration requirements of the Securities Act and in compliance with applicable state law), Canada, Japan, the Republic of South Africa or Australia or in any country, territory or possession where to do so may contravene local securities laws or regulations. The Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and Provisional Allotment Letters are being offered and sold outside the United States only, in offshore transactions within the meaning of and in accordance with Regulation S under the Securities Act, and in the United States to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("Qualifying US Investors") only in a manner not requiring registration under the Securities Act. Subject to certain exceptions, neither this document nor the Provisional Allotment Letters will be posted to any person in the United States or in any of the other Restricted Jurisdictions. Overseas Shareholders and any person who is resident in or a citizen or national of any country outside the UK and any person (including, without limitation, nominees, custodians and trustees) who has a contractual or other legal obligation to forward this document or a Provisional Allotment Letter to a jurisdiction outside the UK should read section 8 of Part III of this document. **Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares may be relying on the exemption from registration provisions under Section 5 of the Securities Act, as amended, provided by Rule 144A thereunder.**

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Directors, whose names appear under "Directors, Company Secretary and Advisers", and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

Citi, Barclays Bank PLC, Lloyds TSB Bank plc and RBS Hoare Govett Limited may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure (if any) or otherwise. Except as required by applicable law or regulation, Citi, Barclays Bank PLC, Lloyds TSB Bank plc and RBS Hoare Govett Limited do not propose to make any public disclosure in relation to such transactions.

Certain information in relation to the Company has been incorporated by reference into this document. You should refer to the section of this document entitled "Documents Incorporated by Reference" for further details. Capitalised terms have the meanings attributed to them in the document.

## NOTICE TO US INVESTORS

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the Securities Act nor under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and in compliance with state laws.

None of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or this document or any other offering document has been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other US regulatory authority nor has any such authority passed upon or endorsed the merits of the Rights Issue or the accuracy or the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Citi may arrange for the offer of New Ordinary Shares in the United States not taken up in the Rights Issue only to persons reasonably believed to be "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Until 40 days after the later of the commencement of the Rights Issue or, an offer, sale or transfer of Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The Company is not subject to the periodic reporting requirements of the United States Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"). In order to permit compliance with Rule 144A under the Securities Act in connection with resales of the New Ordinary Shares, the Company agrees to furnish upon the request of a shareholder or a prospective purchaser from any shareholder the information required to be delivered under Rule 144A(d)(4) of the Securities Act if at the time of such request it is not a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act or are not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

## NOTICE TO NEW HAMPSHIRE RESIDENTS:

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR AN EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

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## SUMMARY

**This summary should be read as an introduction to and in conjunction with the full text of this document, including the documents incorporated by reference. Any decision to invest in the Ordinary Shares and/or Nil Paid Rights and/or Fully Paid Rights should be based on a consideration of this document as a whole, including the documents incorporated by reference. Where a claim relating to the information contained in this document is brought before a court in a European Economic Area state, a plaintiff may, under the national legislation of such state, be required to bear the costs of translating this document before legal proceedings are initiated. Following the implementation of the Prospectus Directive (Directive 2003/71/EC) in each European Economic Area state, no civil liability will attach to those persons responsible for this summary, including any translation of this summary, unless the summary is misleading, inaccurate or inconsistent when read together with other parts of this document.**

### 1. INTRODUCTION

William Hill has entered into the New Bank Facilities that, under a forward-start mechanism and together with its £250 million Existing Bank Facility, will provide aggregate funding to the Group of £838.5 million. In addition, the Board has announced today that it proposes to raise approximately £350 million (net of expenses) by way of a fully underwritten 1 for 1 Rights Issue.

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

Notwithstanding the deterioration in the economic environment, the Group continues to show robust operational performance and strong cash flow generation from all of its businesses and to operate comfortably within its banking covenants. The Board believes that the Refinanced Bank Facilities together with the proceeds from the Rights Issue will provide William Hill with a robust capital structure and appropriate financial flexibility in economic and financial conditions which are expected to continue to be challenging.

### 2. BACKGROUND TO AND REASONS FOR THE RIGHTS ISSUE

William Hill is one of the UK's leading betting and gaming companies. Since it floated on the London Stock Exchange in June 2002, William Hill has implemented a strategy of developing the Group both organically and through selective acquisitions with the objective of building on William Hill's key strengths in retail and online betting and gaming and telephone betting.

The Board has historically sought to maximise returns to Shareholders by maintaining an efficient balance sheet and by returning capital to Shareholders by way of a progressive dividend policy, supplemented by significant on-market share buy-backs. Following the debt-financed acquisition of Stanley Leisure plc's LBOs in September 2005, which resulted in William Hill becoming the leading UK betting company by number of LBOs, the Board announced that it intended to target a capital structure of approximately 3.5 times net debt to EBITDA and broadly to maintain this ratio over the medium term. Historically, William Hill's strong cash generation has ensured the Group has been comfortably able both to support this level of debt and to return significant amounts of cash to Shareholders. Since its flotation in June 2002 William Hill has returned a total of £856 million to Shareholders comprising £407 million through dividends and £449 million through share buy-backs.

At the time that William Hill adopted this target capital structure, it entered into the Existing Bank Facilities comprising a £1.2 billion facility maturing in March 2010 and a £250 million facility maturing in July 2011. Since August 2007 there has been a dramatic deterioration in the credit markets that has led banks to reduce their overall lending to borrowers.

With the majority of the Group's Existing Bank Facilities maturing in 2010 and in light of the adverse conditions in the credit markets, William Hill's management implemented a number of initiatives to reduce the Group's funding requirements. These initiatives included suspending the Group's share buy-back programme from December 2007, reducing non-essential capital expenditure and implementing cost-saving measures within the UK retail and telephone betting channels. Although economic conditions have become more challenging, William Hill has continued to show robust operational performance and strong cash flow generation across its operations.

Notwithstanding the Group's continued trading resilience, strong cash generation and recent actions to reduce its funding requirements from £1.45 billion to approximately £1.2 billion and the reduction in net debt of £86 million to £1,022 million during 2008, the current credit market conditions have not made it possible for William Hill to refinance the Group's Existing Bank Facilities in full in the bank market. In anticipation of a resulting shortfall in the availability of bank finance, the Board explored whether other debt funding alternatives could be utilised to address the funding gap. However, alternative markets for debt funding are currently either unavailable or prohibitively expensive, reflecting the current adverse market conditions.

The Board has carefully reviewed all options available to the Group. The Board considers the Rights Issue and the Resolution to be in the best interests of the Company and Shareholders as a whole. The combination of the Refinanced Bank Facilities and the fully underwritten Rights Issue will result in a strengthened balance sheet, a significant reduction in the Group's net debt, improved credit ratios and facilities with longer maturities.

The Board believes that following the Rights Issue, William Hill will have a robust capital structure and appropriate financial flexibility for the economic and financial market conditions which are expected to continue to be challenging.

The Board will continue to review the Group's capital structure, the cost of funding and the sources of debt capital on an ongoing basis and, subject to improvements in credit conditions, may in due course seek to refinance parts of the Refinanced Bank Facilities from alternative markets.

### **3. SIGNIFICANCE OF THE RIGHTS ISSUE**

William Hill is of the opinion that, taking into account available bank facilities and the net proceeds of the Rights Issue receivable by William Hill, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document. However, since a significant part of the Existing Bank Facilities are currently due to expire in March 2010, the Directors consider it prudent to explain to Shareholders the consequences for the Group should the Rights Issue not proceed.

In the event that the Resolution is not passed at the Extraordinary General Meeting or the Underwriters exercise their rights to terminate the Underwriting Agreement prior to Admission, the Rights Issue will not proceed. In such event, based on current forecasts, the Company would need to consider with some urgency alternative methods to fund the Group's ongoing requirements beyond the next 12 months. Accordingly, the Directors believe it is in the best interests of the Company for Shareholders to vote in favour of the Resolution so that the Rights Issue proceeds.

In the event that the Rights Issue does not proceed, the Group would in the first instance be likely to seek to agree with its current lenders the terms on which the Existing Bank Facilities may be either extended or replaced. The Directors consider it likely that the relevant lenders would only agree to do so on terms likely to be more onerous than those secured in the New Bank Facilities (which are conditional on the receipt by the Company of the net proceeds of the Rights Issue). Such terms may include, amongst other things, further restrictive covenants, more onerous dividend payment restrictions, extensive security over the Group's assets and higher financing costs. There can be no assurance that terms may be agreed that would be commercially acceptable to the Company, if at all. In addition, in the absence of shareholder support for equity funding, the relevant lenders may seek to negotiate, as part of any extended and/or replacement facilities an equity stake in the Company, whether by way of a debt for equity swap, warrants convertible into equity or otherwise. Any such provisions could be dilutive to Shareholders and potentially significantly more dilutive than the proposed Rights Issue.

If the Group was unable to agree terms on which the Existing Bank Facilities may be extended, the Group may have to dispose of certain of its assets on a forced sale basis and potentially on commercially unattractive terms. Any such forced sales could impair the Group's ability to pursue its stated strategy. While the Directors currently believe it is unlikely that the Group would not be able to secure alternative funding, albeit on terms less attractive than those presented by the combination of the Refinanced Bank Facilities and the Rights Issue, this may not be possible in the current or potentially worsening market conditions. In the event that the Group was unable to secure alternative financing by the stated maturity dates of the Existing Bank Facilities, ultimately the Group would be unable to service its repayment obligations under the Existing Bank Facilities. In these circumstances, as would normally be the case with lending arrangements of this nature, lenders under the Existing Bank Facilities would be in a position to demand repayment and the Company could potentially face the risk of insolvency and/or be unable to continue trading.

#### 4. USE OF PROCEEDS

All the net proceeds of the Rights Issue will be used to pay down borrowings under the Existing Bank Facilities. The net proceeds of the Rights Issue will therefore be used to strengthen the Group's balance sheet and improve the Group's credit profile.

#### 5. DIVIDENDS AND DIVIDEND POLICY

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

#### 6. SELECTED FINANCIAL INFORMATION

The table below sets out selected financial information for the Group for the 2006, 2007 and 2008 financial years. The financial information has been extracted without material adjustment from, and should be read together with, the Group's audited consolidated financial statements for the 2006, 2007 and 2008 financial years.

	<i>52 weeks ended 30 December 2008 £m</i>	<i>53 weeks ended 1 January 2008 £m</i>	<i>52 weeks ended 26 December 2006 £m</i>
<b>Selected Income Statement Data</b>			
Amounts wagered	15,553.9	14,797.1 <sup>(1)</sup>	13,240.4 <sup>(1)</sup>
Revenue	963.7	933.6 <sup>(1)</sup>	891.9 <sup>(1)</sup>
Operating profit before exceptional items (including associates)	278.6	286.7	292.2
Operating profit after exceptional items (including associates)	267.8	265.8	292.2
Profit before tax	293.3	209.2	235.4
Profit for the period	234.0	157.4	166.8
<b>Earnings per Ordinary Share</b>			
Basic	67.3	44.7	45.5
Diluted	66.8	44.3	44.9
<b>Selected Balance Sheet Data</b>			
Non-current assets	1,727.3	1,595.2	1,563.5
Current assets	108.6	107.5	144.0
Current liabilities	212.6	(148.5)	(181.4)
Non-current liabilities	1,265.7	(1,321.1)	(1,335.6)
Net assets	357.6	233.1	190.5
Equity	357.6	233.1	190.5
<b>Cash Flow Data</b>			
Net cash from operating activities	209.9	149.6	204.6
Net cash used in investing activities	(37.1)	(66.4)	(59.1)
Net cash used in financing activities	165.7	(112.5)	(123.4)

(1) Financial information has been restated.

## **7. PRINCIPAL TERMS AND TIMING OF THE RIGHTS ISSUE**

The Company is proposing to raise approximately £350 million (net of expenses), by way of the Rights Issue. The Rights Issue is being fully underwritten by Citi, Barclays Bank PLC and RBS Hoare Govett Limited (the “Underwriters”). The Issue Price of 105 pence per New Ordinary Share represents a 57 per cent. discount to the closing middle market price of William Hill of 247 pence per Ordinary Share on 26 February 2009, the latest practicable date before the announcement of the Rights Issue.

The Rights Issue will be offered on the basis of:

### **1 New Ordinary Share for every 1 Existing Ordinary Share**

held on the Record Date and so on in proportion to any other number of Existing Ordinary Shares then held and otherwise on the terms and conditions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to all future dividends and other distributions declared, made or paid.

The Rights Issue is conditional, amongst other things, upon the passing of the Resolution at the Extraordinary General Meeting, the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission and upon Admission taking place.

## **8. CURRENT TRADING AND PROSPECTS**

Group net revenue in the first eight weeks to 24 February 2009 increased by 9 per cent., including the contribution from the expanded online business, compared to the same period in 2008. This increase was achieved against a strong comparator period in 2008 and in spite of poor weather, with 57 UK race meetings cancelled to date in 2009, compared with 26 in the same period in 2008. As a result of these factors, retail gross win increased by 2 per cent. compared to the same period in 2008. Within the retail channel, gaming machines continued to perform strongly, with gross win increasing by 13 per cent. compared to the same period in 2008. On 30 December 2008, William Hill completed the transaction with Playtech which established William Hill Online. Since then, the online business has performed strongly, particularly in Sportsbook, bingo and skill games and has increased net revenue by 54 per cent., compared with the same period in 2008 taking into account the acquired businesses. The Directors expect William Hill Online to benefit going forward from offering its casino and poker gaming products via Playtech software.

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

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

The Group reduced its capital expenditure significantly during 2008 and intends to maintain this lower level of expenditure during 2009. In addition the Group’s capital expenditure approval process has become more stringent. During the coming year the Group intends to focus its estate development programme on the new LBO sites and re-sites where it expects to achieve the best rates of return.

## **9. RISK FACTORS**

Participation in the Rights Issue and any investment in William Hill are subject to a number of risks. In particular, William Hill's business, financial condition and results of operations could be materially and adversely affected by the following risks:

### ***Risks Relating to the Gambling Industry***

The Group is vulnerable to increases in taxation and levies.

There can be no assurance that existing or potential laws and regulations in jurisdictions from which the Group accepts bets or wagers will not have a material adverse effect on its business, financial condition and results of operations.

There can be no assurance that the existence and/or enforcement of laws and regulations relating to the offer of gambling products and services or the advertisement of such products and services via the internet, will not have a material adverse effect on the Group's business, financial condition and results of operations.

The business of the Group is regulated by certain authorities in each of the jurisdictions in which it operates.

The success of the Group's business is dependent upon its relationships with government authorities and the principal bodies of sport and event industries.

The Group may experience significant losses with respect to individual events or betting outcomes.

The Group may be subject to increases in payments related to sports.

The business of the Group is subject to sports schedules.

The market for online gambling products and services is in a state of technological change.

Demand for the Group's products and services may be adversely affected by economic conditions beyond the Group's control.

The Group's business may be adversely affected by competition from other gambling operations.

The Group may be adversely affected by negative publicity surrounding the gambling industry.

### ***Risks Relating to the Group***

The Group may be unable to integrate the acquired Playtech assets effectively and all or any of the anticipated benefits of the establishment of William Hill Online may fail to be realised.

The Group's leverage and ability to service its debt may adversely affect its business, financial condition and results of operations.

The Group is highly dependent on technology and advanced information systems, which may fail or be subject to disruption.

The Group is subject to regulation regarding the use of personal customer data.

The Group is dependent on a number of third parties for the operation of its business.

The Group relies on the experience and talent of key personnel and on its ability to recruit and retain qualified employees for the success of its business.

Any failure to determine accurately the odds at which William Hill will accept bets in relation to any particular event and/or any failure of the Group's risk management processes could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is dependent on card payments for the success of its business.

The Group's intellectual property could be subject to infringement by third parties or claims of infringement of third parties' rights.

The success of the Group is dependent on maintaining and enhancing its brand.

The Group's relatively high fixed costs base as a proportion of its total costs means that falls in revenue could have a significantly adverse effect on the Group's profitability.

The Group's pension plan has a defined benefit section which is currently in deficit.

The Group may fail to detect the fraudulent activities of its customers.

The Group is subject to risks resulting from currency fluctuations and hedging activities.

***Risks relating to the Rights Issue and the Ordinary Shares***

The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are outside of the Group's control.

Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of William Hill.

Even if a Qualifying Shareholder elects to sell his unexercised Nil Paid Rights, the consideration he receives may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

The take up of Nil Paid Rights under the Rights Issue will not be available to any Shareholders with a registered address in the United States or any other Restricted Jurisdiction (subject to certain exceptions).

An active trading market in the Nil Paid Rights and/or Fully Paid Rights may not develop and there may be volatility in the trading price of the Nil Paid Rights and/or Fully Paid Rights.

The Company's ability to pay dividends and effect returns of capital in the future is uncertain.

***Additional Risks for Qualifying US Investors***

The rights of holders of Ordinary Shares are governed by English law. Not all rights available to shareholders under US law will be available to US investors.

US investors may not be able to bring suits or enforce civil judgments of US courts against the Company or its directors, controlling persons and officers.

## RISK FACTORS

*Any investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights under the Rights Issue is subject to a number of risks. Prior to subscribing for any New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights, Qualifying Shareholders and any other prospective investors should carefully consider the factors and risks associated with any investment in the Company, the Group's business and the industry in which the Group operates, together with all the information set out in this document and the documents incorporated by reference and, in particular, those risks described below.*

*If any of the following risks actually materialise, the Group's business, financial condition and results of operation could be materially and adversely affected and investors may lose all or part of their investment. All risks of which the Directors are aware at the date of this document and which they consider material are set out in the risk factors below; however, further risks and uncertainties relating to the Group which are not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business, financial condition and results of operations. If this occurs, the price of the Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights may decline and investors could lose all or part of their investment.*

*The Directors consider the following risks to be the most significant for potential investors, but the risks listed do not necessarily comprise all those associated with an investment in the Company. Investors and prospective investors should consider carefully whether an investment in the New Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights is suitable for them in light of the information in this document and the documents incorporated by reference and their personal circumstances.*

### **Risks Relating to the Gambling Industry**

#### ***The Group is vulnerable to increases in taxation and levies***

The Group is subject to taxation and/or levies in all of the countries in which it operates.

#### ***UK taxation***

The Group is subject to significant taxation and levies in the UK, including the following:

- corporation tax, with a headline tax rate of 28 per cent. (reduced from 30 per cent. effective from 1 April 2008);
- VAT of 17.5 per cent. payable on income from gaming machines (temporarily reduced to 15 per cent. effective from 1 December 2008 until 31 December 2009);
- gross profit tax of 15 per cent. applicable to gross win in the UK;
- the horse racing levy, a statutory levy on bets taken on horse racing of 10 per cent. of the gross profit on such horse racing activities; and
- Amusement Machine Licence Duty, a flat tax of £2,030 per gaming machine per annum (implemented 1 August 2006).

The taxation and levies imposed upon the Group have changed considerably over time and there can be no assurance that the levels of taxation and levies to which the Group is subject in the UK will not be increased, particularly in the current economic environment. In addition, there can be no assurance that new taxes or levies will not be introduced to which the Group will be subject. For example, on 6 January 2009 the DCMS published a consultation paper proposing the introduction of a statutory levy on gambling operators licensed in Great Britain to fund research into, education about and the treatment of problem gambling. Any increases in the levels of taxation or levies to which the Group is subject in the UK, or the implementation of any new taxes or levies to which the Group will be subject, could have a material adverse effect on the Group's business, financial condition and results of operations.

### *Non-UK Taxation*

The majority of the Group's online gaming operations are located offshore of the UK in Malta and Gibraltar. The Group's operations in these jurisdictions are currently subject to lower rates of taxation than its UK operations. Nonetheless, there can be no assurance that the levels of taxation to which the Group is subject in any other jurisdiction, including Malta and Gibraltar, will not be increased or changed, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's customers are located in a number of different jurisdictions. Revenues earned from customers located in a particular jurisdiction may give rise to the imposition of direct or turnover taxes in that jurisdiction. If such taxes are levied, either on the basis of existing law or the current practice of any tax authority or by reason of any change in law or practice, then this may have a material adverse effect on the amount of tax payable by the Group. In addition, if any Group company is found to be, or to have been, tax resident in any jurisdiction other than those in which the Group is currently deemed to be tax resident or to have a permanent establishment in any such other jurisdiction (whether on the basis of existing law or the current practice of any tax authority or by reason of a change in law or practice) this may have a material adverse effect on the amount of tax payable by the Group which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

### *There can be no assurance that existing or potential laws and regulations in jurisdictions from which the Group accepts bets or wagers will not have a material adverse effect on its business, financial condition and results of operations*

The Group is subject to various laws and regulations in a number of jurisdictions. Most countries regulate or, in some cases prohibit, gambling activities. Historically, the regulation of the gambling industry has been arranged at a national level and, currently, there is no international gambling regulatory regime. Although the Group seeks to comply with and monitors the relevant laws and regulations, including the relevant licensing requirements, of the jurisdictions in which its operations are established, the Group is exposed to the risk that jurisdictions from which it accepts bets or wagers or from which its advertisements may be accessed via the internet may have conflicting laws and regulations (or interpretations of such laws and regulations) with regard to the legality or appropriate regulatory compliance of the Group's activities. The Group's exposure to this risk has increased with the establishment of William Hill Online as the scale of the Group's online operations has increased.

The Group accepts transactions from customers for certain products from certain European jurisdictions. There are many instances of European betting and gaming operators being (i) prosecuted by a relevant authority or (ii) sued by a monopoly right holder or other significant market participant for offering their products and services in a particular European state in which they are not licensed or otherwise regulated. Member states of the European Union (each a "**Member State**") are required to abide by principles of freedom of establishment and free movement of services under EU law. The Directors believe that the Group's activities in Member States where it is not licensed or otherwise regulated are permitted by such principles. However, the extent to which national courts in European jurisdictions will implement principles of EU law is uncertain as Member States are afforded a degree of discretion in such implementation. As a result, the Group and the Directors may face criminal or civil claims in these jurisdictions as a consequence of their actions regardless of whether such actions are in accordance with EU law. In addition, the relevant regulatory authority, monopoly right holder or other significant market participant could take action against the Group's service providers in such countries. If any such actions were brought against the Group, the Directors or the Group's service providers, whether successful or not, the Group may incur considerable legal and other costs, management's time and resources may be diverted, and any resulting dispute may damage the Group's reputation and brand image and have a material adverse effect on the Group's business, financial condition and results of operations. To the extent that the domestic laws or any prosecutions, suits or other determinations of a national court of a Member State do not respect EU law, such actions may fall within the jurisdiction of the European Court of Justice ("**ECJ**") to which reference may be made. On such a reference, the ECJ may, broadly or narrowly, scrutinise such domestic laws, prosecutions, suits or other determinations and determine the legality of such operator's activities pursuant to EU law. The ECJ may determine that the restrictive actions of the relevant Member States are proportionate and objectively protect a matter of public policy within the competence of such Member State, such as social responsibility matters,

in which case such restrictions may be justified. If the ECJ finds that such an authority, monopoly right holder or other significant market participant's actions result from laws which are discriminatory, disproportionate or not objectively justifiable, such restrictions on the operator's activities may be found to be in contravention of EU law. However, there can be no assurance that the ECJ will accept jurisdiction or will not uphold the actions against an operator, or that any favourable ruling will be fully implemented by the relevant Member State, which could impair the Group's ability to undertake betting and gaming operations in European jurisdictions, thereby negatively impacting the Group's business, financial condition and results of operations.

William Hill has systems and controls in place which seek to ensure that the Group does not offer betting and gaming products via the internet into jurisdictions from which it has determined that it does not wish to accept bets or wagers, whether because it has determined it is unlawful to do so; or it is unclear as to whether it is unlawful and has decided not to take any risk in relation to this uncertainty; or otherwise decided that it does not wish to accept any business for any other reason. The systems and controls include monitoring and analysing information provided by potential customers' registered addresses and of customers' payment methods. For the avoidance of doubt, the Group does not currently accept bets or wagers from customers that it determines are located in the US. A risk exists, however, that a court or other governmental authority in any jurisdiction could take the position that the Group's systems and controls are inadequate, either currently or as the result of technological developments affecting the internet, or that the Group's current or past business practices in relation to such jurisdiction violated applicable law. For example, the Group does not monitor the location of its customers' internet service providers as a means of excluding customers located in the United States from using the Group's websites. As a result, a customer may be able to place a wager with the Group while located in the US, which could result in a violation of applicable US law. Any such determination could expose the Group and its Directors to the risk of civil or criminal sanction, as well as reputational damage, which in turn could negatively impact the Group's business, financial condition and results of operations.

***There can be no assurance that the existence and/or enforcement of laws and regulations relating to the offer of gambling products and services or the advertisement of such products and services via the internet, will not have a material adverse effect on the Group's business, financial condition and results of operations***

Although the regulatory regime for land-based gambling operations is well established in many countries, the gambling laws in such countries will not necessarily have been amended to take account of the internet and the ability to offer gambling products and services online. Consequently, there is uncertainty as to the legality of online gambling in a number of countries. William Hill has systems and controls in place which seek to ensure that the Group does not offer gambling products via the internet into jurisdictions where it has determined this would be illegal, but there can be no assurance that these procedures will be effective. In several countries local regulators are willing to license and regulate local and often state-owned operators, but prohibit foreign operators. The application or enforcement of gambling laws or regulations may adversely affect the Group's business and financial position and even if such actions were successfully resisted, the Group may still incur considerable costs in defending such actions. Any resulting dispute may also damage the Group's reputation and brand. The occurrence of any of these events may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group analyses jurisdictional risk and, based on the relevant jurisdiction, undertakes procedures in order to mitigate such risk, but the Group has not considered the gambling laws and regulations in every jurisdiction from which it accepts bets or wagers and from which its advertisements can be accessed via the internet. Accordingly, the Group may be subject to the application of existing or potential laws and regulations, and/or fees or levies in jurisdictions from which the Group accepts bets or wagers or in which its advertisements can be accessed via the internet. Any such laws, regulations, fees or levies may have a material adverse effect on the Group's business, financial condition and results of operations.

***The business of the Group is regulated by certain authorities in each of the jurisdictions in which it operates***

The Group is regulated by certain authorities and currently holds gambling licences in the UK, Gibraltar, Malta, Ireland, Isle of Man, Jersey, Alderney, Kahnawake (a territory situated in Quebec, Canada administered by the Mohawks of Kahnawake indigenous people) and, via its joint venture with Codere S.A., in Madrid and the Basque territory in Spain.

In Great Britain, where the majority of the Group's operations are located, the Group is regulated by the Gambling Commission under the provisions of the Gambling Act. In accordance with the British regulatory regime, the Group holds three categories of licences: operating licences, personal management licences and premises licences. Each of the Group's relevant subsidiaries, applicable personnel and LBOs currently holds all requisite Gambling Act licences and other approvals in Great Britain. Under the British regime, licences are given for an indefinite period, subject to the payment of annual fees, and are normally only terminated in the event of a breach of the terms of the licence by the holder. There can be no assurance, however, that the Gambling Commission will not terminate licences already granted, or otherwise change its licensing requirements.

The provision of William Hill's online casino and poker products is regulated either by the Gibraltar Regulatory Authority or the Malta Lotteries and Gaming Authority. Any change in the terms of all or any of the licences granted to the Group by the Gibraltar Regulatory Authority, the termination of these licences or the revocation or withdrawal of the Malta Lotteries and Gaming Authority's letter of intent to grant a licence could have a material adverse effect on the Group's business, financial condition and results of operations.

Nor can there be any assurance that any other jurisdiction in which the Group is currently licensed will not change its licensing requirements. If the regulatory scheme of any jurisdiction in which the Group operates were to change its licensing requirements, the Group may be required to expend significant capital or other resources in order to comply with the new requirements and/or may not be able to meet the new requirements, either or a combination of which could have a material adverse effect on the Group's business, financial condition and results of operations.

***The success of the Group's business is dependent upon its relationships with government authorities and the principal bodies of sport and event industries***

The Group's relationships with the UK government authorities and the Gambling Commission and with the principal regulatory and administrative bodies of the horse racing industry in the UK and other sport and event industries are significant factors contributing to the success of the Group's business. The Group's relationships with its other principal regulators in Gibraltar and Malta are also important to the success of the Group's business.

The Group engages with its regulators with regard to the betting and gaming regulatory framework and other issues of shared concern, such as problem gambling, and with the principal bodies of sport and event industries with regard to sports rights payments (including levies such as the statutory horse racing levy), animal welfare and other issues. However, if the Group fails to maintain such relationships, or if such relationships were adversely affected for any reason, including any action or omission on the part of the Group or negative publicity concerning the Group or the gambling industry, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may experience significant losses with respect to individual events or betting outcomes***

The Group's fixed-odds betting products involve betting where winnings are paid on the basis of the stake placed and the odds quoted, rather than derived from a pool of stake money received from all customers. While bets in excess of certain defined limits must be referred to the Group's central betting control department, there is potentially no upper limit on the losses that could be incurred by the Group in relation to each betting outcome, although there are individual limits of winnings for any individual client on a day. A bookmaker's odds are determined so as to provide an average return to the bookmaker over a large number of events. There is an inherently high level of variation in gross win percentage event-by-event and day-by-day. In the long term, the Group's gross win percentage has historically remained fairly constant. In the short term there is less certainty of generating a positive gross win and the Group has from time to time experienced significant losses

with respect to individual events or betting outcomes. Although the Group has systems and controls in place which seek to reduce the risk of daily losses occurring on a gross win basis (including bet acceptance limits and hedging arrangements in relation to betting on horse racing), there can be no assurance that these systems and controls will be effective in reducing the Group's exposure to this risk. The effect of future fluctuations and single-event losses could have a material adverse effect on the Group's cash flows and therefore a material adverse effect on its business, financial condition and results of operations.

***The Group may be subject to increases in payments related to sports***

The Group is subject to certain financing arrangements intended to support industries from which it profits, such as the horse racing levy in Great Britain, which is intended to support the horse racing industry in Great Britain, and the voluntary greyhound racing levy in Great Britain, which is intended to support the greyhound industry in Great Britain. The Group is likely to continue to be subject to similar financing arrangements in the future. Any material increase in the current levies paid by the Group as part of such financing arrangements, or any requirement to pay additional levies or fees, could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition to being subject to such subsidies and taxes, the Group enters into contracts with regard to the distribution of television pictures, audio and other data that are broadcast into the Group's LBOs, such as its contracts with SIS and Turf TV for the provision of live coverage of races from particular courses or other events for which they hold and sell the pictures, audio and data rights for onsale into LBOs. The Group is also likely to continue to enter into similar contracts in the future.

The Group cannot predict with any certainty what future levies, subsidies, taxes, fees, payments or contracts may be required for the success of its business in the future, and no assurance can be given that such payments, or a failure to reach agreement on the level of such payments or, if such payments are not paid or agreed, a reduction in the television pictures, audio and other data available to the Group and possible consequent reduction in bets or wagers placed with the Group, will not have a material adverse effect on the Group's business, financial condition and results of operations.

***The business of the Group is subject to sports schedules***

The Group's business, financial condition and results of operations are affected by the schedule of sports events on which the Group accepts bets. The horse racing schedule in the UK, from which a high proportion of the Group's revenue and gross win are derived, is weighted towards the spring and summer months when certain high profile races which attract significant betting activity, such as the Grand National and the Derby occur. As a result, the Group has historically recorded higher revenue in the spring and summer months although this has, in recent years, been partially balanced by the growth of betting activity on football.

The Group's results of operations are also affected by the schedules of other significant sporting events which may occur at regular but infrequent intervals, such as the FIFA Football World Cup and UEFA European Football Championship. Cancellation or curtailment of significant sporting events, for example due to adverse weather conditions or for any other reason (such as the cancellation of the Cheltenham National Hunt Festival and the postponement of fixtures in the Six Nations rugby tournament in 2001, in each case as a result of the outbreak of foot and mouth disease in the UK) or the failure of certain sporting teams to qualify for sporting events (such as the failure of the England football team to qualify for the UEFA European Football Championship in 2008), would adversely impact the Group's business, financial condition and results of operations for the period.

***The market for online gambling products and services is in a state of technological change***

The market for online gambling products and services is characterised by technological developments, frequent new product and service introductions and evolving industry standards. The emerging character of these products and services and their evolution requires the Group to use leading technologies effectively, continue to develop the Group's technological expertise, enhance its current products and services and continue to improve the performance, features and reliability of its technology and advanced information systems. In addition, the widespread adoption of new internet technologies or standards could require substantial expenditure to replace, upgrade, modify or adapt the Group's technology and systems, which could negatively impact the Group's business, financial condition and results of operations.

There can be no assurance that the technology and systems currently used by, and being developed by, the Group will be successful, or that they will not be rendered obsolete by new technologies and more advanced systems introduced in the industry or adopted by the Group's competitors. In addition, new internet or other technology-based products, services or enhancements offered by the Group may contain design flaws or other defects and/or require costly modifications or may result in a loss of confidence in the Group's products and services by its customers or loss of revenue, either or a combination of which could have a material adverse effect on the Group's business, financial condition and results of operations.

***Demand for the Group's products and services may be adversely affected by economic conditions beyond the Group's control***

Demand for the Group's products and services, like those of other participants in any industry, is influenced by general economic trends. There can be no assurance that the Group's business, financial condition and results of operations will not be adversely affected by general economic trends. The online gambling market, in particular, may be sensitive to economic conditions. The online gambling market is relatively new, as compared to the gambling industry as a whole, and there is insufficient history for the Group to predict the impact that changes in economic conditions will have on the business, financial condition and results of operations of the Group over an extended period of time. The difficult global economic conditions of the past 18 months are unprecedented in the Group's operating history, and if such conditions continue or worsen, there can be no assurance that they will not have a material adverse effect on the Group's business, financial condition and results of operations. In addition, though it is likely that a downturn in the economy of a particular jurisdiction in which the Group operates may adversely effect the Group's business, financial condition and results of operations, the extent of such impact is uncertain.

***The Group's business may be adversely affected by competition from other gambling operations***

The Group faces competition primarily from other land-based bookmakers, online betting exchanges and other online gambling operators. The Group's competitors are based both inside and outside the UK. In particular, the online gambling market is characterised by intense and substantial competition and by low barriers to entry for new participants. The Group accepted its first bet via the internet in 1998 and built a market-leading position in the UK, but the Group's position was eroded as it lost market share to increasingly aggressive competition. This competition is expected to continue to intensify as new operators enter the market and existing operators improve and expand their product offerings. In addition, the Group faces competition from market participants operating in, and benefiting from, low tax jurisdictions. There can be no assurance that competition from other bookmakers, online betting exchanges and other online operators, as well as from suppliers of other betting and gaming products, in any segment of the betting and gaming industry, including the online betting and gaming market, will not have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may be adversely affected by negative publicity surrounding the gambling industry***

The gambling industry is at times exposed to negative publicity. This is particularly the case in the UK in relation to problem gambling, gambling by minors and to the use of gaming machines in LBOs, and outside the UK in relation to gambling online. Publicity regarding problem gambling and other concerns with the gambling industry, even if not directly connected to the Group and its products, could adversely impact the Group's business, financial condition and results of operations. There can be further no assurance that, if the perception develops that the gambling industry is failing to address such concerns adequately, the industry may be subject to increased regulation or taxation. For example, on 6 January 2009, the DCMS published a consultation paper proposing the introduction of a statutory levy on gambling operators to fund research into, education about and the treatment of problem gambling. In addition, in 2007 the Gambling Commission undertook the Gambling Prevalence Survey which was a survey of participation in gambling and the prevalence of problem gambling in Great Britain. A further survey will be undertaken in 2010. Any increase in regulation or taxation of the Group could adversely impact the Group's business, financial condition and results of operations.

## **Risks Relating to the Group**

### ***The Group may be unable to integrate the acquired Playtech assets effectively and all or any of the anticipated benefits of the establishment of William Hill Online may fail to be realised***

The creation of William Hill Online through the acquisition by the Group of certain assets, businesses and contracts from Playtech and subsequent combination with William Hill Interactive was completed on 30 December 2008, with integration of William Hill Online's operations not expected to be completed for six to nine months following completion of the acquisition. William Hill Online's success will, to a significant extent, be dependent on the Group's ability to integrate the Playtech assets effectively without disruption to the Group's existing business. The integration of the Playtech assets and the continued establishment of William Hill Online will require the attention of the Group's management and may require the diversion of other resources. There can be no assurance that the Group will be able to manage the Playtech assets profitably, or to integrate the Playtech assets successfully, without substantial costs, delays or other problems.

In particular, the Playtech assets include transferred employees, including a 160 employee marketing team in Israel and a 110 employee customer support team in Bulgaria, many of whom are part-time employees of William Hill Online. Due to these employees' brief history of employment with the Group, the Group is exposed to the risk that their inexperience and unfamiliarity with the Group's brand, operations and regulatory compliance procedures may negatively impact the Group's brand or operations, thereby materially adversely affecting the Group's business, financial condition and results of operations. In particular, such employees may be unaccustomed to working under the regulatory framework in Gibraltar, which may be less permissive than the frameworks under which such employees have previously operated. This situation exposes the Group to a higher degree of risk than it is exposed to with regard to its established employees, that its employees may violate the provisions of the regulatory framework in Gibraltar which could result in the loss of the Group's betting and gaming licences in Gibraltar.

In addition, there can be no assurance that William Hill Online will achieve all of the anticipated benefits in relation to the acquisition of the Playtech assets and combination with William Hill Interactive or that William Hill Online will achieve levels of profitability that will justify the investment the Group has made and continues to make in its establishment. The Group's ability to pursue the growth opportunity in the online betting and gaming market and expand its business in the future may be materially adversely affected if it is unable to integrate the Playtech assets successfully.

### ***The Group's leverage and ability to service its debt may adversely affect its business, financial condition and results of operations***

In conjunction with the Rights Issue, in order to provide long-term funding to enable the Company to execute its strategy aimed at delivering sustainable earnings growth and value for shareholders, the Board has secured a commitment for New Bank Facilities entered into with, among others, Barclays Bank PLC, The Royal Bank of Scotland, of which RBS Hoare Govett Limited is a subsidiary undertaking, and Lloyds TSB Bank plc, that will be available from January 2010, such facilities together with the £250 million Existing Bank Facility totalling £838.5 million.

The Group's debt service obligations under the Existing Bank Facilities and the New Bank Facilities could have negative consequences for the Group, including the following:

- restricting the Group's ability to pay dividends;
- limiting the Group's ability to obtain additional financing in the future;
- increasing the Group's vulnerability to increases in interest rates;
- requiring a substantial portion of the Group's cash flow for the payment of interest on its debt and reducing the Group's ability to use its cash flow to fund working capital, capital expenditures and general corporate requirements;
- hindering the Group's ability to adjust rapidly, and increasing the Group's vulnerability, to general adverse economic and industry conditions;
- limiting the Group's flexibility in planning for, or responding to, changes in its business and industry; and
- placing the Group at a competitive disadvantage to other, less leveraged competitors.

While a reduction in the Group's capital expenditure for a short period is unlikely to have a significant negative effect, any reduction in capital expenditure which continued over a prolonged period would be likely to adversely affect the Group's business, financial condition and results of operations.

There can be no assurance that in the event of unforeseen changes over the longer term, the Group's cash flow will be sufficient for repayment of the Group's indebtedness. There can be no assurance that the current difficult conditions in the credit markets will not exist when the Group seeks to refinance the New Bank Facilities in the future.

In addition, the Group's Refinanced Bank Facilities impose financial and other restrictive covenants that limit the ability of the Group to, among other actions, borrow additional funds, dispose of assets and/or pay dividends. The failure of the Group to comply with such restrictions would result in an event of default which, if not resolved or waived, may result in the financing arrangement and, as a result of cross-default provisions, other financing arrangements, being withdrawn and any outstanding indebtedness being repayable immediately, which would have a material adverse effect on the Group's business, financial condition and results of operations. The Directors expect that the Group will comply with these restrictions for at least the 12 months following the date of this document.

***The Group is highly dependent on technology and advanced information systems, which may fail or be subject to disruption***

The Group's operations, including William Hill Online and the Group's telephone betting operations, are highly dependent on technology and advanced information systems, and there is a risk that such technology or systems could fail. In addition to such failure, there can be no assurance that such technology or systems will not be subject to damage or interruption caused by human error, unauthorised access, computer viruses, denial of service attacks, increase in volume in usage of online services, sabotage, natural hazards or disasters or other similarly disruptive events, including other security breaches. There can be no assurance that the Group's current systems will and are able to support a significant increase in online traffic or increased customer numbers. The Group has in place business continuity procedures and security measures in the event of network failure or disruption, but such procedures and measures may not anticipate, prevent or mitigate any material adverse effect of such failure or disruption, on the Group's business, financial condition and results of operations. In addition, the Group is in the process of examining the disaster recovery systems in place in relation to the assets recently acquired from Playtech. There can be no assurance that any systems in place in relation to these assets are appropriate and the failure of such systems could have a material adverse effect on the Group's business, financial condition and results of operations.

In particular, the performance of the Group's online services is critical to achieving, maintaining and expanding market acceptance of William Hill Online. Any network failure or disruption that causes interruption or an increase in response time of the Group's online services could result in decreased usage of William Hill Online and, if sustained or repeated, could reduce the attractiveness of William Hill Online to its customers, which would adversely impact the Group's business, financial condition and results of operations.

Furthermore, the Group may at any time be required to expend significant capital or other resources to protect against network failure and disruption, including the replacement or upgrading of its existing business continuity systems, procedures and security measures. If replacements, expansions, upgrades and other maintenance are not completed efficiently or there are operational failures, the quality of product and service experienced by the customer will decline. If, as a result, customers were to reduce or stop their use of the Group's products and services, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is subject to regulation regarding the use of personal customer data***

The Group processes sensitive personal customer data (including name, address, age, bank details and betting and gaming history) as part of its business and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates. Such laws restrict the Group's ability to collect and use personal information relating to players and potential players including the marketing use of that

information. William Hill relies on third party contractors and employees to maintain its databases and seeks to ensure that procedures are in place to comply with the relevant data protection regulations. Notwithstanding such efforts, the Group is exposed to the risk that these data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation, by or on behalf of the Group. If the Group or any of the third party service providers on which it relies fails to transmit customer information and payment details online in a secure manner, or if any such loss of personal customer data were otherwise to occur, the Group could face liability under data protection laws. This could also result in the loss of the goodwill of its customers and deter new customers which would have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is dependent on a number of third parties for the operation of its business***

William Hill has relationships with a number of key third party suppliers who provide products and services to the Group. For example, in the Group's online channel Playtech provides gaming software for poker and casino exclusively for a minimum of five years, which means that if Playtech is unable to provide the services to the standard expected by William Hill, William Hill may be unable to seek an alternative supplier. In addition, the Group's Sportsbook operates on a technology platform supplied by Orbis and the Group relies on third parties to make William Hill Online's websites and services accessible to customers via the internet. In the retail channel, SIS and Turf TV provide television pictures and data to the Group's LBOs and gaming machines are supplied by two competing suppliers. William Hill exercises little control over many of these third party suppliers and is reliant on them to perform their services in accordance with the terms of their contracts, which increases its vulnerability to problems with the products and services they provide. William Hill may not be successful in recovering any losses which result from the failure of third party suppliers to comply with their contractual obligations to William Hill and third party suppliers may seek to recover losses from the Group under indemnities or in respect of breaches of obligations or warranties under their agreements with William Hill. Such events and any significant disruption in the supply of products and services to William Hill or failure to handle current or higher volumes of use by these third party suppliers or any other adverse event affecting William Hill's relationship with them (such as, for example, the proceedings instituted against Turf TV by William Hill, together with a number of other bookmakers alleging that Turf TV acquired its television coverage rights in an uncompetitive manner) could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

***The Group relies on the experience and talent of key personnel and on its ability to recruit and retain qualified employees for the success of its business***

The successful management and operations of the Group are reliant upon the contributions of its senior management team and other key personnel, including the staff of its central betting control department, who review referred bets for approval, its odds compilers and online international risk managers, who control the odds compilation liabilities of the Group, and senior management of its online operations. In addition, the Group's future success depends in part on its ability to continue to recruit, motivate and retain highly experienced and qualified employees. There is intense competition in the betting and gaming industry for skilled personnel, in particular for qualified bet pricing and risk management personnel. Although the Group takes steps to protect itself in relation to the loss of key personnel (such as the inclusion of restrictive covenants and/or "gardening leave" provisions in the employment contracts of such personnel), the loss of service of any of the Group's senior management team or other key personnel, or an inability of the Group to attract new personnel, could have a material adverse effect on the Group's business, financial condition and results of operations.

***Any failure to determine accurately the odds at which William Hill will accept bets in relation to any particular event and/or any failure of the Group's risk management processes could have a material adverse effect on the Group's business, financial condition and results of operations***

The Group employs a team of odds compilers (who determine the odds at which William Hill will accept bets in relation to any particular event) and risk managers who seek to control liabilities in relation to the Group's online channel. Although the Directors consider this team to have the appropriate knowledge and expertise, there can be no assurance that errors of judgement or other mistakes will not be made in relation to the compilation of odds or that the systems the Group has in place to limit risk will be consistently

successful. Any significant misjudgements or mistakes made by the Group in relation to odds compilation and/or the failure of the Group's risk management systems could result in the Group incurring significant losses on a gross win basis which could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is dependent on card payments for the success of its business***

The Group currently accepts credit and debit card payments from online and telephone customers and debit cards in LBOs. Certain US-based card schemes and card-issuing institutions currently restrict the use of their credit cards for online gambling transactions. Should all or an additional number of the major card schemes or card issuing companies stop accepting payment transactions for gambling operations, the Group's business, financial condition and results of operations could be materially adversely affected.

The Group's business is dependent on banks, credit card companies, payment processors and other financial institutions, networks and suppliers to enable funds to be paid in and withdrawn by its customers. Any disruption in those systems or relationships could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Group is exposed to the risk of chargebacks. Chargebacks occur when customers, card issuers or payment processors seek to void credit card or other card payment transactions. Customers occasionally seek to reverse their real money losses through chargebacks. While the Group emphasises control procedures to protect against chargebacks, there can be no assurance that the Group's exposure to chargebacks will not adversely affect its business, financial condition and results of operations.

***The Group's intellectual property could be subject to infringement by third parties or claims of infringement of third parties' rights***

The Group regards its copyright, trademarks, domain names, trade secrets, customer databases and similar intellectual property as critical to its success. The Group relies on a combination of copyright and trademark laws, trade secret protection, confidentiality and non-disclosure agreements and other contractual provisions in order to protect its intellectual property.

There can be no assurance that these efforts will be adequate, or that third parties will not infringe upon or misappropriate the Group's proprietary rights. In addition, although the Group has trademark and copyright protection, enforcement is limited in certain jurisdictions, and the global nature of the internet makes it impossible to control the ultimate destination of websites.

The Group may be the subject of claims of infringement of the rights of others or party to claims to determine the scope and validity of the intellectual property rights of others. Litigation based on such claims is common amongst companies in the internet, technology and online gaming industries. Such claims, whether or not valid could require the Group to spend significant sums in litigation, pay damages, re-brand or re-engineer services, acquire licences to third party intellectual property and distract management attention from the business, which may have a material and adverse effect on its business, financial condition and results of operations.

***The success of the Group is dependent on maintaining and enhancing its brand***

The success of the Group is dependent in part on the strength of its William Hill brand. The Directors believe that William Hill's long-established, trusted and widely recognised brand and reputation represent a significant competitive advantage in the development of its betting and gaming activities. The Directors further believe that, as the gambling industry becomes increasingly competitive, the success of the Group will be dependent on maintaining and enhancing its brand strength. If the Group is unable to maintain and enhance the strength of the William Hill brand, then its ability to retain and expand its customer base and its attractiveness to existing and potential partners may be impaired and operating results will be adversely affected. In addition, maintaining and enhancing the William Hill brand may require the Group to make substantial investments, including the continued development of its LBO estate and online channel, which investments may not be successful. If the Group fails to maintain and enhance the William Hill brand successfully, or if the Group incurs excessive expenses or makes unsuccessful investments in this effort, its

business, financial condition and results of operations may be adversely affected. The Directors anticipate that, as the gambling industry becomes increasingly competitive, maintaining and enhancing William Hill's brand may become increasingly difficult and expensive. Moreover, maintaining and enhancing its brand will rely in part on William Hill's ability to provide up-to-date technology and to provide high quality products and services both online and in LBOS, which William Hill may not do successfully.

***The Group's relatively high fixed costs base as a proportion of its total costs means that falls in revenue could have a significantly adverse effect on the Group's profitability***

The Group has a relatively high fixed cost base as a proportion of its total costs, consisting primarily of staff and rent costs associated with its extensive LBO estate. A decrease in the Group's revenue is likely therefore to have a disproportionately material adverse impact on the Group's profitability if the Group is unable, in the short to medium term, to manage its costs substantially to mitigate the effect of any significant falls in revenue on profit. The Group's profitability is therefore likely to be more significantly negatively affected by decreases in revenue than would be the case for a company with a more flexible cost base. Any decrease in profitability could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's pension plan has a defined benefit section which is currently in deficit***

The Group may be required to increase its contributions to cover an increase in the cost of funding future pension benefits or to cover funding shortfalls under the Group's pension plan. Under Accounting Standard IAS 19, the pension plan had an aggregate deficit of £25.9 million at the end of the 2008 financial year. William Hill has committed to progressive deficit recovery payments to the scheme. The calculated amount of the Group's defined pension liabilities is dependent upon certain key assumptions and may vary significantly from year to year. Future changes to the assumptions underlying the calculation of the Group pension obligations (for example, as to rates of investment return or pensioner mortality), or adverse experience relative to those assumptions, may mean that the Group is required to increase contributions to its defined benefit scheme. Further, following the regular funding discussions that William Hill conducts with the trustees of its defined benefit scheme, the ongoing contribution rate may increase. Any requirement to increase its contributions could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's distributable reserves, and consequently its ability to pay dividends, will be reduced to the extent that any pension liability is required to be recognised on its balance sheet at the end of each financial year. If the Group has a significant pension liability in future years or if the value of the pension scheme assets is significantly reduced, the Group may be unable to pay dividends unless it is able to take steps to increase the distributable reserves within the Group. A decrease in the value of the pension scheme assets or an increase in the value of the Group's pension liability resulting in a decrease in the Group's distributable reserves and ability to pay dividends could have a material adverse effect on the Group's business, financial position and results of operations.

***The Group may fail to detect the fraudulent activities of its customers***

Certain of the Group's customers may seek to increase their winnings through fraudulent activities. In particular, the Group is exposed to online gaming fraud, including collusion between online customers and the use of sophisticated computer programmes that play poker automatically. The Group has implemented detection and prevention controls in order to minimise customers' opportunities for fraudulent play, but must continually monitor and develop the effectiveness of such controls in response to the innovation of fraudulent activities. The Group regularly closes accounts and blocks access to offenders. If the Group fails to detect the fraudulent activities of such offenders, including collusion and automated play, affected customers may experience increased losses and the Group could directly suffer loss or lose the confidence of its customer base in addition to suffering losses itself, which could have a material adverse effect on the Group's business, financial position and results of operations.

***The Group is subject to risks resulting from currency fluctuations and hedging activities***

The Group prepares its financial statements in pounds sterling and generates a proportion of its revenues in other currencies. To the extent that its revenues are received in currencies other than pounds sterling, and

currency exchange rates become unfavourable, the Group may lose some of the economic value of its revenues in pound sterling terms. As the Group expands its international operations, it may receive more of its revenue in currencies other than pounds sterling. Hedging strategies, such as forward contracts, options and foreign exchange swaps related to transaction exposures, that may be implemented to mitigate this risk may not eliminate the Group's exposure to foreign exchange rate fluctuations.

### **Risks relating to the Rights Issue and the Ordinary Shares**

#### ***The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are outside of the Group's control***

The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are outside the Group's control, including amongst other factors:

- variations in results of operations in the Company's reporting periods;
- changes in securities analysts' recommendations or the failure to meet the expectations of securities analysts;
- changes in the performance of the betting and gaming industry as a whole and of the Company's competitors;
- changes to the taxation and/or regulatory environment in which it operates;
- the entrance of new competitors and their positions in the market;
- announcements by the Company of its financial results;
- announcements by the Company of significant corporate events;
- involvement of the Group in litigation;
- future issues or sales of Ordinary Shares; and
- fluctuations in stock market prices and volumes, and general market volatility.

Any or all of these events could result in a material decline in the market price of the Ordinary Shares, regardless of the actual performance of the Group. Shareholders should be aware that the value of Ordinary Shares may also go down as well as up and may not always reflect the underlying asset values or prospects of the Company.

#### ***Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of William Hill***

Those Shareholders, including Shareholders in the United States and other Restricted Jurisdictions where participation in the Rights Issue is restricted or prohibited for legal, regulatory or other reasons, who do not participate in the Rights Issue (either by not taking up their full entitlement under the Rights Issue or otherwise) will suffer a reduction in their proportionate ownership and voting interest in the Company's share capital as represented by their holding of Ordinary Shares immediately following the issue of New Ordinary Shares pursuant to the Rights Issue of 50 per cent. In connection with the Rights Issue, neither New Ordinary Shares nor rights to them will be registered under the Securities Act and, subject to certain exceptions, they will not be offered into the United States.

#### ***Even if a Qualifying Shareholder elects to sell his unexercised Nil Paid Rights, the consideration he receives may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue***

If a Qualifying Shareholder neither takes up the offer of New Ordinary Shares nor sells his unexercised Nil Paid Rights, Citi has agreed with the Company to use its reasonable endeavours to procure subscribers for the New Ordinary Shares. Citi may cease to endeavour to procure subscribers at any time and may not be able to procure subscribers at a price for New Ordinary Shares that exceeds the total of the Issue Price and associated expenses. Even if subscribers are procured for the New Ordinary Shares by Citi, the consideration that Qualifying Shareholders receive may not be sufficient to compensate him or her fully for the dilution of his or her percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

***The take up of Nil Paid Rights under the Rights Issue will not be available to any Shareholders with a registered address in the United States or any other Restricted Jurisdiction (subject to certain exceptions)***

The take up of Nil Paid Rights under the Rights Issue will not be available to any Shareholder with a registered address in the United States or other Restricted Jurisdiction (subject to certain exceptions). If any Qualifying Shareholder is not able to take up rights granted in respect of Existing Ordinary Shares under the Rights Issue, then they may not receive the economic benefit of such rights because there is no assurance that the procedure in respect of rights not taken up described in Part III of this document will be successful in either selling the Nil Paid Rights or of the prices obtained.

***An active trading market in the Nil Paid Rights and/or Fully Paid Rights may not develop and there may be volatility in the trading price of the Nil Paid Rights and/or Fully Paid Rights***

An active trading market in the Nil Paid Rights and/or Fully Paid Rights may not develop on the London Stock Exchange (the only exchange on which the Nil Paid Rights and Fully Paid Rights will be traded) since the Nil Paid Rights and Fully Paid Rights will have a lower value than the Ordinary Shares and will only have a limited trading life. In addition, because the trading price of the Nil Paid Rights and Fully Paid Rights depends on the trading price of the Ordinary Shares, the price of the Nil Paid Rights and Fully Paid Rights will be subject to the same risks as the price of Ordinary Shares and any volatility in the price of the Ordinary Shares may increase volatility in the trading price of the Nil Paid Rights and Fully Paid Rights.

***The Company's ability to pay dividends and effect returns of capital in the future is uncertain***

The ability of William Hill to pay dividends on the Ordinary Shares and effect certain returns of capital is dependent upon, among other things, it having sufficient cash resources and, where necessary, sufficient distributable reserves out of which any proposed dividend may be paid. William Hill can give no assurances that it will be able to pay a dividend or make any other return of capital on the Ordinary Shares in the future (whether in cash or another form).

#### **Additional Risks for Qualifying US Investors**

***The rights of holders of Ordinary Shares are governed by English law. Not all rights available to shareholders under US law will be available to US investors***

Rights afforded to holders of Ordinary Shares under English law differ in certain respects from the rights of shareholders in typical US corporations. The rights of holders of Ordinary Shares are governed by English law as well as the Articles. In particular, English law significantly limits the circumstances under which shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company can be the proper claimant for purposes of maintaining proceedings in respect of wrongful acts committed against it. Neither an individual shareholder nor any group of shareholders has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US corporation.

***US investors may not be able to bring suits or enforce civil judgments of US courts against the Company or its directors, controlling persons and officers***

The Company is incorporated under the laws of England and Wales. The Directors and executive officers of the Company are citizens or residents of countries other than the United States. A substantial portion of the assets of such persons and a substantial portion of the assets of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company, or to enforce against them judgments of US courts, including judgments predicated upon civil liabilities under the US federal securities laws or the securities laws of any state or territory within the United States.

## GENERAL INFORMATION

Citi and the Lead Managers are each acting exclusively for the Company in relation to the Rights Issue and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Citi or the Lead Managers or for providing advice in relation to the Rights Issue, the contents of this document or any matters referred to in this document.

Citigroup Global Markets U.K. Equity Limited, Barclays Bank PLC and RBS Hoare Govett Limited (the “**Underwriters**”), as underwriters of the Rights Issue, may engage in trading activity for the purpose of hedging their commitments under the Underwriting Agreement. Such activity may include purchases and sales of securities of the Company and related or other securities or instruments (including Ordinary Shares, Nil Paid Rights and Fully Paid Rights).

In connection with the Rights Issue, each of the Lead Managers and any of their affiliates, acting as an investor for their own account, may take up New Ordinary Shares in the Rights Issue and in that capacity may retain, purchase or sell for their own account such securities and any New Ordinary Shares or related investments and may offer or sell such New Ordinary Shares or other investments otherwise than in connection with the Rights Issue. Accordingly, references in this document to New Ordinary Shares being offered or placed should be read as including any offering or placement of New Ordinary Shares to each of the Lead Managers or any of their affiliates acting in such capacity. Neither the Lead Managers nor any of their affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Any decision in connection with the Rights Issue should be made solely on the basis of the information contained in this document. Without limitation to the foregoing, reliance should not be placed on any information in announcements released by the Company prior to the date hereof, except to the extent that such information is repeated or incorporated by reference into this document.

A letter from the Chairman of the Company, which contains the unanimous recommendation of the Directors of the Company to vote in favour of the Rights Issue is set out in Part I of this document. A meeting to consider the Resolution will be held at 10.30 a.m. on 23 March 2009 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA.

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**relevant member state**”) (except for the UK), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “**relevant implementation date**”) no New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by the Company, Citi, or any of the Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purpose of the expression an “offer of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to the public” in relation to any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights to be offered so as to enable an investor to decide to purchase any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

In the case of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights acquired by it in the Rights Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Company and Citi has been obtained to each such proposed offer or resale. Each of the Company, Citi and the Lead Managers and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person outside the UK who is not a qualified investor and who has notified the Company and Citi of such fact in writing may, with the consent of the Company and Citi, be permitted to subscribe for or purchase New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in the Rights Issue.

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been registered under the Israeli Securities Law 5728-1968 and the regulations thereto (the “**Israeli Securities Law**”) or under the Israeli Joint Investment Trust Law 5754-1994 and the regulations thereto. No action has been or will be taken in Israel that would permit a public offering of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, (unless such action shall be taken pursuant to the terms of the abovementioned Israeli laws) or possession or distribution of offering material in connection with the issuance of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to the public in Israel, and this document has not been approved by the Israeli Securities Authority (the “**ISA**”) nor has such authority passed upon or endorsed the merits of the Rights Issue or the accuracy or the adequacy of this document. This document is being presented to a limited number of investors, in all cases under circumstances that fall within the exemptions of the Israeli Securities Law. In particular, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares will not be offered during any 12 month period, to more than 35 Israeli residents who are not “investors” under the First Schedule (Section 15A (b)(1)) of the Israeli Securities Law. This document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any person or entity in receipt of this document that purchases a Nil Paid Right, Fully Paid Right and/or New Ordinary Share is purchasing it for its own benefit and account and not with the aim or intention of distributing or offering such Nil Paid Right, Fully Paid Right and/or New Ordinary Share to other parties.

No representation or warranty, express or implied, is made by Citi or the Lead Managers as to the accuracy, completeness or verification of the information set forth in this document, and nothing contained in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. Citi and each of the Lead Managers do not assume any responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement.

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser and/or tax adviser for advice. Neither the Company, Citi, the Lead Managers nor any of their respective representatives is making any representation to any offeree or purchaser of the New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such offeree or purchaser or acquirer under the laws applicable to such offeree or purchaser or acquirer.

Any reproduction or distribution of this document in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than in considering an investment in the New Ordinary Shares offered or otherwise made available hereby, is prohibited. Each offeree of the New Ordinary Shares by accepting delivery of this document agrees to the foregoing.

#### **Information not contained in this document**

No person has been authorised to give any information or make any representation other than those contained in or incorporated by reference into this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, Citi or the Lead Managers. Subject to the requirements of the Prospectus Rules, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in or incorporated by reference into this document is correct as of any time subsequent to the date hereof.

Recipients of this document acknowledge that: (i) they have not relied on Citi or the Lead Managers or any person affiliated with them in connection with any investigation of the accuracy of any information contained in or incorporated by reference into this document or their investment decision; and (ii) they have relied only on the information contained in or incorporated by reference into this document, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries, or the New Ordinary Shares (other than as contained in or incorporated by reference into this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, Citi or the Lead Managers.

#### **No incorporation of website information**

The contents of the Company's website or any website directly or indirectly linked to the Company's website do not form part of this document and investors should not rely on it.

#### **Information regarding forward-looking statements**

This document includes forward-looking statements. The words "believe", "anticipate", "expect", "intend", "aim", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings "Summary", "Risk Factors", "Information on the Group" and "Operating and Financial Review" regarding the Company's strategy, dividend policy and other future events or prospects are forward-looking statements. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Recipients of this document are cautioned that forward-looking statements are not guarantees of future performance and that the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Factors that may cause the Company's actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under "Risk Factors."

These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. Save for those forward-looking statements required by the Listing Rules, Disclosure Rules and Transparency Rules and or/the Prospectus Rules, the Company undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. The Company will comply with its obligations to publish updated

information as required by law or by any regulatory authority but assumes no further obligation to publish additional information.

### **Presentation of financial information**

The Group prepares its consolidated financial statements on the basis of a 52- or 53-week financial period, generally ending on the Tuesday closest to the 31 December in each year. The periods analysed in this document are for the 52 weeks ended 26 December 2006, the 53 weeks ended 1 January 2008 and the 52 weeks ended 30 December 2008. The audited consolidated financial statements of the Group for the 2006, 2007 and 2008 financial years, respectively, are incorporated by reference into this document. The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“**IFRS**”).

Financial information has been restated for the 2006 and 2007 financial years, respectively, in certain instances in this document and in the comparative information for the 2007 financial year in the audited consolidated financial statements for the 2008 financial year. The Group’s profit before tax and profit for the period for the 2006 and 2007 financial years, respectively, have not been impacted by this restatement.

Percentages in tables have been rounded and accordingly may not add up to 100 per cent. Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

### ***Non-IFRS measures***

This document contains certain measures that are not recognised under IFRS, including EBITDA and gross win.

EBITDA is presented to enhance the understanding of the Group’s financial condition and results of operations. The Directors use EBITDA as a means of assessing the Group’s performance. EBITDA means earnings before interest payments, taxes, depreciation, share remuneration charges and amortisation and further adjusted for non-recurring items (such as exceptional items and impairment of goodwill). The Company’s calculation of EBITDA may be different from similarly titled calculations used by other companies. EBITDA should therefore not be used to compare one company against another or as a substitute for analysis of the Company’s results of operations as reported under IFRS. EBITDA is not a direct measure of the Company’s liquidity, nor is it an alternative to cash flows from operating activities as a measure of liquidity, and it needs to be considered in the context of the Company’s financial commitments. EBITDA is not an alternative to net profit for the year as a measure of operating performance. EBITDA may not be indicative of the Company’s historical results of operations, nor is it meant to be predictive of the Company’s potential future results of operations.

Gross win is presented to enhance the understanding of the Group’s financial condition and results of operations. The Directors use gross win as a key performance indicator of the Group’s business and believe that the presentation of gross win enhances an investor’s understanding of the Group’s results of operations. In accordance with the requirements of IFRS, the Group’s earnings are expressed in its financial statements as revenue. Gross win, as used in this document, is calculated as the total amount that the Group retains from customers after paying out any winnings but before deducting VAT payable on income from gaming machines, whereas the Group’s revenue is disclosed net of VAT and fair value adjustments for free bets, promotions and bonuses. Gross win should not be considered in isolation or as an alternative to revenue or other data presented in the Group’s financial statements as indicators of financial performance. Moreover, gross win, as used in this document, is not necessarily comparable to other similarly titled indicators of other companies owing to potential differences in the method of calculation.

### **Defined terms**

Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in the sections headed “Definitions” and “Glossary”.

## Notice to Qualifying US Investors

This document has been prepared in accordance with UK format and style, which differs from US format and style. In particular, but without limitation, the financial information contained in this document has been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and thus may not be comparable to financial statements of US companies prepared in accordance with US generally accepted accounting principles.

Qualifying US Investors may be entitled to participate in the Rights Issue in the United States on a private placement basis if they complete and deliver the Qualifying US Investor Representation Letter substantially in the form described in paragraph 8.6(c) of Part III of this document.

Each person to whom the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares are distributed, offered or sold outside the United States will be deemed by his subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares to have represented and agreed, on his behalf and on behalf of any investor accounts for which he is subscribing for or purchasing the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, as the case may be, that:

- (a) he may lawfully be offered, take up, subscribe for and purchase the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares;
- (b) he is, and the person, if any, for whose account or benefit the purchaser is acquiring the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is, outside the United States (within the meaning of Regulation S) at the time the buy order for the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is originated and will continue to be located outside the United States, and the person, if any, for whose account or benefit the purchaser is acquiring the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares reasonably believes that the purchaser is outside the United States, and neither the purchaser nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States; and
- (c) the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares are “restricted securities” and consequently he will not offer, resell or otherwise transfer, directly or indirectly, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares within the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and in compliance with state laws.

Each subscriber or purchaser acknowledges that the Company, Citi and the Lead Managers will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by his subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, as the case may be, are no longer accurate, he shall promptly notify the Company, Citi and the Lead Managers. If such subscriber or purchaser is subscribing for, or purchasing, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that he has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

## DIRECTORS, COMPANY SECRETARY AND ADVISERS

<b>Directors</b>	Charles Scott ( <i>Non-executive Chairman</i> ) Ralph Topping ( <i>Chief Executive</i> ) Simon Lane ( <i>Group Finance Director</i> ) Barry Gibson ( <i>Senior Independent Non-executive Director</i> ) David Allvey ( <i>Non-executive Director</i> ) David Edmonds ( <i>Non-executive Director</i> ) Ashley Highfield ( <i>Non-executive Director</i> )  All of Greenside House 50 Station Road Wood Green London N22 7TP
<b>General Counsel and Company Secretary</b>	Thomas Murphy
<b>Sole sponsor, financial adviser and corporate broker</b>	<b>Citigroup Global Markets Limited</b> Citigroup Centre Canada Square Canary Wharf London E14 5LB
<b>Sole Bookrunner and Underwriter</b>	<b>Citigroup Global Markets U.K. Equity Limited</b> Citigroup Centre Canada Square Canary Wharf London E14 5LB
<b>Joint Lead Manager and Underwriter</b>	<b>Barclays Bank PLC</b> 5 The North Colonnade Canary Wharf London E14 4BB
<b>Joint Lead Manager and Underwriter</b>	<b>RBS Hoare Govett Limited</b> 250 Bishopsgate London EC2M 4AA
<b>Co-Lead Manager</b>	<b>Lloyds TSB Bank plc</b> 25 Gresham Street London EC2V 7HN
<b>Auditors</b>	<b>Deloitte LLP</b> Hill House 1 Little New Street London EC4A 3TR
<b>Legal advisers to the Company as to English and US law</b>	<b>Ashurst LLP</b> Broadwalk House 5 Appold Street London EC2A 2HA
<b>Legal advisers to the sole sponsor, corporate broker, Underwriters and Co-Lead Manager as to English and US law</b>	<b>Skadden, Arps, Slate, Meagher &amp; Flom (UK) LLP</b> 40 Bank Street Canary Wharf London E14 5DS

**Registrar**

**Capita Registrars**  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Receiving Agent**

**Capita Registrars**  
Corporate Actions  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2009

Announcement of the Rights Issue	7.00 a.m. on 27 February
Publication and despatch of this document and Form of Proxy	27 February
Record Date for entitlements under the Rights Issue	close of business on 18 March
Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 21 March
<b>Extraordinary General Meeting</b>	10.30 a.m. on 23 March
Despatch of Provisional Allotment Letters (to Qualifying non-CREST Shareholders only)	23 March
Start of subscription period	8.00 a.m. on 24 March
<b>Admission/Commencement of dealings in Nil Paid Rights on the London Stock Exchange</b>	8.00 a.m. on 24 March
Stock accounts credited with Nil Paid Rights (for Qualifying CREST Shareholders)	8.00 a.m. on 24 March
Existing Ordinary Shares marked “ex-rights” by the London Stock Exchange	8.00 a.m. on 24 March
Nil Paid Rights and Fully Paid Rights enabled in CREST	8.00 a.m. on 24 March
Recommended latest time and date for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 31 March
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights or Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them into uncertificated form)	3.00 p.m. on 1 April
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid	3.00 p.m. on 2 April
<b>Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters</b>	11.00 a.m. on 7 April
Commencement of dealing in New Ordinary Shares fully paid	8.00 a.m. on 8 April
New Ordinary Shares credited to CREST stock accounts	8.00 a.m. on 8 April
Despatch of definitive share certificates for New Ordinary Shares in certificated form	16 April

**Notes:**

- (1) Subject to certain restrictions relating to Qualifying Shareholders with registered addresses outside the UK, details of which are set out in Part III of this document.
- (2) References to times in this document are to London time unless otherwise stated.
- (3) The times and dates set out in the expected timetable of principal events above and mentioned in this document and in the Provisional Allotment Letters may be adjusted by William Hill in consultation with Citi in which event details of the new times and dates will be notified to the FSA, London Stock Exchange and, where appropriate, Qualifying Shareholders.
- (4) If you have any queries on the procedure for acceptance and payment, you should contact Capita Registrars Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU on 0871 6640321 or from outside the UK on +44 208 6393399. Please note that Capita Registrars cannot provide financial advice on the Rights Issue or as to whether or not you should take up your rights under the Rights Issue.

## RIGHTS ISSUE STATISTICS

Issue Price per New Ordinary Share	105 pence
Basis of Rights Issue	1 New Ordinary Share for every 1 Existing Ordinary Share
Number of Ordinary Shares in issue at the date of this document	353,718,759
Number of New Ordinary Shares to be provisionally allotted pursuant to the Rights Issue	347,907,117
Number of Ordinary Shares in issue immediately following the Rights Issue	701,625,876
Estimated net proceeds of the Rights Issue	£350 million
New Ordinary Shares to be issued in connection with the Rights Issue as a percentage of the Enlarged Share Capital	50%

**Note:** The number of Ordinary Shares in issue immediately following the Rights Issue assumes that no options or awards are exercised under the Employee Share Schemes or otherwise between the date of this document and the completion of the Rights Issue.

## PART I

### LETTER FROM THE CHAIRMAN OF WILLIAM HILL PLC



*Registered in England & Wales (No: 4212563)*

*Directors*

Charles Scott (*Non-executive Chairman*)  
Ralph Topping (*Chief Executive*)  
Simon Lane (*Group Finance Director*)  
Barry Gibson (*Senior Independent Non-executive Director*)  
David Allvey (*Non-executive Director*)  
David Edmonds (*Non-executive Director*)  
Ashley Highfield (*Non-executive Director*)

*Registered Office:*

Greenside House  
50 Station Road  
Wood Green  
London N22 7TP

27 February 2009

Dear Shareholder,

**PROPOSED 1 FOR 1 RIGHTS ISSUE OF 347,907,117 NEW ORDINARY SHARES  
AT 105 PENCE PER ORDINARY SHARE**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **1. INTRODUCTION**

Your Board has announced today that William Hill has entered into the New Bank Facilities that, under a forward-start mechanism, and together with its £250 million Existing Banking Facility will provide aggregate funding to the Group of £838.5 million. In addition, the Board has announced today that it proposes to raise approximately £350 million (net of expenses) by way of a fully underwritten 1 for 1 Rights Issue.

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

Notwithstanding the deterioration in the economic environment, the Group continues to show robust operational performance and strong cash flow generation from all of its businesses and to operate comfortably within its banking covenants. The Board believes that the Refinanced Bank Facilities together with the proceeds from the Rights Issue will provide William Hill with a robust capital structure and appropriate financial flexibility in economic and financial conditions which are expected to continue to be challenging.

The Rights Issue will result in the issue of up to 347,907,117 New Ordinary Shares at a price of 105 pence per New Ordinary Share (which represents a 57 per cent. discount to the closing middle market price per Ordinary Share on 26 February 2009, the latest practicable date before the announcement of the Rights Issue and a discount of 40 per cent. to the theoretical ex-rights price on the same basis).

The New Ordinary Shares to be issued under the Rights Issue, when fully paid, will rank *pari passu* with the Existing Ordinary Shares. Citi is acting as sole sponsor, sole bookrunner, financial adviser and corporate broker to William Hill and is underwriting the Rights Issue, together with Barclays Bank PLC and RBS Hoare Govett Limited, who are also acting as joint lead managers. Lloyds TSB Bank plc is acting as co-lead manager. A summary of the material terms of the Underwriting Agreement is set out in section 12 of Part VII of this document.

In view of the requirement to seek authority from Shareholders to allot the New Ordinary Shares and disapply pre-emption rights in relation to the New Ordinary Shares as required by the 1985 Act, an Extraordinary General Meeting has been convened at 10.30 a.m. on 23 March 2009. The Notice of Extraordinary General Meeting is set out at the end of this document.

The purpose of this letter is to provide you with certain details of, background to and reasons for the Rights Issue and to explain why the Board strongly believes the Rights Issue is in the best interests of the Company and Shareholders as a whole. The Directors recommend that you vote in favour of the Resolution set out in the Notice of Extraordinary General Meeting at the end of this document.

Shareholders should read the whole of this document, including the information incorporated by reference, and not just rely on the summarised information in this letter.

## **2. BACKGROUND TO AND REASONS FOR THE RIGHTS ISSUE**

William Hill is one of the UK's leading betting and gaming companies. Since it floated on the London Stock Exchange in June 2002, William Hill has implemented a strategy of developing the Group both organically and through selective acquisitions with the objective of building on William Hill's key strengths in retail and online betting and gaming and telephone betting.

The Board has historically sought to maximise returns to Shareholders by maintaining an efficient balance sheet and by returning capital to Shareholders by way of a progressive dividend policy, supplemented by significant on-market share buy-backs. Following the debt-financed acquisition of Stanley Leisure plc's LBOs in September 2005, which resulted in William Hill becoming the leading UK betting company by number of LBOs, the Board announced that it intended to target a capital structure of approximately 3.5 times net debt to EBITDA and broadly to maintain this ratio over the medium term. Historically, William Hill's strong cash generation has ensured the Group has been comfortably able both to support this level of debt and to return significant amounts of cash to Shareholders. Since its flotation in June 2002 William Hill has returned a total of £856 million to Shareholders comprising £407 million through dividends and £449 million through share buy-backs.

At the time that William Hill adopted this target capital structure, it entered into the Existing Bank Facilities comprising a £1.2 billion facility maturing in March 2010 and a £250 million facility maturing in July 2011. Since August 2007 there has been a dramatic deterioration in the credit markets that has led banks to reduce their overall lending to borrowers.

With the majority of the Group's Existing Bank Facilities maturing in 2010 and in light of the adverse conditions in the credit markets, William Hill's management implemented a number of initiatives to reduce the Group's funding requirements. These initiatives included suspending the Group's share buy-back programme from December 2007, reducing non-essential capital expenditure and implementing cost-saving measures within the UK retail and telephone betting channels. Although economic conditions have become more challenging, William Hill has continued to show robust operational performance and strong cash flow generation across its operations.

Notwithstanding the Group's continued trading resilience, strong cash generation and recent actions to reduce its funding requirements from £1.45 billion to approximately £1.2 billion and the reduction in net debt of £86 million to £1,022 million during 2008, the current credit market conditions have not made it possible for William Hill to refinance the Group's Existing Bank Facilities in full in the bank market. In anticipation of a resulting shortfall in the availability of bank finance, the Board explored whether other debt funding alternatives could be utilised to address the funding gap. However, alternative markets for debt funding are currently either unavailable or prohibitively expensive, reflecting the current adverse market conditions.

Commitments under the New Bank Facilities together with its £250 million Existing Bank Facility, in aggregate, will provide funding of £838.5 million. The main elements of the Refinanced Bank Facilities can be summarised as follows:

- the Company's existing £1.2 billion term and revolving facilities will shortly be reduced to £950 million and, as before, will expire in March 2010;

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

As part of the refinancing, William Hill has agreed to pay an increased margin and commitment fee to syndicate banks that have committed to participate in the New Bank Facilities. This increased margin will be paid on the relevant syndicate banks' proportion of lending in the £950 million and £250 million facilities until their expiry in March 2010 and July 2011 respectively (unless prepaid earlier). One off upfront arrangement and lending fees associated with the debt refinancing amount to £12.5 million and will be amortised over the life of the facilities they relate to. The Board expects the all-in average cost of debt to be approximately 8.5 per cent. in 2009 and the all-in cost of debt, including amortised fees, to be approximately 10.0 per cent. on a full year basis in 2010 (reflecting on the Company's existing interest rate hedging arrangements and the terms of the New Bank Facilities). The cash cost of interest is expected to be broadly similar between 2008 and 2009 and is expected to reduce in 2010.

Given the anticipated shortfall in the availability of bank finance, the Board has carefully reviewed all options available to the Group. The Board considers the Rights Issue and the Resolution to be in the best interests of the Company and Shareholders as a whole. The combination of the Refinanced Bank Facilities and the fully underwritten Rights Issue will result in a strengthened balance sheet, a significant reduction in the Group's net debt, improved credit ratios and facilities with longer maturities. The Board believes that following the Rights Issue, William Hill will have a robust capital structure and appropriate financial flexibility for the economic and financial market conditions which are expected to continue to be challenging.

The Board will continue to review the Group's capital structure, the cost of funding and the sources of debt capital on an ongoing basis and, subject to improvements in credit conditions, may in due course seek to refinance parts of the Refinanced Bank Facilities from alternative capital markets.

### **3. USE OF PROCEEDS**

All the net proceeds of the Rights Issue will be used to pay down borrowings under the Existing Bank Facilities. The net proceeds of the Rights Issue will therefore be used to strengthen the Group's balance sheet and improve the Group's credit profile.

Had the Rights Issue taken place at the date of the Group's last balance sheet, being 30 December 2008, the effect on the balance sheet would have been an increase in cash equal to the net proceeds of the Rights Issue. Had the Rights Issue taken place at the beginning of the 2008 financial year, the effect on the Group's earnings would have been positive.

### **4. DIVIDENDS AND DIVIDEND POLICY**

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

## **5. INFORMATION ON WILLIAM HILL**

William Hill is one of the UK's leading betting and gaming companies. It is one of the UK's largest bookmakers and also operates in Ireland with a total of approximately 2,300 LBOs that provide betting opportunities on a wide range of sporting and non-sporting events and, in the UK only, offer gaming machines. In addition, William Hill Online is one of the leading European online betting and gaming businesses by profitability, providing sports betting, casino games, poker, bingo, numbers betting and skill games.

## **6. KEY STRENGTHS**

The Directors believe that William Hill has a number of significant competitive advantages and strengths that will be important factors in maintaining and further developing its business, including the following:

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

## **7. STRATEGY**

William Hill is pursuing a strategy aimed at delivering sustainable earnings growth and value for Shareholders. The key elements of the strategy are to:

- continue to enhance earnings of its core retail channel by growing gross win while carefully managing costs;
- exploit the growth opportunity in online gambling; and
- pursue value-enhancing acquisitions selectively.

## **8. PRINCIPAL TERMS AND CONDITIONS OF THE RIGHTS ISSUE**

The Company is proposing to raise approximately £350 million (net of expenses) by way of the Rights Issue. The Rights Issue is being fully underwritten by Citi and the other Underwriters. The Issue Price of 105 pence per New Ordinary Share represents a 57 per cent. discount to the closing middle market price of William Hill of 247 pence per Ordinary Share on 26 February 2009, the latest practicable date before the announcement of the Rights Issue.

Subject to the fulfilment of, amongst other things, the conditions set out below, the Company will offer 347,907,197 New Ordinary Shares by way of the Rights Issue to Qualifying Shareholders other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the Restricted Jurisdictions, at an Issue Price of 105 pence per New Ordinary Share payable in full on acceptance. The Rights Issue will be offered on the basis of:

### **1 New Ordinary Share for every 1 Existing Ordinary Share**

held on the Record Date, and so in proportion to any other number of Existing Ordinary Shares then held and otherwise on the terms and conditions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Fractions of New Ordinary Shares will not be allotted to any Qualifying Shareholders, but will be aggregated and sold in the market for the benefit of the Company.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to all future dividends and other distributions declared, made or paid.

The Rights Issue is conditional, amongst other things, upon:

- (a) the passing of the Resolution at the Extraordinary General Meeting without amendment;
- (b) the Company having applied to Euroclear UK & Ireland for admission of the Nil Paid Rights to CREST as participating securities and no notification having been received from Euroclear UK & Ireland on or before Admission that such admission or facility for holding and settlement has been or is to be refused;
- (c) Admission becoming effective by not later than 8.00 a.m. on 24 March 2009 (or such later time and/or date as the Underwriters and the Company may agree); and
- (d) the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having been rescinded or terminated in accordance with its terms prior to Admission.

Applications have been made to the FSA and to the London Stock Exchange for the New Ordinary Shares to be admitted, nil paid, to the Official List and to trading on the London Stock Exchange. It is expected that Admission will become effective and dealings in the Nil Paid Rights will commence on 24 March 2009.

#### *Qualifying US Investors and Overseas Shareholders*

Qualifying US Investors and Shareholders who are resident in, or who are citizens of, any jurisdiction other than the UK, and persons who hold Ordinary Shares for the benefit of such a person or who have a contractual or other legal obligation to forward this document into a jurisdiction other than the UK, should refer to section 8 of Part III of this document for further information.

Further information on the Rights Issue, including the terms and conditions thereof and the procedure for acceptance and payment, is set out in Part III of this document.

## **9. CURRENT TRADING AND PROSPECTS**

Group net revenue in the first eight weeks to 24 February 2009 increased by 9 per cent., including the contribution from the expanded online business, compared to the same period in 2008. This increase was achieved against a strong comparator period in 2008 and in spite of poor weather, with 57 UK race meetings cancelled to date in 2009, compared with 26 in the same period in 2008. As a result of these factors, retail gross win increased by 2 per cent. compared to the same period in 2008. Within the retail channel, gaming machines continued to perform strongly, with gross win increasing by 13 per cent. compared to the same period in 2008. On 30 December 2008, William Hill completed the transaction with Playtech which established William Hill Online. Since then, the online business has performed strongly, particularly in Sportsbook, bingo and skill games and has increased net revenue by 54 per cent., compared with the same period in 2008 taking into account the acquired businesses. The Directors expect William Hill Online to benefit going forward from offering its casino and poker gaming products via Playtech software.

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

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

The Group reduced its capital expenditure significantly during 2008 and intends to maintain this lower level of expenditure during 2009. In addition, the Group's capital expenditure approval process has become more stringent. During the coming year, the Group intends to focus its estate development programme on new LBO sites and re-sites where it expects to achieve the best rates of return.

## **10. TAXATION**

Information on UK taxation and US taxation with regard to the Rights Issue is set out in sections 10 and 11 respectively of Part VII of this document. This information is intended only as a general guide to the current tax position in those jurisdictions.

**If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the UK or the US, you should consult your independent professional adviser without delay.**

## **11. EMPLOYEE SHARE SCHEMES**

Participants in the Employee Share Schemes will be advised separately of adjustments (if any) to their rights or as to any entitlement to participate in the Rights Issue.

## **12. EXTRAORDINARY GENERAL MEETING**

The Notice of Extraordinary General Meeting to be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA on 23 March 2009 at 10.00 a.m. is set out at the end of this document. The purpose of this meeting is to seek Shareholders' approval to the Resolution set out in the Notice of Extraordinary General Meeting to be proposed as follows:

- (a) to authorise the Directors pursuant to section 80 of the 1985 Act to allot relevant securities (as defined in the 1985 Act) in connection with the Rights Issue up to an aggregate nominal amount of £34,790,711.70 (347,907,117 New Ordinary Shares) (representing approximately 50 per cent. of the Enlarged Share Capital and approximately 98 per cent. of the issued ordinary share capital of the Company at the date of this document); and
- (b) to empower the Directors pursuant to section 95 of the 1985 Act to allot equity securities (as defined in the 1985 Act) for cash pursuant to the authority referred to at (a) above, as if section 89(1) of the 1985 Act did not apply to such allotment in connection with the Rights Issue.

The authorities and powers referred to in paragraphs (a) and (b) above shall (unless previously revoked or varied by Shareholders in general meeting) expire on 26 February 2010. These authorities and powers are in substitution for any existing authority or power over the share capital of the Company.

The Directors intend to use these authorities to allot New Ordinary Shares pursuant to the Rights Issue. Other than in connection with the Rights Issue, and upon the exercise of options under the Employee Share Schemes, the Directors have no present intention to use these authorities.

## **13. ACTION TO BE TAKEN**

### *Extraordinary General Meeting*

A Form of Proxy for use at the Extraordinary General Meeting is enclosed with this document. Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and in any event so that it may be received by Capita not later than 10.30 a.m. on 21 March 2009. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting should they wish to do so.

### *Rights Issue*

If you are a Qualifying non-CREST Shareholder if the Rights Issue is approved at the Extraordinary General Meeting and subject to certain exceptions in relation to Qualifying non-CREST Shareholders with a registered address in any of the Restricted Jurisdictions, you will be sent a Provisional Allotment Letter. This will show

the number of New Ordinary Shares that you are entitled to take up and will contain full details regarding the procedure for acceptance and payment, renunciation, splitting and registration in respect of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares. Qualifying non-CREST Shareholders who are resident in any jurisdiction outside the UK should refer to Section 8 of Part III of this document for further information.

If you are a Qualifying CREST Shareholder, no Provisional Allotment Letter will be sent to you and, subject to certain exceptions in relation to Qualifying CREST Shareholders with a registered address in any of the Restricted Jurisdictions, you will receive a credit to your appropriate stock account in CREST in respect of the Nil Paid Rights to which you are entitled. If you are a Qualifying CREST Shareholder with a registered address in any of the Restricted Jurisdictions, subject to certain exceptions, no Nil Paid Rights will be credited to your stock account. Qualifying Shareholders who are resident in any jurisdiction outside the UK should refer to section 8 of Part III of this document for further information.

If you sell or otherwise transfer all your Existing Ordinary Shares before 24 March 2009 (the “ex-rights date”, that is the date on which the Ordinary Shares start trading without the right to participate in the Rights Issue), you will not be entitled to participate in the Rights Issue. However, the purchaser or transferee of your Ordinary Shares may be entitled to participate in the Rights Issue. Please send this document together, if you are a Qualifying non-CREST Shareholder, with the Provisional Allotment Letter duly renounced on Form X on page 4 of the Provisional Allotment Letter, to the purchaser or transferee or the stockbroker, bank, or other agent through whom the sale or transfer was made, for delivery to the purchaser or transferee.

The expected latest time for acceptance under the Rights Issue will be 11.00 a.m. on 7 April 2009, unless otherwise announced by the Company via a Regulatory Information Service. The procedure for acceptance and payment depends on whether, at the time at which acceptance and payment is made, the Nil Paid Rights or Fully Paid Rights (as appropriate) are in certificated form (that is, are represented by a Provisional Allotment Letter) or are in uncertificated form (that is, are in CREST). The procedures for acceptance and payment are set out in Part III of this document, however, Qualifying non-CREST Shareholders should also refer to the details of these procedures contained in the Provisional Allotment Letter.

#### **14. FURTHER INFORMATION**

Your attention is drawn to the further information set out in “Risk Factors”, Parts II to VII of this document, to the information incorporated by reference, and to the Notice of Extraordinary General Meeting set out at the end of this document.

Part II of this document answers some of the questions most often asked by shareholders about rights issues and the procedure for acceptance and payment.

You may also call the Shareholder Helpline on 0871 664 0321 (from inside the UK) or +44 208 634 3399 (from outside the UK) between 9.00 a.m. and 5.00 p.m. Monday to Friday. Calls to the 0871 664 0321 number are charged at 10 pence per minute from a BT landline. Other telephone providers’ costs may vary. Please note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in this document and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or legal advice. If you are in any doubt as to what action to take, please consult your stockbroker, bank manager, accountant, fund manager or other independent financial adviser authorised under FSMA if you are in the UK, or if you are not in the UK, from another appropriately authorised financial adviser.

#### **15. DIRECTORS’ INTENTIONS**

Each of the Directors who holds Ordinary Shares has undertaken to take up in full his rights to subscribe for New Ordinary Shares under the Rights Issue in respect of his beneficial holdings, which together amount to 183,437 Ordinary Shares, representing 0.05 per cent. of the issued ordinary share capital of the Company as at the date of this document.

#### **16. SIGNIFICANCE OF THE RIGHTS ISSUE**

William Hill is of the opinion that, taking into account available bank facilities and the net proceeds of the Rights Issue receivable by William Hill, the Group has sufficient working capital for its present requirements,

that is, for at least the next 12 months from the date of this document. However, since a significant part of the Existing Bank Facilities are currently due to expire in March 2010, the Directors consider it prudent to explain to Shareholders the consequences for the Group should the Rights Issue not proceed.

In the event that the Resolution is not passed at the Extraordinary General Meeting or the Underwriters exercise their rights to terminate the Underwriting Agreement prior to Admission, the Rights Issue will not proceed. In such event, based on current forecasts, the Company would need to consider with some urgency alternative methods to fund the Group's ongoing requirements beyond the next 12 months. Accordingly, the Directors believe it is in the best interests of the Company for Shareholders to vote in favour of the Resolution so that the Rights Issue proceeds.

In the event that the Rights Issue does not proceed, the Group would in the first instance be likely to seek to agree with its current lenders the terms on which the Existing Bank Facilities may be either extended or replaced. The Directors consider it likely that the relevant lenders would only agree to do so on terms likely to be more onerous than those secured in the New Bank Facilities (which are conditional on the receipt by the Company of the net proceeds of the Rights Issue). Such terms may include, amongst other things, further restrictive covenants, more onerous dividend payment restrictions, extensive security over the Group's assets and higher financing costs. There can be no assurance that terms could be agreed that would be commercially acceptable to the Company, if at all. In addition, in the absence of shareholder support for equity funding, the relevant lenders may seek to negotiate, as part of any extended and/or replacement facilities, an equity stake in the Company, whether by way of a debt for equity swap, warrants convertible into equity or otherwise. Any such provisions could be dilutive to Shareholders and potentially significantly more dilutive than the proposed Rights Issue.

If the Group was unable to agree terms on which the Existing Bank Facilities may be extended, the Group may have to dispose of certain of its assets on a forced sale basis and potentially on commercially unattractive terms. Any such forced sales could impair the Group's ability to pursue its stated strategy. While the Directors currently believe it is unlikely that the Group would not be able to secure alternative funding, albeit on terms less attractive than those presented by the combination of the Refinanced Bank Facilities and the Rights Issue, this may not be possible in the current or potentially worsening market conditions. In the event that the Group was unable to secure alternative financing by the stated maturity dates of the Existing Bank Facilities, ultimately the Group would be unable to service its repayment obligations under the Existing Bank Facilities. In these circumstances, as would normally be the case with lending arrangements of this nature, lenders under the Existing Bank Facilities would be in a position to demand repayment and the Company could potentially face the risk of insolvency and/or be unable to continue trading.

## **17. RECOMMENDATION**

**The Board has received financial advice from Citi in relation to the Rights Issue. In providing its financial advice to the Board, Citi has relied on the Board's commercial assessment of the Rights Issue.**

**The Board considers the Rights Issue and the Resolution to be in the best interests of the Company and Shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting, as each of the Directors intends to do in respect of their own beneficial holdings, which together amount to 183,437 Ordinary Shares, representing 0.05 per cent. of the issued ordinary share capital of the Company as at the date of this document.**

Yours sincerely,

Charles Scott  
*Chairman*

## PART II

### QUESTIONS AND ANSWERS ON THE RIGHTS ISSUE

The questions and answers set out in this Part II are intended to be generic only and, as such, you should also read Part III of this document for full details of what action you should take. If you are in any doubt about the action to be taken you are recommended to seek your own personal financial advice immediately from your stockbroker, solicitor, accountant or other appropriate independent financial adviser duly authorised under FSMA if you are in the UK, or if you are not, from another appropriately authorised financial adviser. The attention of Overseas Shareholders is drawn to section 8 of Part III of this document.

If you do not know whether you hold your Ordinary Shares in certificated form or in CREST, you should contact the Shareholder Helpline on 0871 664 0321 (+44 208 639 3399 if you are calling from outside the UK). Calls from within the UK cost 10 pence per minute plus your service provider's network extras. Please note that for legal reasons the Shareholder Helpline will only be able to provide information contained in this document and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

The Company's Ordinary Shares can be held in certificated form (that is, represented by a share certificate) or in uncertificated form (that is, through CREST). Accordingly, these questions and answers are split into four sections:

- Section 1 ("General").
- Section 2 ("Ordinary Shares held in certificated form") answers questions you may have in respect of the procedures for Qualifying Shareholders who hold their Ordinary Shares in certificated form. You should note that Sections 1 and 4 may still apply to you.
- Section 3 ("Ordinary Shares held in CREST") answers questions you may have in respect of the equivalent procedures for Qualifying Shareholders who hold their Ordinary Shares in CREST. You should note that Sections 1 and 4 may still apply to you.
- Section 4 ("Further procedures for Ordinary Shares whether held in certificated form or in CREST") answers some detailed questions about your rights and the actions you may need to take and is applicable to Ordinary Shares whether held in certificated form or in CREST.

#### 1. GENERAL

##### 1.1 *What is a rights issue?*

Rights issues are one way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in the relevant company in proportion to their existing shareholdings. For example, a one for four rights issue means that a shareholder is entitled to buy one new share for every four currently held. This Rights Issue is 1 for 1; that is, an offer by William Hill of 1 New Ordinary Share for every 1 Ordinary Share held at the close of business on 18 March 2009 (the Record Date for the Rights Issue).

New shares are typically offered in a rights issue at a discount to the current share price. As a result of this discount and while the market value of shares exceeds the discounted price, the right to buy the new shares is potentially valuable. In this Rights Issue, the Issue Price represents a 57 per cent. discount to the closing middle-market price of 247 pence per Ordinary Share on 26 February 2009 (being the latest practicable business day prior to the announcement of the Rights Issue).

If you do not want to buy the New Ordinary Shares to which you are entitled, you can instead sell or transfer your rights to those shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as dealing "nil paid".

## 1.2 *What happens next?*

In order to proceed with the Rights Issue, the Directors require the authority to allot the New Ordinary Shares together with the power to issue such shares without the provisions of section 89 of the 1985 Act applying. These matters require Shareholder approval by way of a resolution supported by 75 per cent. of the Shareholders present. Accordingly, the Company has called an Extraordinary General Meeting of Shareholders to be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA at 10.30 a.m. on 23 March 2009 where the Resolution will be put to the Shareholders for their approval. The Notice of the Extraordinary General Meeting containing the form of the Resolution is set out at the end of this document.

You will find enclosed with this document a Form of Proxy for use in relation to the Extraordinary General Meeting. Whether or not you intend to be present in person at the EGM, you are invited to complete, sign and return the Form of Proxy by post or by hand to Capita as soon as possible, but in any event, so as to arrive by no later than 10.30 a.m. on 21 March 2009. Completion and return of the Form of Proxy will not preclude you from attending the meeting and voting in person should you wish.

## 1.3 *What do I need to do in relation to the Rights Issue?*

If the Resolution is passed at the Extraordinary General Meeting, the Rights Issue will proceed and, if you are a Qualifying Shareholder and you hold Ordinary Shares in certificated form, it is expected that a Provisional Allotment Letter will be despatched to you on or around 23 March 2009 or, if you are a Qualifying Shareholder and you hold Ordinary Shares in CREST, it is expected that Nil Paid Rights will be credited to your stock account in CREST on 24 March 2009 (unless, in either case, and subject to certain exceptions, your registered address is in, or you are a resident of, a Restricted Jurisdiction).

## 2. **ORDINARY SHARES HELD IN CERTIFICATED FORM**

### 2.1 *What are my options and what should I do with the Provisional Allotment Letter when I receive it?*

You should retain this document pending receipt of a Provisional Allotment Letter. The Provisional Allotment Letter is expected to be sent to you after the Extraordinary General Meeting on 23 March 2009 if the Resolution is approved. The Provisional Allotment Letter will show:

**In Box 1:** how many Ordinary Shares you held at the close of business on the Record Date;

**In Box 2:** how many New Ordinary Shares you are entitled to buy pursuant to the Rights Issue; and

**In Box 3:** how much you need to pay if you want to take up your rights in full.

### 2.2 *If you want to take up your rights in full*

If you want to take up in full your rights to subscribe for the New Ordinary Shares to which you are entitled, send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount shown in Box 3 of page 1 of the Provisional Allotment Letter, payable to "Capita Registrars Limited re: William Hill PLC Rights Issue a/c" and crossed "A/C payee only", to the address shown on the front of the Provisional Allotment Letter to arrive before 11.00 a.m. on 7 April 2009. If you are within the UK, you can use the reply-paid envelope provided with the Provisional Allotment Letter. Section 3 of Part III of this document has full instructions on how to accept and pay for your New Ordinary Shares. Instructions will also be set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. When the Rights Issue is complete, a definitive share certificate will be sent to you for the New Ordinary Shares you buy (unless you request to receive the New Ordinary Shares in uncertificated form) and it is expected that such certificate(s) will be despatched by 16 April 2009.

**You will only need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick Box 4 on page 4 of the Provisional Allotment Letter.**

2.3 *If you do not want to take up your rights at all*

If you do not want to take up any of your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter by 11.00 a.m. on 7 April 2009, Citi will try to find investors to take up your rights by 4.00 p.m. on 9 April 2009. If Citi finds investors and is able to sell your New Ordinary Shares at a price which exceeds the Issue Price and the related expenses of procuring those investors (including any brokerage, commission and payments in relation to value added tax), you will be sent a cheque for the amount of that aggregate premium provided that this is £5.00 or more. Cheques are expected to be despatched by 16 April 2009 and will be sent to your address as it appears on the Company's register of members (or to the first named holder if you hold Ordinary Shares jointly).

2.4 *If you want to take up some but not all of your rights*

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply for split Provisional Allotment Letters by completing Form X on page 4 of the Provisional Allotment Letter, and returning it by post or by hand to Capita to be received by 3.00 p.m. on 2 April 2009, the last time and date for splitting Provisional Allotment Letters, nil paid, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights and Fully Paid Rights to be comprised in each split Provisional Allotment Letter. You should also include a cheque or banker's draft for the correct amount if you wish to take up any of your rights and state whether or not you require a fully paid Provisional Allotment Letter in respect of those rights. If you subsequently wish to take up any of your Nil Paid Rights under any of the split Provisional Allotment Letters still held by you, you should deliver the split Provisional Allotment Letter representing the rights to New Ordinary Shares you wish to accept, together with your cheque or banker's draft, to Capita to be received by 11.00 a.m. on 7 April 2009, the last date and time for acceptance and payment in full.

Alternatively, if you want only to take up some of your rights (and do not wish to sell some or all of those you do not want to take up), you should complete Form X on page 4 of the Provisional Allotment Letter and return it by post or by hand to Capita, together with a covering letter confirming the number of New Ordinary Shares you wish to take up, and a cheque or banker's draft to pay for the appropriate number of shares. In this case the Provisional Allotment Letter and cheque must be received by Capita by 11.00 a.m. on 7 April 2009, the last time and date for acceptance.

2.5 *If you want to sell all of your rights*

If you want to sell all of your rights, you should complete and sign Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, solicitor, accountant or other appropriate independent financial adviser, through or by whom the sale or transfer was effected (provided they are not in any of the Restricted Jurisdictions).

Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 7 April 2009.

2.6 *How do I transfer my rights into the CREST system?*

If you are a Qualifying non-CREST Shareholder, but are a CREST member and want to hold your New Ordinary Shares in uncertificated form, you should complete Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter), and you are recommended to ensure they are delivered to the CREST Courier and Sorting Service to be received by 3.00 p.m. on 1 April 2009 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to section 4 of Part III of this document for details on how to pay for the New Ordinary Shares that you wish to take up.

2.7 *How do I know if I am eligible to participate in the Rights Issue?*

If you receive a Provisional Allotment Letter following the Extraordinary General Meeting, then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Ordinary Shares before 24 March 2009 (the “*ex-rights*” date)).

If you are a Qualifying non-CREST Shareholder and you do not receive a Provisional Allotment Letter, this probably means you are not eligible to acquire any New Ordinary Shares. However, see question 2.8 of this Part II below.

2.8 *What if I have not received a Provisional Allotment Letter?*

If you do not receive a Provisional Allotment Letter, and you do not hold your Ordinary Shares in CREST, this probably means that you are not eligible to participate in the Rights Issue. Some Qualifying Shareholders, however, will not receive a Provisional Allotment Letter but may still be able to participate in the Rights Issue, namely:

- Qualifying CREST Shareholders (please see section 3 of this Part II below);
- Qualifying non-CREST Shareholders who bought Ordinary Shares before 24 March 2009 but were not registered as the holders of those Ordinary Shares at the close of business on 18 March 2009 (see question 2.9 of this Part II below); and
- certain Overseas Shareholders who can demonstrate to the satisfaction of the Company that the offer under the Rights Issue can lawfully be made to them without contravention of any relevant legal or regulatory requirements (see question 4.7 of this Part II below).

If you do not receive a Provisional Allotment Letter on or about 24 March 2009 but think that you should have received one, please contact the Shareholder Helpline on 0871 664 0321 (+44 208 639 3399 if you are calling from outside the UK).

2.9 *If I buy Ordinary Shares before 24 March 2009 (the date the Ordinary Shares start trading ex-rights) will I be eligible to participate in the Rights Issue?*

If you buy Ordinary Shares before 24 March 2009 but were not registered as the holder of those Ordinary Shares at the Record Date for the Rights Issue (18 March 2009), you may still be eligible to participate in the Rights Issue. If you are in any doubt, please consult your stockbroker, bank or other appropriate independent financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

You will not be entitled to participate in the Rights Issue in respect of any Ordinary Shares acquired on or after 24 March 2009.

2.10 *What should I do if I sell or transfer or have sold or transferred all or some of the Ordinary Shares shown in Box 1 of the Provisional Allotment Letter before 24 March 2009?*

If you sell or transfer or have sold or transferred all of your Ordinary Shares before 24 March 2009, you should complete Form X on page 4 of the Provisional Allotment Letter and send the entire Provisional Allotment Letter together with this document and the accompanying Form of Proxy to the stockbroker, bank or other appropriate independent financial adviser through whom you made the sale or transfer.

If you sell or transfer or have sold or transferred only some of your holding of Ordinary Shares before 24 March 2009, you will need to complete Form X on page 4 of the Provisional Allotment Letter and consult the stockbroker, bank or other appropriate independent financial adviser through whom you made the sale or transfer, before taking any action with regard to the balance of rights due to you.

2.11 *How many New Ordinary Shares am I entitled to acquire?*

Box 2 on page 1 of the Provisional Allotment Letter shows the number of New Ordinary Shares you are entitled to buy under the Rights Issue. You are entitled to 1 New Ordinary Share for every 1 Ordinary Share held on 18 March 2009, the Record Date. All Qualifying non-CREST Shareholders (except certain Overseas Shareholders) will be sent a Provisional Allotment Letter on 23 March 2009.

2.12 *What should I do if I think my holding of Ordinary Shares (as shown in Box 1 on page 1 of the Provisional Allotment Letter) is incorrect?*

If you buy or sell Ordinary Shares between the date of this document and 18 March 2009, your transaction may not be entered on the register of members before the Record Date for the Rights Issue. See questions 2.9 and 2.10 of this Part II above for what you should do in this case.

Otherwise, if you are concerned about the figure in Box 1, please call the Shareholder Helpline on 0871 664 0321 (+44 208 639 3399 if you are calling from outside the UK).

2.13 *If I take up my rights, when will I receive my new share certificate?*

Definitive share certificates for the New Ordinary Shares are expected to be posted by 16 April 2009.

### **3. ORDINARY SHARES HELD IN CREST**

3.1 *How do I know if am eligible to participate in the Rights Issue?*

Provided the Resolution is duly passed at the Extraordinary General Meeting and the Rights Issue proceeds as planned, if you are a Qualifying CREST Shareholder (save as mentioned below), your CREST stock account(s) will be credited with your entitlement to Nil Paid Rights on 24 March 2009. The stock account(s) to be credited will be the account(s) under the participant ID and member account ID that apply to your Ordinary Shares on the Record Date. The Nil Paid Rights are expected to be credited to your CREST stock account(s) and enabled by 8.00 a.m. on 24 March 2009. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of Overseas Shareholders with registered addresses in the Restricted Jurisdictions will not be credited with Nil Paid Rights. Overseas Shareholders should refer to section 8 of Part III of this document.

3.2 *How do I take up my rights using the CREST system?*

If you are a Qualifying CREST Shareholder you should refer to section 4 of Part III of this document for details on how to take up and pay for your rights.

If you are a CREST member you should ensure that a Many-to-Many (“MTM”) instruction has been inputted and has settled by 11.00 a.m. on 7 April 2009 in order to make a valid acceptance. If your Ordinary Shares are held by a nominee or you are a CREST sponsored member you should speak directly to the stockholder who looks after your stock or your CREST sponsor (as appropriate) who will be able to help you.

3.3 *If I buy Ordinary Shares before 24 March 2009 (the date that the Ordinary Shares start trading ex-rights), will I be eligible to participate in the Rights Issue?*

If you buy Ordinary Shares before 24 March 2009, but are not registered as the holder of those Ordinary Shares at the Record Date for the Rights Issue (18 March 2009), you may still be eligible to participate in the Rights Issue. Euroclear UK & Ireland will raise claims in the normal manner in respect of your purchase and your Nil Paid Rights will be credited to your stock account(s) on settlement of those claims.

You will not be entitled to participate in the Rights Issue in respect of any Ordinary Shares acquired on or after 24 March 2009, the “ex-rights” date.

3.4 *What should I do if I sell or transfer all or some of my Ordinary Shares before close of business on 24 March 2009 (the “ex-rights date”)?*

You do not have to take any action except, where you sell or transfer all of your Ordinary Shares before 24 March 2009, to send this document and the accompanying forms to the purchaser or transferee or to the stockbroker, bank or other independent financial adviser through whom you made the sale or transfer. A claim transaction in respect of that sale or transfer will automatically be generated by Euroclear UK & Ireland which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

3.5 *How many New Ordinary Shares am I entitled to acquire?*

You are entitled to 1 New Ordinary Share for every 1 Ordinary Share held on 18 March 2009, the Record Date. Your stock account will be credited with Nil Paid Rights in respect of the number of New Ordinary Shares to which you are entitled based on the number of Ordinary Shares you hold on the Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date, but before the ex-rights date. If you are a CREST sponsored member, you should consult your CREST sponsor.

3.6 *What should I do if I think my holding of Ordinary Shares is incorrect?*

If you buy or sell Ordinary Shares between the date of this document and 18 March 2009 your transaction may not be entered on the register of members before the Record Date for the Rights Issue.

If you are concerned about the number of Nil Paid Rights with which your stock account has been credited, please call the Shareholder Helpline on 0871 664 0321 (+44 208 639 3399 if you are calling from outside the UK).

3.7 *If I take up my rights, when will New Ordinary Shares be credited to my CREST stock account(s)?*

If you take up your rights under the Rights Issue, New Ordinary Shares will be credited to the CREST stock account(s) in which you hold your Fully Paid Rights on 8 April 2009.

#### **4. FURTHER PROCEDURES FOR ORDINARY SHARES WHETHER HELD IN CERTIFICATED FORM OR IN CREST**

4.1 *Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?*

If you are resident or ordinarily resident in the UK for tax purposes, you will not have to pay UK tax when you take up your rights. However, if you hold your shares as an investment, you may be subject to capital gains tax on any proceeds you receive from the sale of your rights unless an exemption for relief is available to you (unless, generally, the proceeds do not exceed £3,000, although in that case the amount of UK tax you may pay when you sell your Ordinary Shares will be affected).

Further information for Qualifying Shareholders who are resident in the UK for tax purposes is contained in section 10 of Part VII of this document. **Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any jurisdiction other than the UK should consult their independent adviser without delay.**

4.2 *What if the number of New Ordinary Shares to which I am entitled is not a whole number: am I entitled to fractions of New Ordinary Shares?*

Your entitlement to New Ordinary Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive a New Ordinary Share in respect of the fraction of an Ordinary Share and your entitlement will be rounded down to the nearest whole number. The New Ordinary Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be sold in the market for the benefit of the Company, save that any Qualifying Shareholder will be entitled to receive the proceeds in respect of fractional entitlements of £5.00 or more.

4.3 *I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?*

If you do not want to buy the New Ordinary Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called “Nil Paid Rights”) to those New Ordinary Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing “nil paid”. This means that, between 24 March 2009 and 7 April 2009, you can either purchase Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue (sometimes referred to as trading “ex”)) and/or you can trade in the Nil Paid Rights.

If you sell or transfer all of your Nil Paid Rights and you hold your Ordinary Shares in certificated form, you will need to complete Form X, the form of renunciation, on page 4 of the Provisional Allotment Letter and send it to the stockbroker, bank or other appropriate independent financial adviser, through or by whom the sale or transfer was effected, to be forwarded to the purchaser or transferee.

If you buy Nil Paid Rights, you are buying an entitlement to take up the New Ordinary Shares, subject to your paying for them in accordance with the terms of the Rights Issue. Any purchase or Nil Paid Rights may be subject to stamp duty reserve tax, please refer to section 10 of part VII of this document for further information. Any seller of Nil Paid Rights who holds his Ordinary Shares in certificated form will need to forward to you his Provisional Allotment Letter (with Form X completed) for you to complete and return, with your cheque, by 11.00 a.m. on 7 April 2009, in accordance with the instructions on the Provisional Allotment Letter. If you are a CREST member or CREST sponsored member and you wish to hold your Nil Paid Rights in uncertificated form in CREST then you should send the Provisional Allotment Letter with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter completed (in the case of a CREST member) to the CREST Courier and Sorting Service or (in the case of a CREST sponsored member) to your CREST sponsor by 3.00 p.m. on 1 April 2009 at the latest. However, the acquisition of Nil Paid Rights may give rise to a charge to stamp duty reserve tax. Further details on this issue are set out in paragraph 10 of Part VII.

Qualifying CREST Shareholders and, subject to dematerialisation of their Nil Paid Rights as set out in the Provisional Allotment Letter, Qualifying non-CREST Shareholders who are CREST members or CREST sponsored members, can transfer Nil Paid Rights, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. Please consult your CREST sponsor or stockbroker, bank or other independent financial adviser, or whoever arranged your share purchase, for details.

4.4 *What if I want to sell the New Ordinary Shares I have paid for?*

If you are a Qualifying non-CREST Shareholder, provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter (by ticking Box 4 on page 4 of the Provisional Allotment Letter), you can transfer the Fully Paid Rights by completing Form X, the form of renunciation, on the back of the receipted Provisional Allotment Letter in accordance with the instructions set out on page 4 of the Provisional Allotment Letter until 3.00 p.m. on 1 April 2009. See section 3 of Part III of this document for more details.

After that date, you will be able to sell your New Ordinary Shares in the normal way. However, the share certificate relating to your New Ordinary Shares is expected to be despatched to you by 16 April 2009. Pending despatch of share certificates, instruments of transfer may be certified by Capita against the register.

If you hold your New Ordinary Shares and/or rights in CREST, you may transfer the Fully Paid Rights in the same manner as any other security that is admitted to CREST. See section 4 of Part III of this document for more details. Please consult your stockbroker, bank or other independent financial adviser, or whoever arranged your share purchase, for details.

4.5 *Do I need to comply with the Money Laundering Regulations procedures as set out in sections 3 and 4 of Part III of this document?*

If you are a Qualifying non-CREST Shareholder, you do not need to take any further action in respect of the Money Laundering Regulations procedures if the value of the New Ordinary Shares you are subscribing for is less than the sterling equivalent of €15,000 (approximately £12,000) or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or UK regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to take any further action in respect of the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Nil Paid Rights as agent for one or more persons and you are not an EU or UK regulated financial institution.

Qualifying non-CREST Shareholders and Qualifying CREST Shareholders should refer to section 3 and section 4 respectively of Part III of this document for a fuller description of the requirements of the Money Laundering Regulations.

4.6 *What if I am entitled to Ordinary Shares under an Employee Share Scheme?*

Participants in the Employee Share Schemes will be advised separately of adjustments (if any) to their rights or as to any entitlement to participate in the Rights Issue.

4.7 *What should I do if I live outside the UK?*

Your ability to take up rights to New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice about any formalities you need to observe. Shareholders resident outside the UK should refer to section 8 of Part III of this document – particularly those resident in the United States, Canada, Australia, Japan or the Republic of South Africa.

If you are not able to take up your rights, Citi has made arrangements under which Citi will try to find investors to take up your rights and those of other existing Ordinary Shareholders who have not taken up their rights. If Citi do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched on or around 16 April 2009 and will be sent to your address appearing on the Company's register of members (or to the first-named holder if you hold your Ordinary Shares jointly). If Citi cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment.

4.8 *What do I do if I have any further queries about the Rights Issue or the action I should take?*

If you have any other questions, please telephone the Shareholder Helpline on 0871 664 0321 (+44 208 639 3399 if you are calling from outside the UK). The Shareholder Helpline is available from 9.00 a.m. to 5.00 p.m., Monday to Friday. Please note that calls may be monitored or recorded. For legal reasons, the Shareholder Helpline will only be available to provide you with information contained in this document (other than information relating to the Company's register of members) and as such, will be unable to give advice on the merits of the Rights Issue or to provide financial advice. If you are in any doubt as to the action to be taken you are recommended to seek your own personal financial advice immediately from your stockbroker, solicitor, accountant or other appropriate independent financial adviser duly authorised under FSMA, if you are in the UK, or if you are not, from another appropriately authorised financial adviser. Shareholder Helpline staff can explain the options available to you, which forms you need to fill in and how to fill them in correctly.

**Your attention is drawn to the terms and conditions of the Rights Issue in Part III of this document and (in the case of Qualifying non-CREST Shareholders) in the Provisional Allotment Letter.**

## PART III

### TERMS AND CONDITIONS OF THE RIGHTS ISSUE

#### 1. DETAILS OF THE RIGHTS ISSUE

The Company is proposing to raise approximately £350 million, net of expenses, by way of a rights issue of 347,907,117 New Ordinary Shares. Subject to the fulfilment of the conditions to the Underwriting Agreement referred to below, the New Ordinary Shares will be offered by way of rights at an Issue Price of 105 pence per New Ordinary Share, payable in full on acceptance, to Qualifying Shareholders on the basis of:

#### **1 New Ordinary Share for every 1 Ordinary Share**

held on the Record Date and so in proportion for any other number of Ordinary Shares then held and otherwise on the terms and conditions set out in this document and, in the case of Qualifying non-CREST Shareholders, the Provisional Allotment Letter.

The Issue Price reflects a discount of 57 per cent. to the closing middle market price of William Hill of 247 pence per Ordinary Share on 26 February 2009, the latest practical date before the announcement of the Rights Issue.

The Nil Paid Rights are entitlements to buy New Ordinary Shares at the Issue Price. The Fully Paid Rights are entitlements to receive New Ordinary Shares for which subscription and payment has already been made.

Holdings of Ordinary Shares in certificated and uncertificated forms will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number and fractions of New Ordinary Shares will not be allotted to Qualifying Shareholders. Such fractions will be aggregated and sold in the market as soon as is practicable after the commencement of dealings in the Nil Paid Rights. The net proceeds of such sales (after the deduction of expenses) will be aggregated and will accrue for the benefit of the Company, save that any Qualifying Shareholder will be entitled to receive the proceeds in respect of fractional entitlements of £5.00 or more.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to all future dividends and other distributions declared, made or paid.

**The attention of Overseas Shareholders or any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the UK is drawn to section 8 of this Part III below. Subject to the provisions of section 8, Qualifying Shareholders who have a registered address in any of the Restricted Jurisdictions or are otherwise located in the United States will not be sent this document or Provisional Allotment Letters and will not have their CREST accounts credited with Nil Paid Rights.**

Application has been made to the FSA for the New Ordinary Shares (nil and fully paid) to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that listing will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on 24 March 2009. The ISIN for the New Ordinary Shares will be the same as the Existing Ordinary Shares, GB0031698896. The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held certificated or uncertificated via CREST. The ISIN for the Nil Paid Rights is GB00B4YGD246, and the ISIN for the Fully Paid Rights is GB00B4YGDC41.

None of the New Ordinary Shares are being made available to the public other than pursuant to the Rights Issue.

The Rights Issue is fully underwritten by Citi and the other Underwriters and is conditional *inter alia* upon:

- (a) the passing of the Resolution;

- (b) the Company having applied to Euroclear UK & Ireland for admission of the Nil Paid Rights and the Fully Paid Rights to CREST as participating securities and no notification having been received from Euroclear UK & Ireland on or before Admission that such admission or facility for holding and settlement has been or is to be refused;
- (c) the admission of the New Ordinary Shares (nil paid) to the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective by not later than 8.00 a.m. on 24 March 2009 (or such later time and/or date as the Company and the Underwriters may agree); and
- (d) the Underwriting Agreement becoming unconditional in all respects (save for the conditions relating to Admission) and not having been rescinded or terminated in accordance with its terms prior to Admission.

The Underwriting Agreement is conditional upon certain conditions being satisfied and certain representations, warranties and undertakings not being breached and may be terminated by Citi and one of the other Underwriters acting in agreement on their own behalf and on behalf of the Lead Managers prior to Admission upon the occurrence of certain specified events. The Underwriting Agreement is not capable of termination following Admission. Citi may arrange sub-underwriting for some or all of the New Ordinary Shares.

A summary of the principal terms of the Underwriting Agreement is set out in section 12 of Part VII of this document.

Citi and each of the Lead Managers may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares and/or related instruments for their own account for the purpose of hedging its underwriting exposure or otherwise. Except as required by applicable law or regulation, Citi and the Lead Managers do not propose to make any public disclosure in relation to such transactions.

In connection with the Rights Issue, Citi and each of the Lead Managers and any of their affiliates, acting as an investor for their own account, may take up New Ordinary Shares in the Rights Issue and in that capacity may retain, purchase or sell for their own account such securities and any New Ordinary Shares or related investments and may offer to sell such New Ordinary Shares or other investments otherwise than in connection with the Rights Issue. Accordingly, references in this document to New Ordinary Shares being offered or placed should be read as including any offering or placement of New Ordinary Shares to Citi or any of the Lead Managers or any of their affiliates acting in such capacity. Neither Citi, any of the Lead Managers nor any of their affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Application has been made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST as separate securities. Euroclear UK & Ireland requires the Company to confirm to it that certain conditions (imposed by the CREST Rules) are satisfied before Euroclear UK & Ireland will admit any security to CREST. It is expected that these conditions will be satisfied in respect of the Nil Paid Rights and the Fully Paid Rights as soon as admission of the New Ordinary Shares (nil paid) to the Official List has become effective. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear UK & Ireland.

The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares; all of the New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.

Subject, *inter alia*, to the conditions referred to in paragraphs (a) to (d) above being satisfied and save as provided in section 8 of this Part III below, it is intended that:

- (i) Provisional Allotment Letters (which constitute temporary documents of title) in respect of Nil Paid Rights will be despatched to Qualifying non-CREST Shareholders (other than Qualifying Shareholders with a registered address in a Restricted Jurisdiction, or who are otherwise located in the United States or their agent or intermediary, except where the Company is satisfied that such action

would not result in the contravention of any registration or other legal requirement in any jurisdiction) who have validly taken up their Nil Paid Rights at their own risk on 23 March 2009;

- (ii) Capita, will instruct Euroclear UK & Ireland to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than Qualifying Shareholders with a registered address in a Restricted Jurisdiction, or who are otherwise located in the United States or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) with their entitlements to Nil Paid Rights with effect from 24 March 2009;
- (iii) the Nil Paid Rights and Fully Paid Rights will be enabled for settlement by Euroclear UK & Ireland on 24 March 2009, as soon as practicable after the Company has confirmed to Euroclear UK & Ireland that all the conditions for admission of the Nil Paid Rights and the Fully Paid Rights to CREST have been satisfied;
- (iv) the New Ordinary Shares will be credited to the appropriate CREST accounts of Qualifying CREST Shareholders (or relevant renounees) who validly take up their Nil Paid Rights as soon as practicable after 8.00 a.m. on 24 March 2009; and
- (v) share certificates for the New Ordinary Shares will be despatched to Qualifying non-CREST Shareholders (or their nominees) who have validly taken up their Nil Paid Rights at their own risk by 16 April 2009.

This document constitutes the offer of New Ordinary Shares to all Qualifying CREST Shareholders (other than Qualifying Shareholders with a registered address in the Restricted Jurisdictions, or are otherwise located in the United States or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) by way of enablement of the Nil Paid Rights and the Fully Paid Rights (as set out in paragraph (iii) above); and to Qualifying non-CREST Shareholders (other than Qualifying Shareholders with a registered address in the Restricted Jurisdictions, or are otherwise located in the United States or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) by way of a Provisional Allotment Letter (as set out in paragraph (i) above).

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein and any CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in section 4 of this Part III below is deemed to have made the representations and warranties set out in section 8.6 of this Part III below.

## **2. ACTION TO BE TAKEN BY QUALIFYING SHAREHOLDERS – INTRODUCTION**

The action to be taken in respect of New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying non-CREST Shareholder with a registered address in the UK, please refer to section 3, sections 5 to 7, section 8.6 and sections 9 and 10 of this Part III below.

If you are a Qualifying CREST Shareholder with a registered address in the UK, please refer to sections 4 to 7, section 8.6 and sections 9 and 10 of this Part III below.

If you are an Overseas Shareholder, please refer to section 8 of this Part III.

**CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary action specified below to take up their entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights.**

### **3. ACTION TO BE TAKEN BY QUALIFYING NON-CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS REPRESENTED BY PROVISIONAL ALLOTMENT LETTERS**

#### **3.1 *General***

Subject to the passing of the Resolution, it is expected that Provisional Allotment Letters will be despatched to Qualifying non-CREST Shareholders (other than certain Overseas Shareholders) on 23 March 2009. If the Rights Issue is delayed, or if, for any reason, the Provisional Allotment Letters are posted later than the date of the Extraordinary General Meeting, the expected timetable as set out in this document may be adjusted. References to times and dates in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates and times, and if possible the revised times and dates will be set out in the Provisional Allotment Letters.

The Provisional Allotment Letter will set out:

- (i) the holding of Existing Ordinary Shares on which a Qualifying non-CREST Shareholder's entitlement to New Ordinary Shares has been based;
- (ii) the aggregate number of New Ordinary Shares which have been provisionally allotted to such Qualifying non-CREST Shareholder;
- (iii) the procedures to be followed if a Qualifying non-CREST Shareholder wishes to dispose of all or part of his entitlement, or to convert all or part of his entitlement into uncertificated form; and
- (iv) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

#### **3.2 *Procedure for acceptance and payment***

(a) *Qualifying non-CREST Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their entitlements must return the Provisional Allotment Letter, in accordance with the instructions thereon, together with a cheque or banker's draft, made payable to "Capita Registrars Limited re: William Hill PLC Rights Issue a/c" and crossed "A/C payee only", for the full amount payable on acceptance, by post or by hand (during normal business hours only) to the address shown on the front of the Provisional Allotment Letter, so as to arrive as soon as possible and in any event so as to be received no later than the latest time for acceptance and payment in full stated in the Provisional Allotment Letter, which is expected to be 11.00 a.m. on 7 April 2009. If you post the Provisional Allotment Letter within the UK by first class post, it is recommended that you allow at least four days for delivery. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for use within the UK only for this purpose.

(b) *Qualifying non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their rights should refer to section 3.8 of this Part III below.

(c) *Company's discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. on 7 April 2009, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance as set out herein) be deemed to have been declined and will lapse.

The Company reserves the right (in consultation with Citi), but shall not be obliged, to accept (a) Provisional Allotment Letters and accompanying remittances which are received through the post not later than 10.00 a.m. on 8 April 2009, being the business day immediately following the final date for acceptance and payment (with the cover bearing a legible postmark

of not later than 11.00 a.m. on 7 April 2009) and (b) applications in respect of which a remittance is received prior to 11.00 a.m. on 7 April 2009; from an authorised person (as defined in section 31(2) of FSMA) identifying the number of New Ordinary Shares to be acquired and undertaking to lodge the relevant Provisional Allotment Letter duly completed by not later than 11.00 a.m. on 8 April 2009 being the business day immediately following the final date for acceptance and payment, provided that the Provisional Allotment Letter is lodged by that time.

The Company may, having consulted with Citi, treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions, or not accompanied by a valid power of attorney where required.

Any person who makes a valid acceptance and payment in accordance with this section 3 of this Part III is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the memorandum of association of the Company and its Articles.

### 3.3 *Payments*

All payments must be made by cheque or banker's draft in pounds sterling drawn on a branch of a bank or building society in the UK, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque & Credit Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for the members of either of those companies and must bear the appropriate sorting code number in the top right hand corner. Cheques should be drawn on the personal account to which you have sole or joint title to the funds. Cheques and banker's drafts should be made payable to "Capita Registrars Limited re: William Hill PLC — Rights Issue a/c" and crossed "A/C payee only". Third party cheques will not be accepted with the exception of banker's drafts or building society cheques where the bank or building society has confirmed the name of the account holder by stamping and endorsing the banker's draft or the building society cheque to such effect. The Company reserves the right to have cheques and banker's drafts presented for payment on receipt and to instruct Capita to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Interest will not be paid on payments made before they are due but will accrue for the benefit of the Company. Return of the Provisional Allotment Letter with a remittance in the form of a cheque will constitute a warranty that the cheque will be honoured on first presentation. The Company may elect to treat as invalid any acceptances in respect of which cheques or other remittances are notified to it or its agent as not having been so honoured.

All enquiries in connection with Provisional Allotment Letters should be directed to Capita on 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to the 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita +44 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita cannot provide advice on the merits of the Rights Issue nor give any financial, legal or tax advice.

If New Ordinary Shares have already been allotted to a Qualifying non-CREST Shareholder prior to any payment not being so honoured or such acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of such Qualifying non-CREST Shareholder. The Company may hold the proceeds of such sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale including, without limitation, any brokerage, commission or stamp duty or SDRT payable on the transfer of the New Ordinary Shares) of the relevant New Ordinary Shares on behalf of such Qualifying non-CREST Shareholder. None of the Company, Capita or Citi will be liable to any person for any loss, expense or damage suffered or incurred by such

Qualifying non-CREST Shareholder as a result of the exercise of any such discretion or as a result of any sale of relevant New Ordinary Shares.

#### 3.4 *Money Laundering Regulations*

It is a term of the Rights Issue that to ensure compliance with the Money Laundering Regulations Capita and/or the Company may in their sole discretion require verification of the identity of the person lodging the Provisional Allotment Letter with payment or, where relevant, its beneficial owner or ultimate controller and/or the person on whose behalf the Provisional Allotment Letter is lodged with payment and, where relevant, its beneficial owner or ultimate controller (which requirements are referred to below as the “verification of identity requirements”). The person(s) (the “acceptor”) who, by lodging a Provisional Allotment Letter with payment, as described above, accept(s) the allotment of the New Ordinary Shares (the “relevant shares”) comprised in such Provisional Allotment Letter (being the provisional allottee or, in the case of renunciation, the person named in Form Y on page 4 of such Provisional Allotment Letter), including any person who appears to Capita or the Company to be acting on behalf of another person, shall thereby be deemed to agree to provide Capita and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements. If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Capita or the Company. In such case, the lodging agent’s stamp should be inserted on the Provisional Allotment Letter.

If Capita or the Company determines that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which Capita and/or the Company shall in their absolute discretion determine) by 11.00 a.m. on 7 April 2009, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid or may confirm the allotment of the relevant New Ordinary Shares to the acceptor but (notwithstanding any other term of the Rights Issue) such New Ordinary Shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which Capita and/or the Company shall in their absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, the Company may (in its absolute discretion as to manner, timing and terms) sell such New Ordinary Shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of the Company’s reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any brokerage, commission or stamp duty or SDRT payable on the transfer of the New Ordinary Shares) of the relevant New Ordinary Shares (which shall be issued to and registered in the name of the purchaser(s)) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. Capita and/or the Company are entitled in their absolute discretion to determine whether the verification of identity requirements apply to any acceptor and whether such requirements have been satisfied. None of the Company, Capita or Citi will be liable to any person for any loss, expense or damage suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant New Ordinary Shares.

**Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully-paid Provisional Allotment Letter or a share certificate.**

The verification of identity requirements will not usually apply:

- (a) if the acceptor is an organisation required to comply with the Money Laundering Directive (the Council Directive on the prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC)); or
- (b) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (c) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (d) if the aggregate subscription price for the relevant New Ordinary Shares is less than the sterling equivalent of €15,000 (approximately £12,000); or
- (e) if the acceptor is a company whose securities are listed on a regulated market subject to specified disclosure obligations.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account of the acceptor) or banker's draft, request the building society or bank to endorse the cheque or draft with the acceptor's name and the number of an account held in the acceptor's name at such building society or bank. Such endorsement must be validated by a stamp and an authorised signature;
- (ii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide written confirmation with the Provisional Allotment Letter that it has such status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to Capita or the relevant authority;
- (iii) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and recent evidence of his address; and
- (iv) third party cheques will not be accepted.

In order to confirm the acceptability of any written assurance referred to in (iii) above or any other case, the acceptor should contact Capita.

### 3.5 *Dealings in Nil Paid Rights*

Subject to the fulfilment of the conditions set out in section 1 of this Part III above, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 24 March 2009. A transfer of Nil Paid Rights can be made by a Qualifying non-CREST Shareholder by way of renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it or, in the case of any person in whose favour the Nil Paid Rights have been renounced, by delivery of such Provisional Allotment Letter to the transferee.

The last time and date for renouncing Nil Paid Rights is 3.00 p.m. on 1 April 2009.

### 3.6 *Dealings in Fully Paid Rights*

After acceptance of the provisional allotment in accordance with the provisions set out in this document and in the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and delivery of the same by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 11.00 a.m. on 7 April 2009. Thereafter the New Ordinary Shares will be in registered form and will be transferable by written instrument of transfer in any usual or common form complying with the Articles or in any other written form which the Directors may approve.

To deal in Fully Paid Rights, a Qualifying non-CREST Shareholder will need to have their fully paid Provisional Allotment Letter returned to them after acceptance has been effected by Capita. However, fully paid Provisional Allotment Letters will not be returned to Shareholders unless their return is requested by ticking Box 4 on page 4 of the Provisional Allotment Letter.

### 3.7 *Registration in names of Qualifying non-CREST Shareholders*

A Qualifying non-CREST Shareholder who wishes to have all his entitlement to New Ordinary Shares registered in his name must accept and make payment for such New Ordinary Shares in accordance with the provisions summarised in this document and set out in the Provisional Allotment Letter but need take no further action; a share certificate is expected to be sent to him by post by not later than 16 April 2009.

### 3.8 *Renunciation and splitting of Provisional Allotment Letters*

Qualifying non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it becomes a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may only be transferred by delivery of the Provisional Allotment Letter to the transferee. The latest time and date for renunciation of Fully Paid Rights is 3.00 p.m. on 1 April 2009.

If a Qualifying non-CREST Shareholder wishes either to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights or (as appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must complete and sign Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment letter must then be lodged by post, or by hand only (during normal business hours only) with Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 3.00 p.m. on 2 April 2009 where nil paid to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each letter should be stated in a covering letter. If a Qualifying non-CREST Shareholder wishes to take up any of his rights, he must include a cheque or banker's draft for the correct amount with the covering letter in accordance with section 3.3 of this Part III above. If the Qualifying non-CREST Shareholder wishes to receive a fully paid Provisional Allotment Letter in respect of any rights he has taken up this must be specifically requested in his covering letter. Holders of split Provisional Allotment Letters who wish to take up their entitlements must do so by returning the split Provisional Allotment Letters together with a cheque or banker's draft in accordance with section 3.3 of this Part III above. Form X on page 4 of the split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue.

Alternatively, a Qualifying non-CREST Shareholder who wishes to take up only some of his Nil Paid Rights, without transferring the remainder, should complete Form X on page 4 of the Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque or banker's draft for the appropriate amount to pay for this number of New Ordinary Shares (in accordance with section 3.3 of this Part III above). In this case, the Provisional Allotment Letter and cheque must be received by Capita by 11.00 a.m. on 7 April 2009.

The Company and Citi reserve the right to refuse to register any renunciation in favour of any person which the Company and Citi believe may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the UK.

### 3.9 *Registration in names of persons other than Qualifying Shareholders originally entitled*

In order to register Nil Paid Rights or Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renounee or his agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such shares in uncertificated form, in which case, Form X and the CREST Deposit Form must be completed – see section 3.10 of this Part III below) and lodge the entire Provisional Allotment Letter by post or by hand (during normal business hours only) with Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 a.m. on 7 April 2009.

### 3.10 *Deposit of Nil Paid Rights or Fully Paid Rights into CREST*

Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether any such conversion arises as a result of a renunciation of those rights or otherwise). Subject as provided in the next section (or in the Provisional Allotment Letter), normal CREST procedures (including timings) apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or (if appropriate) Fully Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address appear(s) on page 1 of the Provisional Allotment Letter, or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) must be completed and the Provisional Allotment Letter deposited with the CCSS. In addition, the normal CREST Stock Deposit procedures must be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or (if appropriate) Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or (if appropriate) Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each letter must be completed and deposited. The consolidation listing form on page 4 of the Provisional Allotment Letter must not be used.

A holder of Nil Paid Rights or (if appropriate) Fully Paid Rights represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or (if appropriate) Fully Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 7 April 2009. **In particular, having regard to normal processing times in CREST, the latest recommended time for depositing a renounced Provisional Allotment Letter, with Form X and the CREST Deposit Form on page 4**

**of the Provisional Allotment Letter duly completed, with the CCSS (in order to enable the person acquiring the Nil Paid Rights or (if appropriate) Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 7 April 2009 is 3.00 p.m. on 2 April 2009.**

When Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or (if appropriate) Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y will not subsequently be recognised or acted upon by Capita. All renunciations or transfers of the Nil Paid Rights or (if appropriate) Fully Paid Rights must be effected through the means of CREST once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

### 3.11 *Share certificates*

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post on 16 April 2009 to accepting Shareholders at their registered addresses. After 16 April 2009, Provisional Allotment Letters will cease to be valid for any purpose whatsoever and, pending the issue of share certificates, instruments of transfer will be certified against the register of members of the Company by Capita against lodgement of fully paid Provisional Allotment Letters and/or, in the case of renunciations, fully paid registration receipt forms (Form Z), duly stamped by Capita.

### 3.12 *Posting*

All documents and cheques posted to or by Shareholders or renounees or their agents will be posted at their risk.

## **4. ACTION TO BE TAKEN BY QUALIFYING CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS AND FULLY PAID RIGHTS IN CREST**

### 4.1 *General*

Subject to the passing of the Resolution it is expected that each Qualifying CREST Shareholder (other than certain Overseas Shareholders) will receive a credit to his CREST stock account of his entitlement to Nil Paid Rights as soon as practicable after 8.00 a.m. on 24 March 2009. The CREST stock account to be credited will be the account with the participant ID and member account ID that applies to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights and Fully Paid Rights will each constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If the Rights Issue is delayed or if, for any other reason, stock accounts of Qualifying CREST Shareholders cannot be credited, or the Nil Paid Rights cannot be enabled, by 8.00 a.m. on 24 March 2009, the expected timetable as set out in this document may be adjusted. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates, but Qualifying CREST Shareholders may not receive any further written communication. Further, in such circumstances the Company, in consultation with Citi, may choose to send a Provisional Allotment Letter to each Qualifying CREST Shareholder in substitution for the Nil Paid Rights which would have been credited to its stock account in CREST.

**CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer, Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member and wish to take up your entitlement, you should consult your**

**CREST sponsor, as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.**

#### 4.2 *Procedure for acceptance and payment*

(a) *Many-To-Many Instructions*

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a Many-To-Many (“MTM”) instruction to Euroclear UK & Ireland which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita, under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (ii) the creation of a settlement bank payment obligation (as defined in the CREST Manual), in accordance with the RTGS payment mechanism (as defined in the CREST Manual), in favour of the RTGS settlement bank of Capita in sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (i) above; and
- (iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (i) above.

(b) *Contents of MTM instructions*

The MTM instruction must be properly authenticated in accordance with Euroclear UK & Ireland’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the number of Nil Paid Rights to which the acceptance relates;
- the participant ID of the accepting CREST member;
- the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- the participant ID of Capita, in its capacity as a CREST receiving agent. This is 9RA01;
- the member account ID of Capita, in its capacity as a CREST receiving agent. This is William Hill;
- the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- the amount payable by means of the settlement bank payment obligation (as defined in the CREST Manual) on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- the intended settlement date. This must be on or before 11.00 a.m. on 7 April 2009;
- the ISIN Number of the Nil Paid Rights. This is GB00B4YGD246;
- the ISIN Number of the Fully Paid Rights. This is GB00B4YGDC41; and

- the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST.

(c) *Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in sub-paragraph (b) of this section 4.2 of this Part III will constitute a valid acceptance where either:

- (i) the MTM instruction settles by not later than 11.00 a.m. on 7 April 2009; or
- (ii) at the discretion of the Company in consultation with Citi:
  - (A) the MTM instruction is received by Euroclear UK & Ireland by not later than 11.00 a.m. on 7 April 2009;
  - (B) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 7 April 2009; and
  - (C) the relevant MTM instruction settles by 2.00 p.m. on 7 April 2009 (or such later time as the Company and Citi may determine).

An MTM instruction will be treated as having been received by Euroclear UK & Ireland for these purposes at the time at which the instruction is processed by the Communications Host at Euroclear UK & Ireland of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the network provider's Communications Host.

(d) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this section 4.2 of this Part III represents, warrants and undertakes to the Company and Citi that he has taken (or procured to be taken), and will take (or procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 7 April 2009 and remains capable of settlement at all times after that until 2.00 p.m. on 7 April 2009 (or until such later time and date as the Company and Citi may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 7 April 2009 and at all times thereafter until 2.00 p.m. on 7 April 2009 (or until such later time and date as the Company and Citi may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by the

CREST member or CREST sponsored member pursuant to the provisions of this Part III in respect of the acquisition of such New Ordinary Shares) on behalf of such CREST member or CREST sponsored member.

Neither the Company nor Citi nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(e) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this section 4.2 of this Part III, (a) undertakes to pay to the Company, or procure the payment to the Company of, the amount payable in sterling on acceptance in accordance with the above procedures or in such other manner as the Company may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism, the creation of a settlement bank payment obligation in sterling in favour of the settlement bank of Capita in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Company the amount payable on acceptance) and (b) requests that the Fully Paid Rights and/or New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the memorandum of association of the Company and its Articles.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any applicable brokerage and commissions and amounts in respect of any value added tax, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such New Ordinary Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member. Neither the Company nor Citi nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

(f) *CREST procedures and timings*

**CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular corporate action. Normal systems timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 7 April 2009. In this connection CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.**

(g) *Discretion as to rejection and validity of acceptances*

The Company may (having consulted with Citi and taken into account its reasonable comments):

- (i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this section 4.2 of this Part III. Where an acceptance is made as described in this section 4.2 of this Part III which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 p.m. on 7 April 2009 (or by such later time and date as the Company and Citi have determined), the Company and Citi shall be entitled to assume, for the purposes of its right to reject an acceptance contained in this section 4.2 of this Part III, that there has been a breach of the representations, warranties and undertakings set out or referred to in this section 4.2 of this Part III, unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) concerned for the failure of the MTM instruction to settle;
- (ii) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this section 4.2 of this Part III;
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and Citi may determine;
- (iv) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “first instruction”) as not constituting a valid acceptance if, at the time at which Capita receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Capita has received actual notice from Euroclear UK & Ireland of any of the matters specified in regulation 35(5)(a) of the Uncertified Securities Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (v) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Capita in connection with CREST.

Any person who makes a valid acceptance and payment in accordance with this section 4 of this Part III is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the memorandum of association of the Company and the Articles.

#### 4.3 *Money Laundering Regulations*

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EC regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Capita is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making

the application. You must therefore contact Capita before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to Capita any information Capita may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Capita as to identity, Capita, having where time allows, consulted with the Company and Citi and having taken into account their comments, may at its absolute discretion take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then Capita will not permit the MTM instruction concerned to proceed to settlement, but without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence.

#### **4.4 *Dealings in Nil Paid Rights***

Assuming the Resolution is passed at the Extraordinary General Meeting and the Rights Issue is otherwise unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 24 March 2009. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 7 April 2009.

#### **4.5 *Dealings in Fully Paid Rights***

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last date for settlement of any transfer of Fully Paid Rights in CREST is expected to be 7 April 2009. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 7 April 2009.

#### **4.6 *Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST***

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear UK & Ireland of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 31 March 2009, so as to enable the person acquiring or holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 7 April 2009. You are recommended to refer to the CREST Manual or to your CREST sponsor, if appropriate, for details of such procedures.

#### **4.7 *Issue of New Ordinary Shares in CREST***

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 7 April 2009 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding such Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. Capita will instruct Euroclear UK & Ireland to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next business day (expected to be 8 April 2009).

#### 4.8 ***Right to allot/issue in certificated form***

Despite any other provision of this document, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Capita in connection with CREST.

### **5. PROCEDURE IN RESPECT OF RIGHTS NOT TAKEN UP (WHETHER CERTIFICATED OR UNCERTIFICATED)**

If an entitlement to New Ordinary Shares is not validly taken up by 11.00 a.m. on 7 April 2009, in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. Citi will, as agent for the Company, endeavour to procure subscribers for all of those New Ordinary Shares by not later than 4.00 p.m. on 9 April 2009 at a price per New Ordinary Share which is not less than the aggregate of the Issue Price and the expenses of procuring such subscribers (including applicable brokerage, commissions and amounts in respect of any VAT). If subscribers can be procured on this basis, such New Ordinary Shares will be reallocated at the Issue Price to such subscribers and any net proceeds (after deduction of the Issue Price and the expenses of procuring such subscribers, including any applicable brokerage, commission and any amounts in respect of VAT thereon) will be paid (without interest) by cheque as set out below.

It will be a term of such subscription that such net proceeds shall be paid (subject as provided in this section 5 of this Part III):

- (i) where the provisional allotment was, at the time of its lapsing, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter; and
- (ii) where the Nil Paid Rights were, at the time of their lapsing, in uncertificated form, to the person registered as the holder of such Nil Paid Rights at the time of their disablement in CREST.

Payments to those persons entitled (as referred to above) will be made *pro rata* to their lapsed provisional allotments, save that amounts of less than £5.00 will not be paid to such persons but will be aggregated and retained for the benefit of the Company. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as being held by different persons for these purposes. Cheques for the amounts due (if any) will be sent by post at the risk of such persons to their registered addresses provided that, where an entitlement concerned was held in CREST, the amount due will, unless the Company (at its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of a settlement bank payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Notwithstanding the above, Citi may at any time after 11.00 a.m. on 7 April 2009 cease to endeavour to procure subscribers if, in its opinion, there is no reasonable likelihood that any such subscribers can be procured at such a price and by such a time. If, and to the extent that, subscribers for New Ordinary Shares cannot be procured on the basis outlined above, the relevant New Ordinary Shares will be subscribed for by Citi and the other Underwriters at the Issue Price pursuant to the terms of the Underwriting Agreement.

Any transactions undertaken pursuant to this section 5 of this Part III will be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments or other entitlements and neither the Company, Citi nor any person procuring or seeking to procure such subscribers shall be responsible or have any liability for any loss or damage (whether actual or alleged) arising from the terms, amount or timing of any such subscription or any failure to procure such subscribers or the decision not to endeavour to procure such subscribers. Citi will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

## 6. EMPLOYEE SHARE SCHEMES

In accordance with the rules of the Employee Share Schemes, the Directors propose to make adjustments to the terms of outstanding options and awards and to the numerical limits thereof to take account of the Rights Issue. Such adjustments will, for any Employee Share Scheme approved by HM Revenue & Customs, be subject to the prior approval of HM Revenue & Customs and for the 2008 LTIP, to confirmation from the auditors of the Company in writing that they are, in their opinion, fair and reasonable. The Company will notify participants in the Employee Share Schemes of any such adjustment in due course.

## 7. TAXATION

The information regarding UK taxation and US taxation in respect of the New Ordinary Shares and the Rights Issue is set out in sections 10 and 11 respectively of Part VII of this document and is intended only as a general guide to the current tax position in those jurisdictions. **If you are in any doubt about your tax position or are subject to tax in a jurisdiction other than the UK or the US, you should consult your independent adviser without delay.**

## 8. OVERSEAS SHAREHOLDERS

### 8.1 *General*

**The making or acceptance of the Rights Issue to or by persons resident in, or who are citizens of, countries other than the UK may be affected by the laws of the relevant jurisdiction. Such persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.**

It is the responsibility of all persons (including, without limitation, nominees, custodians, agents and trustees) resident outside the UK receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST and wishing to accept the offer of New Ordinary Shares to satisfy themselves as to full observance of the applicable laws of the territory in which they are located, domiciled or resident for securities laws purposes, including obtaining all necessary governmental or other consents which may be required, observing all other requisite formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

**The comments set out in this section 8 of this Part III are intended only as a general guide and any Qualifying Shareholders who are in doubt as to their position should consult their professional adviser without delay.**

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer, and in those circumstances this document and/or the Provisional Allotment Letter should be treated as sent for information only in relation to the EGM and should not be copied or redistributed.

Nil Paid Rights will be provisionally allotted to all Qualifying Shareholders, including Qualifying Shareholders with registered addresses in the Restricted Jurisdictions or who are otherwise located in the United States. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, Qualifying Shareholders with registered addresses in the Restricted Jurisdictions or otherwise located in the United States or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person in any territory other than the UK receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST may treat the same as constituting an offer or invitation to him, nor should he in any event use a Provisional Allotment Letter or deal in Nil Paid Rights or Fully Paid Rights in CREST, unless such an invitation or offer can lawfully be made to him in the relevant territory and the Provisional Allotment Letter, Nil Paid Rights

or Fully Paid Rights in CREST can lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Persons (including, without limitation, nominees, custodians agents and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the document or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction or to any citizen of any such jurisdiction where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory (or by the agent or nominee of such a person), he must not seek to take up, renounce or transfer the Nil Paid Rights or Fully Paid Rights referred to in the Provisional Allotment Letter or this document unless the Company determines (in consultation with Citi) that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, any nominee, custodian trustee or agent) who does forward this document or a Provisional Allotment Letter into or credit Nil Paid Rights or Fully Paid Rights into CREST to be received by a person in any such territory (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section 8 of this Part III. The Company, in consultation with Citi, reserves the right to treat as invalid any acceptance or purported acceptance of the offer of New Ordinary Shares, or renunciation or purported renunciation of the offer of New Ordinary Shares, and will not be bound to allot, issue or transfer New Ordinary Shares if it (a) appears to the Company or its agents that the form of acceptance or renunciation has been executed or effected in or despatched from the United States or any other Restricted Jurisdiction, by or for the account of a person located in the United States, or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (b) in the case of a Provisional Allotment Letter, provides an address in any Restricted Jurisdiction or any other jurisdiction outside the UK in which the Company believes it would be unlawful to deliver definitive share certificates for the New Ordinary Shares; (c) in the case of a credit of Nil Paid Rights held in CREST, to a CREST member or CREST sponsored member whose registered address would be in the United States or any of the other Restricted Jurisdictions; or (d) purports to exclude any of the warranties contained in this Part III.

The attention of Qualifying Shareholders with registered addresses in the Restricted Jurisdictions, or persons resident in those countries, is drawn to sections 8.2 to 8.5 (inclusive) of this Part III.

Despite any other provisions of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his rights if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulation giving rise to the restrictions in question. Those Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in section 3.3 (Qualifying non-CREST Shareholders) and section 4.2 (Qualifying CREST Shareholders) both of this Part III above.

**If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your professional advisers immediately.**

## 8.2 *United States and Canada*

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters have not been and will not be registered under the Securities Act, the laws of any state of the United States or the securities legislation of any province or territory of Canada. Subject to certain exceptions, none of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters may be directly or indirectly offered for subscription or purchase, taken up, sold, delivered, renounced or transferred in or into North America or to or for the benefit of a North American Person. Accordingly, subject to certain exceptions, the Rights Issue will not be made within the United States or Canada and neither this document nor Provisional Allotment Letters will

be sent to, nor will any Nil Paid Rights be credited to a stock account in CREST of, any Shareholder with a registered address in North America.

Any person in the United States who obtains a copy of this document or a Provisional Allotment Letter and who is not a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act (a “**Qualifying US Investor**”) is required to disregard them. Any person in Canada who obtains a copy of this document or a Provisional Allotment Letter is required to disregard them.

Qualifying US Investors that satisfy the Company as to their status may exercise the Nil Paid Rights and the Fully Paid Rights in accordance with the procedures set out in paragraph 3.2 of this Part III (if such Qualifying US Investor is a Qualifying non-CREST Shareholder) or paragraph 4.2 of this Part III (if such Qualifying US Investor is a Qualifying CREST Shareholder). Qualifying US Investors must also complete, and return to the Company, an Qualifying US Investor Representation Letter in the appropriate form as described in paragraph 8.6(c) of this Part III, with a copy to Citi. Overseas Shareholders who hold Ordinary Shares through a bank, a broker or other financial intermediary, should procure that the relevant bank, broker or financial intermediary submits an Qualifying US Investor Representation Letter on their behalf. The Company has the discretion to refuse to accept any Provisional Allotment Letter or any MTM instruction that is not accompanied by an executed Qualifying US Investor Representation Letter or any other required additional documentation.

Potential purchasers of the New Ordinary Shares in the US are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of such New Ordinary Shares.

Until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, Nil Paid Rights, Fully Paid Rights or Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

No representation has been, or will be, made by the Company or Citi as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Ordinary Shares.

### 8.3 *Australia*

No prospectus in relation to the New Ordinary Shares has been or will be lodged with, or registered by, the Australian Securities Commission. Neither the New Ordinary Shares nor the Provisional Allotment Letters nor any Nil Paid Rights or Fully Paid Rights held in CREST may be offered for subscription or purchase, taken up, sold, renounced, transferred or delivered, directly or indirectly, nor may any invitation to subscribe for or buy or sell New Ordinary Shares or any Nil Paid Rights or Fully Paid Rights held in CREST be issued or any draft or definitive document in relation to any such offer, sale or invitation be distributed, in or into Australia or to or for the account or benefit of an Australian Person. Accordingly, no offer of New Ordinary Shares is being made under this document or the Provisional Allotment Letters to shareholders with registered addresses in, or to residents of, Australia. No Provisional Allotment Letters will be sent to, nor will any Nil Paid Rights be credited to a stock account in CREST of, Qualifying Shareholders who have registered addresses in Australia.

### 8.4 *Japan*

The relevant clearances have not been and will not be obtained from the Ministry of Finance of Japan and no prospectus has been or will be lodged with, or registered by, the Ministry of Finance of Japan. Therefore, subject to certain exceptions, neither the Provisional Allotment Letters nor any Nil Paid Rights or Fully Paid Rights held in CREST nor the New Ordinary Shares may, directly or indirectly, be offered or sold, taken up, or renounced in or into Japan or its territories or possessions. No Provisional Allotment Letter will be sent to, nor will any Nil Paid Rights be credited to a stock account in CREST of, Qualifying Shareholders whose registered address is in Japan.

## 8.5 *Other overseas territories*

Qualifying Shareholders who have registered or who are resident in, or who are citizens of, other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights and/or Fully Paid Rights and/or New Ordinary Shares under the Rights Issue.

## 8.6 *Representations and Warranties*

### (a) *Qualifying non-CREST Shareholders*

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company, Citi and the Lead Managers that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction, (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Ordinary Shares, from within any of the Restricted Jurisdictions (b) such person is not in any territory in which it is unlawful to make or accept an offer to acquire New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it, (c) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in (b) above at the time the instruction to accept or renounce was given, and (d) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into any Restricted Jurisdiction or any territory referred to in (b) above.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it (a) appears to the Company or its agents to have been executed or effected in or despatched from the United States or any other Restricted Jurisdiction, by or for the account of a person located in the United States or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement, (b) provides an address in any Restricted Jurisdiction for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the UK in which the Company believes it would be unlawful to deliver such certificates), or (c) purports to exclude the warranty required by this paragraph.

Each subscriber or purchaser acknowledges that the Company, Citi and the Lead Managers will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by his subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, as the case may be, are no longer accurate, he shall promptly notify the Company, Citi and the Lead Managers. If such subscriber or purchaser is subscribing for or purchasing the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that he has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

### (b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III represents and warrants to the Company, Citi and the Lead Managers that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction, (a) he is not within any of the Restricted Jurisdictions (b) he is not in any territory in which it is unlawful to make or accept an offer to acquire New Ordinary Shares, (c) he is not accepting on a non-discretionary basis for a person located within any of

the Restricted Jurisdictions or any territory referred to in (b) above at the time the instruction to accept was given, and (d) he is not acquiring New Ordinary Shares with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into any of the Restricted Jurisdictions or any territory referred to in (b) above or to a person otherwise located in the United States. The Company reserves the right to reject any MTM instructions sent from any of the Restricted Jurisdictions or by a CREST member who is acting on a non-discretionary basis for the account or benefit of a person located within a Restricted Jurisdiction or if it believes the same may violate any applicable legal or regulatory requirements.

Each subscriber or purchaser acknowledges that the Company, Citi and the Lead Managers will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by his subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, as the case may be, are no longer accurate, he shall promptly notify the Company, Citi and the Lead Managers. If such subscriber or purchaser is subscribing for or purchasing the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that he has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

(c) *Qualifying US Investors*

Each Qualifying US Investor will further be specifically required to execute an Qualifying US Investor Representation Letter pursuant to which such Qualifying US Investor will acknowledge, represent to and agree with the Company, Citi and the Lead Managers among other things, that:

- (i) it understands and acknowledges that the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the Securities Act or any state securities laws;
- (ii) It is (a) a “qualified institutional buyer” as defined in Rule 144A under the Securities Act and (b) aware that any offer or sale of the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares to it pursuant to the Rights Issue will be made by way of a private placement in a transaction exempt from, or otherwise not subject to, the registration requirements of the Securities Act;
- (iii) in the normal course of its business, it invests in or purchases securities similar to the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares and (a) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares, (b) it is able to bear the economic risk of an investment in the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares for an indefinite period and (c) it has concluded on the basis of information available to it that it is able to bear the risks associated with such investment;
- (iv) it is purchasing the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares in the Rights Issue (a) for its own account or for the account of one or more other Qualifying US Investors for which it is acting as duly authorised fiduciary or agent or (b) for a discretionary account or accounts as to which it has complete investment discretion and the authority to make these representations, in either case, for investment purposes and not with a view to distribution within the meaning of the Securities Act;

- (v) it has received and read a copy of this document, including the documents and information incorporated by reference herein, has had the opportunity to ask questions of representatives of the Company concerning the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares, and has made its own investment decision to acquire the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares in the Rights Issue on the basis of its own independent investigation and appraisal of the business, financial condition, prospects, creditworthiness, status and affairs of the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares;
- (vi) it acknowledges and agrees that it has held and will hold this document and any Provisional Allotment Letter in confidence, it being understood that this document and any Provisional Allotment Letter that it has received or will receive are solely for its use and that it has not duplicated, distributed, forwarded, transferred or otherwise transmitted this document, any Provisional Allotment Letter or any other presentational or other materials concerning the Rights Issue (including electronic copies thereof) to any persons within the United States, and acknowledge and agree that such materials shall not be duplicated, distributed, forwarded, transferred or otherwise transmitted by it within the United States. It has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to an investment in the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares;
- (vii) it acknowledges and agrees that it has not acquired the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares in the Rights Issue as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
- (viii) it acknowledges and agrees that the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares may not be reoffered, sold, pledged or otherwise transferred, and that it will not directly or indirectly reoffer, sell, pledge or otherwise transfer the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares, except (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act; (b) with respect to the New Ordinary Shares only, to a qualified institutional buyer pursuant to Rule 144A; or (c) with respect to the New Ordinary Shares only, pursuant to an exemption from the registration requirements of the Securities Act pursuant to Rule 144 thereunder (if available), or any other exemption from the registration requirements of the Securities Act, subject to delivery to the Company of an opinion of counsel (and such other evidence as the company may reasonably require) that such transfer or sale is in compliance with the Securities Act and that in each case, such offer, sale pledge or transfer must and will be made in accordance with any applicable securities laws of any state or other jurisdiction of the United States;
- (ix) it understands that Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and that, for so long as they remain “restricted securities”, the Ordinary Shares may not be deposited into any unrestricted depository facility established or maintained by a depository bank;
- (x) if it was provided a Provisional Allotment Letter, it acknowledges and agrees that the Provisional Allotment Letters have not been and will not be registered under the Securities Act and it will not sell or otherwise transfer a Provisional Allotment Letter in the United States and will only sell or otherwise transfer or renounce a Provisional Allotment Letter in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act;

- (xi) to the extent it has received or does receive a Provisional Allotment Letter, it understands and agrees that it shall bear a legend substantially in the form below:

THIS PROVISIONAL ALLOTMENT LETTER, THE NIL PAID RIGHTS, THE FULLY PAID RIGHTS AND THE NEW ORDINARY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR UNDER THE LAWS OF ANY STATE OF THE UNITED STATES AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD, TRANSFERRED, TAKEN UP OR DELIVERED DIRECTLY OR INDIRECTLY INTO OR WITHIN THE UNITED STATES OR ITS TERRITORIES OR POSSESSIONS. OFFERS OF THE RIGHTS TO SUBSCRIBE TO NEW ORDINARY SHARES (THE “**RIGHTS**”, WHICH TERM SHALL BE DEEMED TO INCLUDE ANY ENTITLEMENTS REPRESENTED BY PALS AS WELL AS NIL PAID RIGHTS AND FULLY PAID RIGHTS) AND OFFERS AND SALES OF NEW ORDINARY SHARES IN THE UNITED STATES AS PART OF THE RIGHTS ISSUE WILL BE MADE ONLY TO A LIMITED NUMBER OF “**QUALIFIED INSTITUTIONAL BUYERS**” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**QUALIFYING US INVESTORS**”) IN TRANSACTIONS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, PROVIDED HOWEVER THAT NO OFFERS OR SALES WILL BE MADE TO SUCH PERSONS UNLESS THEY HAVE FIRST SIGNED THE QUALIFYING US INVESTOR REPRESENTATION LETTER.

- (xii) it understands and acknowledges that upon the initial issuance thereof, and until such time as the same is no longer required under the Securities Act or applicable state securities laws, the certificates representing the New Ordinary Shares (to the extent such New Ordinary Shares are in certificated form), and all certificates issued in exchange therefore or in substitution thereof, shall bear a legend substantially in the form below:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE SECURITIES LAW. BY ITS ACCEPTANCE OF THESE SECURITIES THE PURCHASER REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (“**QIB**”) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND THAT IT IS EITHER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER PURCHASERS WHO ARE QIBs AND AGREES THAT THE SECURITIES ARE NOT BEING ACQUIRED WITH A VIEW TO DISTRIBUTION AND ANY RESALE OF SUCH SECURITIES WILL BE MADE ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTION BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE) OR ANY OTHER EXEMPTION”;

- (xiii) it understands and acknowledges that no representation has been, or will be, made by the Company or the Underwriters regarding the Rights Issue as to the availability of Rule 144 under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Ordinary Shares;
- (xiv) it understands and acknowledges that the Company may make notation on its records or give instructions to the registrar and any transfer agent of the Nil Paid Rights, Fully Paid

Rights or the New Ordinary Shares in order to implement the restrictions on transfer set forth and described herein;

- (xv) neither the Underwriters, their affiliates, or persons acting on their behalf have made any representation to it, express or implied, with respect to the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares, or the accuracy, completeness or adequacy of such financial and other information concerning the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares;
- (xvi) it understands that this document has been prepared in accordance with UK format and style, which differs from US format and style. In particular, but without limitation, the financial information contained in this document relating to the Rights Issue has been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and thus may not be comparable to financial statements of US companies prepared in accordance with US generally accepted accounting principles; and
- (xvii) it acknowledges that the Company, the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and understands the Company, the Underwriters and others will rely on Qualifying US Investor Representation Letters to comply with United States and other securities laws. Accordingly, it authorises the Company or the Underwriters to produce its Qualifying US Investor Representation Letter or a copy thereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters set forth herein.

**The comments set out in this section 8 of this Part III are intended as a guide only and persons resident in, or who are citizens of, countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.**

## **9. WITHDRAWAL RIGHTS**

Where a supplementary prospectus has been published and, prior to publication, a person has agreed to take up some or all of his Nil Paid Rights, he may be able to withdraw his acceptance under section 87Q(4) of FSMA by lodging a written notice of withdrawal, which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be sent no later than two Business Days after the date on which the supplementary prospectus is published. Withdrawal is effected at the time an investor posts the withdrawal form document and not at the point at which the document is received by the Company. If such right to withdraw acceptances under section 87Q(4) of FSMA would apply at any time after the last date for valid acceptance such date shall be postponed to a new date announced by the Company not being earlier than two business days beginning with the first business day after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by Capita after expiry of such period will not constitute a valid withdrawal.

Following the valid exercise of statutory withdrawal rights, application monies will be returned by post to relevant Qualifying non-CREST Shareholders at their own risk and without interest to the address set out in the Provisional Allotment Letter and/or Capita will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such monies will be retained for the benefit of the Company. The provisions of this section 9 of this Part III are without prejudice to the statutory rights of Qualifying Shareholders. In such event Qualifying Shareholders are advised to seek independent legal advice.

## **10. GENERAL**

The dates set out in the timetable of events at the beginning of this document and mentioned throughout the document and the Provisional Allotment Letter may be adjusted by agreement between the Company and Citi, in which event details of the new dates will be notified to a Regulatory Information Service and, where appropriate, to Qualifying Shareholders. Qualifying Shareholders may not receive any further written communication.

All documents and remittances in connection with the Rights Issue will be sent to or by allottees or their renounees (or their agents) at their risk.

The terms and conditions of the Rights Issue and all other matters in relation thereto as set out in this document and the Provisional Allotment Letter (if applicable) shall be governed by and construed in accordance with English law. The New Ordinary Shares will be created under the Acts.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instruction set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders and any other person who subscribes for New Ordinary Shares irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## **PART IV**

### **INFORMATION ON THE GROUP**

#### **1. INTRODUCTION**

William Hill is one of the UK's leading betting and gaming companies. It is one of the UK's largest bookmakers and also operates in Ireland, with a total of approximately 2,300 LBOs that provide betting opportunities on a wide range of sporting and non-sporting events and, in the UK only, offer gaming machines. In addition, following the acquisition of certain assets from Playtech and their subsequent combination with William Hill Interactive, William Hill Online is one of the leading European online betting and gaming businesses by profitability, providing sports betting, casino games, poker, bingo, numbers betting and skill games. William Hill also offers telephone betting from the UK.

In the 2008 financial year, the Group's total gross win was £1,022.5 million, an increase of 3.4 per cent. on the 2007 financial year. Of this, approximately 81.9 per cent. was generated by its LBOs in the UK and Ireland, 13.4 per cent. by William Hill Online and 3.9 per cent. by telephone betting. The Group's profit on ordinary activities before net finance costs and exceptional items (including exceptional operating expense) was £278.6 million. Cash generated from operations before tax and interest was £307.4 million, which represented 110.3 per cent. of the Group's operating profit before exceptional items.

#### **2. HISTORY OF WILLIAM HILL**

William Hill was founded in London in 1934 as a telephone bookmaking business and established its first LBOs in 1966. In 1971, it became part of the Sears Holdings Group. In 1988, it was acquired by Grand Metropolitan and merged with its bookmaking subsidiary, Mecca Bookmakers, under the William Hill brand. The integration of these two businesses was continued by the Brent Walker Group, which purchased William Hill from Grand Metropolitan in 1989. It was then acquired by Nomura International in 1997, which in turn sold it to Cinven and CVC Partners. On 20 June 2002, William Hill was floated on the London Stock Exchange. In 2005, it acquired Stanley Leisure plc's LBOs in the UK and Ireland for £504 million, which resulted in William Hill becoming the UK's largest bookmaker by number of LBOs. In December 2008, William Hill created William Hill Online through the acquisition of certain assets from Playtech and their subsequent combination with William Hill Interactive.

#### **3. THE GAMBLING INDUSTRY**

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

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

Online gambling has grown rapidly since it was established in the late 1990s and is widely expected to continue to be the principal driver of growth for the global gambling industry. The level of growth in the market has created competition as an increasing number of operators compete for market share. Growth of online gaming was originally led by customers resident in the US using non-US operators. However, in October 2006 the US Government passed the Unlawful Internet Gambling Enforcement Act, which prohibits the transfer of funds from a financial institution to an internet gambling site. The introduction of this law resulted in many non-US companies withdrawing from the online gambling market for US residents. William Hill does not accept wagers from US residents. The European online betting and gaming market is

the principal focus of William Hill Online. Increased broadband penetration and changing social attitudes towards gambling are widely expected to drive growth in the European online gambling market.

#### **4. KEY STRENGTHS**

The Directors believe that William Hill has a number of significant competitive advantages and strengths that will be important factors in maintaining and further developing its business, including the following:

##### ***Long-established, trusted and widely recognised brand***

The Directors believe that William Hill's long-established, trusted and widely recognised brand and reputation represent a significant competitive advantage in the development of its betting and gaming activities. In the gambling industry, UK customers have traditionally taken comfort from the fact that they are dealing with a long-established and widely recognised operator. The Directors believe the William Hill brand has also been key in supporting the growth of the Group's online channel and expect this to continue into the future.

##### ***Market leader in UK retail betting with a high quality estate of LBOs***

With a network of approximately 2,300 LBOs in the UK and Ireland (representing approximately 25 per cent. of the UK LBO market), William Hill is one of the largest betting and gaming companies in the UK. The Directors believe that the Group's estate is of a high quality, reflecting sustained investment, and is well-sited. The scale of William Hill's LBO estate gives William Hill a competitive advantage in terms of brand recognition and also allows cost-efficient expansion of the Group's LBO estate.

William Hill has an ongoing development and modernisation programme designed to improve and expand facilities for the Group's LBO customers. The increase in average floor space per LBO achieved through this development and modernisation programme has facilitated the installation of gaming machines. Rationalising or re-siting selected LBOs and closing or disposing of underperforming LBOs has further enhanced the overall quality of the estate. William Hill continuously seeks to improve its customers' experience through the training of its staff and through the continued investment in its LBO estate and its online and telephone betting infrastructure. The Directors believe these factors have contributed to William Hill achieving revenue growth from its retail operations.

##### ***Market-leading and growing online channel***

William Hill accepted its first bet on the internet in 1998. Since then its online channel has experienced significant growth and in the 2008 financial year generated £136.7 million of gross win (growth of 9.7 per cent. from £124.6 million in the 2007 financial year) and £49.2 million of operating profit (growth of 64.0 per cent. from £30.0 million in the 2007 financial year). Customer growth has also been strong, particularly in the UK.

On 30 December 2008, William Hill established William Hill Online through the acquisition of certain assets, businesses and contracts from Playtech and their subsequent combination with William Hill Interactive. The combination of these two highly complementary businesses gives the Group a market-leading position in the European online gaming and sports betting market by profitability, with a larger, geographically diverse customer base, improved marketing and customer management and an extensive affiliate network designed to direct customers to the Group's websites. As part of the transaction, William Hill entered into an agreement under which Playtech is providing William Hill Online with online gaming software for poker and casino.

The Directors believe William Hill Online to be the most profitable online business of the major UK bookmakers in 2008.

##### ***Track record of profit growth, tight management of costs and strong cash generation***

William Hill's focus is on delivering sustainable earnings growth and value for shareholders. Since the IPO in 2002, gross win has increased from £527.7 million to £1,022.5 million in the 2008 financial year, a compound annual growth rate of 8.6 per cent. William Hill's tight cost control is evidenced by the fact that,

during the same period, its profit on ordinary activities (before net finance costs and exceptional items) has increased at a significantly higher rate than gross win, increasing from £121.3 million to £278.6 million, equivalent to a compound growth rate of 11.0 per cent. per annum.

As shown in Part VI of this document, the Group is highly and consistently cash generative, generating £209.9 million in net cash from operating activities in the 2008 financial year. Cash flow generation is strong across all of the Group's channels.

#### ***Track record of innovation and profitable adaptation to regulatory, fiscal and technological change***

Key opportunities for growth in the gambling industry have arisen from regulatory, fiscal and technological change. The Group has a track record of adapting promptly and effectively to such changes. Examples include the introduction by the Group of more low margin products into its LBOs, most notably and successfully in the form of roulette on gaming machines and accepting bets on head to head competitions such as football matches, when the betting duty regime changed from a turnover-based tax system to a gross profit tax system in 2001. In addition, the Group has adapted to the growth of the internet by distributing its betting and gaming products to an enlarged customer audience through its online channel, significantly expanding this by the creation on 30 December 2008 of William Hill Online.

#### ***Effective risk management system***

Having an effective risk management system is essential to operating a profitable betting operation. The Group and its relevant employees have extensive experience in risk management and bookmaking procedures, such as analysing up-to-date information, imposing bet acceptance limits, hedging and expert odds compilation. William Hill is exploring and seeking to develop new methods of effectively managing risk.

In 2008, William Hill took approximately 331 million bets in its LBOs, 29 million bets on its online Sportsbook offering and eight million bets by telephone. These bets were spread over horse races, greyhound races, football matches and a wide variety of other sporting events. By offering a substantial number of betting opportunities to customers, William Hill is able to spread its risk over a large number of events. See section 8 in this Part IV below.

#### ***Strong management team with significant experience in the gambling industry***

William Hill has a well-established senior management team that combines the skills of individuals with broad general and retail management experience with those of individuals with significant experience in the gambling industry. The Group plays an active role in a variety of governing bodies throughout the gambling industry.

The Group's management team is led by Ralph Topping, William Hill Chief Executive, who has over 35 years' experience in the gambling industry, having joined William Hill in 1973 and who led the creation of the Sportsbook in 1998.

## **5. STRATEGY**

William Hill is pursuing a strategy aimed at delivering sustainable earnings growth and value for shareholders. The key elements of the strategy are to:

#### ***Enhance earnings from the core retail channel***

William Hill is one of the UK's largest bookmakers and also operates in Ireland with a total of 2,300 LBOs that provide betting opportunities on a wide range of sporting and non-sporting events and, in the UK only, offer gaming machines. In this consolidated market, the Board believes that there are relatively high barriers to entry in the form of brand recognition, strong supplier relationships and regulatory requirements. The retail channel accounted for 81.9 per cent. of the Group's total gross win in the 2008 financial year.

William Hill aims to maximise the significant cash generation from this business by growing gross win while carefully managing costs.

William Hill continues to grow its retail business by developing its LBO estate, offering a broad product range and capitalising on opportunities created by fiscal and regulatory changes.

- Through its ongoing LBO estate development and modernisation programme, William Hill continues to expand its estate in the UK and Ireland and to upgrade the location, facilities and size of its LBOs in order to drive incremental growth. William Hill operates a rigorous process for prioritising capital expenditure for both maintenance of the estate and value-creating investments in order to achieve its target returns on capital.
- In its LBOs, William Hill offers an extensive range of betting opportunities, including UK horse racing, greyhound racing, football, overseas horse racing and numbers betting. Since 2001, when a change in the tax regime made lower-margin products more commercially attractive, William Hill has been able to offer a greater range of products on its gaming machines in its LBOs, which now generate around one-third of the gross win from the high street retail channel.
- William Hill has successfully grown its retail channel by capitalising on fiscal and regulatory changes and will continue to exploit such opportunities as they arise. To date these include responding to the change from a turnover-based tax system to a gross profit tax system, by expanding both the number and range of the products offered by gaming machines and most recently by extending LBO opening hours in the winter months.

Given the relatively high fixed costs necessary to operate this business effectively, changes in gross win can have a significant effect on gross profit. William Hill therefore places considerable emphasis on cost control. For example, William Hill has recently adopted a more efficient LBO staffing model, undertaken a detailed analysis of the effectiveness of extended winter evening opening and increased investment in procurement capabilities to drive further cost savings from the business.

#### ***Exploit the growth opportunity in online gambling***

Initially, William Hill benefited from a first-mover advantage in this market and built a market-leading position in the UK. During the last two years, this lead was eroded and the Group lost market share as a result of aggressive competition.

On 20 October 2008, William Hill announced the establishment of William Hill Online through the acquisition of certain assets, businesses and contracts from Playtech and their subsequent combination with William Hill Interactive, in return for which Playtech received a 29 per cent. equity interest in William Hill Online, leaving William Hill owning 71 per cent. The acquired assets included approximately 30 gaming websites, a customer services operation and an online marketing organisation. William Hill has an option to acquire Playtech's interest in William Hill Online on an independent fair-value basis, exercisable at either four years or six years after completion of the original acquisition. William Hill controls and operates William Hill Online, which is a consolidated subsidiary of William Hill, with Playtech's share of profits accounted for as a minority interest. The transaction combined two highly complementary businesses. William Hill Interactive brought a strong brand, sports betting expertise and an established UK customer base and profit stream. The acquired assets brought online marketing and customer retention expertise, an extensive affiliate network designed to direct customers to the Group's websites and an established European customer base and profit stream. The Board believes that, following this transaction, William Hill Online has several strengths that can support significant growth, including a large, geographically diverse customer base, improved marketing and customer management and an extensive affiliate network.

In addition, William Hill Online is expected to benefit from Playtech's improved poker and casino software, in relation to which it has entered into a software agreement for a minimum of five years. The Directors expect this software to provide greater liquidity for poker and to support activities to increase customer retention, customer reactivation and player lifetime values. William Hill Online launched a new casino website and a new poker website on the highly liquid Playtech poker network in January 2009.

The Group's strategy in relation to William Hill Online is to:

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

#### *Selectively pursue value-enhancing acquisitions*

William Hill aims to deliver further Shareholder value from selective acquisitions. It has a proven track record in this area, including the acquisition of Stanley Leisure plc's LBOs in 2005, which established William Hill as the leading UK betting company by number of LBOs, numerous, smaller, bolt-on LBO acquisitions, and the Playtech transaction announced in October 2008, which established William Hill Online as one of the leading European online betting and gaming businesses by profitability. Although the scale of its existing UK retail channel is likely to preclude further substantial acquisitions in this area, the Group intends to consider smaller LBO acquisitions and transactions that complement its existing online business.

## **6. PRINCIPAL CHANNELS OF PRODUCT DELIVERY**

William Hill delivers its products to customers through three principal channels:

- retail, comprising a network of approximately 2,300 outlets throughout the UK and Ireland, making William Hill one of the largest operators of LBOs in the UK;
- William Hill Online, which offers internet-based sports betting, casino games, poker, bingo, numbers betting and skill games; and
- telephone betting, where the Directors believe that William Hill is a UK market leader in terms of customer numbers.

### *Retail*

Operating in a long-established and well-defined market, the retail channel generates a stable stream of earnings, contributing 81.9 per cent. of the Group's gross win in 2008.

The Board believes that William Hill is one of the most successful operators in terms of profitability per LBO and it aims to maintain and build on this position by maximising opportunities for growth while ensuring careful cost management.

Customers in LBOs have access to real-time sports information, a multi-screen television and audio system that provides live race or match coverage and commentary, prices, runners, riders and results through satellite links. They can also take advantage of longer opening hours, which were first introduced in 2007.

Through its LBOs, William Hill offers an extensive range of betting opportunities, including sports such as football, snooker and cricket as well as the more traditional horse racing and greyhound racing. Sports betting is supplemented by a range of numbers betting opportunities, including gaming machines and virtual horse and greyhound racing.

The Group's LBOs in the UK are each licensed to have up to four category B gaming machines, and William Hill has continued to increase the average number of gaming machines in its LBO estate. As at 30 December 2008, William Hill had 8,620 machines, producing an average net contribution per machine per week of £529. Machines are provided on a revenue share basis by two suppliers. The Board believes that this supply arrangement is competitively beneficial, particularly as it encourages product innovation.

The Group has also established a joint venture with Codere S.A. in Spain which has opened operational units in 32 locations in Madrid and 42 in the Basque Country. In light of concerns about the Spanish economy, the pace of deregulation in the autonomous regions of Spain and other uncertainties in Spain, the Group is currently reviewing the future of this joint venture with Codere S.A.

In the 2008 financial year, the retail division generated £790.7 million of revenue (82.0 per cent. of Group revenue), £837.9 million of gross win (81.9 per cent. of Group gross win) and £240.1 million of operating profit (87.9 per cent. of Group operating profit).

### *Online*

William Hill accepted its first bet via the internet in 1998 and has achieved strong growth in the UK. William Hill's online betting and gaming business now comprises websites providing sports betting, casino games, poker, bingo, numbers betting and skill games.

On 20 October 2008, William Hill announced the establishment of William Hill Online through the acquisition of certain assets, businesses and contracts from Playtech and their subsequent combination with William Hill Interactive, in return for which Playtech received a 29 per cent. equity interest in William Hill Online, leaving William Hill owning 71 per cent. The acquired assets included approximately 30 gaming websites, a customer services operation and an online marketing organisation. William Hill has an option to acquire Playtech's interest in William Hill Online on an independent fair-value basis, exercisable at either four years or six years after completion of the original acquisition. William Hill controls and operates William Hill Online, which is a consolidated subsidiary of William Hill, with Playtech's share of profits accounted for as a minority interest.

In addition, William Hill Online is expected to benefit from Playtech's improved poker and casino software, in relation to which it has entered into a software agreement for a minimum of five years. The Directors expect this software to provide greater liquidity for poker and to support activities to increase customer retention, customer reactivation and player lifetime values. William Hill Online launched a new casino website and a new poker website on the highly liquid Playtech poker network in January 2009.

The transaction combined two highly complementary businesses. William Hill Interactive brought a strong brand, sports betting expertise and an established UK customer base and profit stream. The assets, businesses and contracts acquired from Playtech brought online marketing and customer retention expertise, an extensive affiliate network and an established European customer base and profit stream from online gaming. As a result of the transaction, approximately 160 marketing services employees based in Israel and approximately 110 customer support services employees based in Bulgaria have joined William Hill Online. Historically, in comparison with William Hill Interactive, the Playtech customer support and marketing services teams have achieved a lower acquisition cost per customer, higher customer lifetime values and a higher cross-selling performance. The affiliate network acquired from Playtech, which is designed to direct customers to William Hill Online's websites, has a total of more than 70,000 affiliates, compared with William Hill Interactive's affiliate network numbering approximately 5,000.

Prior to launching William Hill Online, William Hill Interactive had approximately 510,000 customers who were active in the 2008 financial year, the majority of whom were based in the UK. The assets acquired from Playtech had approximately 65,000 customers who were active in the month of October 2008, when the transaction was announced. By combining the William Hill Interactive business with the operations acquired from Playtech, William Hill significantly broadened its European online customer base.

As a result of this transaction, William Hill Online became one of the leading European online betting and gaming businesses by profitability.

William Hill has continued to invest in developing its product offering to customers. During 2008, the Group took steps to improve its Sportsbook and in December 2008, William Hill launched a new Sportsbook on the Orbis technology platform, which now offers customers significant improvements including:

- richer site content, such as streaming of live television pictures and radio commentary of sporting events;

- a full range of in-running betting opportunities, whereby customers can place bets on multiple potential occurrences during a live sporting event such as a football match;
- six language options; and
- more local currency betting.

Sportsbook's net revenue margin for the 2008 financial year was 7.1 per cent., compared with 5.7 per cent. for the 2007 financial year.

The Group has also improved and extended William Hill Online's gaming offering, launching 60 new games in 2008 and increasing its marketing efforts. In January 2009 William Hill launched new casino and poker sites using Playtech's software including access to the iPoker network.

The Board intends to reorganise parts of the online operations in the coming months to improve William Hill's ability to compete with overseas online betting and gaming companies. This is likely to involve relocating approximately 90 employees, primarily relating to the online management of the Sportsbook and games, from the UK to other countries where William Hill Online's operations are already based.

In the 2008 financial year, online betting and gaming generated £125.1 million of revenue (13.0 per cent. of Group revenue), £136.7 million of gross win (13.4 per cent. of Group gross win) and £49.2 million of operating profit (18.0 per cent. of Group operating profit).

### ***Telephone***

William Hill has one of the largest telephone-based betting businesses in the UK, with approximately 132,000 active customers as at 30 December 2008. Although some migration to the internet has occurred, telephone betting still appeals to a core group of customers who prefer to speak to an individual when placing their bet.

In the 2008 financial year, telephone betting generated £39.8 million of revenue (4.2 per cent. of Group revenue), £39.8 million of gross win (3.9 per cent. of Group gross win) and £5.9 million of operating profit (2.2 per cent. of Group operating profit).

## **7. PRODUCTS**

The Group's business consists of offering betting and gaming products to retail and online customers and betting products to telephone customers. These products can be categorised under two main headings, namely betting and gaming.

### ***Betting***

Betting products are products where the Group offers odds on an event occurring, which give rise to either a liability to make a certain payment to a customer, or the retention by the Group of the stake placed by such customer. The odds offered by the Group in such cases vary depending on the nature of the event. The Group makes money where the amounts staked by customers and retained are more than the Group's liability to make payments to customers.

In fixed-odds betting, the liability to make payment is in principle unlimited, but the Group is not obliged to accept any bets, or may accept bets on certain conditions only (for example, to limit maximum exposure), in order to manage its overall liabilities. See section 9 in this Part IV below. In pool betting products there is no liability to make payment greater than the total percentage of the amount of money staked by customers that the operator has promised to offer in prizes.

### ***Sports betting***

Sports betting is provided through all of the Group's business channels. The most popular sport on which the Group offers odds is horse racing, followed by greyhound racing and football. The Group also offers odds on many other sports including rugby, cricket, tennis, golf, motor racing, darts, snooker, American football, baseball, basketball and ice hockey.

William Hill accepts a range of different types of bets from simple bets on the outcome of a single event to more complex bets, such as accumulator bets on the outcome of a number of different races or sporting events.

#### *Betting on other events*

The Group also accepts bets on non-sporting events through all of the Group's business channels, such as the outcome of political elections, television competitions, popular music chart results and high profile novelty bets.

The Group also takes bets on events the outcome of which is based on chance. For example, numbers betting is a type of fixed-odds bet in which customers place bets on the odds of one or more numbers being drawn from a pool of numbers. It is presented in a variety of formats such as the Irish Lottery and is also the basis of computer generated virtual horse or greyhound racing.

#### **Gaming**

The Group also offers a number of gaming products such as slots, casino games, bingo, poker and other skill games.

Gaming products are games the outcome of which is dependent on chance, such as roulette, pontoon, blackjack and other table games, or slot machine games. Skill games are games where, though partly based on chance, it is argued that the odds can be changed over the long run based on the application of skill. This applies in games between customers such as poker.

Gaming products are offered on gaming machines. Gaming and skill games, together with bingo, are offered online.

With gaming products, the customer bets against the house and the Group makes its profit based on probabilities in the long run of different events occurring and uses "house" rules and procedures to apply risk limits. In skill games, William Hill acts as the host or facilitator for customers who play against one another rather than against William Hill. Accordingly, William Hill takes no principal gaming risk. In return for facilitating these games, William Hill charges its customers a type of commission, in poker known as a 'rake', except in tournaments where a one-off entry fee is charged. Customers for skill games can compete online against each other either on individual tables, or in tournaments.

## **8. COMPETITION**

The Group faces competition primarily from other bookmakers, online betting exchanges and other online operators. The Directors do not believe that the Group currently faces significant competition from casinos and bingo halls. However, competition in the online marketplace has and is expected to continue to intensify as new operators enter the market and existing operators improve and expand their product offerings. The competitive environment remains subject to change depending on regulatory and technological developments.

The Group's principal competitors in the UK retail market are Ladbrokes and Coral. Ladbrokes, Coral and the Tote are the Group's chief competitors in the UK telephone betting market. In addition, a number of international telephone operators compete with the Group from outside the UK.

The Group faces competition in its online operations from a large number of UK based bookmakers (including Ladbrokes and Coral) and Betfair, as well as other operators based in the UK and overseas (including PartyGaming, Paddy Power, 888.com and bwin) that have entered, and continue to enter, the online market specifically targeting the UK and Europe. The Group also competes with companies that may have more brand recognition than William Hill in certain markets outside the UK. There are relatively low barriers for a new company to enter the online market, but the Board believes that it is difficult for new competitors to achieve significant market share without significant infrastructure, for instance sports betting expertise, marketing and customer relationship management. In addition, the Group faces competition from market participants operating in, and benefiting from, low tax jurisdictions.

## 9. RISK MANAGEMENT

Historically, the dominant portion of the Group's earnings has been derived from bookmaking activities. Gaming products have more predictable margins and are increasingly generating a greater proportion of revenues.

### *Betting products*

Bookmakers' odds are determined so as to provide an average return to the bookmaker over a large number of events. There is an inherently high level of variation in actual gross win generated race by race, match by match and day by day. Over an extended period however, the gross win percentage has remained fairly constant, but in the short term there is less certainty of profitability. In spite of this, significant daily losses at gross win level are infrequent.

The risk of incurring daily losses on a gross win basis is significantly reduced by the averaging effect of taking a very large number of individual bets over a considerable number of events and is also tightly controlled through a four-stage risk management process. The effectiveness of the risk management process relies on expert odds compilation, access to up-to-date information, tightly controlled bet acceptance limits and effective hedging.

### *Expert odds compilation*

The Group employs a team of approximately 60 odds compilers and risk managers. Initial odds are compiled from first principles, adjusted for any market information and then cross-checked against competitor prices. For sports events a minimum of two opinions are sought on each event, however, in practice more opinions are usually given. For horse racing events when the Group advertises its prices in the printed news media, a minimum of three opinions is sought. The Group also employs outside consultants to assist its odds compilation and news gathering on certain events (for example overseas horse racing, overseas football and US sports). Once odds are compiled and published, real-time risk management processes are applied to monitor and adjust the total level of risk on each event. Management considers the Group's team of compilers and risk managers to be of high quality, with the appropriate knowledge and expertise to operate successfully in the current market.

### *Up-to-date information*

Access to market information is needed both before odds are compiled and after odds are published. The Group relies on information compiled from its knowledge of the betting and gaming industry, including the sports concerned and its participants, both to the extent available in the media generally and from information at events. The Group also relies on information about its potential liabilities from overall betting patterns and total amount bet on particular outcomes drawn from its telephone and online channels and from a sample of its LBOs, as well as certain individual bets that are referred before acceptance or notified subsequently, because of the source or size.

The above information enables management to assess the probability of each possible outcome based on a wide range of up-to-date information, to assess potential exposure on each possible outcome and to determine whether bet acceptance should be limited on certain possible outcome. Management may also change the odds on a particular event or consider whether to hedge to reduce risk.

### *Bet acceptance limits*

The Group is under no obligation to accept any bet. Where a bet is considered undesirable by management, it will be refused or accepted in part, with or without adjusted odds. For different types of bets the Group sets limits for LBOs on stake value and potential liability at which bets must be notified (that is, reported after acceptance) or referred. Referred bets are accepted only after management approval, based on latest information about the event, potential liability and the customer's historic betting pattern with the Group (if any). The telephone betting channel operates separately, but in a similar way. The online sports betting system contains an automatic procedure whereby liability limits are pre-set by management on individual events, for customers generally and, if appropriate, for specific customers. In practice, the proportion of bets refused is extremely small.

### *Hedging in the horse race betting markets*

The majority of horse racing bets are placed at starting prices which are not established by the Group but are derived from the on-track betting markets. The purpose of hedging is to reduce potential liabilities by affecting the starting price of a potential outcome. Hedging bets placed on-track may shorten the odds of a selection and hence reduce the Group's potential liabilities. William Hill also undertakes hedging by laying off bets it has accepted with or through other betting and gaming operators. The decision to hedge is dependent on the size of potential liabilities, the number of potential outcomes that might cause a loss and whether placing bets in the market would influence the odds at a commercially acceptable cost.

Most bookmakers offering horse race bets engage in hedging. The bookmakers may have similar risk profiles and accordingly, benefit from the hedging policies of other bookmakers in these markets. The Directors estimate that the Group annually stakes between £3 million and £4 million on hedging on horse race betting.

### *Gaming products*

Unlike William Hill's bookmaking products, all of the products offered through the gaming machines and online casino have a theoretical likelihood of success for the customer which is transparent. Hedging is not required.

There is no trading risk on the Group's poker product as the Group's income comprises a percentage of the total pot in each game known as a 'rake', except in tournaments where a one-off entry fee is charged.

### *Regulatory Risk*

William Hill has systems and controls in place which seek to ensure that the Group does not offer betting and gaming products via the internet into jurisdictions from which it has determined that it does not wish to accept bets or wagers, whether because it has determined it is unlawful to do so; or it is unclear as to whether it is unlawful and has decided not to take any risk in relation to this uncertainty; or otherwise decided that it does not wish to accept any business for any other reason. The systems and controls include monitoring and analysing information provided by potential customers' registered addresses and of customers' payment methods. For the avoidance of doubt, the Group does not currently accept bets or wagers from customers that it determines are located in the US. A risk exists, however, that a court or other governmental authority in any jurisdiction could take the position that the Group's systems and controls are inadequate, either currently or as the result of technological developments affecting the internet, or that the Group's current or past business practices in relation to such jurisdiction violated applicable law. Any such determination could expose the Group and its directors to the risk of civil or criminal sanction, as well as reputational damage.

## **10. INFORMATION SYSTEMS**

The Group operates a number of information and communication systems in order to support its business. Information technology at William Hill is managed in-house by a team of IT professionals and the department is structured in a manner which the Directors believe is suited to meet the needs of the business. The live information systems are supported by 50 in-house staff backed up by external support from manufacturers and suppliers, often under support agreements tailored to the needs of William Hill. The principal systems operated by the Group are set out below.

### *LBO text and audio systems*

The Group operates LBO text and audio systems which provide real-time information by satellite links to each LBO. The Group's latest odds, prices from the race tracks and results as they occur are constantly displayed on the multi-screen information display systems and broadcast over audio by the Group's own commentators. Due to the importance of these systems to the Group's business, they are backed up by a network infrastructure that allows any LBO to obtain text, audio or both in the event of a fault occurring in the Group's satellite receiving equipment. In the event of a satellite failure, the back-up system capacity is sufficient to support all the Group's LBOs.

### ***LBO video system***

The Group operates a video system, which transmits live television pictures and audio commentaries of and data relating to horse and greyhound races and certain numbers draws by satellite to each LBO. The service is currently provided by (i) Satellite Information Services Limited, a wholly-owned subsidiary of SIS, an entity co-founded and currently owned jointly by the Group and other entities, including Ladbrokes and the Tote and (ii) Amalgamated Racing Limited, trading as Turf TV, a joint venture between Alphameric plc and Racing UK, itself a joint venture between 31 of the 59 UK horse racing tracks. The current legal position regarding the distribution of television pictures, audio and data is explained in Section 14 of this Part IV.

### ***Sportsbook systems***

The front-end web servers serve the sites' web pages to customers' browsers, and back-end application servers carry out bet settling, client accounting and event management functions. The complete system configuration is replicated over two sites providing robust business continuity arrangements. The Group recently launched a new Sportsbook system supplied by Orbis.

### ***Telephone betting systems***

The Group operates a telephone betting system, which comprises call handling, bet capture and bet settling systems. Call handling allows calls to be routed and prioritised according to client profile. The systems have direct links to payment providers for the authorisation of debit card transactions and the payment of winnings.

### ***Online casino and poker system***

William Hill Online's casino and poker businesses are based offshore in Gibraltar and Malta and use software provided under licence from a variety of providers. Customers connect over the internet to each relevant supplier's servers in the relevant jurisdiction.

### ***Betting risk management system***

The Group's betting risk management system provides real-time information on the Group's estimated liabilities on an event-by-event basis. All bets taken over the telephone and online, together with the majority of bets from 100 representative LBOs and referrals and notifications from all LBOs, are entered into a consolidated field book that provides a real-time overview of Group-wide estimated liabilities.

### ***Text information system***

The Group supplies text information by landline links to commercial broadcasters for promotional purposes. The information provided comprises the Group's own odds on future events, live odds on horse and greyhound races as well as recent results and other sports betting information.

### ***Payment processing systems***

The Group outsources payment processing functions in respect of its online and telephone channels to Commidea Ltd and DataCash Ltd. Debit card payments made by customers in the Group's LBOs are processed by Royal Bank of Scotland.

### ***Customer support systems***

The Group uses third party customer services software provided by RightNow Technologies, Inc. to record customer contacts in the Group's retail, online and telephone channels. The Group's customer support systems comprise customer services and customer relations telephone helplines based at the Group's registered office, together with an online help centre which allows customers to raise queries and/or register complaints via the internet.

### ***Business continuity***

The Group's material systems are fully duplicated. A back-up data centre is located near Leeds, where the main data centre is located. Fibre optic links connecting large disc arrays are used to replicate the business

data of the Sportsbook and telephone betting in real time between the sites. The back-up data centre also acts as a benchtesting environment and proposed changes to systems are thoroughly tested to ensure no interruptions to service. Fully documented and tested disaster recovery plans are in place with business continuity strongly emphasised. All of the above arrangements are inspected and audited regularly. In relation to assets recently acquired from Playtech, the Group is in the process of examining the disaster recovery systems in place in relation to such assets and will take steps to improve and update these systems as appropriate.

## **11. SUPPLIER RELATIONSHIPS**

William Hill has a number of key suppliers who provide products and services to the Group. In the online channel, Playtech and Cryptologic Inc. support William Hill's poker offering and Playtech also supplies William Hill with casino software. Orbis' technology platform has been used to launch a new Sportsbook. In the retail channel, the most significant relationships are with Leisure Link (the UK operating division of Inspired Gaming Group plc) and Global Draw Limited, who both supply gaming machines to the Group's LBOs in Great Britain. SIS, in which William Hill has a shareholding, and Turf TV are the main providers of television pictures, audio and data into the Group's LBOs.

## **12. INTELLECTUAL PROPERTY**

William Hill's copyright, trademarks, domain names, trade secrets, customer databases and other intellectual property are important to its success. William Hill owns or has a licence to use the intellectual property rights in the key software used in its operations.

The Group's registered UK and European Community trade marks include both William Hill and WillHill. These names are also either registered or pending in appropriate worldwide jurisdictions. The Group has registered a portfolio of domain names and takes active measures to protect its trade marks.

The Group uses a mixture of software under licence and internally developed software for which it owns the copyright and retains rights of ownership. William Hill relies on the protection of trademark and copyright law, trade secret protection, contractual protection and licence agreements with its employees, customers and others to protect its proprietary rights.

## **13. EMPLOYEES**

For the year ended 30 December 2008, the Group's average number of employees was 16,176 (2007 – 14,629, 2006 – 13,952) all of whom are engaged in the administration and provision of betting and gaming services and the operation of greyhound stadia. Seasonal staff are principally recruited to work during the summer months (April to August) when the LBOs remain open later in the evening. Pay reviews are held annually. See Section 5 in Part VII for more information.

## **14. INDUSTRY ISSUES**

### *Cost of content*

#### *Horse racing levy*

The British betting industry supports the British horse racing industry via the horse racing levy, a subsidy now based on the gross win earned from British horse race betting. This levy arrangement has been established on a statutory basis since off-course betting was legalised in 1961. The horse racing levy is an annual scheme with representatives of all bookmakers (comprising the Bookmakers Committee) responsible to the Horserace Betting Levy Board for recommending the basis of each year's scheme. When the Horserace Betting Levy Board and the Bookmakers Committee cannot agree a basis the Secretary of State for Culture, Media and Sport determines the outcome. This last occurred in 2008 for the 2008/09 scheme, but agreement has been reached for the 2009/10 scheme whereby the horse racing levy will remain at 10 per cent. of gross win earned on bets placed on British horse racing.

### *Greyhound levy*

The Group also pays the greyhound racing levy, a voluntary levy currently at 0.4 per cent. of the Group's off-course UK turnover relating to greyhound racing, for the purpose of supporting greyhound racing in the UK.

### *Other sports*

The Group does not make material payments for the rights to bet on other sports. The DCMS has in the past raised the issue of bookmakers making contributions to support sport in the UK. To date there have been no concrete developments affecting the Group from this suggestion.

### ***Distribution of television pictures, audio and data***

Television pictures from the 59 UK horse racing tracks is broadcast into the Group's LBOs. Previously the right to broadcast pictures from all tracks was held directly or indirectly through SIS and all bookmakers receiving pictures, including William Hill, paid for this service. From the beginning of 2008, a joint venture trading as Turf TV between certain racecourses and Alphameric plc acquired the television coverage rights from 31 of the 59 tracks. In January 2008 the Group entered into a five-year contract with Turf TV for the provision of live pictures of races at those courses for which Turf TV holds the television picture, audio and data rights.

William Hill, along with a number of other large bookmakers, instituted proceedings against Turf TV alleging that it acquired its television coverage rights in an uncompetitive manner as a result of the collective sale of exclusive picture rights in a closed auction, i.e. other parties were not allowed to bid for the rights. In turn William Hill and certain other bookmakers have been counter-sued by Turf TV, which alleges that the former have acted in an uncompetitive manner and in collusion. At first instance, William Hill and the other claimants lost their claim, but this is the subject of an appeal due to be heard in May 2009. In addition, Turf TV lost its counterclaim and this part of the case is not subject to appeal.

### ***Problem gambling***

The issue of problem gambling is an important one for the industry and the Government expects the gambling industry to act in a socially responsible way and to contribute to funding for support for those with gambling problems. The Group encourages a socially responsible attitude within the gambling industry and within the organisation and has been a contributor to the Responsibility in Gambling Trust, a charity set up by the industry to look at these issues. William Hill has always paid the contribution which it undertook to fund. However, the Responsibility in Gambling Trust has struggled to raise the money expected. In addition, William Hill has constituted a Corporate Responsibility and Regulated Issues Committee to assist the Board in its approach to, *inter alia*, problem gambling issues. William Hill works closely with its regulators in the UK and overseas to ensure that high industry standards are adhered to by the Group. William Hill also maintains a regular dialogue with Gamcare, a centre for information, advice and practical help for anyone with gambling problems. Further, the Group recognises the role of both the DCMS and the Gambling Commission in seeking ways of minimising the impact of gambling on young and/or vulnerable people and will continue to work with them.

The Gambling Prevalence Study was published in 2007 by the Gambling Commission. It showed no increase in overall levels of problem gambling since the last study was undertaken in 1999. A further survey has been commissioned for 2010 and thereafter at three year intervals. In February 2008, the DCMS tasked the Gambling Commission with exploring the relationship between high stake, high prize gaming machines and problem gambling. The Gambling Commission will report back to the DCMS in June 2009 on this issue. The Gambling Commission has reported to the DCMS in a preliminary report with its view that there is no evidence of a causal link between these machines and problem gambling. These machines have been in LBOs for approximately seven years and have proved popular with customers. The Directors believe that the vast majority of the Group's customers enjoy and play these gaming machines responsibly and that LBOs remain the most secure location for these gaming machines. The Group does not believe there is evidence that supports the proposition that any single product is responsible for an increase in problem gambling.

On 6 January 2009 the DCMS published a consultation paper proposing the introduction of a compulsory donations to the Responsibility in Gambling Trust. The 12 week consultation period ends in March 2009.

### *Taxation*

In addition to the usual business taxes, the gambling industry is also subject to specific taxes. In relation to gambling operators in the UK these are gross profit tax calculated at 15 per cent. of gross win and Amusement Machine Licence Duty levied at £2,030 per machine per annum. The Group's retail, telephone and online sports betting operations based in the UK are subject to these taxes. The majority of the Group's online gaming operations are located offshore and are subject to the lower taxes in the jurisdictions in which they are established, namely, Malta and Gibraltar.

# PART V

## REGULATORY

### 1. INTRODUCTION

William Hill's business is subject to regulation and/or the grant of licences by various regulatory authorities in a number of jurisdictions.

The gambling industry in Great Britain is regulated under the provisions of the Gambling Act which, amongst other things, authorises the Gambling Commission to act as the central regulatory body for gambling. The Gambling Commission has a duty to permit gambling where it is reasonably consistent with the pursuit of the three licensing objectives set out in the Gambling Act: 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 minors and other vulnerable persons from being harmed or exploited by gambling. William Hill's LBO, telephone, Sportsbook and some gaming operations are regulated by the Gambling Commission.

In jurisdictions outside the UK, William Hill's retail business operates under local licences. William Hill Online is principally regulated in both Gibraltar and Malta, as described below. William Hill is also regulated by the relevant authorities in Ireland, the Isle of Man, Jersey, Alderney, Kahnawake and, via its joint venture with Codere S.A., in Madrid and the Basque territory in Spain.

The Directors believe that the Company has good relations with the relevant regulators in the jurisdictions in which it holds licences. However, no assurance can be given that the Group's operating and gaming licence will not be revoked or that any new, renewed or subsequent licences or approvals that may be required of the Group in the future will be granted.

### 2. LBO AND TELEPHONE BETTING

There are three licence types that have been issued to members of the Group and their directors and employees to enable them to operate in Great Britain. The first is an operating licence issued to the relevant trading company by the Gambling Commission. Four William Hill subsidiary companies hold operating licences. The second licence type is a personal management licence. The Gambling Commission specifies certain senior roles within the organisation that must be undertaken by a personal licence holder. William Hill currently has 40 personal management licence holders. The third licence type is a premises licence which is issued by the relevant local authority. William Hill holds a separate premises licence for each of its LBOs. The Gambling Commission has issued licence conditions and codes of practice with which operators must comply.

The Group's LBO estate in the Republic of Ireland is regulated under the Irish district courts system. The LBO estate in Jersey is regulated by the Jersey Gambling Control Committee. The LBO estate in the Isle of Man is regulated by the Isle of Man Gambling Supervision Commission. The LBO estate in Northern Ireland is licensed by local magistrate's courts.

The Group has a retail presence in Spain both in Madrid and the Basque Territory via its joint venture operations, which are appropriately licensed under the applicable regulatory regime in the different autonomous regions.

#### *Gaming machines*

Each LBO in Great Britain is licensed to hold up to four category B2 or B3 gaming machines. The operation of gaming machines is subject to both The Gaming Machine (Circumstance of Use) Regulations 2007 and the Gambling Commission's Machine Standards requirements, all of which William Hill complies with in each LBO where gaming machines are installed.

William Hill has policies and procedures in place which seek to ensure that the Group complies with the terms and conditions of its licences both in the UK and overseas.

### 3. WILLIAM HILL ONLINE

William Hill's Sportsbook (offered online) and some gaming products are regulated by the Gambling Commission. William Hill Online's poker and casino operations offered using software from Playtech, as well as non-downloadable casino games offered under its 'Vegas' tab and online bingo and skill games, are regulated in Gibraltar by the Gibraltar Regulatory Authority, whilst the other poker and casino products which are offered using software supplied by Cryptologic are regulated in Malta by the Lotteries and Gaming Authority, the regulatory authority responsible for the governance of all forms of gambling in Malta.

The Group has relationships with an extensive affiliate network designed to direct customers to the Group's websites. The Group has contractual arrangements in place with such affiliates which, *inter alia*, seek to ensure that applicable regulatory requirements are complied with.

#### *European jurisdictions*

As all William Hill's remote operations are regulated in EU or EEA jurisdictions, the Group is able to advertise in the UK and to benefit from the principles that apply in the EU to the free movement of goods and services.

The Group accepts transactions from customers for certain products from certain European jurisdictions. There are instances of European betting and gaming operators being (i) prosecuted by a relevant authority or (ii) sued by a monopoly right holder or other significant market participant for offering their products and services in a particular European state in which they are not licensed or otherwise regulated. Member States are required to abide by principles of freedom of establishment and free movement of services under EU law. The Directors believe that the Group's activities in Member States where the Group is not licensed or otherwise regulated are permitted by such principles. However, the extent to which national courts in European jurisdictions will implement principles of EU law is uncertain as Member States are afforded a degree of discretion in such implementation. As a result, the Group and the Directors may face criminal or civil claims in these jurisdictions as a consequence of their actions regardless of whether such actions are in accordance with EU law. In addition, the relevant regulatory authority, monopoly right holder or other significant market participant could take action against the Group's service providers in such countries. To the extent that the domestic laws or any prosecutions, suits or other determinations of a national court of a Member State do not respect EU law, such actions may fall within the jurisdiction of the ECJ to which reference may be made. On such a reference, the ECJ may, broadly or narrowly, scrutinise such domestic laws, prosecutions, suits or other determinations and determine the legality of such operator's activities pursuant to EU law. The ECJ may determine that the actions of the relevant Member States are proportionate and objectively protect a matter of public policy within the competence of such Member State, such as social responsibility matters, in which case such restrictions may be justified. If the ECJ finds that such an authority, monopoly right holder or other significant market participant's actions result from laws which are discriminatory, disproportionate or not objectively justifiable, such restrictions on the operator's activities may be found to be in contravention of EU law.

#### *Remote gambling*

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

The Group analyses jurisdictional risk and where considered necessary, the Directors obtain independent legal advice concerning the state of gambling laws in particular jurisdictions. This advice is used to modify the basic approach on a case by case basis and, based on the relevant jurisdiction, the Group undertakes procedures in order to mitigate such risk. William Hill has systems and controls in place which seek to ensure that the Group does not offer gambling products via the internet into jurisdictions from which it has determined that it does not wish to accept transactions. The systems and controls include monitoring and

analysing information provided by potential customers' registered addresses and of customers' payment methods. In particular, the Group does not accept any transactions from customers in the US.

In the UK the Group currently complies with obligations placed on it in respect of casino products (the Group's online games) following the introduction of the third EU Money Laundering Directive. The Group awaits details of the interpretation of the directive by its regulators in Gibraltar and Malta and expects to implement any required changes at some point in 2009.

## PART VI

### OPERATING AND FINANCIAL REVIEW

*The following discussion of the financial condition and results of operations of the Group should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes for the 52 weeks ended 26 December 2006, the 53 weeks ended 1 January 2008 and the 52 weeks ended 30 December 2008 (the “2006 financial year”, the “2007 financial year” and the “2008 financial year”, respectively) incorporated by reference into this document and with the information relating to the business of the Group included elsewhere in this document. The discussion includes forward-looking statements that reflect the current view of the Group’s management and involve risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this document, particularly in “Risk Factors” and in “General Information – Information regarding forward-looking statements”. Prospective investors should read the whole of this document, including the documents incorporated by reference, and not just rely upon summarised information set out in this Part VI “Operating and Financial Review”.*

*The following discussion focuses on the Group’s audited consolidated financial statements for the 2006, 2007 and 2008 financial years, respectively, prepared in accordance with IFRS.*

*Financial information has been restated for the 2006 and 2007 financial years, respectively, in certain instances in this document and in the comparative information for the 2007 financial year in the audited consolidated financial statements for the 2008 financial year. The Group’s profit before tax and profit for the period for the 2006 and 2007 financial years, respectively, have not been impacted by this restatement. Further details of such restatement are set out below in “Key Components of the Group’s Income Statement – Revenue.”*

*This document contains a discussion of gross win, a non-IFRS measure that the Directors use as a key performance indicator of the Group’s business. Gross win is presented to enhance the understanding of the Group’s results of operations. For an explanation of this measure, see below “Gross Win and Gross Win Percentage.”*

#### **Overview**

William Hill is one of the UK’s leading betting and gaming companies. It is one of the UK’s largest bookmakers and also operates in Ireland, with a total of approximately 2,300 LBOs that provide betting opportunities on a wide range of sporting and non-sporting events and, in the UK only, offer gaming machines. In addition, William Hill Online, the Group’s online business, is one of the leading European online betting and gaming businesses by profitability. William Hill was admitted to the Official List and to trading on the London Stock Exchange in June 2002.

The Group delivers its betting and gaming products to customers through three principal channels: (i) retail, (ii) William Hill Online (the online channel) and (iii) telephone betting. The Group reports its primary segment information in its consolidated financial statements on the basis of these channels. The Group also reports segment information on its other businesses, comprising its on-course activities at horse racing and greyhound racing venues, its promotions business and its two greyhound stadia in the north-east of England.

In the 2008 financial year, the Group generated £963.7 million of revenue, £1,022.5 million of gross win and £267.8 million of operating profit.

#### **Retail Channel**

William Hill has a network of approximately 2,300 LBOs in the UK and Ireland and is one of the leading operators of LBOs in the UK. The Directors believe William Hill is one of the most successful operators in terms of profitability per LBO in the UK and it aims to maintain and build on this position by maximising opportunities for growth while ensuring careful cost management.

Through its LBOs, William Hill offers an extensive range of betting opportunities, including sports such as football, snooker and cricket as well as the more traditional horse racing and greyhound racing. Sports betting is supplemented by a range of numbers betting opportunities, including gaming machines and virtual horse and greyhound racing.

In the 2008 financial year, the retail channel generated £790.7 million of revenue (82.0 per cent. of Group revenue), £837.9 million of gross win (81.9 per cent. of Group gross win) and £240.1 million of operating profit (89.7 per cent. of Group operating profit).

### ***Online Channel***

William Hill accepted its first bet via the internet in 1998 and has achieved strong growth in the UK. As discussed in detail below in “Current Trading and Recent Developments”, on 30 December 2008, William Hill established William Hill Online through the acquisition of certain assets, businesses and contracts from Playtech and their subsequent combination with William Hill Interactive. As a result of the transaction William Hill Online became one of the leading European online betting and gaming businesses by profitability. William Hill’s online betting and gaming business now comprises websites providing sports betting, casino games, poker, bingo, numbers betting and skill games.

In the 2008 financial year, the online channel generated £125.1 million of revenue (13.0 per cent. of Group revenue), £136.7 million of gross win (13.4 per cent. of Group gross win) and £49.2 million of operating profit (18.4 per cent. of Group operating profit).

### ***Telephone Betting Channel***

William Hill has one of the largest telephone-based betting businesses in the UK, with approximately 132,000 active customers as at 30 December 2008. Although some migration of customers to the internet has occurred, telephone betting still appeals to a core group of customers who prefer to speak to an individual when placing their bet.

In the 2008 financial year, the telephone betting channel generated £39.8 million of revenue (4.1 per cent. of Group revenue), £39.8 million of gross win (3.9 per cent. of Group gross win) and £5.9 million of operating profit (2.2 per cent. of Group operating profit).

## **Current Trading and Recent Developments**

Group net revenue in the first eight weeks to 24 February 2009 increased by 9 per cent., including the contribution from the expanded online business, compared to the same period in 2008. This increase was achieved against a strong comparator period in 2008 and in spite of poor weather, with 57 UK race meetings cancelled to date in 2009, compared with 26 in the same period in 2008. As a result of these factors, retail gross win increased by 2 per cent. compared to the same period in 2008. Within the retail channel, gaming machines continued to perform strongly, with gross win increasing by 13 per cent. compared to the same period in 2008. On 30 December 2008, William Hill completed the transaction with Playtech which established William Hill Online. Since then, the online business has performed strongly, particularly in Sportsbook, bingo and skill games and has increased net revenue by 54 per cent., compared with the same period in 2008 taking into account the acquired businesses. The Directors expect William Hill Online to benefit going forward from offering its casino and poker gaming products via Playtech software.

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

Given the current economic climate, the Group is focused on maintaining tight cost control and capital management. During 2009, the Board expects to see further benefits accruing to the retail business from the

cost initiatives implemented in 2008, including the new staffing model. At the same time, the Group will continue to invest in William Hill Online to achieve revenue growth and growth in overall customer numbers.

The Group reduced its capital expenditure significantly during 2008 and intends to maintain this lower level of expenditure during 2009. In addition, the Group's capital expenditure approval process has become more stringent. During the coming year, the Group intends to focus its estate development programme on the new LBO sites and re-sites where it expects to achieve the best rates of return.

#### *Establishment of William Hill Online*

William Hill established William Hill Online through the acquisition of certain assets, businesses and contracts from Playtech and their subsequent combination with William Hill Interactive. The acquisition completed on 30 December 2008 and integration of William Hill Interactive and the acquired assets, businesses and contracts is expected to be completed within six to nine months of completion of the acquisition.

In consideration for these assets, Playtech received a 29 per cent. equity interest in William Hill Online, leaving William Hill owning 71 per cent. of the combined business. William Hill has an option to acquire Playtech's interest in William Hill Online on an independent fair-value basis, exercisable at either four years or six years after completion of the original acquisition. William Hill controls and operates William Hill Online, which is a consolidated subsidiary of William Hill, with Playtech's share of profits accounted for as a minority interest.

The transaction combined two highly complementary businesses. William Hill Interactive brought a strong brand, sports betting expertise and an established UK customer base and profit stream. The assets, businesses and contracts acquired from Playtech brought online marketing and customer retention expertise, an extensive affiliate network designed to direct customers to the Group's websites and an established European customer base and profit stream from online gaming.

Prior to launching William Hill Online, William Hill Interactive had approximately 510,000 customers who were active in the 2008 financial year, the majority of whom were based in the UK. The assets acquired from Playtech had approximately 65,000 customers who were active in the month of October 2008, when the transaction was announced. By combining the William Hill Interactive business with the operations acquired from Playtech, William Hill significantly broadened its European online customer base.

#### *Refinanced Bank Facilities*

As at 30 December 2008, the Group had Existing Bank Facilities of £1,450 million and total borrowings under these facilities of £1,070 million.

In February 2009, the Group entered into the New Bank Facilities, which together with its £250 million Existing Bank Facility will provide aggregate funding of £838.5 million for the Group from March 2010. Together with the proceeds from the Rights Issue, the Directors believe that the Refinanced Bank Facilities will provide William Hill with a robust capital structure and appropriate financial flexibility in economic and financial conditions which are expected to continue to be challenging.

Before the refinancing, the Existing Bank Facilities comprised £1.2 billion term and revolving facilities and a £250 million term facility. The existing £1.2 billion term and revolving facilities will be reduced to £950 million shortly following the date of this Prospectus. As before, the Existing Bank Facilities will mature in March 2010 and July 2011.

The New Bank Facilities comprise £538.5 million forward-start term and revolving facilities and a £50 million incremental forward-start term facility. The £538.5 million forward-start term and revolving facilities, which are available from January 2010 and expire in March 2012, will be drawn down to repay any amounts outstanding from the existing £950 million facilities. To supplement the £538.5 million facilities, William Hill can also draw down the one-year £50 million incremental forward-start term facility that is available from January 2010 and expires in February 2011.

See "Liquidity and Capital Resources – Finance Facilities."

## Key Components of the Group's Income Statement

The key components of certain line items of the Group's consolidated income statement are described below.

### *Amounts Wagered*

Amounts wagered represents the gross takings receivable from customers in respect of individual bets placed in the relevant period on events for retail, online and telephone sports businesses, net winnings on gaming activity completed in the relevant period for online casinos and net income earned from poker games completed in the relevant period.

### *Revenue*

Revenue is measured at the fair value of the consideration received or receivable from customers and represents amounts receivable for the Group's goods and services net of discounts, VAT and other sales related taxes, as set out below.

Revenue from the Group's retail channel represents gains and losses from betting activity in the period. The Group adjusts its revenue from bets made in a relevant period in respect of events that will occur after such relevant period ("**open bets**"). The revenue attributable to open bets is based on the estimated fair market value of the bet and is recognised within the period that the bet is made. The fair market value of an open bet is established by reference to the anticipated outcome of such bet. Any gains or losses arising on such valuations are recognised in the period in which the relevant event completes.

Revenue from the Group's online channel from sports betting, casino games, bingo, numbers betting and skill games represents gains and losses from betting activity in the period. Revenue from open bets from the online channel is recognised in the same manner as revenue from open bets from the retail channel.

Revenue from the Group's online channel from poker, where William Hill facilitates games between players and charges commission for participation, represents the net income (the "**rake**") earned from poker games completed by the period end. The rake includes any fixed amounts payable by customers for poker tournament entry.

Revenue from the Group's online channel has been restated for the 2006 and 2007 financial years, respectively, to make it comparable with revenue from the Group's online channel for the 2008 financial year. Prior to the 2008 financial year, the Group recognised free bets, bonuses and other goodwill gestures ascribed to its online customers as revenue from the online channel. In the 2007 financial year, the cost of free bets was recognised in cost of sales for the online channel and the cost of bonuses and other goodwill gestures was recognised in either cost of sales for the online channel or as marketing expenses in operating expenses. In the 2006 financial year, the cost of free bets, bonuses and other goodwill gestures was recognised in cost of sales for the online channel. Following the establishment of William Hill Online and to bring the Group in line with industry practice, with effect from the 2008 financial year onwards revenue from the online channel is recognised net of such free bets, bonuses and other goodwill gestures. For the purposes of this discussion of the financial condition and results of operations of the Group and in this document, revenue from the online channel for the 2006 and 2007 financial years, respectively, has been restated net of free bets, bonuses and other goodwill gestures. The Group's profit before tax and profit for the period for the 2006 and 2007 financial years, respectively, have not been impacted by this restatement.

Revenue with regard to earnings from online gaming (including revenue from casino games, poker and bingo and skill games) and the Group's Sportsbook for the 2006 financial year has not, however, been restated. The Directors do not believe the restatement of online revenue from gaming and the Group's Sportsbook for the 2006 financial year to be material for purposes of this discussion.

Revenue from the Group's telephone betting channel represents gains and losses from betting activity in the period. Revenue from open bets from the telephone betting channel is recognised in the same manner as revenue from open bets from the retail channel.

Revenue from the Group's greyhound stadia represents income arising from the operation of the stadia, including sales of refreshments and Tote income.

### ***Cost of Sales***

Cost of sales primarily relates to taxes and levies paid by the Group (excluding certain tax charges on the Group's ordinary activities, for example, UK corporation tax and VAT payable on income from gaming machines). These taxes and levies include the horse racing levy, gross profit tax applicable to the Group's gross win, the Amusement Machine Licence Duty and the greyhound racing levy. Cost of sales also includes software royalties paid. Further information regarding the levels of taxation and levies paid by the Group is set out below at "Key Factors Affecting the Group's Results of Operations – Taxation and Levies."

As described above in "Revenue", with effect from the 2008 financial year onwards, cost of sales from the online channel is recognised net of free bets, bonuses and other goodwill gestures. In addition, for the purposes of this discussion of the financial condition and results of operations of the Group and in this document, cost of sales from the online channel for the 2006 and 2007 financial years, respectively, has been restated net of free bets, bonuses and other goodwill gestures.

### ***Net Operating Expenses***

Net operating expenses primarily relate to staff costs, which include wages, salaries, social security costs and pension costs in connection with schemes operated by the Group. Net operating expenses also relate to: property costs, including utilities costs, rent and rates; depreciation costs with regard to investment by the Group in its LBO estate and technology and IT systems; costs associated with providing television coverage, audio and other data to LBOs; and marketing expenses, including advertising and sponsorship costs (for example, the Group's FIFA Football World Cup marketing campaign).

As described above in "Revenue", with effect from the 2008 financial year onwards, operating expenses is recognised net of bonuses and other goodwill gestures. In addition, for the purposes of this discussion of the financial condition and results of operations of the Group and in this document, operating expenses for the 2007 financial year have been restated net of bonuses and other goodwill gestures.

The Group's net operating expenses also include income not directly attributable to betting and gaming activities, including rental from non-trading properties, gains and losses on non-trading asset sales and income derived from the sale of refreshments to customers in LBOs.

### ***Share of Results of Associates and Joint Ventures***

Share of results of associates and joint ventures represents the Group's share of the operating profit and loss of its associates and joint ventures.

An associate is an entity over which the Group is in a position to exercise significant influence but that it does not control or jointly control, through participation in the financial and operating policy decisions of the entity.

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 other parties under a contractual agreement.

### ***Net Finance Costs***

Net finance costs comprise the interest paid by the Group on its bank debt together with interest payable or receivable under its interest rate hedging arrangements, fair value gains and losses on its interest rate swaps, the amortisation of capitalised finance fees and the interest on its pension scheme liabilities, net of investment income and return on pension scheme assets.

### ***Exceptional Items***

Exceptional items are non-recurring items that the Group's management considers to be material to an understanding of the Group's financial performance for the period.

Progress has been made in the establishment of the joint venture business in Spain with Codere S.A. over the course of the 2008 financial year with 127 locations secured across Madrid and the Basque region, with 44 locations trading as at 30 December 2008. Rollout has continued in 2009 and trading is now being

conducted in 74 locations. Following the substantive investment of amounts originally committed by each party, the Group is currently in discussions with Codere S.A. as to the future strategic direction of the joint venture and the levels of future investment expected to be required to develop the business in Spain. In light of this and as a result of the deteriorating economic conditions in Spain, the Group has reviewed the carrying value of its Spanish joint ventures as required by IAS 31 'Impairment of assets'. Based on a value in use calculation to establish recoverable amount and taking into account the current circumstances described above, the Directors consider that an impairment charge of £5.4 million, which the Group recorded in the 2008 financial year, is required for the Group's interest in its Spanish joint venture. Further details of the Group's joint ventures are given in note 15 to the audited financial statements of the Group for the 52 weeks ended 30 December 2008 incorporated by reference into this document.

The Group's exceptional items in the 2008 financial year also included a £86.4 million gain on disposal of a 29 per cent. share in its online business to Playtech and exceptional integration costs of £1.4 million relating to the transaction.

Other exceptional items in the 2008 financial year comprised the Group's £1.2 million loss on disposal of its interest in its Italian joint venture company, William Hill Codere Italia, which the Group sold to INTRALOT Italia spa during the period, further reorganisation costs of £4.0 million in connection with its termination of the NextGen programme (as discussed below) and a £2.8 million profit on the sale-and-leaseback of certain LBO properties.

The Group's exceptional items in the 2007 financial year included a £20.9 million operating expense related to costs incurred in the termination of its NextGen programme, which was terminated following a review by the Directors in the 2007 financial year. These costs consisted of an impairment charge of £20.5 million on software developed internally under the NextGen programme and £0.4 million on computer hardware equipment. The Group's exceptional items in the 2007 financial year also included £6.7 million profit on the sale-and-leaseback of certain LBO properties.

There were no exceptional items in the 2006 financial year.

### ***Tax***

Tax represents the corporation tax charge on the Group's ordinary activities and any deferred tax credit or charge accounted for in the period.

### **Gross Win and Gross Win Percentage**

#### ***Gross Win***

The Directors use gross win as a key performance indicator of the Group's business and believe that the presentation of gross win enhances an investor's understanding of the Group's results of operations. However, gross win is not an item recognised under IFRS. In accordance with the requirements of IFRS, the Group's earnings are expressed in its financial statements as revenue. Gross win, as used in this document, is calculated as the total amount that the Group retains from customers after paying out any winnings but before deducting VAT payable on income from gaming machines, whereas the Group's revenue is disclosed net of VAT and fair value adjustments for free bets, promotions and bonuses. Gross win should not be considered in isolation or as an alternative to revenue or other data presented in the Group's financial statements as indicators of financial performance. Moreover, gross win, as used in this document, is not necessarily comparable to other similarly titled indicators of other companies owing to potential differences in the method of calculation.

The following table sets out the reconciliation between revenue and gross win for the 2006, 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
	<i>£m</i>		
Revenue	891.9	933.6	963.7
VAT payable on income from gaming machines	37.1	43.2	47.2
Fair value adjustments for free bets, promotions and bonuses	6.4	11.6	11.6
Gross win	<u>935.4</u>	<u>988.4</u>	<u>1,022.5</u>

### **Gross Win Percentage**

Gross win percentage is gross win expressed as a percentage of amounts wagered.

The following table sets out gross win and gross win percentage for the 2006, 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>					
	<i>2006</i>		<i>2007</i>		<i>2008</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Amounts wagered	13,240.4	–	14,797.1	–	15,553.9	–
Gross win	<u>935.4</u>	<u>7.1</u>	<u>988.4</u>	<u>6.7</u>	<u>1,022.5</u>	<u>6.6</u>

### **Factors Affecting the Group's Results of Operations**

The results of the Group's operations have been, and will continue to be, affected by many factors, some of which are beyond the Group's control. This section sets out certain key factors that the Directors believe have affected the Group's results of operations in the periods under review or could affect its results of operations in the future. For a discussion of certain factors that may adversely affect the Group's results of operations and financial condition, also see "Risk Factors".

### **Relationship between Amounts Wagered, Gross Win and Gross Win Percentage**

The interpretation of the Group's results of operations is affected by the relationship between amounts wagered, gross win and gross win percentage. Amounts wagered and gross win are significantly influenced by customer behaviour, including the "recycling" of winnings, by betting results and by the margins applicable to each betting and gaming product.

In general, a customer of the Group will earmark an amount of money that he is prepared to lose on a given day or in a certain period of time. If the customer loses that amount rapidly he is unlikely to place further bets over and above the amount of money he earmarked to spend. This results in lower amounts wagered but a higher gross win percentage. If the typical customer wins and reinvests his winnings until he has lost the sum that he originally earmarked as the amount he was prepared to lose, amounts wagered will be increased but gross win percentage reduced. Accordingly, recycling of winnings results in an inverse relationship between amounts wagered and gross win percentage. Such behaviour is typical of retail, online and telephone customers. However, online customers typically wager the amount of money they are prepared to lose over an extended period of time whereas retail customers tend to wager the amount they are prepared to lose on a single visit to a LBO.

Since the introduction of the Gambling Act in 2007, the Group has increased both the number of gaming machines in its LBOs and the opening hours of some of its LBOs in the UK. Gaming machines operate at a lower gross win percentage and customers are more likely to reinvest their winnings, leading to higher amounts wagered but a decrease in gross win percentage. The Group's development of its online channel together with the trend towards such gaming machines may impact the Group's gross win percentage in the future by increasing amounts wagered and overall profitability but decreasing gross win percentage.

### ***Fixed-Odds versus Variable-Odds Products***

The manner in which the Group's customers choose to bet (i.e. whether they are betting over-the-counter, via gaming machines or online) impacts the Group's amounts wagered, gross win and gross win percentage.

Fixed-odds products, including gaming machines, poker and numbers betting, provide the Group with fixed gross win percentages.

Variable-odds products, such as most sports betting, provide gross win percentages that are more variable in the short term. There can be a high level of variation in gross win percentage race by race, match by match and day by day. On occasion, this can create significant impact on the Group's results of operations. However, in the long term, the gross win percentage for these products has, historically, remained fairly constant despite short-term volatility. The Group monitors its variable-odds products such that in the event that a number of variable-odds products were linked, the Group may, in certain circumstances, attempt to cover potential losses by selling on the wagers separately across the market. In the event that the odds differed or the wagers could not be sold on, this could result in a loss for a particular event for William Hill.

### ***Taxation and Levies***

Like many of its competitors, the Group is subject to significant taxation and levies in the UK. Changes in levels of taxation or levies or changes in tax or levy policy could have a material impact on the Group.

The Group is subject to UK corporation tax with a headline rate of 28 per cent. This was reduced in the 2008 financial year from 30 per cent., effective from 1 April 2008. As a result of the change in the UK corporation tax rate, the Group benefited from the inclusion of a non-recurring reduction in the tax charge for the Group of £11.3 million, owing to the restatement of non-cash deferred tax liabilities, which was reflected in the Group's tax for the 2007 financial year, when the tax rate change was enacted.

The Group is also subject to taxation and levies in relation to betting and gaming activities, including VAT of 15 per cent. payable on income from gaming machines (temporarily reduced from 17.5 per cent., effective from 1 December 2008 until 31 December 2009), the horse racing levy, gross profit tax of 15 per cent. applicable to the Group's gross win in the UK, the Amusement Machine Licence Duty and the greyhound racing levy. These taxes and levies, excluding UK corporation tax and VAT payable on income from gaming machines, are the principal components of the Group's cost of sales.

The horse racing levy, administered by the Horserace Betting Levy Board, is a statutory levy on British horse racing. This is set annually and is effective from 1 April until 31 March the following calendar year. Currently, the 47th levy scheme is effective until 31 March 2009. During the historical period under review, the levy schemes to which the Group has been subject have been set at 10 per cent. of gross win on such horse racing activities. The 48th levy scheme, which has already been agreed and will be effective from 1 April 2009 until 31 March 2010, also sets a levy of 10 per cent. of gross win on horse racing activities for bets settled in the UK.

Amusement Machine Licence Duty is a fixed tax currently set at £2,030 payable per gaming machine per annum. As it was implemented from August 2006, a part-year impact of the tax is reflected in the Group's costs of sales in the 2006 financial year and the full-year impact is reflected in the Group's cost of sales in the 2007 and 2008 financial years.

The Group voluntarily pays a greyhound racing levy, which is agreed with the British Greyhound Racing Board, in order to support the greyhound racing industry. The levy is calculated at 0.6 per cent. of amounts wagered on greyhound racing.

Going forward, the Directors believe the taxation and levy scheme applicable to betting and gaming operators could be subject to change.

### ***Cost of Content***

The Group is subject to subsidies and taxes intended to support industries from which the Group profits and pays third parties for the distribution of television coverage, audio, and other data that are broadcast into the Group's LBOs.

The Group's subsidies and taxes relating to payments related to sports are reflected in the Group's cost of sales and its contracts relating to payments related to sports are reflected in the Group's operating expenses.

The Group's subsidies and taxes relating to payments related to sports comprise the statutory horse racing levy and a voluntary greyhound racing levy as discussed above in "Taxation and Levies".

The Group's contracts relating to payments related to sports include the contracts with SIS and Turf TV for the provision of live coverage of horse races.

The Group is currently engaged with the UK government and the horse racing industry in developing a commercial arrangement for supporting the industry that could replace the horse racing levy. Going forward, the Group expects to continue to be involved in negotiations and lobbying in relation to payments related to sports that impact the Group's results of operations.

### ***Development of Online Channel***

Revenue from the online channel has not historically represented a major portion of the Group's total revenue. Revenue from the online channel represented 14.4 per cent., 12.1 per cent. and 13.0 per cent. of the Group's total revenue for the 2006, 2007 and 2008 financial years, respectively. The Group has, however, recently made strategic changes to its online channel, including in the 2008 financial year the acquisition that led to the establishment of William Hill Online and implementation of a new Sportsbook on Orbis' proprietary online betting platform, which the Directors decided to implement instead of completing the Group's NextGen programme. The Directors expect that, over time, revenue from the online channel will represent an increased portion of the Group's total revenue.

If revenue from the online channel grows as a proportion of the Group's total revenue, the Group's results of operations will be increasingly exposed to the uncertainties of online businesses, including in particular the volatility of online customer usage, behaviour and expectations, as well as rapid technological changes and technology disruptions or failures. Such events could adversely impact the Group's profitability.

### ***Regulatory Issues***

The Group is subject to various laws and regulations in a number of jurisdictions. The laws and regulations applicable to gambling activities vary considerably amongst these jurisdictions, and gambling operators and their products and services attract varying regulatory status and levels of oversight within these regimes. The Group incurs costs to ensure compliance with these laws. Changes to the laws and regulations relevant to the gambling industry in the jurisdictions in which the Group operates could have a material impact on the Group's results of operations. In the UK, the Group is regulated by the Gambling Commission under the provisions of the Gambling Act, which modernised the UK legal framework with regard to gambling activities and became effective in the 2007 financial year. In anticipation of the Gambling Act's implementation, the Group incurred costs to train its UK staff and to identify that all relevant systems, including the appropriate licences for its companies, personnel, LBOs and online operations, were in place in order to comply with the regulatory framework. Other jurisdictions in which the Group's activities are regulated include Gibraltar, where William Hill Online's poker and casino operations using software supplied by Playtech, non-downloadable casino games offered under its 'Vegas' tab and online bingo and skill games are regulated by the Gibraltar Regulatory Authority, and Malta, where William Hill Online's poker and casino products using software supplied by Cryptologic are regulated by the Lotteries and Gaming Authority.

Although the regulatory regime for land-based gambling operations is well established in many jurisdictions, the gambling laws in such jurisdictions have not necessarily been amended to take account of the internet and the ability to offer gambling products and services online. Consequently, there is uncertainty as to the legality of online gambling in certain jurisdictions, including within certain member states of the European Union, and in certain others it is illegal. The Group analyses its jurisdictional risk and, where necessary, undertakes procedures in order to mitigate such risk. William Hill has systems and controls in place which seek to ensure that the Group does not offer betting and gaming products via the internet into jurisdictions from which it has determined that it does not wish to accept bets or wagers, whether because it has determined it is unlawful to do so; or it is unclear as to whether it is unlawful and has decided not to take

any risk in relation to this uncertainty; or otherwise decided that it does not wish to accept any business for any other reason. The systems and controls include monitoring and analysing information provided by potential customers' registered addresses and of customers' payment methods. For the avoidance of doubt, the Group does not currently accept bets or wagers from customers that it determines are located in the US. A risk exists, however, that a court or other governmental authority in such a jurisdiction could take the position that the Group's systems and controls are inadequate, either currently or as the result of technological developments affecting the internet, or that the Group's current or past business practices in relation to such jurisdiction violated applicable law. Any such determination could expose the Group and its directors to the risk of civil or criminal sanction, as well as reputational damage. Going forward, changes to the Group's regulatory risk in any jurisdiction in which it operates could adversely impact its results of operations.

### ***Sports Schedules***

The Group's results of operations are affected by the schedule of sporting events on which the Group accepts bets. The horse racing schedule in the UK, from which a significant proportion of the Group's revenue and gross win is derived, is weighted towards the spring and summer months when certain high-profile races occur that attract significant betting activity, such as the Grand National and the Derby. As a result, the Group has historically recorded higher amounts wagered in the first half of its financial year. In addition, outdoor sporting events, particularly horse races, are subject to cancellations as a result of adverse weather conditions. In recent years, this seasonality has been offset by the growth in betting on football. Going forward, the Directors believe that the continued diversification of the Group's product portfolio, both in sports betting and also in gaming, may mitigate the extent to which the Group's results of operations are affected by the schedules of particular sports.

The Group's results of operations are also affected by the schedules of significant sporting events that may occur at regular intervals, such as the UEFA European Football Championship and the FIFA Football World Cup. The absence in the 2007 financial year of a major football tournament negatively impacted the results of operations of the Group for the period in comparison to the 2006 financial year, when the FIFA Football World Cup was held, and the 2008 financial year, when the UEFA European Football Championship took place. The Group's results of operations may also be affected by the failure of certain teams to qualify for major sporting tournaments. For example, the Group's results of operations in the 2008 financial year were negatively affected by the failure of the England football team to qualify for the UEFA European Football Championship. The absence for any reason, including cancellation, of significant sporting events could cause fluctuations in revenue and gross win over the short term, which could have a material adverse impact on the Group's results of operations for such given period.

### ***Finance Costs and Refinancing of Debt***

The Group's finance costs reflect the levels of the Group's indebtedness and terms of its bank facilities, including the applicable interest rate and the effect of the Group's interest rate hedging arrangements. As at the end of the 2006 financial year, the Group had total borrowings of £1,145 million under its Existing Bank Facilities, including loans totalling £850 million and £295 million drawn down on its revolving credit facility. As at the end of the 2007 financial year, the Group had total borrowings of £1,155 million under its Existing Bank Facilities, including loans totalling £850 million and £305 million drawn down on its revolving facility. As at the end of the 2008 financial year, the Group had total borrowings of £1,070 million, including loans totalling £850 million and £220 million drawn down on its revolving facility. See "Liquidity and Capital Resources – Finance Facilities." Net finance costs have increased from £56.8 million in the 2006 financial year to £62.5 million in the 2008 financial year, principally owing to higher interest rates on the floating rate portion of the Group's debt. In February 2009, the Group secured a commitment for the New Bank Facilities. See "Current Trading and Recent Developments – Refinanced Bank Facilities."

### ***General Economic Trends***

The Group's results of operations, like those of other participants in the gambling industry, are directly impacted by customer demand for the Group's products and services. Customer demand is influenced in part by general economic trends. It is difficult for the Group to predict the impact that changes in economic

conditions, including current levels of market disruption and volatility, will have on the Group's results of operations over an extended period. The Directors believe that the continued diversification of the Group's products, including the growth of betting on sporting events other than horse racing and greyhound racing, and the increase in available products on its gaming machines and through its websites, in addition to the continued diversification of the Group's geographic markets, could give the Group a greater resilience than in previous recessions.

### ***High Fixed Cost Base***

The Group has a relatively high fixed cost base as a proportion of its total costs, consisting primarily of staff and rent costs associated with its extensive LBO estate. The Group's staff costs in particular represented 49.9 per cent., 49.0 per cent. and 49.4 per cent. of the Group's operating expenses for the 2006, 2007 and 2008 financial years, respectively. The profitability of the Group is therefore disproportionately exposed to any decrease in the Group's revenue as the Group is unable, in the short to medium term, to reduce its costs substantially to mitigate the effect of any significant falls in revenue on profit.

### **Factors Affecting Comparability of the Group's Results of Operations**

Key factors affecting comparability of the Group's results of operations include:

#### ***Extended Opening Hours***

The Group has historically operated extended trading hours at its LBOs in the spring and summer months, as permitted under regulations, in order to accommodate the horse racing schedule in the UK. Following a change in regulations, the Group extended its opening hours year-round with effect from 1 September 2007. The full-year impact of this change is reflected in the Group's financial information for the 2008 financial year. Consequently, comparability of the Group's results for the 2008 financial year with the 2007 financial year, in which the Group did not operate extended trading hours for the full year, and comparison of the Group's results for the 2007 financial year with the 2006 financial year, when the Group only operated extended trading hours for the spring and summer months, is affected.

#### ***Extra Week of Results in 2007***

The Group prepares its financial statements on the basis of a 52 or 53 week financial period, generally ending on the Tuesday closest to the 31 December in each year. The 2006 and 2008 financial years were 52-week periods, and the 2007 financial year was a 53-week period. Consequently, the Group's results for the 2007 financial year included an additional week of trading, the week ended 1 January 2008, which affects comparability with the 2006 and 2008 financial years.

The overall impact of the 53rd week in the 2007 financial year was an increase of £20.1 million in revenue, £20.9 million in gross win and £6.4 million in operating profit.

The impact of the 53rd week on the retail channel was an increase of £15.8 million in revenue from the channel, comprising an increase of £11.5 million in over-the-counter revenue and £4.3 million in gaming machines revenue, and an increase of £16.5 million in gross win from the channel, comprising an increase of £11.5 million in over-the-counter gross win and £5.0 million in gaming machines gross win. The impact of the 53rd week on net operating expenses from the retail channel was an increase of £8.1 million.

The impact of the 53rd week on the online channel was an increase of £2.8 million in revenue from the channel, comprising an increase of £0.9 million from online Sportsbook revenue and £1.9 million from online gaming.

The impact of the 53rd week on the telephone channel was an increase of £1.3 million in revenue from the channel.

#### ***Acquisitions***

Over the course of the three years ended 30 December 2008, the Group grew through a number of acquisitions and joint venture arrangements.

### *Acquisitions of T.H. Jennings and Eclipse Bookmakers*

In January 2007, the Group acquired two small chains of bookmakers in the UK: T.H. Jennings, comprising 22 LBOs, for a total consideration of £21.5 million; and Eclipse Bookmakers, comprising seven LBOs, for a total consideration of £3.2 million.

### *Establishment of Joint Ventures with Codere*

In the 2007 financial year, the Group entered into joint ventures with Codere S.A. in Spain and Italy. The Group has subsequently withdrawn from its joint venture with Codere S.A. in Italy resulting in a loss on disposal of £1.2 million.

### *Establishment of William Hill Online*

William Hill established William Hill Online through the acquisition of certain assets, businesses and contracts from Playtech and their subsequent combination with William Hill Interactive. The acquisition completed on 30 December 2008 and integration of William Hill Interactive and the acquired assets, businesses and contracts is expected to be completed within six to nine months of completion of the acquisition. Upon completion of integration, the capital expenditure, transaction costs and integration costs of the transaction are expected to total approximately £24 million.

## **Results of Operations**

### **Overview**

The following table sets out certain income statement items and those items as a percentage of total revenue for the Group for the 2006, 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>					
	<i>2006</i>		<i>2007</i>		<i>2008</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Amounts wagered	13,240.4	–	14,797.1	–	15,553.9	–
<b>REVENUE</b>	891.9	100.0	933.6	100.0	963.7	100.0
Cost of sales	(158.0)	(17.7)	(170.4)	(18.3)	(166.2)	(17.2)
<b>GROSS PROFIT</b>	736.3	82.3	763.2	81.7	797.5	82.8
Net operating expenses	(445.3)	(49.9)	(477.2)	(51.1)	(516.0)	(53.5)
Exceptional operating expense	–	–	(20.9)	(2.2)	(5.4)	(0.6)
Share of results of associates and joint ventures	3.6	0.4	0.7	0.1	(2.9)	(0.3)
Exceptional joint venture impairment	–	–	–	–	(5.4)	(0.6)
<b>OPERATING PROFIT</b>	292.2	32.7	265.8	28.5	267.8	27.8
Exceptional items:						
Profit on sale-and-leaseback of LBO properties	–	–	6.7	0.7	2.8	0.3
Joint venture loss on disposal	–	–	–	–	(1.2)	(0.1)
Gain on disposal of William Hill Online	–	–	–	–	86.4	9.0
Net finance costs	(56.8)	(6.4)	(63.3)	(6.8)	(62.5)	(6.5)
<b>PROFIT BEFORE TAX</b>	235.4	26.3	209.2	22.4	293.3	30.4
Tax	(68.6)	(7.7)	(51.8)	(5.5)	(59.3)	(6.2)
<b>PROFIT FOR THE PERIOD</b>	166.8	18.7	157.4	16.9	234.0	24.3

## 2008 Financial Year Compared to 2007 Financial Year

### Revenue and Gross Win

Revenue in the 2008 financial year was £963.7 million, an increase of £30.1 million, or 3.2 per cent., from £933.6 million in the 2007 financial year. Gross win in the 2008 financial year was £1,022.5 million, an increase of £34.1 million, or 3.5 per cent., from £988.4 million in the 2007 financial year. This increase in revenue and gross win was attributable to the growth in revenue and gross win from the retail and online channels, which was partially offset by a reduction in revenue and gross win from the telephone betting channel.

The following table sets out gross win and revenue by channel, gross win by channel as a percentage of total gross win and revenue by channel as a percentage of total revenue for the Group for the 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>							
	2007				2008			
	<i>Gross Win</i>		<i>Revenue</i>		<i>Gross Win</i>		<i>Revenue</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Retail	802.6	81.2	759.3	81.3	837.9	81.9	790.7	82.0
Online	124.5	12.6	113.0	12.1	136.7	13.4	125.1	13.0
Telephone betting	53.0	5.4	53.0	5.7	39.8	3.9	39.8	4.2
Other	8.3	0.8	8.3	0.9	8.1	0.8	8.1	0.8
<b>TOTAL</b>	<u>988.4</u>	100.0	<u>933.6</u>	100.0	<u>1,022.5</u>	100.0	<u>963.7</u>	100.0

Revenue from the retail channel in the 2008 financial year was £790.7 million, an increase of £31.4 million, or 4.1 per cent., from £759.3 million in the 2007 financial year. Gross win from the retail channel in the 2008 financial year was £837.9 million, an increase of £35.3 million, or 4.4 per cent., from £802.6 million in the 2007 financial year. This increase in revenue and gross win from the retail channel was primarily attributable to an increase in the average number of LBOs trading, the continued development of the estate, an increase in the number of gaming machines, the full-year impact of extended opening hours, certain favourable football results and the occurrence of the UEFA European Football Championship during the period, in spite of unfavourable results from horse racing events. Average profitability per LBO in the Group's estate increased to approximately £104,000 in the 2008 financial year from approximately £101,000 in the 2007 financial year.

The following table sets out the composition of the Group's gross win and revenue from the retail channel for the 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>			
	2007		2008	
	<i>Gross Win</i>	<i>Revenue</i>	<i>Gross Win</i>	<i>Revenue</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Over-the-counter	514.3	514.3	519.6	519.6
Gaming machines	288.3	245.0	318.3	271.1
Retail	<u>802.6</u>	<u>759.3</u>	<u>837.9</u>	<u>790.7</u>

Over-the-counter revenue and gross win from the retail channel in the 2008 financial year was £519.6 million, an increase of £5.3 million, or 1.0 per cent., from £514.3 million in the 2007 financial year. This increase in over-the-counter revenue and gross win from the retail channel was as a result of the factors discussed above. Gaming machines revenue from the retail channel in the 2008 financial year was £271.1 million, an increase of £26.1 million, or 10.7 per cent., from £245.0 million in the 2007 financial year. Gaming machines gross win from the retail channel in the 2008 financial year was £318.3 million, an increase of £30.0 million, or 10.4 per cent., from £288.3 million in the 2007 financial year. This increase in gaming machines revenue and gross win from the retail channel reflected the increase in the average number of gaming machines in the Group's estate to 8,620 gaming machines in the 2008 financial year from 8,382 gaming machines in the 2007 financial year and the increase in average net contribution per machine per week to £529 in the 2008 financial year from £466 in the 2007 financial year.

The following table sets out the composition of the Group's gross win and revenue from the online channel for the 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>			
	<i>2007</i>		<i>2008</i>	
	<i>Gross Win</i>	<i>Revenue</i>	<i>Gross Win</i>	<i>Revenue</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Gaming	84.4	73.5	92.7	83.1
Sportsbook	40.1	39.5	44.0	42.0
Online	<u>124.5</u>	<u>113.0</u>	<u>136.7</u>	<u>125.1</u>

Revenue from the online channel in the 2008 financial year was £125.1 million, an increase of £12.1 million, or 10.7 per cent., from £113.0 million in the 2007 financial year. Gross win from the online channel in the 2008 financial year was £136.7 million, an increase of £12.2 million, or 9.8 per cent., from £124.5 million in the 2007 financial year. This increase in revenue and gross win from the online channel was attributable to increased earnings from the Group's online gaming products and Sportsbook.

The following table sets out the composition of the Group's gaming gross win revenue from the online channel for the 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>			
	<i>2007</i>		<i>2008</i>	
	<i>Gross Win</i>	<i>Revenue</i>	<i>Gross Win</i>	<i>Revenue</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Casino games	57.2	50.1	61.9	57.7
Poker	23.2	19.8	20.5	15.7
Bingo and skill games	4.0	3.6	10.3	9.7
Gaming	<u>84.4</u>	<u>73.5</u>	<u>92.7</u>	<u>83.1</u>

Gaming revenue from the online channel in the 2008 financial year was £83.1 million, an increase of £9.6 million, or 13.1 per cent., from £73.5 million in the 2007 financial year. Gaming gross win from the online channel in the 2008 financial year was £92.7 million, an increase of £8.3 million, or 9.8 per cent., from £84.4 million in the 2007 financial year. The increase in revenue and gross win from the Group's gaming products was due in part to new game launches, increased cross-selling across products and improved marketing campaigns.

Gaming revenue from casino games in the 2008 financial year was £57.7 million, an increase of £7.6 million, or 15.2 per cent., from £50.1 million in the 2007 financial year. Gaming gross win from casino games in the 2008 financial year was £61.9 million, an increase of £4.7 million, or 8.2 per cent., from £57.2 million in the 2007 financial year. This increase in gaming revenue and gross win from casino games was as a result of the factors discussed above.

Gaming revenue from poker in the 2008 financial year was £15.7 million, a decrease of £4.1 million, or 20.7 per cent., from £19.8 million in the 2007 financial year. Gaming gross win from poker in the 2008 financial year was £20.5 million, a decrease of £2.7 million, or 11.6 per cent., from £23.2 million in the 2007 financial year. This decrease in gaming revenue and gross win from poker primarily reflected erosion of the Group's market share, but has since been addressed by the Group through the launch of a new website on the Playtech software and iPoker network.

Gaming revenue from bingo and skill games in the 2008 financial year was £9.7 million, an increase of £6.1 million, or 169.4 per cent., from £3.6 million in the 2007 financial year. Gaming gross win from bingo and skill games in the 2008 financial year was £10.3 million, an increase of £6.3 million, or 157.5 per cent., from £4.0 million in the 2007 financial year. This increase in gaming revenue and gross win from bingo and skill games was as a result of the factors discussed above.

Sportsbook revenue from the online channel in the 2008 financial year was £42.0 million, an increase of £2.5 million, or 6.3 per cent., from £39.5 million in the 2007 financial year. Sportsbook gross win from the online channel in the 2008 financial year was £44.0 million, an increase of £3.9 million, or 9.7 per cent., from £40.1 million in the 2007 financial year. The increase in revenue and gross win from the Group's Sportsbook principally reflected enhanced client management, an increase in marketing and improved website content and certain favourable results from sports betting.

Revenue and gross win from the telephone betting channel in the 2008 financial year was £39.8 million, a decrease of £13.2 million, or 24.9 per cent., from £53.0 million in the 2007 financial year. This decrease in revenue and gross win from the telephone betting channel was primarily attributable to a decline in the channel's active customers, a reduction in the amounts wagered per transaction, including a reduction in high-staking customer activity, and unfavourable sporting results. The Group ended the 2008 financial year with approximately 132,000 active telephone customers and the 2007 financial year with approximately 146,000 active telephone customers.

#### *Cost of Sales*

Cost of sales in the 2008 financial year was £166.2 million, a decrease of £4.2 million, or 2.5 per cent., from £170.4 million in the 2007 financial year. This decrease in cost of sales was primarily attributable to the reduction in cost of sales from the retail channel and the telephone betting channel, which was partially offset by an increase in cost of sales from the online channel. Cost of sales represented 17.2 per cent. of the Group's revenue in the 2008 financial year, a decrease of 1.1 percentage point from 18.3 per cent. in the 2007 financial year.

The following table sets out cost of sales by channel for the 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>	
	<i>2007</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>
Retail	(137.6)	(135.6)
Online	(19.4)	(20.4)
Telephone betting	(12.3)	(9.2)
Other	(1.1)	(1.0)
<b>COST OF SALES</b>	<b>(170.4)</b>	<b>(166.2)</b>

Cost of sales from the retail channel in the 2008 financial year was £135.6 million, a decrease of £2.0 million, or 1.5 per cent., from £137.6 million in the 2007 financial year. Cost of sales from the retail channel represented 14.1 per cent. of the Group's revenue in the 2008 financial year, a decrease of 0.6 percentage points from 14.7 per cent. in the 2007 financial year. This decrease was primarily attributable to a reduction in the Group's horse racing levy payments due to the lower percentage of revenue attributable to horse racing activities, a decrease in gaming machine royalties paid to suppliers and a contribution from the Group's gaming machine suppliers for the Amusement Machine Licence Duty, which did not occur in the 2007 financial year.

Cost of sales from the online channel in the 2008 financial year was £20.4 million, an increase of £1.0 million, or 5.2 per cent., from £19.4 million in the 2007 financial year. This increase in cost of sales from the online channel principally reflected the growth in revenue from the online channel. Cost of sales from the online channel represented 2.1 per cent. of the Group's revenue in the 2008 financial year, the same percentage as in the 2007 financial year. This stability in cost of sales from the online channel as a percentage of the Group's revenue, despite the growth in revenue from the channel, reflected the growth of the channel's non-UK operations, which are subject to relatively lower taxes.

Cost of sales from the telephone betting channel in the 2008 financial year was £9.2 million, a decrease of £3.1 million, or 25.2 per cent., from £12.3 million in the 2007 financial year. Cost of sales from the telephone betting channel represented 1.0 per cent. of the Group's revenue in the 2008 financial year, a decrease of 0.3 percentage points from 1.3 per cent. in the 2007 financial year. This decrease principally reflected the

decline in revenue from the telephone betting channel, which resulted in a reduction in taxes and levies paid by the Group.

#### *Net Operating Expenses*

The following table sets out the Group's net operating expenses (before exceptional operating expense) for the 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>	
	<i>2007</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>
Other operating income	10.4	6.9
Operating expenses	(487.6)	(522.9)
Net operating expenses (before exceptional operating expense)	<u>(477.2)</u>	<u>(516.0)</u>

Net operating expenses (before exceptional operating expense) in the 2008 financial year were £516.0 million, an increase of £38.8 million, or 8.1 per cent., from £477.2 million in the 2007 financial year.

The following table sets out a detailed composition of the Group's operating expenses (before exceptional operating expense) for the 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>	
	<i>2007</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>
Staff Costs <sup>1</sup>	(239.1)	(258.2)
Property Costs	(83.3)	(88.2)
Depreciation	(35.9)	(35.8)
Pictures and data	(33.1)	(46.3)
Advertising and marketing	(20.1)	(23.7)
Finance charges	(7.3)	(7.0)
Communications	(7.8)	(8.3)
Other <sup>2</sup>	(50.6)	(48.5)
Net operating expenses (before exceptional operating expense)	<u>(477.2)</u>	<u>(516.0)</u>

1. Includes certain net gains with regard to pension schemes.

2. Includes printing and stationery, legal, consultancy, cleaning, property profits and other miscellaneous costs.

The principal component of net operating expenses is staff costs. Staff costs in the 2008 financial year were £258.2 million, an increase of £19.1 million, or 8.0 per cent., from £239.1 million in the 2007 financial year. This increase in staff costs was primarily due to an inflation-based pay award to staff, the full-year impact of extended opening hours, an increase in the average number of LBOs trading and the rebasing of the LBO staff bonus scheme to reflect anticipated higher levels of future payouts. Staff costs represented 32.7 per cent. of the Group's revenue in the 2008 financial year, an increase of 1.2 percentage points from 31.5 per cent. of the Group's revenue in the 2007 financial year. This minimal increase in staff costs (excluding pension scheme gains) as a percentage of the Group's revenue reflected strong control of the expense.

In addition to the increase in staff costs, the increase in net operating expenses (before exceptional operating expense) reflected the Group's entry into its Turf TV contract for the provision of live pictures of certain horse races, higher energy costs and increases in rent and rates, in part driven by an increase in average LBO size and an increase in the average number of LBOs trading, an increase in depreciation costs due to increased investment in the LBO estate and IT systems and an increase in advertising and marketing costs in the retail and online channels.

Net operating expenses (before exceptional operating expense) represented 53.5 per cent. of the Group's revenue in the 2008 financial year, an increase of 2.4 percentage points from 51.1 per cent. in the 2007 financial year. This increase in net operating expenses (before exceptional operating expense) as a percentage of the Group's revenue primarily reflected the transitional period of extended opening hours in the LBO

estate during which the Group incurred increased costs whilst its customers continued to familiarise themselves with the new trading hours.

Other operating income in the 2008 financial year was £6.9 million, a decrease of £3.5 million, or 33.7 per cent., from £10.4 million in the 2007 financial year. This decrease in other operating income was primarily attributable to the Group's partial sale of its interest in SIS in the 2007 financial year and the absence of comparable income in the 2008 financial year.

#### *Exceptional Operating Expense*

Exceptional operating expense in the 2008 financial year was £5.4 million, representing 0.6 per cent. of the Group's revenue for the period. This exceptional operating expense reflected £4.0 million reorganisation costs in connection with the impairment charge incurred by the Group as a result of the Directors' decision to terminate the NextGen programme in the 2007 financial year and £1.4 million costs incurred by the Group with regard to the implementation of William Hill Online. Exceptional operating expense in the 2007 financial year in connection with this impairment charge was attributable to the £20.5 million write-off of internally developed software and £0.4 million write-off of hardware.

#### *Share of Results of Associate and Joint Ventures*

Share of results of associate and joint ventures in the 2008 financial year was a share of loss of £2.9 million, a decrease of £3.6 million from a share of profit of £0.7 million in the 2007 financial year. This decrease in share of results of associate and joint ventures was primarily attributable to the Group's share of losses from its joint ventures with Codere S.A.

#### *Operating Profit*

Operating profit in the 2008 financial year was £267.8 million, an increase of £2.0 million, or 0.8 per cent., from £265.8 million in the 2007 financial year. The Group's operating margin was 27.8 per cent. in the 2008 financial year compared to 28.5 per cent. in the 2007 financial year. Operating profit before exceptional items in the 2008 financial year was £278.6 million, a decrease of £8.1 million, or 2.8 per cent., from £286.7 million in the 2007 financial year. The Group's operating margin before exceptional items was 28.9 per cent. in the 2008 financial year compared to 30.7 per cent. in the 2007 financial year.

The following table sets out operating profit by channel for the 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>	
	<i>2007</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>
Retail	229.8	240.1
Online	30.0	49.2
Telephone betting	16.1	5.9
Other	1.1	1.2
Corporate <sup>1</sup>	(11.2)	(28.6)
<b>OPERATING PROFIT</b>	<b>265.8</b>	<b>267.8</b>

1. Corporate operating profit includes the Group's share of results of associate and joint ventures.

Operating profit from the retail channel in the 2008 financial year was £240.1 million, an increase of £10.3 million, or 4.5 per cent., from £229.8 million in the 2007 financial year. This increase in operating profit from the retail channel reflected the growth in revenue from the channel. Operating profit from the retail channel represented 30.4 per cent. of the Group's revenue from the channel in the 2008 financial year, an increase of 0.1 percentage points from 30.3 per cent. of the Group's revenue from the channel in the 2007 financial year. The increase in operating profit as a percentage of revenue from the retail channel primarily reflected the growth in revenue from gaming machines during the period.

Operating profit from the online channel in the 2008 financial year was £49.2 million, an increase of £19.2 million, or 64.0 per cent., from £30.0 million in the 2007 financial year. Operating profit from the online channel represented 5.1 per cent. of the Group's revenue from the channel in the 2008 financial year,

an increase of 1.9 percentage points from 3.2 per cent. of the Group's revenue from the channel in the 2007 financial year. Operating profit before the exceptional operating expense from the online channel in the 2008 financial year was £54.6 million, an increase of £3.7 million, or 7.3 per cent., from £50.9 million in the 2007 financial year. This increase in operating profit before the exceptional operating expense from the online channel reflected the growth in revenue from the channel. Operating profit before the exceptional operating expense represented 43.6 per cent. of the Group's revenue from the channel in the 2008 financial year, a decrease of 1.4 percentage points from 45.0 per cent. of the Group's revenue from the channel in the 2007 financial year. This decrease in operating profit before the exceptional operating expense as a percentage of revenue from the channel reflected technological difficulties experienced by the channel during the period.

Operating profit from the telephone betting channel in the 2008 financial year was £5.9 million, a decrease of £10.2 million, or 63.4 per cent., from £16.1 million in the 2007 financial year. This decrease in operating profit reflected the decline in revenue from the channel. Operating profit from the telephone betting channel represented 14.8 per cent. of the Group's revenue from the telephone betting channel in the 2008 financial year, a decrease of 15.6 percentage points from 30.4 per cent. of the Group's revenue from the telephone betting channel in the 2007 financial year. This decrease in operating profit from the telephone betting channel as a percentage of revenue from the telephone betting channel primarily reflected the decline in revenue from the channel and the channel's relatively high fixed expenses.

#### *Exceptional Items*

Exceptional items in the 2008 financial year, in addition to the exceptional operating expense discussed above, and the exceptional joint venture impairment discussed above in "Key Components of the Group's Income Statement – Exceptional Items" consisted of the Group's £86.4 million profit on the sale of 29 per cent. of its online business and £2.8 million profit on the sale-and-leaseback of 14 LBO properties. Exceptional items in the 2008 financial year also consisted of the £1.2 million impairment recognised by the Group on disposal of its interest in William Hill Codere Italia, which the Group sold during the period. Exceptional items in the 2007 financial year consisted of the Group's £6.7 million profit on the sale-and-leaseback of 24 LBO properties.

#### *Net Finance Costs*

Net finance costs in the 2008 financial year were £62.5 million, a decrease of £0.8 million, or 1.3 per cent., from £63.3 million in the 2007 financial year. This decrease in net finance costs was due to lower effective interest rates.

#### *Tax*

Tax in the 2008 financial year was £59.3 million, an increase of £7.5 million, or 14.5 per cent., from £51.8 million in the 2007 financial year. This increase in tax primarily reflected the increase in operating profit offset by the reduction in the headline rate of UK corporation tax from 30 per cent. to 28 per cent. The 2007 tax was impacted by the change in tax rate and the impact of the tax rate change on the Group's deferred tax liabilities with regard to its acquired betting licences. The reduction in the tax rate resulted in a non-recurring reduction in the tax charge for the Group of £11.3 million owing to the restatement of these liabilities at the reduced tax rate. There was no restatement of the Group's deferred tax liabilities during the 2008 financial year.

#### *Profit for the Period*

Profit for the 2008 financial year was £234.0 million, an increase of £76.6 million, or 48.7 per cent., from £157.4 million in the 2007 financial year, as a result of the factors discussed above. Profit for the 2008 financial year before exceptional items was £157.8 million, a decrease of £9.3 million, or 5.6 per cent., from £167.1 million profit for the 2007 financial year before exceptional items, as a result of the factors discussed above.

## 2007 Financial Year Compared to 2006 Financial Year

### Revenue and Gross Win

Revenue in the 2007 financial year was £933.6 million, an increase of £41.7 million, or 4.7 per cent., from £891.9 million in the 2006 financial year. Gross win in the 2007 financial year was £988.4 million, an increase of £53.0 million, or 5.7 per cent., from £935.4 million in the 2006 financial year. This increase in revenue and gross win was attributable to the growth in revenue and gross win from the retail channel, which was partially offset by a reduction in revenue and gross win from the online channel and the telephone betting channel.

The following table sets out gross win and revenue by channel, gross win by channel as a percentage of total gross win and revenue by channel as a percentage of total revenue for the Group for the 2006 and 2007 financial years, respectively:

	<i>Financial Year</i>							
	2006				2007			
	<i>Gross Win</i>		<i>Revenue</i>		<i>Gross Win</i>		<i>Revenue</i>	
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Retail	736.0	78.7	698.9	78.4	802.6	81.2	759.3	81.3
Online	134.6	14.4	128.2	14.4	124.5	12.6	113.0	12.1
Telephone betting	57.5	6.1	57.5	6.4	53.0	5.4	53.0	5.7
Other	7.3	0.8	7.3	0.8	8.3	0.8	8.3	0.9
<b>TOTAL</b>	<b>935.4</b>	<b>100.0</b>	<b>891.9</b>	<b>100.0</b>	<b>988.4</b>	<b>100.0</b>	<b>933.6</b>	<b>100.0</b>

Revenue from the retail channel in the 2007 financial year was £759.3 million, an increase of £60.4 million, or 8.6 per cent., from £698.9 million in the 2006 financial year. Gross win from the retail channel in the 2007 financial year was £802.6 million, an increase of £66.6 million, or 9.0 per cent., from £736.0 million in the 2006 financial year. This increase in revenue and gross win from the retail channel was primarily attributable to an increase in the average number of LBOs trading, the continued development of the property estate, an increase in the number of gaming machines and the extension of opening hours at the Group's LBOs from September 2007. Such increases were achieved in spite of a decrease in average profitability per LBO during the period, due to: the lack of a major football tournament in the 2007 financial year; the effects of the smoking ban in LBOs in the UK which came into force during the 2007 financial year; and the negative effect on horse racing gross win resulting from a high level of fixture cancellations in the 2007 financial year (88 cancellations compared with 46 cancellations in the 2006 financial year). Average profitability per LBO in the Group's estate decreased to approximately £101,000 in the 2007 financial year from approximately £103,000 in the 2006 financial year.

The following table sets out the composition of the Group's gross win and revenue from the retail channel for the 2006 and 2007 financial years, respectively:

	<i>Financial Year</i>			
	2006		2007	
	<i>Gross Win</i>	<i>Revenue</i>	<i>Gross Win</i>	<i>Revenue</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Over-the-counter	489.2	489.2	514.3	514.3
Gaming machines	246.8	209.7	288.3	245.0
Retail	<b>736.0</b>	<b>698.9</b>	<b>802.6</b>	<b>759.3</b>

Over-the-counter revenue and gross win from the retail channel in the 2007 financial year was £514.3 million, an increase of £25.1 million, or 5.1 per cent., from £489.2 million in the 2006 financial year. This increase in over-the-counter revenue and gross win from the retail channel was as a result of the factors discussed above. Gaming machines revenue from the retail channel in the 2007 financial year was £245.0 million, an increase of £35.3 million, or 16.8 per cent., from £209.7 million in the 2006 financial year. Gaming machines gross win from the retail channel in the 2007 financial year was £288.3 million, an increase of £41.5 million, or 16.8 per cent., from £246.8 million in the 2006 financial year. This increase in

gaming machines revenue and gross win from the retail channel reflected the increase in the average number of gaming machines in the Group's estate to 8,382 gaming machines in the 2007 financial year from 8,218 gaming machines in the 2006 financial year, and the increase in average net contribution per machine per week to £466 in the 2007 financial year from £433 in the 2006 financial year .

The following table sets out the composition of the Group's gross win and revenue from the online channel for the 2006 and 2007 financial years, respectively:

	<i>Financial Year</i>			
	<i>2006</i>		<i>2007</i>	
	<i>Gross Win</i>	<i>Revenue</i>	<i>Gross Win</i>	<i>Revenue</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Gaming <sup>(1)</sup>	81.5	81.5	84.4	73.5
Sportsbook <sup>(1)</sup>	49.0	49.0	40.1	39.5
Fair value adjustment	4.1	(2.3)	–	–
Online	<u>134.6</u>	<u>128.2</u>	<u>124.5</u>	<u>113.0</u>

1. The Group has not allocated fair value adjustment in respect of the restatement for its revenue and gross win from its online gaming products and Sportsbook for the 2006 financial year.

Revenue from the online channel in the 2007 financial year was £113.0 million, a decrease of £15.2 million, or 11.9 per cent., from £128.2 million in the 2006 financial year. Gross win from the online channel in the 2007 financial year was £124.5 million, a decrease of £10.1 million, or 7.5 per cent., from £134.6 million in the 2006 financial year. This decrease in revenue and gross win from the online channel primarily reflected erosion of the Group's market share as a result of its legacy Sportsbook technology, which restricted its ability to compete effectively. Sportsbook revenue from the online channel in the 2007 financial year was £39.5 million, a decrease of £9.5 million, or 19.4 per cent., from £49.0 million in the 2006 financial year. Sportsbook gross win from the online channel in the 2007 financial year was £40.1 million, a decrease of £8.9 million, or 18.2 per cent., from £49.0 million in the 2006 financial year. The Group has since addressed its problems with its previous Sportsbook technology through its substantial investments in its technology systems, including the implementation of the Orbis platform, and the establishment of William Hill Online.

	<i>Financial Year</i>			
	<i>2006</i>		<i>2007</i>	
	<i>Gross Win</i>	<i>Revenue</i>	<i>Gross Win</i>	<i>Revenue</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Casino games	52.4	52.4	57.2	50.1
Poker	29.1	29.1	23.2	19.8
Bingo and skill games	–	–	4.0	3.6
Gaming	<u>81.5</u>	<u>81.5</u>	<u>84.4</u>	<u>73.5</u>

Gaming revenue from the online channel in the 2007 financial year was £73.5 million, a decrease of £8.0 million, or 9.8 per cent., from £81.5 million in the 2006 financial year. This decrease in gaming revenue from the online channel principally reflected the decrease in the Group's gaming revenue from poker. Gaming gross win from the online channel in the 2007 financial year was £84.4 million, an increase of £2.9 million, or 3.6 per cent., from £81.5 million in the 2006 financial year. This increase in gaming gross win from the online channel was primarily attributable to the Group's introduction of bingo and skill games during the 2007 financial year. Gaming revenue from bingo and skill games in the 2007 financial year was £3.6 million, and gaming gross win from bingo and skill games was £4.0 million in the period.

Gaming revenue from casino games in the 2007 financial year was £50.1 million, a decrease of £2.3 million, or 4.4 per cent., from £52.4 million in the 2006 financial year. Gaming gross win from casino games in the 2007 financial year was £57.2 million, an increase of £4.8 million, or 9.2 per cent., from £52.4 million in the 2006 financial year. This increase in gaming gross win from casino games primarily reflected the launch of nine new games during the period.

Gaming revenue from poker in the 2007 financial year was £19.8 million, a decrease of £9.3 million, or 32.0 per cent., from £29.1 million in the 2006 financial year. Gaming gross win from poker in the 2007 financial year was £23.2 million, a decrease of £5.9 million, or 20.3 per cent., from £29.1 million in the 2006 financial year. This decrease in gaming revenue and gross win from poker primarily reflected erosion of the Group's market share, but has since been addressed by the Group through the launch of a new website on the Playtech software and iPoker network.

Revenue and gross win from the telephone betting channel in the 2007 financial year were £53.0 million, a decrease of £4.5 million, or 7.8 per cent., from £57.5 million in the 2006 financial year. This decrease in revenue and gross win from the telephone betting channel was primarily attributable to the decline in active telephone customers. The Group ended the 2007 financial year with approximately 146,000 active telephone customers and the 2006 financial year with approximately 160,000 active telephone customers. This decrease in revenue and gross win from the telephone betting channel was also due to the absence of a major sports event in the 2007 financial year and the occurrence of the FIFA Football World Cup in the 2006 financial year. Telephone customer activity in the 2006 financial year also benefited from increased marketing associated with the occurrence of the FIFA Football World Cup.

#### *Cost of Sales*

Cost of sales in the 2007 financial year was £170.4 million, an increase of £12.4 million, or 7.8 per cent., from £158.0 million in the 2006 financial year. This increase in cost of sales was primarily attributable to the growth in cost of sales from the retail channel, which was partially offset by a reduction in cost of sales from the online channel and the telephone betting channel. Cost of sales represented 18.3 per cent. of the Group's revenue in the 2007 financial year, an increase of 0.6 percentage points from 17.7 per cent. in the 2006 financial year.

The following table sets out cost of sales by channel for the 2006 and 2007 financial years, respectively:

	<i>Financial Year</i>	
	<i>2006</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>
Retail	(120.5)	(137.6)
Online	(23.7)	(19.4)
Telephone betting	(12.9)	(12.3)
Other	(0.9)	(1.1)
<b>COST OF SALES</b>	<b>(158.0)</b>	<b>(170.4)</b>

Cost of sales from the retail channel in the 2007 financial year was £137.6 million, an increase of £17.1 million, or 14.2 per cent., from £120.5 million in the 2006 financial year. Cost of sales from the retail channel represented 14.7 per cent. of the Group's revenue in the 2007 financial year, an increase of 1.2 percentage points from 13.5 per cent. in the 2006 financial year. This increase was primarily attributable to the full-year effect of the imposition of the Amusement Machine Licence Duty from August 2006, as well as increased over-the-counter taxes and levies reflecting the growth in over-the-counter revenue in the period.

Cost of sales from the online channel in the 2007 financial year was £19.4 million, a decrease of £4.3 million, or 18.1 per cent., from £23.7 million in the 2006 financial year. Cost of sales from the online channel represented 2.1 per cent. of the Group's revenue in the 2007 financial year, a decrease of 0.6 percentage points from 2.7 per cent. in the 2006 financial year. This decrease principally reflected the decline in revenue from the online channel, which resulted in a reduction in taxes and levies paid by the Group.

Cost of sales from the telephone betting channel in the 2007 financial year was £12.3 million, a decrease of £0.6 million, or 4.7 per cent., from £12.9 million in the 2006 financial year. Cost of sales from the telephone betting channel represented 1.3 per cent. of the Group's revenue in the 2007 financial year, a decrease of 0.1 percentage points from 1.4 per cent. in the 2006 financial year. This decrease principally reflected the decline in revenue from the telephone betting channel, which resulted in a reduction in taxes and levies paid by the Group.

### Net Operating Expenses

The following table sets out the Group's net operating expenses (before exceptional operating expense) for the 2006 and 2007 financial years, respectively:

	<i>Financial Year</i>	
	<i>2006</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>
Other operating income	6.3	10.4
Operating expenses	(451.6)	(487.6)
Net operating expenses (before exceptional operating expense)	<u>(445.3)</u>	<u>(477.2)</u>

Net operating expenses (before exceptional operating expense) in the 2007 financial year were £477.2 million, an increase of £31.9 million, or 7.2 per cent., from £445.3 million in the 2006 financial year.

The following table sets out a detailed composition of the Group's operating expenses (before exceptional operating expense) for the 2006 and 2007 financial years, respectively:

	<i>Financial Year</i>	
	<i>2006</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>
Staff Costs <sup>1</sup>	(225.4)	(239.1)
Property Costs	(72.7)	(83.3)
Depreciation	(29.8)	(35.9)
Pictures and data	(30.4)	(33.1)
Advertising and marketing	(25.3)	(20.1)
Finance charges	(8.4)	(7.3)
Communications	(9.4)	(7.8)
Other <sup>2</sup>	(43.9)	(50.6)
Net operating expenses (before exceptional operating expense)	<u>(445.3)</u>	<u>(477.2)</u>

1. Includes certain net gains with regard to pension schemes.

2. Includes printing and stationery, legal, consultancy, cleaning, property profits and other miscellaneous costs.

The principal component of net operating expenses is staff costs. Staff costs in the 2007 financial year were £239.1 million, an increase of £13.7 million, or 6.1 per cent., from £225.4 million in the 2006 financial year. This increase in staff costs was primarily due to an inflation-based pay award to staff, the extended opening hours of LBOs from September 2007, the inclusion of a 53rd week of the 2007 financial year, an increase in the average number of LBOs trading and the effect of the acquisitions of T.H. Jennings and Eclipse bookmakers. Staff costs (excluding pension scheme gains) represented 25.6 per cent. of the Group's revenue in the 2007 financial year, an increase of 0.3 percentage points from 25.3 per cent. of the Group's revenue in the 2006 financial year.

In addition to the increase in staff costs, the increase in net operating expenses (before exceptional operating expense) reflected higher energy costs and increases in rent and rates, in part driven by an increase in the average number of LBOs trading and an increase in depreciation costs resulting from increased investment in the LBO estate and IT systems. The additional costs were partially offset by a decrease in advertising and marketing costs for the period due to the absence of a major sporting event such as the FIFA Football World Cup in the 2006 financial year.

Net operating expenses (before exceptional operating expense) represented 51.1 per cent. of the Group's revenue in the 2007 financial year, an increase of 1.2 percentage points from 49.9 per cent. in the 2006 financial year. This minimal increase in net operating expenses (before exceptional operating expense) as a percentage of the Group's revenue primarily reflected the transitional period of extended opening hours in

the LBO estate during which the Group incurred increased costs for a certain period prior to an associated increase in revenue.

Other operating income in the 2007 financial year was £10.4 million, an increase of £4.1 million, or 65.1 per cent., from £6.3 million in the 2006 financial year. This increase in other operating income was primarily attributable to the Group's partial sale of its interest in SIS and joint venture reimbursement in relation to salaries and other expenses incurred by the Group on behalf of its joint ventures.

#### *Exceptional Operating Expense*

Exceptional operating expense in the 2007 financial year was £20.9 million, representing 2.3 per cent. of the Group's revenue for the period. This exceptional operating expense reflected the Directors' decision in December 2007 to terminate the NextGen programme, which resulted in an impairment charge to write off £20.5 million of internally developed software and £0.4 million of hardware. There was no exceptional operating expense in 2006.

#### *Share of Results of Associates and Joint Ventures*

Share of results of associates and joint ventures in the 2007 financial year was a share of profit of £0.7 million, a decrease of £2.9 million, or 80.6 per cent., from a share of profit of £3.6 million in the 2006 financial year. This decrease in share of results of associates and joint ventures principally reflected £2.6 million share of loss after taxation in the Group's joint ventures in Spain and Italy with Codere S.A., which the Group entered into during the 2007 financial year.

#### *Operating Profit*

Operating profit in the 2007 financial year was £265.8 million, a decrease of £26.4 million, or 9.0 per cent., from £292.2 million in the 2006 financial year. The Group's operating margin was 28.5 per cent. in the 2007 financial year compared to 32.8 per cent. in the 2006 financial year. This decrease in operating profit was primarily due to the impact of the exceptional operating expense for the period. Operating profit before the exceptional operating expense in the 2007 financial year was £286.7 million, a decrease of £5.5 million, or 1.9 per cent., from £292.2 million in the 2006 year (during which period there was no exceptional operating expense). The Group's operating margin before the exceptional operating expense was 30.7 per cent. in the 2007 financial year.

The following table sets out operating profit by channel for the 2006 and 2007 financial years, respectively:

	<i>Financial Year</i>	
	<i>2006</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>
Retail	225.9	229.8
Online	61.5	30.0
Telephone betting	16.7	16.1
Other	(0.6)	1.1
Corporate <sup>1</sup>	(11.3)	(11.2)
<b>OPERATING PROFIT</b>	<b>292.2</b>	<b>265.8</b>

1. Corporate operating profit includes the Group's share of results of associate and joint ventures.

Operating profit from the retail channel in the 2007 financial year was £229.8 million, an increase of £3.9 million, or 1.7 per cent., from £225.9 million in the 2006 financial year. The increase in operating profit from the retail channel reflected the growth in revenue from the channel. Operating profit from the retail channel represented 30.3 per cent. of the Group's revenue from the channel in the 2007 financial year, a decrease of 2.0 percentage points from 32.3 per cent. of the Group's revenue from the channel in the 2006 financial year. The decrease in operating profit as a percentage of revenue from the retail channel reflected the channel's increased operating expenses including the increased number of LBOs, the increased cost of each LBO and increased staff costs as a result of the extended opening hours.

Operating profit from the online channel in the 2007 financial year was £30.0 million, a decrease of £31.5 million, or 51.2 per cent., from £61.5 million in the 2006 financial year. Operating profit from the online channel represented 26.5 per cent. of the Group's revenue from the channel in the 2007 financial year, a decrease of 21.5 percentage points from 48.0 per cent. of the Group's revenue from the channel in the 2006 financial year. This decrease in operating profit from the online channel and as a percentage of revenue from the online channel was owing in part to the impact of the exceptional operating expense for the period. Operating profit before the exceptional operating expense from the online channel in the 2007 financial year was £50.9 million, a decrease of £10.6 million, or 17.2 per cent., from £61.5 million in the 2006 financial year. Operating profit before the exceptional expense from the online channel represented 45.0 per cent. of the Group's revenue from the channel in the 2007 financial year, a decrease of 3.0 percentage points from 48.0 per cent. of the Group's revenue from the channel in the 2006 financial year. This decrease in operating profit before the exceptional expense from the online channel and as a percentage of revenue from the channel reflected the technology difficulties experienced by the channel during the period.

Operating profit from the telephone betting channel in the 2007 financial year was £16.1 million, a decrease of £0.6 million, or 3.6 per cent., from £16.7 million in the 2006 financial year. This marginal decrease in operating profit reflected careful cost control in the channel, despite the reduction in revenue from the channel for the period. Operating profit from the telephone betting channel represented 30.4 per cent. of the Group's revenue from the telephone betting channel in the 2007 financial year, an increase of 1.4 percentage points from 29.0 per cent. of the Group's revenue from the telephone betting channel in the 2006 financial year. This increase in operating profit from the telephone betting channel as a percentage of revenue from the telephone betting channel primarily reflected the channel's decreased operating expenses, due to a decrease in headcount in the channel and reduced marketing expenses due to the absence of a major football tournament during the 2007 financial period.

#### *Exceptional Items*

Exceptional items in the 2007 financial year, in addition to the exceptional operating expense discussed above, consisted of the Group's £6.7 million profit on the sale-and-leaseback of 24 LBO properties. There were no exceptional items in the 2006 financial year.

#### *Net Finance Costs*

Net finance costs in the 2007 financial year were £63.3 million, an increase of £6.5 million, or 11.4 per cent., from £56.8 million in the 2006 financial year. This increase in net finance costs was primarily due to a combination of higher average borrowings during the year and higher interest rates on the floating rate portion of the Group's bank debt, which resulted in higher interest payments by the Group.

#### *Tax*

Tax in the 2007 financial year was £51.8 million, a decrease of £16.8 million, or 24.5 per cent., from £68.6 million in the 2006 financial year. This decrease in tax was due to a combination of the decrease in the Group's operating profit for the period, which was subject to taxation and the reduction in the headline rate of UK corporation tax from 30 per cent. to 28 per cent. during the period. In addition, as the Group had substantial deferred tax liabilities (with regard to its acquired betting licences) at the time of the rate change, the reduction in the tax rate resulted in a non-recurring reduction in the tax charge for the Group of £11.3 million due to the restatement of these liabilities based on the reduced tax rate.

#### *Profit for the Period*

Profit for the 2007 financial year was £157.4 million, a decrease of £9.4 million, or 5.6 per cent., from £166.8 million in the 2006 financial year, as a result of the factors discussed above. Profit for the 2007 financial year before exceptional items was £167.1 million, an increase of £0.3 million, or 0.2 per cent., from £166.8 million in the 2006 financial year (during which period there were no exceptional items), as a result of the factors discussed above.

## Liquidity and Capital Resources

The Group's primary sources of liquidity have been its cash flows from operating activities and the amounts drawn down on its Existing Bank Facilities. The Group's principal use of funds in recent years has been to invest in the operating assets of the business (including via acquisitions), paying dividends, returns to shareholders through on-market share buy-backs, repaying borrowings and paying taxes and financing costs.

### *Finance Facilities*

As at 30 December 2008, the Group had total available debt facilities of £1,450 million financed by a consortium of banks. The Group's Existing Bank Facilities comprised £1.2 billion term and revolving facilities and a £250 million term facility. The term and revolving facilities were structured in two tranches:

- Tranche A comprising a £600 million term loan maturing in March 2010; and
- Tranche B comprising a £600 million revolving credit facility, also maturing in March 2010.

The £250 million term facility matures in July 2011.

In February 2009, the Group secured a commitment for the New Bank Facilities.

As a condition of the New Bank Facilities, the existing £1.2 billion facilities are to be reduced to £950 million. These reduced facilities will mature in March 2010. The £250 million term facility continues until July 2011.

The New Bank Facilities, also financed by a consortium of banks, provide the Group with debt facilities of £752.5 million and comprise £538.5 million forward-start term and revolving facilities and a £50 million incremental forward-start facility. The £538.5 million forward-start term and revolving facilities, which are available from January 2010 and mature in March 2012, will be drawn down to repay amounts outstanding under the existing £950 million facilities. To supplement the £538.5 million facilities, from January 2010 William Hill can also draw down the one-year £50 million incremental forward-start term facility that matures in February 2011.

The entirety of the Group's borrowings is at floating rates of interest. The Group has managed its exposure to interest rates on its forecast net debt by entering into a series of interest rate swaps and collars in accordance with the Company's hedging policy. As at 30 December 2008, approximately 43.5 per cent. of the Group's forecast exposure was fixed via interest rate swaps reducing to 9.3 per cent. by the end of 2012. A further 43.5 per cent. was subject to interest rate collar arrangements as at 30 December 2008, also reducing to 9.3 per cent. by the end of 2012.

The Directors will continue to review the Group's hedging arrangements periodically to ensure that they remain appropriate to the needs of the Group and take account of changes in market conditions and business plans.

As at 27 January 2009, being the most practicable date prior to publication of this document, the Group had total borrowings of £1,096.3 million.

## **Cash Flows**

The following table sets out the Group's cash flows for the 2006, 2007 and 2008 financial years, respectively:

	<i>Financial Year</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cash and cash equivalents at the start of the period	76.6	98.7	69.4
Net cash from operating activities	204.6	149.6	209.9
Net cash used in investing activities	(59.1)	(66.4)	(37.1)
Net cash used in financing activities	(123.4)	(112.5)	(165.7)
Net increase/(decrease) in cash and cash equivalents in the period	22.1	(29.3)	7.1
Cash and cash equivalents at the end of the period	98.7	69.4	76.5

### **2008 Financial Year Compared to 2007 Financial Year**

#### *Net Cash from Operating Activities*

Net cash from operating activities in the 2008 financial year was £209.9 million, an increase of £60.3 million, or 40.3 per cent., from £149.6 million in the 2007 financial year. This increase was primarily attributable to lower corporation tax and net interest paid by the Group in the 2008 financial year as compared to the 2007 financial year due to the inclusion of a 53rd week in the earlier period, which resulted in the Group recognising both an additional tax payment and interest payment during the 2007 financial year.

Net cash from operating activities in the 2008 financial year before debt service costs and corporation tax paid was £307.4 million, a decrease of £3.3 million, or 1.1 per cent., from £310.7 million in the 2007 financial year. This decrease primarily reflected the Group's decrease in operating profit before exceptional items for the period.

#### *Net Cash Used in Investing Activities*

Net cash used in investing activities in the 2008 financial year was £37.1 million, a decrease of £29.3 million, or 44.1 per cent., from £66.4 million in the 2007 financial year. In the 2008 financial year, net cash used in investing activities included a £28.0 million investment by the Group in property, plant and equipment, which reflected the development of its LBO estate, and £25.0 million spent by the Group on up-grading its online systems and other computer software, including the implementation of the new Sportsbook on the Orbis platform. In the 2007 financial year, net cash used in investing activities included a £42.8 million investment by the Group in property, plant and equipment, which reflected the development of its LBO estate, the £25.2 million acquisition by the Group of bookmakers T.H. Jennings and Eclipse Bookmakers and £15.8 million spent by the Group on up-grading its online systems and other computer software.

#### *Net Cash Used in Financing Activities*

Net cash used in financing activities in the 2008 financial year was £165.7 million, an increase of £53.2 million, or 47.3 per cent., from £112.5 million in the 2007 financial year. In the 2008 financial year, net cash used in financing activities principally reflected dividend payments of £80.8 million and repayments on the Group's borrowings of £85.6 million. In the 2007 financial year, net cash used in financing activities principally reflected £78.5 million paid in dividends and the Company's £47.9 million purchase of its own shares.

## ***2007 Financial Year Compared to 2006 Financial Year***

### *Net Cash from Operating Activities*

Net cash from operating activities in the 2007 financial year was £149.6 million, a decrease of £55.0 million, or 26.9 per cent., from £204.6 million in the 2006 financial year. This decrease in net cash from operating activities was primarily attributable to an increase in debt service costs and corporation tax paid by the group. Debt service costs and corporation tax paid by the Group were £161.1 million in the 2007 financial year, an increase of £51.8 million, or 47.4 per cent., from £109.3 million in the 2006 financial year. The increase in debt service costs was principally due to the inclusion of a 53rd week of the 2007 financial year, which resulted in the Group recognising both an additional tax payment and interest payment during the 2007 financial year as compared to the previous period. The increase in corporation tax paid by the Group was principally due to a rationalisation of the Group's corporate structure, which resulted in an acceleration of tax payments.

Net cash from operating activities in the 2007 financial year before debt service costs and corporation tax paid was £310.7 million, a decrease of £3.2 million, or 1.0 per cent., from £313.9 million in the 2006 financial year. This decrease primarily reflected the Group's decrease in operating profit before exceptional items for the period.

### *Net Cash Used in Investing Activities*

Net cash used in investing activities in the 2007 financial year was £66.4 million, an increase of £7.3 million, or 12.4 per cent., from £59.1 million in the 2006 financial year. In the 2007 financial year, net cash used in investing activities included a £42.8 million investment by the Group in property, plant and equipment, which reflected the development of its LBO estate, the £25.2 million acquisition by the Group of bookmakers T.H. Jennings and Eclipse Bookmakers, and £15.8 million spent by the Group on up-grading its online systems and other computer software. In the 2006 financial year, net cash used in investing activities included the Group's £55.2 million purchase of property, plant and equipment, which reflected the Group's development of its LBO estate, and £10.8 million spent by the Group on up-grading its online systems and other computer software.

### *Net Cash Used in Financing Activities*

Net cash used in financing activities in the 2007 financial year was £112.5 million, a decrease of £10.9 million, or 8.8 per cent., from £123.4 million in the 2006 financial year. In the 2007 financial year, net cash used in financing activities principally reflected £78.5 million paid in dividends and the Group's £47.9 million purchase of its own shares. In the 2006 financial year, net cash used in financing activities principally reflected the £70.9 million paid in dividends, the Company's £178.4 million purchase of its own shares and aggregate payments of £125.0 million in respect of the Group's bank debt.

### ***Cash and Cash Equivalents***

Cash and cash equivalents comprise the Group's cash deposits at banks and other short-term, highly liquid investments made by the Group with a maturity of three months or less. Cash and cash equivalents of the Group are held in pound sterling. As at the end of the 2008 financial year, the Group had £76.5 million in cash and cash equivalents. Included in this figure are funds held on behalf of online customers of £20.8 million.

The Group had cash and cash equivalents of £98.7 million at the end of the 2006 financial year and of £69.4 million at the end of the 2007 financial year. Included in these figures are funds held on behalf of online customers of £18.7 million and £20.8 million in the 2006 and 2007 financial years, respectively.

### **Capital Expenditure**

The Group's net capital expenditure was £58.3 million, £97.3 million and £67.9 million for the 2008, 2007 and 2006 financial years, respectively. The Group's capital expenditure in the 2008 financial year related to the Group's £23.6 million retail development, including the opening of 44 new LBOs, 57 LBO extensions and resites and 125 LBO refurbishments, £15.1 million investment in the implementation of its new

Sportsbook on the Orbis platform, £12.0 million investment in IT and other investments, £6.2 million investment in its joint ventures with Codere S.A. and £1.4 million of retail acquisitions. The Group's capital expenditure in the 2007 financial year related to the Group's £46.8 million retail development, including the opening of 39 new LBOs, 65 LBO extensions and resites and 178 LBO refurbishments, £25.2 million investment in the acquisitions of T.H. Jennings and Eclipse bookmakers, £17.1 million investment in IT and other investments and £8.2 million investment in its joint ventures with Codere S.A. The Group's capital expenditure in the 2006 financial year related to the Group's £37.6 million retail development, including the opening of 50 new LBOs, 70 LBO extensions and resites and 113 LBO refurbishments, and £30.3 million investment in IT and other investments.

The Group continuously plans development in its LBO estate, including the opening of new LBOs, LBO extensions and resites and LBO refurbishments. The Group has planned capital expenditure for its 2009 financial year of approximately £58.2 million, including £22.7 million planned for retail development, as well as £25.5 million planned for investment in its information systems, £7.6 million planned for investment in its joint venture operations with Codere S.A. and £2.4 million planned for other investments. Of this £58.2 million, the Directors believe that, as at 30 December 2008, the Group was legally committed to spend less than approximately 10 per cent. of this amount. The Group expects to fund the capital expenditures from its current cash, cash flows from operating activities and funds available under its Refinanced Bank Facilities.

## Contractual Commitments and Off-Balance Sheet Arrangements

### *Contractual Commitments*

The following table sets out the Group's contractual obligations, commercial commitments and principal payments scheduled as at 30 December 2008:

<i>Contractual Obligations</i>	<i>Total</i>	<i>Payments due by period</i>			
		<i>less than 1 year</i>	<i>1-3 years</i>	<i>3-5 years</i>	<i>more than 5 years</i>
Long-term debt obligations	1,070.0	–	1,070.0	–	–
Capital leases	1.2	0.8	0.4	–	–
Operating leases	418.2	43.8	69.6	78.3	226.5
Purchase obligations	18.8	14.8	4.0	–	–
<b>Total</b>	<b>1,508.2</b>	<b>59.4</b>	<b>1,144.0</b>	<b>78.3</b>	<b>226.5</b>

Long-term debt obligations represent the debt drawn down on the Group's banking facilities.

Capital leases relate to items of plant, equipment, fixtures and fittings that have been acquired through finance lease agreements where substantially all risks of ownership are assumed by the Group.

Operating leases predominantly relate to rental payments on the Group's LBO estate. Rental property in the estate is generally acquired on the basis of a 15-year lease, with a break clause at 10 years.

The Group has no other long-term liabilities reflected on its balance sheet under IFRS.

### *Off-Balance Sheet Arrangements*

The Directors believe that the Group does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Group's financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources that is material to investors.

## Capitalisation and Indebtedness of the Group

The following tables set out the capitalisation and indebtedness of the Group as at 30 December 2008:

	<i>£m</i>
Total current debt	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	(0.8)
<b>Total</b>	<u>(0.8)</u>
	<i>£m</i>
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	(1,070.0)
Secured	(0.4)
Unguaranteed/unsecured	–
<b>Total</b>	<u>(1,070.4)</u>
Shareholders' equity	
Share capital	35.4
Retained earnings	389.3
Other reserves	(76.6)
	<u>348.1</u>
Equity attributable to equity holders of the parent minority interest	<u>9.5</u>
<b>Total</b>	<u>357.6</u>

The following table sets out the net financial indebtedness of the Group as at 30 December 2008:

	<i>£m</i>
Cash <sup>(1)</sup>	76.5
Cash equivalents (short-term deposits and restricted cash)	–
Trading securities	–
<b>Liquidity</b>	<u>76.5</u>
Current bank debt	–
Current portion of non-current debt	–
Other current financial debt	(0.8)
<b>Current financial debt</b>	<u>(0.8)</u>
<b>Net current financial indebtedness</b>	75.7
Non-current bank loans	(1,070.0)
Bonds issued	–
Other non-current financial debt	(0.4)
<b>Non-current financial indebtedness</b>	<u>(1,070.4)</u>
<b>Net financial indebtedness</b>	<u>(994.7)</u>

<sup>(1)</sup> Cash includes £20.8 million of funds held on behalf of online customers.

## Disclosures about Market and Credit Risks

The Group is exposed to market risks, including adverse changes in currency exchange rates, as well as being exposed to certain liquidity, credit and interest rate risks.

### ***Currency Risk***

The Group's reporting currency is the Pound Sterling. A number of transactions, however, are conducted in other currencies and, as a result, the Group is exposed to currency risk. The Group is principally impacted by movements in the rate of exchange of Pound Sterling to the Euro. The Group's exposure to currency risk has not however had a material impact on the Group's results of operations or financial condition.

The Group's exposure to currency risk could increase as a result of its acquisition of assets and operations from Playtech, which have a large volume of trade in Euros. The Directors have commissioned a risk assessment in this area and will, on the basis of this assessment, determine whether or not hedging against movements in the rate of exchange of Pound Sterling to the Euro is beneficial to the Group and thus what measures, if any, the Group may implement in order to manage this currency risk.

### ***Liquidity Risk***

The Group's policy on liquidity risk is to maintain flexibility in funding by keeping a minimum specific amount of liquid resources available. The Group manages its exposure to liquidity risk through pre-funding of cash flow and maintaining a diversity of funding resources.

### ***Credit Risk***

The Group's credit risk is primarily attributable to its trade receivables. In order to mitigate this risk, trade receivables are accounted for net of allowances for doubtful receivables, as estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group's credit risk with regard to liquid funds and derivative financial instruments is limited because its counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group does not believe that it has any material concentration of credit risk, as its exposure is spread over a large number of customers and counterparties.

### ***Interest Rate Risk***

The Group is exposed to interest rate risk on its long-term borrowings. Management seeks to limit the Group's exposure to interest rate fluctuations on its borrowings through the use of appropriate hedging arrangements, including by entering into interest rate swaps and collars.

As at 30 December 2008, the notional principal hedged by the Group under swap arrangements was £465 million. The fixed interest rate under such arrangements varies from 4.4 to 5.34 per cent.

As at 30 December 2008, the notional principal hedged by the Group under collar arrangements was £465 million. The floating LIBOR rate under such arrangements is capped at rates between 4.75 and 5.5 per cent., with floors of between 3.75 and 4.5 per cent.

The fair value of swaps and collars entered into as at 30 December 2008 is estimated using derivative pricing models as a liability of £36.6 million.

### **Critical Accounting Policies**

The Group's consolidated financial statements are prepared in accordance with IFRS. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ.

The Group's accounting policies are summarised in the introduction to the notes to the audited consolidated financial statements incorporated by reference into this document. The Directors consider the following policies to be the most significant policies that require management to make subjective and complex judgements or to consider matters that are inherently uncertain:

### ***Impairment of Goodwill and Intangible Assets***

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. In addition, the Group performs an impairment assessment for such assets whenever there is an indication that the asset may be impaired. The carrying value of the assets is compared to the recoverable amounts to determine if an impairment is necessary. The recoverable amounts are based on the estimated value in use of the assets. Management is required to make estimates of future cash, which are impacted by discount rates and growth rates, in determining the value in use. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the operating divisions. The Group prepares cash flow forecasts using the future period's budget and the forecasts are then extrapolated by a growth rate. Any changes in the estimates could result in impairments in future periods.

In the 2007 financial year, the Group recognised an impairment charge for intangible assets of £20.9 million in respect of assets capitalised under its NextGen programme, which was terminated upon review by the Directors during the period. In the 2008 financial year, the Group recognised further impairment costs of £4.0 million in relation to the termination of the NextGen programme.

### ***Fair Value of Derivatives***

The Group uses interest rate swaps and collars to manage its exposure to interest rate movements on its bank debt. The Directors rely on the valuations of the counterparty banks for these financial derivatives.

### ***Retirement Benefit Costs***

The Group operates an occupational pension scheme called The William Hill Pension Scheme (the “**Scheme**”) which is available to eligible employees in the United Kingdom and Gibraltar. The Group also operates a defined contribution pension scheme in the Republic of Ireland and has personal pension arrangements in Jersey and the Isle of Man.

The Scheme has a defined benefit section and a defined contribution section. The defined benefits section of the Scheme was closed to new members in April 2002, other than Directors and other senior management for whom the relevant sections closed in April 2006. The defined contribution section of the Scheme, to which both the employee and employer contribute to fund benefits, is available for all eligible employees.

In the 2008 financial year, the Group recognised a deficit of £25.9 million calculated in accordance with International Financial Reporting Standards in respect of the defined benefits section of the Scheme. The actuarial valuation of the Scheme as at 30 September 2007 (the “**Valuation**”) revealed that the Scheme has a funding deficit of (i) £13.2 million, determined on an on-going basis, and (ii) £118 million, determined on a buy-out basis (i.e. the cost of purchasing annuities to cover the Scheme's liabilities), as at the valuation date. The valuation also revealed that the Scheme is 110 per cent. funded on a PPF (Pension Protection Fund) basis.

The determination of the pension cost and defined benefit obligation of the defined benefit section of the Scheme is based upon certain assumptions which include the discount rate, inflation rate, salary growth, mortality and expected return on scheme assets.

The Company paid an enhanced lump sum contribution to the Scheme in the amount of £9.4 million in the 2008 financial year and has agreed to pay an enhanced lump sum contribution to the Scheme in the amount of £9.4 million in the 2009 financial year. The Valuation concluded that if the assumptions on which the future contribution is based are correct, these contributions will eliminate the shortfall of £13.2 million by 30 September 2012. The amount of contributions required from the Company may increase to cover any increase in the cost of funding future pension benefits or to cover funding shortfalls under the defined benefit section of the Scheme.

## **PART VII**

### **ADDITIONAL INFORMATION**

#### **1. RESPONSIBILITY**

William Hill and its Directors (whose names appear in section 8 of this Part VII below) accept responsibility for the information contained in this document. To the best of the knowledge of William Hill and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omissions likely to affect the import of such information.

#### **2. INCORPORATION**

- 2.1 William Hill was incorporated and registered in England and Wales on 8 May 2001 with registered number 4212563 under the 1985 Act as a private limited company with the name Troniclong Limited.
- 2.2 On 10 May 2002 William Hill changed its name to William Hill Limited.
- 2.3 On 28 May 2002 William Hill re-registered as a public limited company and changed its name to William Hill PLC. William Hill has not changed its name since this date. The principal legislation under which William Hill operates, pursuant to which the New Ordinary Shares will be created and under which its securities have been created, are the Acts and regulations made thereunder.
- 2.4 The registered office and the principal place of business in the UK of William Hill is at Greenside House, 50 Station Road, Wood Green, London, N22 7TP (telephone number 020 8918 3600 or, if dialling from outside the UK, +4420 8918 3600).

#### **3. SHARE CAPITAL**

- 3.1 As at 27 December 2005, the first day covered by the historical financial information incorporated by reference into this document, 390,738,991 Ordinary Shares were in issue fully paid or credited as fully paid. Since 28 December 2005, there have been the following changes in the authorised share capital and the issued and fully paid share capital of William Hill:
  - (a) during the period from 28 December 2005 to 26 December 2006, 29,107,738 shares were cancelled, and a total of 361,631,253 shares were in issue;
  - (b) during the period from 27 December 2006 to 1 January 2008, 7,912,494 shares were cancelled, and a total of 353,718,759 shares were in issue, of which 347,333,181 were Ordinary Shares and 6,385,578 were treasury shares; and
  - (c) as at the date of this document, 353,718,759 Ordinary Shares were in issue, of which 347,907,117 were Ordinary Shares and 5,811,642 were treasury shares.
- 3.2 For the purpose of implementing the Rights Issue, a special resolution will be proposed at the Extraordinary General Meeting to:
  - (a) authorise the Directors pursuant to section 80 of the 1985 Act to allot relevant securities in connection with the Rights Issue up to an aggregate nominal amount of £34,790,711.70 (347,907,117 Ordinary Shares) (representing approximately 50 per cent. of the Enlarged Share Capital and approximately 98 per cent. of the issued ordinary share capital of William Hill at the date of this document); and

- (b) empower the Directors to allot equity securities for cash pursuant to the authority referred to at (a) above, as if section 89(1) of the 1985 Act did not apply to such allotment in connection with the Rights Issue.

The authorities described in (a) and (b) above will lapse on 26 February 2010.

- 3.3 The following tables show the authorised and issued ordinary share capital of William Hill as at 26 February 2009 (being the latest practicable date prior to the publication of this document) and the authorised and issued share capital as it is expected to be immediately following Admission.

***Existing number of Ordinary Shares***

<i>Authorised</i>		<i>Issued and fully paid up</i>	
<i>Nominal value (£)</i>	<i>Number</i>	<i>Nominal value (£)</i>	<i>Number</i>
80,000,000	800,000,000	35,371,875.90	353,718,759

***Proposed number of Ordinary Shares immediately following Admission***

<i>Authorised</i>		<i>Issued and fully paid up</i>	
<i>Nominal value (£)</i>	<i>Number</i>	<i>Nominal value (£)</i>	<i>Number</i>
80,000,000	800,000,000	70,162,587.60	701,625,876

- 3.4 Pursuant to the Rights Issue, 347,907,117 New Ordinary Shares will, subject to Admission, be issued at the Issue Price of 105 pence per New Ordinary Share.
- 3.5 Following the issue of the New Ordinary Shares pursuant to the Rights Issue, Qualifying Shareholders who take up their entitlement in full will suffer no dilution to their interests in William Hill (other than in relation to fractional entitlements). Qualifying Shareholders who do not take up any of their rights to subscribe for the New Ordinary Shares pursuant to the Rights Issue will suffer an immediate dilution of 50 per cent. in their interests in William Hill.
- 3.6 Following the Rights Issue, the authorised but unissued ordinary share capital will be £9,837,412.4 or 98,374,124 representing 14 per cent. of the Enlarged Share Capital, of which £581,164 is reserved for issue pursuant to the exercise of outstanding options under the Employee Share Schemes.
- 3.7 The provisions of section 89(1) of the 1985 Act confer on Shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the 1985 Act) which are, or are to be, paid up in cash and apply to the authorised but unissued share capital of William Hill.
- 3.8 Other than pursuant to the Rights Issue and the exercise of options granted or to be granted under the Employee Share Schemes, the Directors have no present intention to issue any of the authorised but unissued share capital of William Hill.
- 3.9 The New Ordinary Shares are in registered form and, subject to the provisions of the Uncertified Securities Regulations, the Directors may permit the holding of Ordinary Shares in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Uncertified Securities Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.
- 3.10 The Ordinary Shares are admitted to trading on the main market of the London Stock Exchange. The ISIN number for the Ordinary Shares is GB0031698896 and the common code for the Ordinary Shares is GB.

**4. SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION**

- 4.1 The memorandum of association of William Hill provides that its principal object is to carry on the business of bookmakers. The objects of William Hill are set out in full in clause 4 of the memorandum of association of William Hill which is available for inspection as provided in section 23 of this Part VII below.

4.2 The Articles of Association were adopted with effect from admission of the Ordinary Shares to the Official List of the UK Listing Authority pursuant to a special resolution passed on 28 May 2002 and amended pursuant to special resolutions passed on 17 May 2004, 19 May 2005, 18 May 2006 and with effect from 1 October 2008. The Articles contain provisions, *inter alia*, to the following effect:

(a) *Voting rights*

Subject to any rights or restrictions attached to any shares and to the provisions of the Acts, on a show of hands every member who is present in person (or for a corporation present by a duly elected representative) shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

A resolution put to the vote of a general meeting shall be decided on a show of hands unless, before or on the declaration of the result of a vote on the show of hands or on the withdrawal of any other demand for a poll, a poll is duly demanded. Subject to the provisions of the Acts, a poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least five members present in person or by proxy having the right to vote at the meeting; or
- (iii) any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) any member or members present in person or by proxy holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a member shall be the same as a demand by the member.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names of the holders stand in the register.

No member shall be entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares in the capital of William Hill, either in person or by proxy, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid.

Unless the Board determines otherwise, a member or any other person appearing to be interested in shares held by such member who has been served with a notice under section 793 of the 2006 Act and is in default for the prescribed period in supplying William Hill the information thereby required or has made a statement which is false or inadequate in a material particular, shall not be entitled to vote in respect of the shares in relation to which the information has not been supplied.

(b) *Dividends and distribution of assets on liquidation*

Subject to the provisions of the Acts, William Hill may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The dividend shall be paid according to the amounts paid on shares in respect of which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

Subject to the provisions of the Acts, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of William Hill available for distribution. The Board

may also pay at intervals settled by it any dividend payable at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

The Board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for William Hill or any other person to bear any costs involved.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the shares.

Except as otherwise provided by the rights and restrictions attached to any class of shares including the Acts and the Articles, all dividends will be declared and paid according to the amounts paid-up on the shares during any portion of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution of the members of William Hill, offer any holder of shares the right to elect to receive shares credited as fully paid instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

The Company shall be entitled to cease sending dividend warrants and cheques by post or otherwise to a member if these instruments have been returned undelivered to, or left uncashed by, that member on at least two consecutive occasions or, following one such occasion, reasonable enquiries have failed to establish the member's new address. The entitlement conferred on William Hill in respect of any member shall cease if the member claims a dividend or cashes a dividend warrant or cheque.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by William Hill.

In relation to untraced shareholders, the Company shall be entitled to sell, at the best price reasonably obtainable, the shares of a member or the shares to which a person is entitled by transmission if, during the period of 12 years before the date of the publication of the advertisements referred to in the Articles (or, if published on different dates, the first date) at least three dividends in respect of the shares in question have been declared and all dividend warrants and cheques have remained uncashed.

If William Hill is wound-up, a liquidator may, with the sanction of an extraordinary resolution and any other sanction required by law and subject to the Acts, including the Insolvency Act 1986, (i) divide among the members in specie the whole or any part of the assets of William Hill and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members, (ii) vest the whole or any part of the assets in trustees for the benefit of the members, and (iii) determine the scope and terms of those trusts, but no member shall be compelled to accept any asset on which there is liability.

(c) *Transfers*

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

Subject to the provisions of the Uncertificated Securities Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in William Hill from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

- (i) is lodged, duly stamped (if stampable) and such other evidence of the right to transfer as the Board at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates may require;
- (ii) is in respect of one class of share only; and
- (iii) is in favour of not more than four transferees.

Notice of refusal to register a transfer must be sent to the transferee within two months after the date on which the instrument of transfer was lodged with William Hill.

The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Board may determine, except that the Board may not suspend the registration of transfers of any participating security without the consent of the London Stock Exchange.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

(d) *Variation of class rights and alteration of capital*

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares.

William Hill may from time to time by ordinary resolution increase, consolidate or, subject to the Acts, subdivide its share capital or cancel shares which, at the date of passing the resolution, have not been taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. William Hill may by ordinary resolution also cancel any shares which have not, at the date of the resolution, been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled. Subject to the provisions of the Acts, William Hill may by special resolution reduce its share capital, capital redemption reserve and share premium account in any way.

If at any time the capital of the Company is divided into different classes of shares, unless otherwise expressly provided by the rights attached to any share or class of shares, those rights shall be deemed to be varied by:

- (i) the reduction of the capital paid up on that share or class of shares otherwise than by a purchase or redemption by the Company of its own shares; and
- (ii) the allotment of another share ranking in priority for payment of a dividend or in respect of capital or which confers on its holder voting rights more favourable than those conferred by that share or class of shares,

but shall not be deemed to be varied by:

- (iii) the creation or issue of another share ranking equally with, or subsequent to, that share or class of shares or by the purchase or redemption by the Company of its own shares; or
- (iv) the Company permitting, in accordance with the Regulations, the holding of and transfer of title to shares of that or any other class in uncertificated form by means of a relevant system.

Subject to the provisions of the Acts, and without prejudice to any rights attached to any existing shares or class of shares, shares may be issued which are to be redeemed or are to be liable to be redeemed at the option of the Company or the holder on such terms and in such manner as may be provided by the Articles.

(e) *General meetings*

All general meetings of William Hill other than annual general meetings shall be called extraordinary general meetings. The Board shall convene and William Hill shall hold general meetings as annual general meetings in accordance with the requirements of the Acts.

The quorum for every general meeting of the holders of any class of shares in the capital of William Hill shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class or, at any adjourned meeting of such holders, one holder present in person or by proxy, whatever the amount of his holding, who shall be deemed to constitute a meeting.

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by at least 21 clear days' notice. All other extraordinary general meetings shall be called by at least 14 clear days' notice. The notice shall be sent to all the members, to each of the directors and to the auditors. The notice shall specify the time and place of the meeting and, in the case of special business, the general nature of that business. In the case of an annual general meeting, the notice shall specify the meeting as such. In the case of a meeting to pass a special or extraordinary resolution, the notice shall specify the intention to propose the resolution as a special or extraordinary resolution, as the case may be.

Any corporation which is a member of the Company (the "**grantor**") may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any separate meeting of the holders of any class of shares. A person so authorised shall be entitled to exercise the same power on behalf of the grantor as the grantor could exercise if it were an individual member of the Company, save that a director, the secretary or other person authorised for the purpose by the secretary may require such person to produce a certified copy of the resolution of authorisation before permitting him to exercise his powers. The grantor shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present at it.

(f) *Directors*

Unless otherwise determined by ordinary resolution, the number of directors shall be not less than two but shall not be subject to any maximum number.

The quorum for the transaction of the business of the Board may be fixed by the Board and unless so fixed at any other number shall be two. A person who holds office only as an alternate director shall, if his appointor is not present, be counted in the quorum.

A director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the capital of the Company.

At the first annual general meeting after the date of adoption of the Articles one third of the directors shall retire from office, and at every subsequent annual general meeting one-third of the directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office; but:

- (i) if any director has at the start of the annual general meeting been a director for more than three years since his last appointment or re-appointment, he shall retire; and
- (ii) if there is only one director who is subject to retirement by rotation, he shall retire.

No person shall be disqualified from being appointed or re-appointed a director, and no director shall be required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age nor shall it be necessary by reason of his age to give special notice under the Acts of any resolution.

Any director (other than an alternate director) may appoint any other director, or any other person approved by resolution of the Board and willing to act, to be an alternate director and may remove from office an alternate director so appointed by him.

The Board may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property, assets (both present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate principal amount for the time being remaining outstanding of all moneys borrowed by the Group and for the time being owing to persons outside the Group less cash at such time shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of £2,000,000,000 and five times EBITDA of the Group.

The ordinary remuneration of the directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £500,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. Any director who does not hold executive office and who serves on any committee of the Board, by the request of the Board, goes or resides abroad for any purpose of the Company or otherwise performs special services which in the opinion of the Board are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine.

The Board may (by establishment of, or maintenance of, schemes or otherwise) provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him, and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

Subject to the provisions of the 2006 Act, and provided that he has disclosed to the Board the nature and extent of any interest of his, a director notwithstanding his office:

- (i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

- (ii) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and
- (iii) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

If any of the above interests arise, a director shall not vote or be counted in the quorum at a meeting of the Board or of a committee of the Board on any resolution concerning a matter in which he has, directly or indirectly, a material interest (otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company).

However, a director is entitled to vote (and be counted in the quorum) in respect of any one or more of the following matters:

- (i) the resolution relates to the giving to him or a person connected with him of a guarantee, security or indemnity in respect of money lent to, or an obligation incurred by him or such a person at the request of or for the benefit of, the Company or any subsidiary undertaking;
- (ii) the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any subsidiary undertaking for which the director or a person connected with him has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (iii) his interest arises by virtue of him or a person connected with him subscribing or agreeing to subscribe for any shares, debentures or other securities of the Company or any subsidiary undertaking or by virtue of him or a person connected with him being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures, or other securities by the Company or any subsidiary undertaking for subscription, purchase or exchange;
- (iv) the resolution relates in any way to any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in Part 22 of the 2006 Act) representing one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company;
- (v) the resolution relates in any way to an arrangement in whole or in part for the benefit of the employees of the Company or any subsidiary undertaking which does not award him as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates;
- (vi) the resolution relates in any way to the purchase or maintenance for the directors of insurance against any liability which by virtue of any rule of law would otherwise attach to all or any of them in respect of any negligence, default, breach of duty or breach of trust in relation to the Company.

If a director is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other directors.

(g) *Non-United Kingdom Shareholders*

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. Subject to the provisions of the Acts and the Uncertificated Securities Regulations, William Hill may keep an overseas or local or other register in any place, and the Board may make, amend and revoke any regulations it thinks fit about the keeping of that register.

A member whose registered address is not within the United Kingdom and who sends to William Hill an address within the United Kingdom at which a notice or other document may be sent to him by instrument or an address to which a notice or other document may be sent using electronic communications shall (provided that, in the case of electronic communications, William Hill so agrees) be entitled to have notices or other documents sent to him at that address but otherwise:

- (i) no such member shall be entitled to receive any notice or other document from William Hill; and
- (ii) without prejudice to the generality of the foregoing, any notice of a general meeting of William Hill which is in fact sent or purports to be sent to such member shall be ignored for the purpose of determining the validity of the proceedings at such general meeting.

## 5. EMPLOYEES

The table below sets out the average number of people employed by the Group per month in each of the last three financial years all of whom are engaged in the administration and provision of betting and gaming services and the operation of stadia:

	<i>Financial year ended</i>		
	<i>30 December</i>	<i>1 January</i>	<i>26 December</i>
	<i>2008</i>	<i>2008</i>	<i>2006</i>
	16,176	14,629	13,952

## 6. EMPLOYEE SHARE SCHEMES

### 6.1 *The William Hill Performance Share Plan 2005 (the "PSP")*

(a) *General*

The PSP was replaced by the Executive Bonus Matching Scheme (as described in paragraph 6.3 below) in 2008. Awards are still outstanding under the PSP. No awards have been granted under the PSP since 2006.

(b) *Eligibility*

Any employee (including an executive director) of any member of the Group whose terms of service require him to devote substantially the whole of his working time to the business of the Group, is eligible to participate in the PSP. The Remuneration Committee may in its absolute discretion grant awards to such eligible employees as it shall select.

(c) *Awards under the PSP*

An award may take one of three forms:

- (i) a "**Contingent Award**" meaning a contingent right to receive Ordinary Shares; or
- (ii) a "**Conditional Allocation**", meaning a conditional allocation of a specified number of Ordinary Shares; or
- (iii) a "**Call Option**", meaning a right to call for a specified number of Ordinary Shares at no cost.

Participants may be granted any combination of awards, whether in a single grant or pursuant to a series of grants.

No payment is required for the grant or realisation of an award.

Awards may normally only be granted within the period of eight weeks commencing on: (a) the approval of the PSP by the Company in general meeting; or (b) the day after the announcement of the Company's results for any period. Awards may also be granted at any other time at which the Remuneration Committee determines that there are exceptional circumstances which justify the grant of an award. No award may be granted after 17 June 2015 (ten years after the date on which the PSP was approved by the Company in general meeting) nor at any time at which a dealing would not be permitted under the Model Code.

Subject to the limit set out in paragraph (f) below, awards may be satisfied by the issue of new Ordinary Shares or by the transfer of existing Ordinary Shares, either from treasury or otherwise.

(d) *Conditions on vesting or exercise*

An award may be granted subject to such performance condition or conditions as the Remuneration Committee in its discretion sees fit, which must be satisfied before an award may be exercised or vests. Performance is measured over a three year performance period. There will be no provision for re-testing.

PSP awards are subject to a performance condition which states that 50 per cent. of the award vests based on the compound real growth in the Group's underlying earnings per share ("EPS") over the performance period (which is calculated excluding exceptional items). For awards made in 2006 only, 25 per cent. (10 per cent. for awards made in other years) of this allocation will vest on an EPS growth of four per cent. per annum and this allocation will vest in full for growth of 12 per cent. per annum, with vesting on a straight-line basis between these two limits.

The remaining 50 per cent. of the award vests based on the total shareholder return ("TSR") of the Company relative to those companies ranked 31 to 100 in the FTSE 100 Index at the start of the performance period (the "**Comparator Group**"). 30 per cent. of this allocation will vest if the Company's TSR ranking is above the 50th percentile over the performance period and this allocation will vest in full if the Company is ranked by TSR in the upper quartile of the Comparator Group, with vesting on a straight-line basis between these two limits. In addition, no part of the TSR tranche will vest unless EPS growth of at least three per cent. per annum is achieved over the performance period. For awards made in 2005 and 2006 only, 25 per cent. of this allocation will vest if the Company's TSR ranking is above the 50th percentile over the performance period and this allocation will vest in full if the Company is ranked within the top decile of the Comparator Group.

The Remuneration Committee regularly monitors the continuing suitability of the performance conditions to ensure they are appropriate having regard to prevailing market conditions.

(e) *Individual limit*

The maximum total market value of Ordinary Shares over which awards may be granted to any employee during any financial year of the Company is 300 per cent. of his salary as at the date of grant (where salary means base salary excluding any benefits in kind).

(f) *Overall dilution limit*

No award may be granted under the PSP on any date if, as a result, the aggregate number of Ordinary Shares issued or transferred from treasury, or committed to be issued or transferred from treasury, pursuant to awards made under the PSP and pursuant to grants or appropriations made during the previous ten years under the PSP or any other employees' share scheme

established by the Company would exceed ten per cent. of the issued ordinary share capital of the Company on that date.

(g) *Exercise of awards*

In normal circumstances, an award will vest on the third anniversary of the date of grant, subject to the achievement of performance conditions, as determined by the Remuneration Committee. Having vested, a Call Option may be exercised for a period specified by the Remuneration Committee at the time the Call Option is granted (not exceeding seven years following the date on which the Call Option vests).

If a participant ceases to be employed within the Group before the expiry of the performance period by reason of:

- (i) death;
- (ii) injury, disability or ill health (as agreed by the Remuneration Committee); or
- (iii) any other reason where the Remuneration Committee so determines in its absolute discretion,

awards will vest on the third anniversary of the date of grant, subject to the achievement of performance conditions. Having vested, a Call Option may be exercised for a period of six months following the vesting date of that Call Option. The number of Ordinary Shares which vest will, in these circumstances, be determined by reference to the extent to which the performance conditions have been fulfilled over the performance period and will then be pro-rated according to the length of the reduced performance period when compared to the original performance period.

The Remuneration Committee may at its discretion, in appropriate circumstances decide that the award will vest on the participant ceasing to be employed by a member of the Group. The number of Ordinary Shares which vest will, in these circumstances, be determined by reference to the extent to which the performance conditions have been fulfilled over a reduced performance period selected by the Remuneration Committee at its discretion and will then be pro-rated to reflect this shortened period.

If a participant is summarily dismissed or ceases to be employed by a member of the Group for any other reason than those listed above, an award will lapse immediately on such cessation.

(h) *Cash alternative*

Where an award vests and the corresponding Ordinary Shares have not yet been allotted or transferred to the participant, the Remuneration Committee may determine that the participant shall be paid a sum equal to the cash equivalent of that number of Ordinary Shares.

(i) *Takeover, scheme of arrangement and liquidation*

In the event of a takeover, scheme of arrangement, the voluntary winding-up of the Company or demerger occurring before the expiry of the performance period, an award may vest early. In the case of a general offer, an award will vest on the date on which the offer becomes or is declared unconditional in all respects. A Call Option would remain exercisable for a period of thirty days from the date of such vesting. In the case of a scheme of arrangement, an award will vest conditionally on the scheme of arrangement being either approved by the shareholders' meeting or sanctioned by the court (as determined by the Remuneration Committee). A Call Option may be conditionally exercised between the date of the court's direction and twelve noon on the day immediately preceding the date for which the shareholders' meeting is convened. In the case of a voluntary winding up of the Company, an award may vest in the absolute discretion of the Remuneration Committee. The Remuneration Committee shall specify the period in which any Call Options must be exercised. In the case of a demerger, dividend in specie, super-dividend or other transaction which would affect the current or future

value of any awards, the Remuneration Committee may allow some or all awards to vest. The Remuneration Committee shall specify the period in which any Call Options must be exercised.

The number of Ordinary Shares which vest will, in these circumstances, be determined by reference to the extent to which the performance conditions have been fulfilled over the reduced performance period and will then be pro-rated according to the length of the reduced performance period when compared to the original performance period. The Remuneration Committee may, acting fairly and reasonably, decide that such a reduction is inappropriate and increase the number of Ordinary Shares which vest to such number as it decides.

(j) *Variation of share capital*

In the event of any variation in the ordinary share capital or reserves of the Company, such adjustments to the number of Ordinary Shares subject to awards may be made by the Remuneration Committee as it may determine to be appropriate.

(k) *Voting, dividend and other rights*

Until awards are exercised or vest, participants have no voting or other rights in respect of the Ordinary Shares subject to those awards.

Ordinary Shares issued or transferred pursuant to the PSP will rank *pari passu* in all respects with Ordinary Shares already in issue except that they will not rank for any rights attaching to the Ordinary Shares by reference to a record date falling prior to the date of exercise or vesting of the relevant award.

Benefits obtained under the PSP shall not be pensionable.

Awards are not assignable or transferable.

(l) *Administration and amendment*

The Remuneration Committee may amend the PSP by resolution provided that:

- (i) prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the PSP relating to eligibility, the limitations on the number of Ordinary Shares, a participant's maximum entitlement or to the basis for determining a participant's entitlement under the PSP, the terms of the Ordinary Shares to be provided under the PSP and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the PSP and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group; and
- (ii) no amendment may be made which would alter to the disadvantage of participants any rights already acquired by them under the PSP without the prior approval of such number of participants who, if they realised their awards, would become entitled to no less than 75 per cent. of all Ordinary Shares subject to the PSP.

## 6.2 *The William Hill Savings Related Share Option Plan (the "SAYE Plan")*

(a) *General*

The SAYE Plan has been approved by HM Revenue & Customs ("HMRC") under Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003. The operation of the SAYE Plan is supervised by the Remuneration Committee.

(b) *Eligibility*

All employees (including directors working at least 25 hours per week, excluding meal breaks) of the Company or any participating member of the Group who have completed a period of service determined by the Remuneration Committee (such period not to exceed five years),

who are UK tax resident and who have not at the date of grant of an option, and have not had within the preceding 12 months, a material interest in the Company or a member of the Group, which is a close company are eligible to participate in the SAYE Plan. The Remuneration Committee may in its discretion extend participation to other employees or directors of the Company or any participating members of the Group who do not meet the first two requirements.

(c) *Savings contract*

Participating employees must enter into a Save-As-You-Earn savings contract with an approved savings carrier under which they agree to make monthly contributions from net salary for a period of either three, five or seven years. On maturity of the savings contract, a tax-free bonus is added to the employee's savings. Monthly savings contributions must be between £5 and £250.

(d) *Grant of options*

Each employee who joins the SAYE Plan and enters into a savings contract is granted an option to acquire Ordinary Shares in the Company. The number of Ordinary Shares under option is equal to that number of Ordinary Shares which may be acquired at the option price with the proceeds of the savings contract (including the bonus) upon exercise. The Remuneration Committee may impose a limit on the number of Ordinary Shares over which options may be granted in which case applications from employees may be scaled down.

The option price per Ordinary Share shall be determined by the Remuneration Committee, being not less than the market value of an Ordinary Share when invitations to participate in the SAYE Plan are issued, less a discount of up to 20 per cent. (or, in the case of an option to subscribe, the nominal value of an Ordinary Share if lower). Market value is determined as the closing mid-market price of an Ordinary Share, as derived from the daily official list of the London Stock Exchange on the last dealing day before invitations to participate in the SAYE Plan are sent out or, if the Ordinary Shares are not fully listed on the London Stock Exchange, in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance with HMRC.

No option may be granted later than ten years after the approval of the SAYE Plan by the Remuneration Committee.

(e) *Timing of invitations*

Invitations to participate in the SAYE Plan may only be issued within six weeks after the approval of the SAYE Plan by HMRC or within the period of six weeks after (a) the day after the announcement of the Company's results for any period, (b) the date on which a new savings contract prospectus is announced or takes effect, (c) the date on which the UK Listing Authority first admits Ordinary Shares to listing, (d) the date on which any changes are announced, effected or made to any legislation or regulations affecting HMRC approved share option schemes, or (e) at any other time at which the Board determines that there are exceptional circumstances which justify the grant of options.

(f) *Limit on issue of New Ordinary Shares*

On any date, no option may be granted under the SAYE Plan if, as a result, the aggregate number of Ordinary Shares issued or committed to be issued pursuant to grants made under the SAYE Plan and during the previous ten years under all other employee share schemes established by the Company would exceed ten per cent. of the issued ordinary share capital of the Company on that date. Ordinary Shares which have been the subject of options or rights granted under any employee share scheme established by the Company which have lapsed shall not be taken into account for the purposes of this limit.

(g) *Exercise and lapse of options*

In normal circumstances, an option may be exercised within six months following the date on which a bonus is payable under the savings contract (the “**Bonus Date**”) and any option not exercised within that period will lapse.

An option may be exercised earlier than the Bonus Date on the death of a participant or on his ceasing to hold office or employment with the Group by reason of injury, disability, redundancy, retirement or the sale or transfer out of the Group of his employing company or business, for a period of six months from the date of such cessation (or 12 months in the case of death).

An option is also exercisable for a period of six months by a participant who reaches age 60 but remains in employment.

Options may be satisfied by the issue of New Ordinary Shares or by the transfer of Existing Ordinary Shares, either from treasury or otherwise.

(h) *Takeovers and liquidations*

Rights to exercise options early for a limited period also arise if another company acquires control of the Company as a result of a takeover or a scheme of arrangement. An option may be exercised within the period of six months from (a) the date on which the person making the general offer obtains control of the Company and any condition subject to which the offer is made has been satisfied or waived, or (b) the date on which the court sanctions a scheme of arrangement. An option may be exchanged for an option over shares in the acquiring company if the participant so wishes and the acquiring company agrees.

If the Company passes a resolution for a voluntary winding-up, any subsisting option must be exercised within two months of the passing of that resolution or it lapses.

(i) *Alterations of share capital*

In the event of any variation in the share capital of the Company, adjustments to the number of Ordinary Shares subject to options and the exercise price may be made by the Remuneration Committee in such manner and with effect from such date as the Remuneration Committee may determine to be appropriate. The prior approval of HMRC is required for any such adjustment.

(j) *Voting, dividend and other rights*

Until options are exercised, option holders have no voting or other rights in respect of the Ordinary Shares subject to their options.

Ordinary Shares issued or transferred pursuant to the SAYE Plan rank *pari passu* in all respects with the Ordinary Shares already in issue except that they do not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option.

Options are not assignable or transferable.

(k) *Administration and amendment*

The SAYE Plan will be administered by the Remuneration Committee which may amend the SAYE Plan by resolution provided that (a) prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the SAYE Plan relating to eligibility, the limitations on the number of Ordinary Shares subject to the SAYE Plan, a participant’s maximum entitlement or the basis for determining a participant’s entitlement under the SAYE Plan, the transferability of options and the adjustment thereof in the event of a variation in capital or reserves, except in the case of minor amendments to benefit the administration of the SAYE Plan and amendments to take account of changes in

legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group, (b) no amendment may be made which would alter to the disadvantage of a participant any rights already acquired by him under the SAYE Plan without the prior approval of such number of participants who, if they realised their awards would become entitled to no less than 75 per cent. of all Ordinary Shares subject to the SAYE Plan, and (c) no amendment may be made to any key feature of the SAYE Plan without the prior approval of HMRC.

No cash or other non-share benefits are available under the SAYE Plan.

### 6.3 *The William Hill Executive Bonus Matching Scheme (the “EBMS”) Participant Awards*

(a) *General*

The EBMS replaced the PSP and the William Hill PLC Deferred Bonus Plan (which has been terminated) in 2008. The EBMS is administered by the Remuneration Committee.

(b) *Eligibility*

Any employee or executive director of any member of the Group is eligible to participate in the EBMS.

(c) *Deferred Shares*

Under the EBMS, participants will receive a proportion of their annual bonus (on a gross basis) in Ordinary Shares on deferred terms (“**Deferred Shares**”). Unless otherwise determined by the Remuneration Committee, executive directors may receive 70 per cent. of their annual bonus on a pre-tax basis for the relevant financial year in Deferred Shares and all other senior executives and employees may receive 50 per cent. of their annual bonus in Deferred Shares under the EBMS.

An award of Deferred Shares (“**Deferred Award**”) may only be granted within the period of eight weeks commencing on: (a) the approval of the EBMS by the Company; (b) the day of the announcement of the Company’s results for any period; or (c) any day on which the Board resolves that exceptional circumstances exist which justify the grant of an award.

(d) *Matching Shares*

At the same time as Deferred Shares are awarded, participants will be granted an award of further Ordinary Shares (“**Matching Shares**”). The number of Matching Shares subject to an award (“**Matching Award**”) will be no more than the number of Deferred Shares acquired. No payment is required for the grant of an award of Matching Shares. No Deferred Awards or Matching Awards may be granted after 17 May 2017.

In 2007 only, participants who were not executive directors of the Company were awarded Deferred Shares only and not Matching Shares.

(e) *Conditions on vesting*

An award (the “**Award**”) comprising the Deferred Shares and Matching Shares will normally vest at the end of a three year period (“**Retention Period**”) provided the participant remains employed by the Group. In addition to the Retention Period requirement, the vesting of a Matching Award is normally subject to two separate performance conditions measured over a three year performance period.

For Matching Awards granted in 2007 and potentially thereafter where the participant is an executive director of the Company only, the vesting of one half of the Matching Award is subject to the Company’s earnings per share performance (the “**EPS Tranche**”) and the other one half of the Matching Award is subject to the Company’s relative total shareholder return (the “**TRS Tranche**”).

Under the EPS Tranche, 50 per cent. of one half of the Matching Shares will vest if the growth in the Company's EPS over the performance period is greater than the Consumer Prices Index ("CPI") plus three per cent. per annum. Full vesting will occur if the growth of the Company's EPS over the performance period is greater than nine per cent. No Matching Shares will vest if the Company's EPS growth is less than CPI plus three per cent.

In relation to the TSR Tranche, it is intended that for the 2007 and subsequent awards, the comparator group will comprise 29 companies selected by the Remuneration Committee from the FTSE Leisure and Retail sector. 25 per cent. of one half of the Matching Award will vest if the Company's TSR ranking is at the 50th percentile of the comparator group, and vesting will occur in full if the Company's TSR ranking is at or above the 75th percentile of the comparator group at the end of the three year performance period.

In all other cases, the Matching Award is subject to such performance conditions as are determined by the Remuneration Committee, in its discretion.

(f) *Dividend accrual payments*

The number of Deferred Shares and Matching Shares which vest will be increased by such number of additional Ordinary Shares as is equal to the number of Ordinary Shares which could have been purchased if each dividend (grossed up where relevant) paid on the vested shares prior to vesting, had been reinvested in additional shares on the payments of each such dividend.

(g) *Overall limits*

No Deferred Award or Matching Award may be granted under the EBMS if, as a result, the aggregate number of Ordinary Shares in the Company issued or committed to be issued under subsisting awards or options granted during the previous ten years under the EBMS or any other employees' share scheme established by the Company, would exceed ten per cent. of the issued ordinary share capital of the Company on that date.

(h) *Exercise and lapse*

In normal circumstances, an Award will vest at the end of the Retention Period (subject to performance conditions being satisfied in the case of a Matching Award).

An Award will lapse automatically on the participant ceasing to be an employee of a member of the Group, unless he ceases to be employed within the Group by reason of:

- (i) death;
- (ii) injury or disability; or
- (iii) any other reason which the Remuneration Committee so decides in its absolute discretion,

in which case the Award will continue to be subject to the provisions of the EBMS as though the participant had remained employed until the end of the Retention Period. In these circumstances, the Deferred Shares will be released to the participant within one month after the end of the Retention Period and the Matching Shares will vest to the extent to which the performance conditions have been fulfilled over the performance period (and will then be pro-rated according to the length of the reduced performance period when compared to the original performance period), unless the Remuneration Committee determines in its absolute discretion that there are exceptional circumstances which justify the early vesting of the Deferred Shares and Matching Shares.

The Remuneration Committee may also release a greater number of Matching Shares if it considers the participant's contribution to the business of the Group would not otherwise be recognised.

(i) *Variation of share capital*

In the event of any variation in the share capital of the Company, adjustments to the number of Ordinary Shares subject to an Award may be made by the Remuneration Committee in such manner as it, in its absolute discretion, thinks fit.

(j) *Takeover, scheme of arrangement and liquidation*

In the event of a takeover, scheme of arrangement or the voluntary winding-up of the Company occurring before the expiry of the performance period, the Deferred Award and, subject to the performance conditions being met, the Matching Award will be released to the Participant as soon as practicable after the change of control of the Company.

The vesting of the Matching Shares is subject to the testing of the performance conditions prior to the change of control as the Remuneration Committee concludes that the conditions can appropriately be applied. The number of Matching Shares, in these circumstances, will be determined by reference to the extent to which the performance conditions have been fulfilled over the reduced performance period and will normally then be pro-rated according to the length of the reduced performance period when compared to the original performance period.

The Remuneration Committee has discretion to adjust the vesting level if it considers that the performance condition would have been met to a greater or lesser extent at the end of the full performance period.

(k) *Voting, dividend and other rights*

Until Awards vest, participants have no voting or dividend rights in respect of the Ordinary Shares subject to their Awards.

Benefits obtained under the EBMS shall not be pensionable.

Awards are not assignable or transferable.

(l) *Administration and amendment*

The Remuneration Committee may amend the EBMS by resolution provided that:

- (i) prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the EBMS relating to eligibility, the limits on individual participation and the number of Ordinary Shares subject to the EBMS, the basis for determining a participant's entitlement under the EBMS, the terms of the Ordinary Shares to be provided under the EBMS and the adjustment thereof in the event of a variation in capital; and
- (ii) no amendment may be made which would alter to the disadvantage of a participant any rights already acquired by him under the EBMS without the prior approval of such number of participants who, if they realised their Awards in full will become entitled to no less than 75 per cent. of all Ordinary Shares subject to the EBMS.

Prior shareholder approval is not required in the case of minor amendments to benefit the administration of the EBMS or to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group

#### 6.4 *The William Hill Long Term Incentive Plan 2002 (the "LTIP")*

(a) *General*

The LTIP was replaced by the PSP in 2005. Awards are still outstanding under the LTIP. No awards have been granted under the LTIP since March 2004.

(b) *Eligibility*

Any employee of the Company or any other company which is under the control of the Company or a subsidiary of the Company (“**Participating Company**”) will be eligible to participate in the LTIP.

(c) *Awards under the LTIP*

An award takes the form of a conditional award (the “**Basic Award**”) over a specified number of Ordinary Shares. The market value of the Ordinary Shares subject to the Basic Award (calculated at the date of grant) cannot exceed 50 per cent. of the eligible employee’s salary (including any bonus but excluding any benefits in kind).

An award of matching shares (“**matching award**”) may also be granted at a ratio of not more than one to one to the Basic Award. Basic Awards have previously been granted up to 50 per cent. of salary to middle and senior management and up to a further 50 per cent. of matching awards have been granted to senior management.

No payment is required for the grant or exercise of an award.

Awards may normally only be granted within the period of 42 days commencing on: (a) the announcement of the Company’s results for any period; or (b) the day on which Ordinary Shares are admitted to the official list of the London Stock Exchange. An award may also be granted at any other time at which the Remuneration Committee resolves that there are exceptional circumstances which justify the grant of an award. No award may be granted later than ten years after the date on which the LTIP was adopted by the Company nor at any time at which a dealing would not be permitted under the Model Code.

(d) *Conditions on vesting or exercise*

An award may be granted subject to such performance condition or conditions as the Remuneration Committee may determine (the “**Performance Conditions**”). Performance Conditions will be measured over a period of three financial years (the “**Performance Period**”).

The exercise of the Basic Award and the matching award is subject to the Company’s TSR performance over the Performance Period measured against the performance of companies in the FTSE 250 Index (excluding those companies which are not listed on the London Stock Exchange on the last day of the Performance Period) over the same period. Ordinary Shares subject to the Basic Award will not vest and become exercisable if the Company’s TSR ranking is below the median of the comparator group. 20 per cent. of the Ordinary Shares subject to the Basic Award will vest and become exercisable for each decile above the median. In respect of the matching award, 33 per cent. of the Ordinary Shares will vest and become exercisable if the Company’s TSR ranking is between the median and upper quartile of the comparator group, 66 per cent. of the Ordinary Shares will vest and become exercisable if the Company’s TSR ranking is between the upper quartile and the top decile of the comparator group and 100 per cent. of the Ordinary Shares will vest and become exercisable if the Company’s TSR ranking is at the top decile of the comparator group.

(e) *Individual limit*

No award may be granted to any participant under the LTIP in any financial year if the aggregate market value of the Ordinary Shares subject to an award (measured at the date of grant) would exceed 100 per cent. of his salary (including bonuses but excluding benefits in kind).

(f) *Overall dilution limit*

No award may be granted under the LTIP on any date if, as a result the aggregate number of Ordinary Shares issued, or committed to be issued pursuant to awards made under the LTIP or any other employees’ share scheme adopted by the Company or any company under the control

of the Company during the previous ten years would exceed ten per cent. of the issued ordinary share capital of the Company on that date.

No award may be granted under the LTIP on any date if, as a result, the aggregate number of Ordinary Shares issued or committed to be issued pursuant to awards made under the LTIP or any other executive share plan during the previous ten years would exceed five per cent. of the issued ordinary share capital of the Company on that date.

(g) *Exercise or vesting of awards*

An award may normally be exercised between the third and tenth anniversary of the date of grant provided that any performance conditions to which it is subject have been met and the participant remains employed by the Participating Company.

If a participant ceases to be employed within the Group before the expiry of the Performance Period by reason of:

- (i) death;
- (ii) injury or disability;
- (iii) redundancy;
- (iv) pregnancy;
- (v) retirement at normal retirement age, or early retirement by agreement with the participant's employer; or
- (vi) any other reason at the discretion of the Remuneration Committee,

an award may be exercised within six months from the date of termination to the extent to which the Performance Conditions have been satisfied. The number of Ordinary Shares over which awards are exercisable will, in these circumstances, be determined by the Remuneration Committee by reference to the extent to which the Performance Conditions have been fulfilled over the reduced Performance Period and will then be pro-rated according to the length of the reduced Performance Period when compared to the original Performance Period.

An award will lapse on the participant ceasing employment by gross misconduct and, in any event, on the tenth anniversary of its date of grant, if not previously vested or exercised.

(h) *Takeover, scheme of arrangement and liquidation*

In the event of a takeover, scheme of arrangement or the voluntary winding-up of the Company occurring, the Board shall within seven days of becoming aware of the relevant event notify the participant and an award may be exercised within six months (or such shorter period as the Board may specify) of the occurrence of the relevant event. The number of Ordinary Shares over which an award is exercisable will, in these circumstances, be determined by reference to the extent to which the Performance Conditions have been fulfilled over the reduced Performance Period and will then be pro-rated according to the length of the reduced Performance Period when compared to the original Performance Period.

(i) *Variation of share capital*

In the event of any variation in the share capital of the Company, such adjustments to the number of Ordinary Shares subject to awards may be made by the Board in such manner as it may determine.

(j) *Voting, dividend and other rights*

Ordinary Shares issued or transferred pursuant to the LTIP will rank *pari passu* in all respects with Ordinary Shares already in issue except that they will not rank for any rights attaching to Ordinary Shares by reference to a record date falling prior to the date of exercise of the relevant award.

Awards are not assignable or transferable.

(k) *Administration and amendment*

The Remuneration Committee may amend the LTIP provided that:

- (i) prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the LTIP relating to eligibility, the limitations on the number of Ordinary Shares subject to the awards, the determination of the exercise price, the restrictions on the exercise of the award, the rights to be attached to the Ordinary Shares on exercise of the awards, the transferability of the awards, and the adjustment thereof in the event of a variation in capital, except in the case of amendments to benefit the administration of the LTIP or to take account of changes in legislation or to obtain or maintain favourable tax treatment for participants or any member of the Group; and
- (ii) no amendment may be made which would alter to the disadvantage of participants any rights already acquired by them under the LTIP without the prior approval of not less than 75 per cent. of the participants who attend a meeting and vote either in person or by proxy or such number of participants who, if they realised their awards, would become entitled to no less than 75 per cent. of all the Ordinary Shares subject to the awards.

(l) *Termination*

The LTIP may be terminated at any time by a resolution of the Board or by the Company in general meeting. No awards may be granted on or after the tenth anniversary of the date on which the LTIP is approved by the Company in general meeting. Termination will not affect the outstanding rights of participants.

## 6.5 *The William Hill Online Long Term Incentive Plan 2008 (the “2008 LTIP”)*

(a) *General*

The 2008 LTIP was adopted by the Remuneration Committee on 17 December 2008. The operation of the 2008 LTIP will be supervised by the Remuneration Committee or such other committee of the Company or William Hill Online (“**WHO**”) granted such responsibility by the directors of the Company (the “**Committee**”).

(b) *Eligibility*

Any employee of WHO (including any director of WHO but excluding any director of the Company) will be eligible to participate in the 2008 LTIP subject to the discretion of the Committee.

(c) *Awards under the LTIP*

An award takes the form of a nil-cost option, to acquire Ordinary Shares. No payment is required for the grant of an award.

Awards may normally be granted at any time provided that no award may be granted later than ten years after the date on which the 2008 LTIP is approved by the Remuneration Committee, nor at any time at which a dealing would not be permitted under the Model Code.

Subject to the limit set out in paragraph (f) below, awards may only be satisfied by the transfer of existing Ordinary Shares from the trustee of an employee benefit trust established by the

Company or other member of the Group. Awards may not be satisfied by the issue of new Ordinary Shares or the transfer of Ordinary Shares from treasury.

(d) *Conditions on vesting or exercise*

An award under the 2008 LTIP shall be granted subject to the following performance condition which must be satisfied before an award may vest or become exercisable.

An award is capable of vesting only after the end of the performance period and is subject to the performance condition that states that the operating profit of WHO (the “**Operating Profits**”) for the financial year ending 31 December 2012 must be equal to or exceed £150 million. The performance condition will be measured over the performance period, being the period commencing on 1 January 2009 and ending on 31 December 2012, unless the Committee determines otherwise.

Certain awards granted under the 2008 LTIP are capable of part vesting before the end of the performance period. For those portions of these awards to vest, the Operating Profits for a financial year before the end of the period must equal or exceed £150 million.

If the performance condition is satisfied, the number of Ordinary Shares subject to an award shall be determined by the Committee by dividing the “**Pool**” (being 17 per cent. of the increase in Operating Profits over the performance period) by 21,250, multiplying that amount by the number of units held by the participant and dividing that amount by the market value of an Ordinary Share (taken as an average over the period from 1 December 2012 to 31 December 2012 (the “**Valuation Period**”)).

Where the participant is either the Chief Executive Officer of WHO (“**CEO**”) or Chief Marketing Officer of WHO (“**CMO**”), their award will comprise both a “**Primary Award**” and a “**Top-Up Award**”, subject to the satisfaction of the performance condition. The Primary Award will be an award of a fixed number of Ordinary Shares, calculated as the product of: (a) the “**2012 Target Unit Value**” (being £1,000) and (b) the number of units held by the participant; divided by: (c) the market value of an Ordinary Share (taken as an average over the period from 1 December 2008 to 31 December 2008). The Top-Up Award will be an award of Ordinary Shares capable of vesting at the end of the performance period, calculated as the product of: (a) the value of a participant’s unit (determined in accordance with the paragraph above) less the 2012 Target Unit Value and (b) the number of units held by the participant; divided by: (c) the market value of an Ordinary Share taken as an average over the Valuation Period. However, if the unit value at the end of the performance period is less than or equal to the 2012 Target Unit Value, the Top-Up Award will lapse and the Primary Award will be reduced in proportion to this shortfall.

(e) *Individual limit*

The maximum aggregate number of units which may be granted to a participant under the 2008 LTIP is 3,000.

(f) *Overall dilution limit*

No award may be granted under the 2008 LTIP on any date if, as a result, the aggregate number of units granted pursuant to awards made under the 2008 LTIP, would exceed 21,250.

(g) *Exercise and vesting of awards*

In normal circumstances, an award will not vest until the results of the Company have been announced following the end of the performance period and unless: (a) the performance condition has been satisfied at the end of the performance period; and (b) the participant remains employed by the Group and has not given notice of his intention to cease such employment. 50 per cent. of the Ordinary Shares subject to the award will be exercisable immediately after the award has vested and the remaining 50 per cent. of the award will be exercisable following the first anniversary of the date upon which the award vested.

If a participant ceases to be employed within the Group before the expiry of the performance period by reason of:

- (i) death;
- (ii) ill-health; or
- (iii) any other circumstances at the discretion of Committee,

provided the performance condition has been satisfied, an award will vest at the end of the performance period. 50 per cent. of the Ordinary Shares subject to the award will be exercisable immediately after the award has vested and shall remain exercisable for a period of 12 months. The remaining 50 per cent. of the award will be exercisable following the first anniversary of the date upon which the award vested and will remain exercisable for a period of 12 months therefrom. The number of Ordinary Shares which vest will, in these circumstances, be pro-rated according to the length of the performance period whilst the participant was employed by the Group when compared to the original performance period, unless the Committee determines otherwise.

An award will lapse on the participant ceasing employment for any reason other than those set out above and, in any event, an award will lapse on the tenth anniversary of its date of grant, if not previously exercised.

(h) *Early vesting for certain awards*

In the event that the performance condition is met in any financial year before the end of the performance period, where the participant is the CMO or a key Israeli employee of WHO only, such participant may exercise a proportion of their overall award within the period of two months commencing on the date on which the results of the Company are announced in the financial year in which the performance condition is first met, in accordance with the following:

- (i) where the participant is the CMO, such number of Ordinary Shares as is equal to: (a) 20 per cent. of the Ordinary Shares subject to his Primary Award; and (b) 20 per cent. of the Ordinary Shares subject to his Top-up Award, calculated in accordance with the formula described in paragraph (d) above, subject to the modification that (b) in the calculation shall be 20 per cent. of the number of units held by a participant and the market value in (c) of the calculation shall be taken as an average over the period from 1 December to 31 December in the financial year in which the performance condition is satisfied. In these circumstances, the remaining portion of the CMO's Primary Award and Top-up Award will vest at the end of the performance period, and each award shall be calculated in accordance with paragraph (d) above, subject to a reduction of 20 per cent.; and
- (ii) where the participant is a key Israeli employee, such number of Ordinary Shares as is calculated by dividing the Pool by 21,250, multiplying that amount by 30 per cent. of the number of units held by the participant and dividing that amount by the market value of an Ordinary Share (taken as an average over the period from 1 December to 31 December in the financial year in which the performance condition is satisfied). In these circumstances, the remaining portion of the key Israeli employee's award shall vest at the end of the performance period and the number of Ordinary Shares subject to the award shall be calculated in accordance with paragraph (d) above, subject to a reduction of 30 per cent. (the "**Remaining Portion**"). The Remaining Portion shall become exercisable in two tranches at a ratio of 3:4, respectively. The first tranche will be exercisable immediately after the award has vested and the second tranche will be exercisable following the first anniversary of the date upon which the award vested.

(i) *Cash alternative*

Where a participant exercises an award and the corresponding Ordinary Shares have not yet been transferred to the participant, the Committee may determine that the participant shall be paid a sum equal to the cash value of that number of Ordinary Shares as at the date he serves a valid notice of exercise on the Company.

(j) *Takeover, scheme of arrangement and liquidation*

In the event of a takeover, scheme of arrangement or the voluntary winding-up of the Company occurring before the expiry of the performance period, if the Committee so determines an award will become exercisable and remain exercisable for such period as the Committee shall determine. The number of Ordinary Shares over which awards are exercisable will, in these circumstances, be determined by reference to the extent to which the performance condition has been fulfilled over the reduced performance period (except that the performance condition will be measured by reference to the Operating Profit for the financial year preceding the financial year in which such event occurs). Alternatively, the Committee may determine that the 2008 LTIP will continue until the end of the performance period in which case participants will be paid a sum in cash in substitution for (and in full and final settlement of) the right to exercise their awards.

Where any such event occurs as part of an internal reorganisation of the Company, participants will be invited to accept an exchange of their subsisting awards for new awards granted by the acquiring company. Such invitation will remain open for a period of 21 days and at the end of this period all subsisting awards shall lapse and cease to be exercisable.

(k) *Variation of share capital*

In the event of any variation in the share capital of the Company, such adjustments to the number of Ordinary Shares subject to awards may be made by the Committee in such manner as it may determine, provided that, except in the case of a sub-division, consolidation or capitalisation issue, any such adjustment is confirmed in writing by such auditor or other independent advisor appointed by the Committee to be in their opinion fair and reasonable.

(l) *Voting, dividend and other rights*

Ordinary Shares transferred pursuant to the 2008 LTIP will rank *pari passu* in all respects with Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the relevant award.

Benefits obtained under the 2008 LTIP shall not be pensionable.

Awards are not assignable or transferable.

(m) *Administration and amendment*

The Committee may amend the 2008 LTIP provided that such amendment is, in the opinion of the Committee, fair and reasonable in order to carry the original intention of the 2008 LTIP into effect. No amendment may be made which would alter to the disadvantage of participants any rights already acquired by them under the 2008 LTIP without the prior approval of the affected participants. The Committee is required to give notice to all affected participants as soon as is reasonably practicable after the making of such amendment.

## 6.6 *The William Hill Holdings 2001 Employee Benefit Trust (the "EBT")*

The EBT was established on 1 August 2001 for the benefit of the existing and former employees (provided that such person was an existing employee on or after 1 August 2001) and the connected persons of such existing employees and former employees of the Group. The trustee of the EBT is Ogier Employee Benefit Trustee Limited (the "**Trustee**"), an independent professional trustee incorporated in Jersey. The EBT has power to acquire Ordinary Shares and any Ordinary Shares so acquired will be used for the purpose of the Employee Share Schemes. On 18 February 2009 the

number of Ordinary Shares held by the EBT to meet the outstanding awards under the Employee Share Schemes was 1,110.

## **7. CORPORATE GOVERNANCE AND COMMITTEES**

- 7.1 The Directors are committed to high standards of corporate governance as set down in the Combined Code on Corporate Governance (as amended from time to time). As at the date of this document, William Hill has complied with the provisions of the Combined Code with the exception that the roles of Chairman and Chief Executive were combined until 20 February 2008. Mr. Topping was appointed Chief Executive on 21 February 2008.
- 7.2 The Senior Independent Non-executive Director's main role is to satisfy the function outlined in the Combined 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. No one individual has unfettered powers of decision-making. Mr. Scott satisfied the independence criteria detailed in provision A.3.1 of the Combined Code on his appointment as Chairman.
- 7.3 The Combined Code recommends that at least half the members of the board (excluding the chairman) of a public limited company incorporated in the UK should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement.
- 7.4 The Board has established Nomination, Remuneration, Audit and Risk Management and Corporate Responsibility and Regulated Issues Committees, with formally delegated duties and responsibilities, and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.
- 7.5 The terms of reference of the committees, including their objectives and the authority delegated by them by the Board, are available upon request or via the Group's investor relations website and are reviewed at least annually by the relevant committee and the Board. All committees have access to independent expert advice. Appointments to Board committees are for three year terms extendable by no more than two additional three year terms.
- 7.6 The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and will make appropriate recommendations to the Board on such matters. The majority of members of the committee are independent non-executive directors and the Committee is chaired by the Board Chairman. The chairman of the committee is Charles Scott. Other members comprise Mr. Allvey, Mr. Gibson and Mr. Edmonds. William Hill therefore considers that it complies with the Combined Code recommendations regarding the composition of the Nomination Committee.
- 7.7 The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on William Hill's policy and framework on executive remuneration and the remuneration of the Chairman, determining the individual remuneration and benefits package of each of the executive directors and recommending and monitoring the remuneration of senior management below Board level. The Combined Code provides that the Remuneration Committee should comprise at least three members, all of whom are independent non-executive directors. The membership of William Hill's Remuneration Committee comprises three members, all of whom are independent Non-executive Directors, namely Mr. Gibson, Mr. Allvey and Mr. Edmonds. The chairman of the Remuneration Committee is Mr. Gibson. In determining the directors' remuneration, the Remuneration Committee appointed Towers Perrin to provide advice on structuring remuneration packages for the executive directors and senior management. Towers Perrin did not provide any other services to the Group. William Hill therefore

considers that it complies with the Combined Code recommendations regarding the composition of the Remuneration Committee.

- 7.8 The Audit and Risk Management Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing William Hill's annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of William Hill's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board. The membership of William Hill's Audit and Risk Management Committee comprises three members, all of whom are independent Non-executive Directors, namely Mr. Allvey, Mr. Edmonds and Mr. Gibson. Mr. Allvey is chairman of the Audit and Risk Management Committee. William Hill therefore considers that it complies with the Combined Code recommendation regarding the composition of the Audit and Risk Management Committee.
- 7.9 The Corporate Responsibility and Regulatory Issues Committee (the "CR Committee") assists the Board in ensuring compliance with existing laws, regulations and codes of conduct relating to responsible gambling, underage gambling and protection of the vulnerable, prevention of crime and disorder related to gambling, and product integrity issues, the ongoing training, development and motivation of employees to retain the widest possible range of talented staff, provision of a safe and healthy workplace in accordance with relevant legislation and providing a competition beating level of customer service. The CR Committee reports regularly to the Board. The CR Committee is assisted by the Regulatory Issues Working Group and the Health and Safety and Charities Committees. The chairman of the CR Committee is Mr. Edmonds. The membership of William Hill's CR Committee comprises Messrs Scott, Highfield and Topping along with the General Counsel and Company Secretary.

## 8. DIRECTORS' AND OTHER INTERESTS

### 8.1 *Directors' Shareholdings*

As at 26 February 2009 (being the latest practicable date prior to the publication of this document), the interests of the Directors in the share capital of William Hill (all of which are beneficial unless otherwise stated), including the interests of persons connected with the Directors for the purposes of section 252 of the 2006 Act, as notified to William Hill pursuant to section 809 of the 2006 Act and entered in the register maintained pursuant to section 809 of the 2006 Act, were and are expected to be immediately following the Rights Issue as follows:

<i>Director</i>	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of existing issued ordinary share capital prior to Admission<sup>(1)</sup></i>	<i>Number of Ordinary Shares following the Rights Issue</i>	<i>Percentage of ordinary issued share capital following the Rights Issue<sup>(1)</sup></i>
David Allvey	13,333	0.00832	26,666 <sup>(2)</sup>	0.00832 <sup>(2)</sup>
Charles Scott	125,817	0.03616	251,634	0.03616
Simon Lane	1,500	0.00043	3,000	0.00043
Ralph Topping	13,556	0.00390	27,112	0.00390
David Edmonds	12,000	0.00345	24,000	0.00345
Barry Gibson	17,231	0.00495	34,462	0.00495
Ashley Highfield	—	—	—	—

(1) Not including Ordinary Shares held in treasury by William Hill.

(2) Assumes that the Directors take up their rights to New Ordinary Shares pursuant to the Rights Issue. Also assumes no exercise of options or awards under the Employee Share Schemes between the date of this document and the completion of the Rights Issue.

Save as disclosed in this section 8.1 and section 8.2 of this Part VII, none of the Directors have any interest in the share capital of William Hill.

## 8.2 *Directors' Employee Share Schemes*

As at 26 February 2009 (being the latest practicable date prior to the publication of this document) the following options and awards over Existing Ordinary Shares have been granted to the Directors under the Employee Share Schemes:

<i>Director</i>	<i>Employee Share Scheme</i>	<i>Number of Ordinary Shares subject to award/option</i>	<i>Option exercise price</i>	<i>Exercise period</i>
Charles Scott	N/A	–	–	–
Simon Lane	PSP	14,943	Nil	March 2009 to March 2016
	EBMS	60,500	Nil	March 2010 to March 2017
	EBMS	87,880	Nil	March 2011 to March 2018
	SAYE Plan	3,428	280p	August 2011 to January 2012
Ralph Topping	PSP	9,487	Nil	June 2008 to June 2015
	PSP	4,782	Nil	March 2009 to March 2016
	EBMS	50,948	Nil	March 2010 to March 2017
	EBMS	104,720	Nil	March 2011 to March 2018
	SAYE Plan	3,428	280p	August 2011 to January 2012
David Allvey	N/A	–	–	–
David Edmonds	N/A	–	–	–
Barry Gibson	N/A	–	–	–
Ashley Highfield	N/A	–	–	–

In addition, Ralph Topping has an interest in 3,312 Existing Ordinary Shares under an operating bonus which vested in June 2008 but which has not yet been exercised.

## 8.3 So far as William Hill is aware, as at 26 February 2009 (being the latest practicable date prior to the publication of this document), the following persons (other than the Directors) had notifiable interests in three per cent. or more of the issued share capital of William Hill:

<i>Shareholder</i>	<i>Number of Ordinary Shares prior to Admission<sup>(1)</sup></i>	<i>Percentage of existing issued share capital prior to Admission<sup>(1)</sup></i>	<i>Number of Ordinary Shares following the Rights Issue<sup>(2)</sup></i>	<i>Percentage of issued share capital following the Rights Issue<sup>(2)</sup></i>
Massachusetts Financial Services Company	33,397,765	9.46	66,795,530	9.46
FIL Limited	17,832,591	5.12	35,665,182	5.12
Blackrock Inc	17,628,205	5.06	35,256,410	5.06
FMR LLC	17,499,800	5.03	34,999,600	5.03
Legal and General Group Plc	13,836,459	3.97	27,672,918	3.97
Lloyds TSB Group Plc	12,164,454	3.50	24,328,908	3.50
Standard Life Investments Ltd	10,716,146	3.08	21,432,292	3.08

(1) Not including Ordinary Shares held in treasury by William Hill.

(2) Assumes that the shareholders take up their rights to New Ordinary Shares in full pursuant to the Rights Issue. Also assumes no exercise of options or awards under the Employee Share Schemes between the date of this document and the completion of the Rights Issue.

Save as set out in this section 8, William Hill is not aware of any person who has or will immediately following Admission have a notifiable interest in three per cent. or more of the issued share capital of William Hill.

- 8.4 William Hill is not aware of any person who either as at the date of this document or immediately following Admission exercises, or could exercise, directly or indirectly, jointly or severally, control over William Hill.
- 8.5 None of the major shareholders of William Hill set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.
- 8.6 The Directors and their functions are set out in section 8.12 of this Part VII below. The following tables set out the key provisions of the Directors' service contracts or letters of appointment (as appropriate) together with a summary of the Executive Directors' pension arrangements.

(a) *Executive Directors*

<i>Name</i>	<i>Maximum</i>		<i>Benefits in kind £</i>	<i>Notice period</i>	<i>Effective date of appointment</i>
	<i>Fees/ basic salary £</i>	<i>bonus as per cent. of salary</i>			
Ralph Topping	477,500	165	34,273	12 months	21.02.08
Simon Lane	305,833	165	24,102	12 months	20.03.06

The Executive Directors' service contracts can be terminated by either party serving notice and will automatically terminate on Mr. Topping's 63rd birthday and Simon Lane's 65th birthday respectively.

The Executive Directors' service contracts have no express provisions for the payment of compensation on termination of contracts other than in the form of notice and payment in lieu of notice provisions. The Company may, in its sole discretion, pay the Executive Directors a sum in lieu of notice equal to the aggregate of 12 months' basic salary, Company pension contributions, other benefits the Executive Director could have been entitled to receive in this notice period (or, in the Company's discretion, a sum equivalent to 10 per cent. of basic salary), and pro-rated annual bonus. The Executive Director must use his best efforts to secure alternative employment and, in the event he does so and the Company has elected to pay the Executive Director in lieu of notice in instalments, any such instalment shall be reduced.

(b) *Non-executive Directors*

<i>Name</i>	<i>Fees £</i>	<i>Effective date of appointment</i>	<i>Expiry date of contract</i>
Charles Scott	282,333	7.05.02	2011 AGM
David Allvey	60,250 <sup>(1)</sup>	01.01.05	2011 AGM
David Edmonds	57,750 <sup>(1)</sup>	22.05.02	2009 AGM
Barry Gibson	61,250 <sup>(1)(2)</sup>	01.01.99	31 December 2009
Ashley Highfield	6,083	01.11.08	1 November 2010

(1) Includes the additional fee for chairing a Board committee.

(2) Includes the senior independent director fee.

Non-executive Directors are appointed for an initial term of three years and in normal circumstances, and subject to satisfactory performance and re-election at AGMs, they would be expected to serve for an additional three-year term. Non-executive Directors may be requested to serve for a further three-year term subject to review at the relevant time and agreement with the relevant director. The appointments of the Non-executive Directors can be terminated by giving three months' notice with the exception of Mr. Scott. Mr. Scott can terminate his appointment as Chairman of William Hill by giving the Company six months' notice and the Company can terminate Mr. Scott's appointment by giving him 12 months' notice.

(c) *Pension Arrangements*

*Ralph Topping*

Mr. Topping is a member of the defined benefit section of the William Hill Pension Scheme (the “**Scheme**”). Mr. Topping elected to draw his pension with effect from 1 April 2008. He is entitled to a lump sum on death in service of four times his salary, subject to a cap equal to the standard lifetime allowance (as within the meaning of section 218 of the Finance Act 2004).

*Simon Lane*

Mr. Lane is a member of the money purchase section of the Scheme. His pensionable pay is restricted to the earnings cap of the Scheme. Mr. Lane contributes five per cent. of the lower of his eligible earnings and the earnings cap and the Company contributes twenty per cent. of the lower of Mr. Lane’s eligible earnings and the earnings cap. In addition the Company pays 10 per cent. of Mr. Lane’s eligible earnings into the Scheme as a discretionary additional contribution.

The Company makes no contributions to any pension arrangements in respect of the Directors other than the William Hill Pension Scheme and Ralph Topping and Simon Lane are the only Directors who are members of the William Hill Pension Scheme.

The total amount set aside or accrued by the Company or its subsidiaries to provide pension, retirement or similar benefits is £33,623 as at 30 December 2008.

8.7 As at the date of this document, the Directors:

- (a) save as set out below, have not held any directorships of any other company or been a partner in any partnership (other than companies in the Group and companies which are subsidiaries of companies of which the Directors are also directors) at any time in the five years prior to the date of this document:

<i>Name</i>	<i>Position</i>	<i>Company</i>	<i>Position still held? Y/N</i>
Charles Thomas Scott	Director	Kircal Ltd	Y
	Director	Intechnology PLC	Y
	Director	Flybe Group Ltd	Y
	Director	Emcore Corporation	Y
	Director	TNH Clubs Realisations PLC	N
	Director	Massive Ltd	N
	Director	Profile Media Group PLC	N
	Director	New William Hill	N
	Director	Speciality Retail Group Ltd	N
	Director	adidas-Salomon AG	N
	Director	TBI PLC	N
	Simon Paul Lane	Director	Association for Major Levy Payers Ltd
Director		Betting Industry 2000 Appeal	Y
Director		Magic Numbers Ltd	Y
Director		Center Parks (UK) Group Ltd	N
John Michael Barry Gibson	Director	Retail Trust	Y
	Director	Retail Trust Events Ltd	Y
	Director	Retail Trust Services Ltd	Y
	Director	Homeserve Plc	Y
	Director	SSP Group Ltd	Y
	Director	Harding Brothers Retail Ltd	Y
	Director	Harding Brothers Holdings Ltd	Y
	Director	The British Institute of Retailing	N
	Director	Harding Brothers Spas Ltd	N
	Director	Somerfield Ltd	N
	Director	Somerfield ESOP Trustee Ltd	N
	Director	New William Hill	N
	Director	National Express Group Plc	N

<i>Name</i>	<i>Position</i>	<i>Company</i>	<i>Position still held? Y/N</i>	
David Phillip Allvey	Director	Costain Group Plc	Y	
	Director	Arena Coventry Ltd	Y	
	Director	Intertek Group PLC	Y	
	Director	Thomas Cook Group PLC (formerly Mytravel Group PLC)	Y	
	Director	BA (GI) Ltd	N	
	Director	Resolution Group Plc (formerly Ignis Asset Management Ltd)	N	
	Director	Barclays PLC	N	
	Director	Zurich Insurance Plc	N	
	Director	BAT Industries PLC	N	
	Director	McKechnie Engineered Plastics Limited	N	
	Director	Parkway 2005 Plc	N	
	Director	New William Hill	N	
	David Albert Edmonds	Director	Legal Services Board	Y
		Director	Keele University Science and Business Park Limited	Y
Director		4 Castledown Terrace, Hasting Management Company Ltd	N	
Director		Wincanton Plc	Y	
Director		The Social Market Foundation	Y	
Director		Hammerson Plc	Y	
Director		South & East London Education Community Trust Ltd	N	
Director		New William Hill	N	
Director		NHS SBS Ltd	N	
Ashley Highfield		<i>None held</i>		

- (b) have no convictions relating to fraudulent offences within the last five years;
- (c) have not within the previous five years been a director or a member of the administrative management or supervisory bodies or a member of senior management of any company at the time of any bankruptcy, receivership or liquidation; and
- (d) have not within the previous five years received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a director or a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

8.8 None of the Directors has any potential conflicts of interests between their duties to William Hill and their private interests or other duties to third parties.

8.9 None of the Directors have agreed to waive future emoluments nor has there been any waiver of emoluments during the 2008 financial year.

8.10 The total aggregate of the remuneration paid and benefits in kind granted to Directors (including fees payable to Non-executive Directors) by the Group in the 2008 financial year was £3,114,110.

8.11 None of the Directors were appointed either as a member of the administrative, management or supervisory bodies of the Company, or as a member of senior management of the Company, pursuant to an arrangement or understanding with major shareholders, customers, suppliers or others.

8.12 Further information regarding the Directors

*Charles Scott (60), Chairman* was appointed a Non-executive Director of the Group in January 1999 and a part-time Non-executive Chairman on 1 January 2004. Mr. Scott is also Chairman of the Nomination Committee. Mr. Scott previously spent nine years with Saatchi & Saatchi in various roles including Chairman, Chief Executive and Finance Director. He is currently a Non-executive Director of InTechnology PLC, Emcore Corporation and Flybe Group Limited. He has worked for over 20

years with US corporations, including as Chief Financial Officer of IMS International. Mr. Scott is a Chartered Accountant.

*Ralph Topping (57), Chief Executive* was appointed a director in May 2007 and Chief Executive in February 2008. Mr. Topping has been with William Hill since 1973 and has held various roles within William Hill. Mr. Topping is responsible for the Group's overall strategic direction and the day-to-day management and profitability of the Group's operations.

*Simon Lane (46), Group Finance Director* was appointed in March 2006 as the Group Finance Director responsible for finance, strategic planning, investor relations, security and internal audit. Mr. Lane was the Finance Director for Center Parcs (UK) Group Plc, Group Finance Director for Albert Fisher Group Plc, Director of Corporate Finance of Safeway Plc and Financial Controller of Mars Confectionary. Mr. Lane is a Chartered Accountant.

*David Allvey (63), Independent Non-executive Director* was appointed in May 2002. He is Chairman of the Audit and Risk Management Committee. Mr. Allvey was Group Finance Director of B.A.T. Industries Plc until 1998, Group Chief Operation Officer of Zurich Financial Services Plc from 1998 to 1999 and Group Finance Director of Barclays Bank Plc from 1999 to 2001. He is Chairman of Costain Group Plc and Arena Coventry Ltd, Non-executive Director of Intertek Group Plc and Thomas Cook Group Plc. He was a Non-executive Director of Resolution Group Plc, Chairman of the Fiscal Committee of the 100 Group of UK Finance Directors and is a former member of the UK Accounting Standards Board and the International Accounting Standards Insurance Group, having worked as a Chartered Accountant with Price Waterhouse in London.

*David Edmonds CBE (64), Independent Non-executive Director* was appointed on 1 January 2005. He is the Chairman of the Corporate Responsibility and Regulated Issues Committee. Mr. Edmonds was Director General of Telecommunications at Oftel from 1998 to 2003 and Managing Director, Group Central Services at National Westminster Group Plc from 1991 to 1997. He previously held positions as Chief Executive of The Housing Corporation, Managing Director of Group Central Services at National Westminster Bank Plc and as principal private secretary to the Secretary of State for the Environment. He is a former Board Member of Office of Communications and English Partnerships. Mr. Edmonds is currently a Non-executive Director of Hammerson plc, Chairman of Wincanton plc, Chairman of NHS SBS Ltd, Chairman of the Legal Services Board, a Trustee of the Social Market Foundation, and a Board Member of Keele University Science and Business Park Ltd.

*Barry Gibson (57), Senior Independent Non-executive Director* was appointed as a Non-executive Director of William Hill in May 2002 and is currently Senior Independent Non-executive Director. He is also the Chairman of the Remuneration Committee. Mr. Gibson was Group Retail Director of BAA Plc from 1988 to 1997 and Group Chief Executive of Littlewoods Plc from 1997 to 2001. He was also the Non-executive Director of Limelight Plc and Somerfield Plc. Mr. Gibson is currently Chairman and Trustee of the Retail Trust and a Non-executive Director Homeserve Plc and Senior Independent Director of National Express Group Plc.

*Ashley Highfield (43), Independent Non-executive Director* was appointed in November 2008. He is currently the Managing Director and Vice President of Consumer and Online UK at Microsoft. Previously, he was CEO of Project Kangaroo – the proposed three way joint venture between the BBC, ITV and Channel 4. Prior to this appointment in 2008, he worked at the BBC for 8 years as Director, New Media & Technology and was a member of the executive board and management board. Between 1996 and 2000 he was Managing Director of Flextech Interactive Limited and an executive board member of Flextech plc. He is currently a Member of BAFTA, a Fellow of the Royal Society of Arts and a Director of the British Film Institute.

## **9. WORKING CAPITAL**

William Hill is of the opinion that, taking into account available bank facilities and the net proceeds of the Rights Issue receivable by William Hill, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

## 10. UK TAXATION

The following statements are intended as a general guide only to current UK tax legislation and published practice of the UK HM Revenue & Customs in each case as at the date of this document and, where stated, to proposals announced by the Chancellor of the Exchequer in his Pre-Budget Report on 24 November 2008. They relate only to Shareholders who are resident, and, in the case of individuals ordinarily resident, in the UK for tax purposes (except where otherwise stated) and who hold their Ordinary Shares beneficially as investments. They may not apply to certain Shareholders, such as dealers in securities, insurance companies and collective investment schemes, and Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment.

**Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK is strongly recommended to consult his professional advisers immediately.**

### 10.1 *Taxation of chargeable gains*

#### (a) *Acquisition of New Ordinary Shares*

For the purposes of UK taxation of chargeable gains, the issue of New Ordinary Shares under the Rights Issue should be regarded as a reorganisation of William Hill's share capital. Accordingly, to the extent that a Qualifying Shareholder takes up all or part of his entitlement under the Rights Issue in respect of his existing holding of Ordinary Shares, he should not be treated as having disposed of any part of that shareholding. Instead, his Existing Ordinary Shares and the New Ordinary Shares issued to him in respect of those Ordinary Shares should be treated as a single asset (the "**New Holding**") acquired at the time he acquired his Existing Ordinary Shares. For the purpose of computing any gain or loss on a subsequent disposal by a Qualifying Shareholder of any shares comprised in his New Holding, the Issue Price paid for the New Ordinary Shares will be added to the base cost of his Existing Ordinary Shares.

If a Qualifying Shareholder disposes of all or some of his rights to subscribe for New Ordinary Shares under the Rights Issue, or if he allows all or part of those rights to lapse and receives a cash payment in respect of this, he may, depending on his circumstances, incur a liability to UK taxation of chargeable gains. If, however, the proceeds resulting from the disposal or lapse are "small" (currently interpreted by the HM Revenue & Customs as not exceeding the greater of £3,000 or five per cent. of the market value (as at the date of the disposal or lapse) of the holding of Existing Ordinary Shares in respect of which the rights arose) the Shareholder will be treated as not making a disposal for the purposes of UK taxation of chargeable gains provided the proceeds received do not exceed the acquisition cost of those Existing Ordinary Shares. No liability to tax on capital gains will then arise as a result of the disposal or lapse of the rights, but the proceeds will be deducted from the acquisition cost of those Ordinary Shares and accordingly will be taken into account when computing any chargeable gain or allowable loss arising on a future disposal of those Existing Ordinary Shares.

An individual Shareholder who has ceased to be resident or ordinarily resident in the UK for tax purposes for a period of less than five years of assessment and who disposes of all or part of his New Holding during that period of temporary non-residence may be liable to on his return to the UK to UK taxation of chargeable gains arising during the period of absence, subject to any available exemption or relief.

#### (b) *Indexation Allowance and Taper Relief*

Indexation allowance is available only for the purposes of corporation tax and is not available to individuals, personal representatives or trustees. The following paragraphs therefore deal separately with Shareholders within the charge to corporation tax and Shareholders within the charge to capital gains tax.

##### (i) Shareholders within the charge to corporation tax

Shareholders within the charge to UK corporation tax will, for the purposes of computing gains but not losses, be allowed to claim an indexation allowance in respect of the amounts they have paid for their New Ordinary Shares. The indexation allowance

will generally only apply from the date the money for the New Ordinary Shares is paid or is liable to be paid, not from the time the original holding was acquired.

(ii) Shareholders within the charge to capital gains tax

For Shareholders within the charge to UK capital gains tax, indexation allowance and taper relief has been abolished and such Qualifying Shareholders will not be able to claim an indexation allowance or taper relief.

Shareholders within the charge to capital gains tax are generally liable to capital gains tax at the rate of 18 per cent. on any chargeable gain in excess of the annual exempt amount (£9,600 for individuals in 2008/2009 tax year).

## 10.2 *Taxation of dividends*

(a) *Company*

William Hill will not be required to withhold tax at source on any dividends it pays to its Shareholders.

(b) *UK Resident Shareholders*

Individuals resident or ordinarily resident in the UK for taxation purposes or who carry on a trade, profession or vocation in the UK through a branch or agency and have used, owned, held or acquired Ordinary Shares in or for the purposes of such trade, profession or vocation, branch or agency are generally liable to income tax on the aggregate amount of any dividend received and a tax credit equal to 10 per cent. of the gross dividend (or one-ninth of the dividend received). For example, on a dividend received of £90, the tax credit would be £10, and an individual would be liable to income tax on £100. No further income tax is payable in respect of the dividend by UK resident individuals who are not liable to income tax at the higher rate (currently 40 per cent.). UK resident individuals who are subject to tax at the higher rate are subject to tax on dividends at the rate applicable to dividends (currently 32.5 per cent.) but are entitled to offset the 10 per cent. tax credit against such liability. For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £22.50 (representing 32.5 per cent. of the gross dividend less the 10 per cent. credit). For this purpose, dividends are treated as the top slice of an individual's income.

If proposals announced by the Chancellor of Exchequer on 24 November 2008 in his Pre-Budget Report are implemented, a new 45 per cent. rate of income tax will apply to taxable income above £150,000 on and after 6 April 2011 and a new 37.5 per cent. rate of tax will apply to taxable dividend income above £150,000 on and after that date.

A UK resident individual Shareholder who is not liable to income tax in respect of the gross dividend and other UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit attaching to dividends paid by William Hill.

Subject to certain exceptions for traders in securities and insurance companies, a corporate Shareholder resident in the UK for tax purposes will generally not be subject to corporation tax on dividends received on Ordinary Shares from William Hill. Such Shareholders will not generally be able to claim repayment of tax credits attaching to dividends. Proposed changes to UK legislation on the taxation of dividends received by corporate shareholders are currently under discussion and may be enacted during 2009. However, on the basis of the latest draft legislation, these changes should not change the current position for UK resident corporate shareholders who receive dividends on those shares from William Hill.

(c) *Non-UK Resident Shareholders*

Non-UK resident Shareholders are not generally entitled to claim any part of the tax credit, subject to certain specific exemptions. Non-UK resident Shareholders may also be subject to

tax on dividend income under any law to which they are subject outside the UK. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

### 10.3 *Stamp duty and stamp duty reserve tax (“SDRT”)*

The statements below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by broker dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositories and clearance services) who may be liable to stamp duty or SDRT at a higher rate.

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or split letters of allotment or on the issue of definitive share certificates or crediting of CREST member accounts in respect of such allotment letters. Similarly, no stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters, whether by the original holders or their renounees.

A transfer of rights to subscribe for New Ordinary Shares represented by a Provisional Allotment Letter (whether nil paid or fully paid) on or before the last time for registration of renunciation will not be liable to stamp duty but will be liable to SDRT, generally at the rate of 0.5 per cent. of the amount or value of the consideration payable.

A transfer for value of Ordinary Shares will generally be subject to stamp duty or SDRT. Stamp duty will arise on the execution of an instrument to transfer Ordinary Shares and SDRT will arise on the entry into an agreement to sell such Ordinary Shares.

Stamp duty and SDRT are normally a liability of the purchaser or transferee (although where such purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate this has been done in any contract note issued to a buyer). In the case of transfers within CREST, any SDRT due will be collected through CREST in accordance with the CREST rules.

The amount of stamp duty or SDRT payable on the transfer is generally calculated at the rate of 0.5 per cent. of the consideration paid (although stamp duty only applies where such consideration is £1,000 or more and is rounded up to the nearest £5). A liability to SDRT will be cancelled and any SDRT already paid will be repaid, generally with interest, where an instrument of transfer is executed and stamp duty is paid on that instrument within six years of the date on which the liability to SDRT arises.

Paperless transfers of Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. Paperless transfers of Nil Paid Rights or Fully Paid Rights within the CREST system are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable. SDRT on relevant transactions is generally settled within the CREST system. Deposits of shares, Nil Paid Rights or Fully Paid Rights into CREST will generally not be subject to SDRT, unless the transfer into CREST is itself for consideration.

## 11. US TAXATION

The following is a discussion of the material US federal income tax consequences of the acquisition, ownership and disposition of the Rights and New Ordinary Shares that are applicable to a US Holder, as defined below, that acquires Rights and New Ordinary Shares pursuant to this offering. This discussion is not a complete analysis or listing of all the possible tax consequences of such transactions and does not address all aspects of US federal income tax considerations that might be relevant to particular holders in light of their personal circumstances or to persons that are subject to special tax rules. In particular, the information set forth below deals only with US Holders that will hold Rights and New Ordinary Shares as capital assets for US federal income tax purposes (generally, property held for investment) and that do not own, and are not treated as owning, at any time, 10 per cent. or more of the total combined voting power of all classes of our stock entitled to vote. In addition, this description of the material US federal income tax consequences does not address the tax treatment of special classes of US Holders, such as:

- banks and financial institutions;
- regulated investment companies;
- real estate investment trusts;
- individual retirement accounts and other tax-deferred accounts;
- tax-exempt entities;
- insurance companies;
- persons holding the Existing Ordinary Shares, Rights or New Ordinary Shares as part of a hedging, conversion, constructive sale, 'straddle', or other integrated transaction;
- persons who acquired the Existing Ordinary Shares, Rights or New Ordinary Shares through the exercise or cancellation of compensatory stock options or otherwise as compensation;
- US expatriates;
- persons subject to the alternative minimum tax;
- dealers or traders in securities or currencies; and
- holders whose functional currency is not the US dollar.

This summary does not address any other tax consequences under any state, local or foreign laws other than as provided in "UK Taxation" above.

For purposes of this section, a "US Holder" for US federal income tax purposes is: (1) an individual citizen or a resident alien of the United States; (2) a corporation (or other entity treated as a corporation created or organised under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to US federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary supervision over its administration and one or more US persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury regulations to be treated as a US person.

An individual may be treated as a resident alien of the United States, as opposed to a non-resident alien, for US federal income tax purposes if the individual is present in the United States for at least 31 days in a calendar year and for an aggregate of at least 183 days during a three-year period ending in such calendar year. For the purposes of this calculation, an individual would count all of the days that the individual was present in the then-current year, one-third of the days that the individual was present in the immediately preceding year and one-sixth of the days that the individual was present in the second preceding year. Resident aliens are subject to United State federal income tax as if they were US citizens, and thus would constitute "US Holders" for purposes of the discussion below. Other rules may apply to determine whether an individual is a resident alien for US federal income tax purposes if the individual is a citizen or tax resident of a country with which the United States has a tax treaty.

If a partnership or other pass-through entity (including any entity or arrangement treated as a partnership or pass-through entity for US federal income tax purposes) is a beneficial owner of the Rights and New Ordinary Shares, the tax treatment of a partner or other owner in the partnership or pass-through entity will generally depend upon the status of the partner or other owner and the activities of the partnership or pass-through entity. A partner or other owner of a partnership or pass-through entity that acquires the Rights and New Ordinary Shares should consult an independent tax adviser regarding the tax consequences of acquiring, owning and disposing of the Rights and New Ordinary Shares.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), US judicial decisions, administrative pronouncements, existing and proposed Treasury regulations and any applicable tax treaty, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in US federal income tax consequences different from those discussed below. The Company has not requested, and will not request, a ruling from the US Internal Revenue Service (the "IRS") with respect to any of the US federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions the Company has reached and describe herein.

This discussion assumes that the Company is not, and will not become, a passive foreign investment company (a “**PFIC**”) for US federal income tax purposes, which the Company believes to be the case. The Company’s possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of the Rights and New Ordinary Shares and no opinion or representation with respect to the US federal income tax consequences to any such holder or prospective holder is made. Prospective purchasers should consult their tax advisers as to the particular consequences to them under US federal, state and local, and applicable foreign, tax laws of the acquisition, ownership and disposition of the Rights and New Ordinary Shares.

To ensure compliance with Treasury Department Circular 230, each holder and/or purchaser of the Rights or New Ordinary Shares is hereby notified that: (a) any discussion of US federal tax issues herein is not intended or written to be relied upon, and cannot be relied upon, by a holder and/or purchaser for the purpose of avoiding penalties that may be imposed on such holder and/or purchaser under applicable tax law; (b) such discussion is included herein in connection with the promotion or marketing (within the meaning of Circular 230) of the offer to sell the Rights or New Ordinary Shares by the Company; and (c) a holder and/or purchaser of any Rights or New Ordinary Shares should seek advice based on its particular circumstances from an independent tax adviser.

### 11.1 *Taxation in respect of Rights*

#### *Receipt of Rights*

The tax consequences of the receipt of Rights by a US Holder are not free from doubt. In particular, it is not clear whether the sale of Rights by Citi, and the remittance of the proceeds from that sale to certain US Holders whose Rights were sold, should be treated as a sale and distribution by the Company, or as a distribution of Rights by the Company and a subsequent sale of those Rights by the relevant holders. If the sale and distribution were considered to be made by the Company, then the receipt of Rights would be taxable to US Holders as a dividend to the extent of the Company’s current or accumulated earnings and profits, as described below under “Taxation in Respect of New Ordinary Shares – Dividends”. However, based on the particular facts relating to the Rights and the sale of Rights by Citi, the Company believes it is proper to take the position that a US Holder is not required to include any amount in income for US federal income tax purposes as a result of the receipt of the Rights. It is possible that the IRS will take a contrary view and require a US Holder to include in income the fair market value of the Rights on the date of their distribution. The remainder of this discussion assumes that the receipt of the Rights will not be a taxable event for US federal income tax purposes.

If, on the date of receipt, the fair market value of such Rights is 15 per cent. or more of the fair market value of the Existing Ordinary Shares with respect to which the Rights were received, or if the US Holder elects to allocate a portion of the basis of such Existing Ordinary Shares to the Rights, then the basis in the US Holder’s Existing Ordinary Shares with respect to which the Rights were received must be allocated among the Existing Ordinary Shares and the Rights in proportion to their fair market values on the date of receipt. This rule will apply only if the Rights are exercised or sold. If, however on the date of receipt, the fair market value of such Rights is less than 15 per cent. of the fair market value of the Existing Ordinary Shares with respect to which the Rights were received, or if the US Holder does not elect to allocate a portion of the basis of such Existing Ordinary Shares to the Rights, then a US Holder’s tax basis in the Rights generally will be zero and its tax basis in its Existing Ordinary Shares will remain unchanged as a result of the Rights Issue. If a US Holder allows the Rights to expire without selling or exercising them and does not receive any proceeds, the US Holder will not recognise any loss upon the expiration of the Rights, and the US Holder will not be entitled to allocate any basis to the Rights.

### *Sale or other disposition of Rights*

Upon a sale or other disposition of the Rights, a US Holder will generally recognise capital gain or loss equal to the difference, if any, between the US dollar value of the amount realised (as determined on the date of the sale or other disposition) and the US Holder's adjusted tax basis in the Rights. Any gain or loss will be US source, and will be long-term capital gain or loss if the US Holder's holding period in the Rights exceeds one year. A US Holder's holding period in the Rights will include the holding period in the Existing Ordinary Shares with respect to which the Rights were distributed.

The Company believes it is proper to take the position that a US Holder that receives a payment on account of the sale of the Rights or New Ordinary Shares at a premium over the Issue Price will be treated either as having sold the Rights or as having exercised the Rights and sold the New Ordinary Shares (as described below under "Taxation in respect of New Ordinary Shares – Sale or other disposition"). A US Holder that receives such a payment should consult an independent tax adviser about the US federal income tax treatment of those amounts.

The amount realised on a sale or other disposition of the Rights for an amount in a currency that is not the US dollar (for the purpose of this section such currency shall be referred to as "foreign currency") will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference if any between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of the Rights traded on an established securities market (as defined under the applicable Treasury regulations) that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time. It is unclear if this exception will apply to any sale of the Rights, in part because it is uncertain whether an active trading market on an established securities market will develop for the Rights.

### *Exercise of Rights*

A US Holder will not recognise taxable income upon the receipt of New Ordinary Shares pursuant to the exercise of Rights.

A US Holder's basis in the New Ordinary Shares will equal the sum of the US dollar cost of the New Ordinary Shares (determined at the spot rate on the date of exercise) and the US Holder's basis, if any, in the rights exercised to obtain the New Ordinary Shares. The US dollar cost of a New Ordinary Share purchased with foreign currency will generally be the US dollar value of the New Ordinary Shares on the date of purchase, or the settlement date for the purchase, in the case that the New Ordinary Shares will trade on an established securities market, as defined in the applicable Treasury regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects). Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without consent of the IRS. A US Holder's holding period in each New Ordinary Share acquired through the exercise of a Right will begin with and include the date of exercise.

## **11.2 Taxation in respect of New Ordinary Shares**

### *Dividends*

#### General

The gross amount of any distribution paid by the Company will generally be subject to United States federal income tax as foreign source dividend income to the extent paid out of the Company's current or accumulated earnings and profits, as determined under US federal income tax principles. Such amount will be includable in gross income by a US Holder as ordinary income on the date that the US Holder actually or constructively receives the distribution in accordance with the US Holder's regular method of accounting for US federal income tax purposes. The amount of any distribution made by the Company in property other than cash will be the fair market value of such property on the date of

the distribution. Dividends paid by the Company will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the New Ordinary Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company with respect to New Ordinary Shares will constitute ordinary dividend income. US Holders should consult their tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Company.

Subject to applicable limitations, for taxable years that begin before 2011, dividends paid by the Company will generally be taxable to a non-corporate US Holder at the special reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the tax treaty between the United States and the United Kingdom. A US Holder will be eligible for this reduced rate only if it has held the New Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

Prospective purchasers should consult an independent tax adviser concerning the applicability of the foreign tax credit and source of income rules to dividends paid with respect to the New Ordinary Shares.

#### *Foreign currency dividends*

Dividends paid in pounds sterling will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the pounds sterling are converted into US dollars at that time. If dividends received in pounds sterling are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. Any gain or loss recognised on a sale or other disposition of a foreign currency will be US-source ordinary income or loss.

#### *Sale or other disposition*

A US Holder generally will recognise gain or loss upon the sale, exchange or other disposition of the New Ordinary Shares in an amount equal to the difference, if any, between (i) the amount realised upon the sale, exchange or other taxable disposition and (ii) the US Holder's adjusted tax basis in the New Ordinary Shares. Generally, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if, on the date of the sale, exchange or other disposition, the US Holder has held the New Ordinary Shares for more than one year. However, regardless of a US Holder's actual holding period, any loss may be long-term capital loss to the extent the US Holder receives a dividend that qualifies for the reduced rate described above under "Dividends – General", and exceeds 10 per cent. of the US Holder's basis in its New Ordinary Shares. Generally, if the US Holder is an individual taxpayer, long-term capital gains for taxable dispositions prior to January 1, 2011 will be taxed at a maximum rate of 15 per cent. The deductibility of capital losses is subject to limitations under the Code.

Gain or loss, if any, that the US Holder realises upon a sale, exchange or other taxable disposition of New Ordinary Shares will be treated as having a United States source for US foreign tax credit limitation purposes. Consequently, the US Holder may not be able to use any foreign tax credits arising from any UK tax imposed on the sale, exchange or other taxable disposition of the New Ordinary Shares unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources or unless an applicable treaty provides otherwise.

The amount realised on a sale or other disposition of New Ordinary Shares for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US-source foreign currency gain or loss (taxable as

ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of New Ordinary Shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

#### *Disposition of foreign currency*

Foreign currency received on the sale or other disposition of a New Ordinary Share will have a tax basis equal to its US dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase New Ordinary Shares or upon exchange for US dollars) will be US-source ordinary income or loss.

#### *Backup withholding and information reporting*

Payments of dividends and other proceeds with respect to the New Ordinary Shares, by a US paying agent or other US intermediary, will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders (including, among others, corporations) are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against the US Holder's US federal income tax liability, provided that the required information is furnished to the IRS.

## **12. UNDERWRITING AGREEMENT**

William Hill, Citi and the Lead Managers have entered into the Underwriting Agreement under which Citi has agreed to use reasonable endeavours to procure subscribers for New Ordinary Shares not taken up under the Rights Issue (other than the 183,437 New Ordinary Shares which the Directors have undertaken to take up), failing which Citi itself, together with the other Underwriters, will subscribe for such New Ordinary Shares.

The obligations of Citi and the Lead Managers under the Underwriting Agreement are conditional upon, *inter alia*, the passing of the Resolution to be proposed at the Extraordinary General Meeting, and Admission becoming effective by not later than 8.00 a.m. on 24 March 2009 (or such later time or date as William Hill, Citi and the other Underwriters may agree).

If any of the conditions in the Underwriting Agreement are not fulfilled (or where permitted waived) in all respects by the specified time and date or by such later date as Citi, William Hill and the other Underwriters may agree (provided that the Acceptance Date is not later than 21 April 2009), the obligations of Citi and the Lead Managers under the Underwriting Agreement shall terminate.

For the services provided under the Underwriting Agreement, William Hill shall pay to Citi as agent for and on behalf of itself and the Underwriters, irrespective of whether or not the Underwriters are called upon to subscribe or procure subscribers for Ordinary Shares, a commission of an amount equal to 3.5 per cent. of the product of the Issue Price multiplied by the total number of New Ordinary Shares less those New Ordinary Shares which the Directors have undertaken to take up.

Under the Underwriting Agreement, William Hill has given certain representations and warranties to Citi and the Lead Managers regarding, *inter alia*, the accuracy of the information contained in this document, and an indemnity in relation to the Rights Issue.

Citi and one other Underwriter acting in agreement (for themselves and on behalf of the other Lead Managers at all times) may terminate the obligations under the Underwriting Agreement if, *inter alia*, there is a material breach of any of the provisions of the Underwriting Agreement by William Hill or any of the warranties contained in the Underwriting Agreement ceases to be true and accurate and not misleading in any material respect at any time prior to Admission. Citi and one other Underwriter acting in agreement may also terminate on the occurrence of certain *force majeure* events including a material adverse change in either the condition or business affairs of the Group, or a fundamental change in economic, political or market conditions or any outbreak of hostilities or similar crisis which, in either case, (in the opinion of Citi and one other Underwriter acting in agreement) makes it inadvisable or impracticable to proceed with the Rights Issue. Citi and one other Underwriter acting in agreement may also terminate if trading in securities in general or in the securities of William Hill is suspended or materially limited or if there is a disruption material in the context of the Rights Issue to commercial banking, securities settlement or clearances services in the UK, the US or the EEA. For the avoidance of doubt, under the terms of the Underwriting Agreement, no Underwriter has a right of termination of the Underwriting Agreement after Admission.

If any Underwriter defaults in its obligation to purchase New Ordinary Shares not taken up under the Rights Issue, the Company has the right to require each non-defaulting Underwriter to subscribe for its pro-rata share (based on the percentage of New Ordinary Shares that such Underwriters agreed to subscribe for under the Underwriting Agreement) of New Ordinary Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made up to a number of New Ordinary Shares that, in the aggregate with respect to all such non-defaulting Underwriters, does not exceed 10 per cent. of the aggregate number of all of the New Ordinary Shares.

### 13. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (a) in the two years immediately preceding the date of this document and are, or may be, material or (b) contain provisions under which any member of the group has any obligation or entitlement which is material to the Group as at the date of this document:

(a) ***William Hill Online/Playtech Framework Agreement (the “Framework Agreement”)***

On 19 October 2008, William Hill Organization Limited (“**WHO**”), William Hill (Gibraltar) 2008 Limited (“**JVCO1**”), William Hill (Gibraltar) Limited (“**JVCO2**”) (JVCO1 and JVCO2, together being the “**JVCOs**”), Genuity Services Limited and Playtech Software Limited (together “**Playtech**”) entered into the Framework Agreement to govern and regulate the joint venture between William Hill and Playtech in connection with William Hill’s remote gambling business.

Pursuant to the Framework Agreement, the share capital of the JVCOs was allotted such that WHO owned 71 per cent. and Playtech owned 29 per cent. of the issued share capital of the JVCOs. In consideration for the allotment of these shareholdings, Playtech agreed to contribute certain assets and affiliates of Playtech and other marketing and gaming assets, contracts and brands providing vertically integrated services to the European online gaming marketplace and WHO contributed (or agreed subsequently following an integration strategy to contribute) assets relating to its remote gaming business and services in connection therewith.

As is customary in an arrangement of this nature and to provide governance rights to reflect the parties shareholdings in the JVCOs, the parties agreed certain operational provisions, including, among other things:

- WHO agreed to conduct its remote gambling business through the medium of the JVCOs and their subsidiaries (the “**JVCO Group**”);
- WHO may nominate up to three directors of each company within the JVCO Group and Playtech could nominate two directors to the boards of each such company;
- Playtech were afforded certain information rights to receive financial and commercial information on the trading and progress of the JVCO Group;

- WHO and Playtech undertook that the JVCO Group would not undertake certain material actions without the consent of both WHO and Playtech, including: not to create encumbrances over the assets of the JVCO Group or enter into any financial bonds or guarantees (other than pursuant to ordinary course trading); save for certain exceptions, enter into capital commitments in excess of £5 million per annum; enter into any acquisition or disposal or series of acquisitions or disposals in any one year exceeding £10 million; enter into any borrowings or finance obligations; change the constitutional documents of a JVCO Group Company; issue or purchase shares in any JVCO Group Company; declare a dividend in a JVCO Group Company; alter the share rights of any of the shares of the JVCOs; or transfer the shares held in the JVCOs by Playtech or WHO.

WHO and Playtech also agreed that dividends of the JVCO Group would be declared and paid (subject to certain exceptions) on a regular quarterly basis and would be split such that each of WHO and Playtech would receive the profits of the JVCO Group in proportion to their shareholdings in the JVCOs.

Playtech agreed to allow the William Hill Sportsbook business and its online gaming business to remain outside the Group for a specified period following completion. Following this time period, WHO agreed that it would transfer these assets to the Group. If these assets were transferred to the JVCOs then the shareholdings of the WHO and Playtech would remain in the 71 per cent. and 29 per cent. proportions respectively. However if one or both of the businesses was not transferred to the JVCOs, the parties' shareholdings would be amended such that WHO's percentage shareholding in the JVCOs could fall to 68 per cent. and Playtech's shareholding could increase to 32 per cent..

As at the date of this document, the transfer of either business has not been completed, consistent with William Hill's integration plan. If at any time following the transfer of the businesses set out above to the JVCOs, WHO determined that it wished to transfer the businesses to a UK incorporated company of the Group, then the shareholdings will also be amended as set out above from the time of such transfer.

The Framework Agreement grants an irrevocable conversion right to WHO to convert all the shares, Playtech holds in the JVCOs into deferred shares, and an option to WHO such that it may (at its discretion) in either 2013 or 2015 acquire the trademarks and domain names licensed to the JVCOs by Playtech for fair market value. The fair market value is determined following a prescribed procedure involving the appointment of valuers by each of Playtech and WHO and an independent valuer appointed jointly by WHO and Playtech. Playtech may elect to receive a proportion of its consideration in William Hill shares in substitution for cash (subject to certain exceptions) provided that any such shares to be issued to Playtech shall not exceed 9.99 per cent. of William Hill's issued share capital immediately following such issue, and provided further that the receipt of such shares does not result in Playtech owning more than 20 per cent. of the then issued share capital of William Hill. If WHO does not elect to exercise its option to acquire Playtech's shares in the JVCOs in 2013 or 2015, Playtech has been granted an "unwind right" which permits Playtech to transfer its shareholdings to a third party provided that before it does so WHO has a matching right in respect of such sale, which if exercised, compels Playtech to transfer its shares to WHO.

Playtech and WHO also provided to each other and the JVCOs title, trading and financial warranty and indemnity protection customary with an arm's length sale or transfer of shares and assets in connection with the shares and assets that each party contributed to the JVCOs. These warranties were subject to certain limitations including a two year time limit (for warranties other than tax) and certain monetary caps and thresholds.

Playtech and WHO also agreed to provide non-compete protections broadly customary in a transaction of this type to the other to ensure that the interests of either party in the JVCO were not materially prejudiced by the actions of the other shareholder, including in particular certain restrictions on Playtech supplying, directly or indirectly, certain competing businesses prior to 31 December 2009.

Playtech Software Limited undertook to indemnify and guarantee the performance of Playtech under the provisions of the Framework Agreement.

(b) the Underwriting Agreement summarised in section 12 of this Part VII above.

(c) ***Software Licence Agreement and Trade Mark and Domain Name Licence Agreement with Playtech Group***

Under an agreement dated 19 October 2008 between Playtech, JVCO1 and JVCO2, Playtech was appointed as the exclusive supplier to the licensees under the agreement (the “Licensees”) of certain online casino, bingo and poker games on specified branded websites. The agreement terminates automatically without notice on 16 October 2016, but either party may also terminate in certain circumstances prior to this date.

In consideration of payment of the service fees under the agreement, Playtech agreed to provide or procure the provision of services to the Licensees including poker management services, bingo management services, live games services and integration services. WHO has guaranteed the performance of the obligations of the Licensees to Playtech.

The agreement provides Playtech with the right of first refusal to provide the Licensees with certain new casino, poker and bingo games for use on branded websites.

Playtech’s liability is subject to certain caps and exclusions as a result of which William Hill may be unable to recover its losses in the event of a default by Playtech or in the event that William Hill has a claim under any warranties or indemnities provided by Playtech under this agreement.

Under a separate agreement dated 19 October 2008 Genuity Services Limited agreed to grant an exclusive perpetual worldwide licence to the Licensees to use certain trade marks and domain names in its business. Under the Framework Agreement, William Hill may acquire such trade marks and domain names in 2013 or 2015 for fair market value.

(d) ***TurfTV Agreement***

On 11 January 2008, William Hill Organization Limited entered into an agreement with Amalgamated Racing Limited (“**TurfTV**”) under which William Hill pays a fee to TurfTV in consideration for the supply of live horse racing coverage for display in William Hill LBOs in the UK, the Isle of Man, the Channel Islands and the Republic of Ireland. The agreement expires on 31 January 2013, but may be terminated by either party in certain circumstances.

Each party’s liability is subject to certain caps and the agreement contains a broad exclusion clause in respect of TurfTV’s liability. These provisions could result in William Hill being unable to recover losses that it suffered as a result of TurfTV’s failure to meet its contractual obligations or in the event that William Hill has a claim under any warranties or indemnities provided by TurfTV under this agreement.

(e) ***Agreements with Orbis Technology Limited (“Orbis”)***

In 2008, William Hill Credit Limited entered into certain agreements with Orbis for the development, support and licensing of a software system for William Hill Credit Limited’s Sportsbook, call centre and gaming engine. As part of the agreements, Orbis agreed to deliver and install a standard software platform for online betting and playing, and to develop ancillary software, including a user interface, as required for its integration into William Hill Credit Limited’s other systems and databases. Orbis is also required to provide support services in relation to the software.

Under these agreements, William Hill Credit Limited is granted a world-wide, non-exclusive and perpetual licence to use the Orbis software, subject to early termination in defined circumstances.

Each party’s liability is subject to certain caps and the agreements exclude Orbis’ liability in respect of a number of potential events of default which could result in William Hill being unable to recover losses that it suffers as a result of Orbis’ failure to meet its contractual obligations or in the event that William Hill has a claim under any warranties or indemnities provided by Orbis under these agreements.

## 14. FINANCING AGREEMENTS

The following financing arrangements have been entered into by members of the Group:

### 14.1 *Existing Bank Facilities*

- (a) £1.2 billion term and revolving facilities pursuant to a facilities agreement dated 2 March 2005 (as amended) between the Company and certain lenders pursuant to which the lenders made available a £600 million term facility (which is currently fully drawn) and a £600 million revolving facility. The facilities were used to finance in part the acquisition of Stanley Leisure plc's LBOs. The facilities are to be cancelled down to £950 million (by a reduction in the revolving facility commitments) in March 2009 as a condition of the New Bank Facilities. Both facilities are repayable in March 2010. The agreement contains representations, information and financial covenants, undertakings and events of default that are customary for debt facilities involving a publicly listed company. The rate of interest on the facilities for each interest period is the aggregate of (i) the applicable margin, (ii) LIBOR and (iii) mandatory costs, if any. The maximum margin is 0.75 per cent. per annum and adjustments are made to the margin depending on the ratio of Consolidated Net Debt to Consolidated EBITDA (as defined in the agreement), however please note paragraph (b) below. The obligations of the Company have been guaranteed by certain material members of the Group.
- (b) As an incentive for the lenders to enter into the New Bank Facilities, the Company has agreed to pay to those lenders under the £1.2 billion Existing Bank Facility that are party to the £538.5 million forward start New Bank Facility a top up margin such that the maximum combined margin payable on the £1.2 billion Existing Bank Facility is 3.00 per cent. per annum (the amount continues to adjust depending on the ratio of Consolidated Net Debt to Consolidated EBITDA) however the maximum top up margin for (approximately) the next 12 months is fixed at 2.475 per cent. per annum in addition to the applicable margin under the £1.2 billion Existing Bank Facility.
- (c) £250 million term facility pursuant to a facility agreement dated 31 July 2006 between the Company and certain lenders pursuant to which the lenders made available a £250 million term facility (which is currently fully drawn). The facility was used for the general corporate purposes of the Group. The facility is repayable in July 2011. The agreement contains representations, information and financial covenants, undertakings and events of default that are customary for debt facilities involving a publicly listed company. The rate of interest on the facility for each interest period is the aggregate of (i) the margin (being 0.90 per cent. per annum), (ii) LIBOR and (iii) mandatory costs, if any, however please note paragraph (d) below. The obligations of the Company have been guaranteed by certain material members of the Group.
- (d) As an incentive for the lenders to enter into the New Bank Facilities, the Company has agreed to pay to those lenders under the £250 million Existing Bank Facility that are party to the £538.5 million forward start New Bank Facility a top up margin such that the maximum combined margin payable on the £250 million Existing Bank Facility is 3.00 per cent. per annum (the amount now adjusts depending on the ratio of consolidated net debt to consolidated EBITDA) however the top up margin for (approximately) the next 12 months is fixed at 2.10 per cent. per annum in addition to the margin under the £250 million Existing Bank Facility.

### 14.2 *New Bank Facilities*

- (a) £538.5 million term and revolving forward start facilities pursuant to a facilities agreement dated 27 February 2009 between the Company and certain lenders pursuant to which the lenders made available a £359,000,000 million term facility and a £179,500,000 million revolving facility which are to be made available 45 days prior to the final maturity date of the £1.2 billion Existing Bank Facility. The facilities are to be used firstly to refinance the £1.2 billion Existing Bank Facility and thereafter for the Group's general corporate purposes. Both facilities are repayable in March 2012. The agreement contains representations, information

and financial covenants, undertakings and events of default that are customary for debt facilities involving a publicly listed company entered into in 2009. The rate of interest on the facilities for each interest period is the aggregate of (i) the applicable margin, (ii) LIBOR and (iii) mandatory costs, if any. The maximum margin is 3.00 per cent. per annum and adjustments are made to the margin depending on the ratio of Consolidated Net Debt to Consolidated EBITDA (as defined in the agreement). From the availability date, commitment fees at a rate per annum equal to 50 per cent. of the applicable margin are payable to the agent for the account of each lender. In addition, an arrangement fee of 1.5 per cent. is payable to the lending banks, structuring and other fees of £10.3 million are payable to the lead arrangers together with professional advisory and other costs. The obligations of the Company have been guaranteed by certain material members of the Group.

- (b) £50 million incremental term facility pursuant to a facility agreement dated 27 February 2009 between the Company and certain lenders pursuant to which the lenders made available a £50 million term facility which is to be made available 45 days prior to the final maturity date of the £1.2 billion Existing Bank Facility. The facility is to be used firstly to refinance the £1.2 billion Existing Bank Facility and thereafter for the Group's general corporate purposes. The facility is repayable in February 2011. The agreement contains representations, information and financial covenants, undertakings and events of default that are customary for debt facilities involving a publicly listed company entered into in 2009. The rate of interest on the facility for each interest period is the aggregate of (i) the applicable margin, (ii) LIBOR and (iii) mandatory costs, if any. The margin is 4.50 per cent. per annum to June 2010 and increases to 5.25 per cent. per annum from July 2010 to September 2010 and increases further to 6.00 per cent. per annum from October 2010 to February 2011. From the availability date, a commitment fee computed at a rate per annum equal to 150 basis points is applicable to undrawn amounts. In addition, a structuring fee of £500,000 and arrangement fees of 0.75 per cent. of the total commitment are payable to the lenders, together with professional advisory and other costs. The obligations of the Company have been guaranteed by certain material members of the Group.
- (c) Under the New Bank Facilities, the Company provides a number of significant covenants, including:
  - (i) a restriction that no final dividend is to be declared for the financial year ended 30 December 2008 and that it shall not declare a dividend if the Consolidated Net Debt to Consolidated EBITDA ratio is greater than 3.25:1 in subsequent financial years;
  - (ii) the net proceeds of any capital markets issuance (excluding the Rights Issue) will reduce the commitments under the £50 million incremental facility in the New Bank Facilities accordingly;
  - (iii) any acquisition that would be a Class 1 Transaction (as defined in the Listing Rules) requires the majority lender's prior written consent; and
  - (iv) if the Consolidated Net Debt to Consolidated EBITDA exceeds 3.25:1, further restrictions on acquisitions apply, namely the consideration payable for acquisitions in any financial year must not exceed £30 million from external financial indebtedness and the acquisition must be EBITDA positive in the latest audited accounts of the target.

## **15. LITIGATION AND OTHER CONTINGENCIES**

Neither William Hill nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which William Hill is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on William Hill's and/or the Group's financial position or profitability.

## 16. SUBSIDIARIES

William Hill acts as the holding company of the Group. William Hill has the following significant subsidiary undertakings all of which are private limited companies. None of the subsidiaries holds Ordinary Shares in the Company.

<i>Name</i>	<i>Country of Incorporation</i>	<i>Proportion of ownership interest</i>	<i>Principal activity</i>
<b>Directly owned:</b>			
William Hill Holdings Limited	Great Britain	100%	Holding company
<b>Held through intermediate companies:</b>			
William Hill Investments Limited	Great Britain	100%	Holding company
<i>Name</i>	<i>Country of Incorporation</i>	<i>Proportion of ownership interest</i>	<i>Principal activity</i>
Will Hill Limited	Great Britain	100%	Holding company
Windsors (Sporting Investments) Limited	Great Britain	100%	Holding company
William Hill Organization Limited	Great Britain	100%	Betting services
William Hill (Course) Limited	Great Britain	100%	Betting services
William Hill Credit Limited	Great Britain	100%	Betting services
Willstan Racing (Ireland) Limited	Republic of Ireland	100%	Betting services
Willstan Limited	Northern Ireland	100%	Betting services
BJ O'Connor Limited	Jersey	100%	Betting services
Willstan (IOM) Limited	Isle of Man	100%	Betting services
The Regal Sunderland Stadium Limited	Great Britain	100%	Stadium operation
Team Greyhounds (Brough Park) Limited	Great Britain	100%	Stadium operation
William Hill Casino NV	Netherland Antilles	100%	Online casino
William Hill Online NV	Netherland Antilles	100%	Online casino
WHG Trading Limited	Gibraltar	71%	Online casino
WHG (International) Limited	Gibraltar	71%	Online casino
Eurotech Services Limited	Bulgaria	71%	Casino services
Cellpoint Investments Limited	Cyprus	71%	Casino services
Ad-agency Limited	Israel	71%	Casino services
William Hill (Malta) Limited	Malta	100%	Online casino

## 17. PROPERTY

17.1 William Hill's principal administrative offices are located in London and are occupied under a lease expiring in 2111. William Hill's main operational facilities in Leeds are occupied under two leases expiring in 2011 and 2018. Details of the principal properties of the Group are set out below:

<i>Address</i>	<i>Description</i>	<i>Size (square feet approximate)</i>	<i>Tenure</i>	<i>Expiry of term</i>	<i>Current rent per annum</i>	<i>Lessee</i>
4th and 5th Floors, St. John's Centre, Leeds	Offices related to various operational and administrative functions of the Group's business	29,100	Leasehold	12 June 2018	£225,625	William Hill Organization Limited
1st, 2nd and 3rd Floors, St John's Centre, Leeds	Offices related to various operational and administrative functions of the Group's business	24,150	Leasehold	23 June 2016	£387,750	William Hill Organization Limited
Greenside House, 50 Station Road, Wood Green, London N22 7TP	Head Office	30,000	Long Leasehold	28 September 2111	Peppercorn	Camec Limited

<i>Address</i>	<i>Description</i>	<i>Size (square feet approximate)</i>	<i>Tenure</i>	<i>Expiry of term</i>	<i>Current rent per annum</i>	<i>Lessee</i>
Unit 4, Milshaw Park Estate, Leeds	Depot, Field services store, work shop and ancillary offices	5,500	Leasehold	16 January 2012	£30,750	William Hill Organization Limited
6th, 7th and 8th Floors, Milton House, Charter Row, Sheffield	Call and computer centre and offices	28,750	Leasehold	8 November 2016	£430,561	William Hill Credit Limited
Suite 1, Ground Floor, Woodhead House, Centre 27, Birstall, Leeds	Offices and computer centre	2,550	Leasehold	14 June 2016	£46,442	William Hill Organization Limited

17.2 There are currently no environmental, health and safety issues which will materially affect the Group's use of the assets described in section 17.1 of this Part VII above or the Group's use of its LBO estate.

## 18. NO SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 30 December 2008, being the date of the last audited financial information of the Group.

## 19. MARKET QUOTATIONS

19.1 The Ordinary Shares are listed on the Official List. The closing middle market quotations for the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange for the first dealing day in each of the six months before the date of this document and on 26 February 2009 (the last practicable date prior to the publication of this document) are as follows:

<i>Dates</i>	<i>Price per Ordinary Share (p)</i>
1 September 2008	280
1 October 2008	233.5
3 November 2008	191
1 December 2008	179.75
2 January 2009	228
2 February 2009	231
26 February 2009	247

## 20. DIVIDENDS

The following table sets out the dividend per Ordinary Share paid in each of the financial years ended 30 December 2008, 1 January 2008 and 26 December 2006:

	<i>Proposed</i>	<i>Paid</i>
2008	–	15.5p
2007	15.5p	14.5p
2006	14.5p	12.2p

## 21. MISCELLANEOUS

21.1 The total costs and expenses of, and incidental to, the Rights Issue payable by William Hill are estimated to amount to £14.2 million (excluding VAT).

21.2 The New Ordinary Shares are in registered form and will, on Admission, be capable of being held in uncertificated form. The New Ordinary Shares will be admitted with the ISIN GB0031698896.

- 21.3 Save in respect of the Rights Issue, none of the New Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the New Ordinary Shares to be admitted to the Official List.
- 21.4 No commissions, discounts, brokerages or other special terms have been granted by the Company or its subsidiaries in connection with the issue of any share or loan capital in the Company.
- 21.5 William Hill remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of Section 89 of the 1985 Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital of William Hill.
- 21.6 William Hill will make an appropriate announcement(s) to a Regulatory Information Service giving details of the results of the Rights Issue and details of the sale of the New Ordinary Shares not taken up by Qualifying Shareholders on or about 7 April 2009.
- 21.7 Citi has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which they appear.
- 21.8 Citi, the Lead Managers and their respective affiliates have engaged in transactions with and performed various investment banking, financial advisory and other services for the Company and its affiliates, for which, in certain cases, they received customary fees and commissions. In particular, Barclays Bank PLC, The Royal Bank of Scotland plc, of which RBS Hoare Govett Limited is a subsidiary undertaking, and Lloyds TSB Bank plc are currently lenders to the Company pursuant to certain debt facilities. Additionally, as lenders and lead arrangers under those debt facilities, Barclays Bank PLC, The Royal Bank of Scotland plc and Lloyds TSB Bank plc receive customary fees related to such services and will receive arrangement fees in connection with the restructuring of such debt facilities. Citi, the Lead Managers and their respective affiliates may provide such services for the Company and its affiliates in the future.
- 21.9 Save as disclosed in note 39 of the Group's annual report and accounts for the 52 weeks ended 30 December 2008, note 36 of the Group's annual report and accounts for the 53 weeks ended 1 January 2008 and note 36 of the Group's annual report and accounts for the 52 weeks ended 26 December 2006 (each of which is incorporated into this document by reference), there are no related party transactions between the Company and members of the Group that were entered into during the 2006, 2007 and 2008 financial years and during the period from 31 December 2008 to 26 February 2009 (the latest practicable date prior to the publication of this document).

## **22. TAKEOVER BIDS**

### **22.1 *Mandatory bids***

The City Code applies to the Company. Under the City Code, if an acquisition of interests in the Company's Ordinary Shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in the Company's Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Ordinary Shares. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in Ordinary Shares by a person holding (together with persons acting in concert with it) an interest in Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

### **22.2 *Squeeze-out***

Under the 2006 Act, if a "takeover offer" (as defined in section 974 of the 2006 Act) is made for the Company's Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the "Offer Shares") and not

less than 90 per cent. of the voting rights attached to the Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Offer Shares are acquired compulsorily under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

### 22.3 *Sell-out*

The 2006 Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares.

The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his or her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

### 22.4 *Takeover bids*

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

## 23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA up to and including 24 March 2009:

- (a) the memorandum of association of William Hill and the Articles;
- (b) the consent letter referred to in paragraph 21.7 of this Part VII above;
- (c) the audited consolidated accounts of the Group for the three financial years ended 30 December 2008; and
- (d) this document.

Dated 27 February 2009

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“1985 Act”	the Companies Act 1985, as amended;
“2006 Act”	the Companies Act 2006, as amended;
“2006 financial year”	52 weeks ended 26 December 2006;
“2007 financial year”	53 weeks ended 1 January 2008;
“2008 financial year”	52 weeks ended 30 December 2008;
“2008 LTIP”	The William Hill Online Long Term Incentive Plan 2008
“Acts”	the 1985 Act and the 2006 Act, as appropriate;
“Admission”	the admission of the New Ordinary Shares (nil paid) (i) to the Official List and (ii) to trading on the London Stock Exchange’s main market for listed securities in accordance, respectively, with the Listing Rules and the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” containing, <i>inter alia</i> , the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities;
“Articles”	the articles of association of the Company;
“Australia”	the Commonwealth of Australia, its territories and possessions;
“Australian Person”	any person in Australia or with an address in Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of any such corporation or entity located outside Australia);
“Board”	the Board of Directors of the Company;
“business day”	any day (excluding Saturdays and Sundays) on which banks are open in London for normal banking business;
“Canada”	Canada, its provinces and territories and all areas under its jurisdiction and political subdivisions thereof;
“Capita” or “Registrars”	the Company’s registrars, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
“certified” or “certificated form”	not in uncertificated form;
“CCSS”	the CREST Courier and Sorting Office established by Euroclear UK & Ireland to facilitate, amongst other things, the deposit and withdrawal of securities;
“CGUs”	Cash Generating Units;
“Communications Host”	a network provider’s communication host as defined in the glossary to the CREST Manual;
“Company” or “William Hill”	William Hill PLC;

“CREST”	the relevant system (as defined in the Uncertified Securities Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland is the operator (as defined in the Uncertified Securities Regulations);
“CREST Manual”	the rules governing the operation of CREST consisting of the CREST Reference Manual, the CREST International Manual, the CREST Central Counterparty Service Manual, the CREST Rules, the CCSS Operations Manual, and the CREST Glossary of Terms (as amended from time to time);
“CREST member”	a person who has been admitted to CREST as a system-member (as defined in the CREST Manual);
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member;
“DCMS”	Department for Culture, Media and Sport;
“dealing day”	any day on which the London Stock Exchange is open for business in the trading of securities admitted to the Official List;
“Disclosure Rules and Transparency Rules”	the rules made by the FSA under Part VI of FSMA relating to the disclosure of information (as amended from time to time);
“Directors” or the “Board”	the current directors of the Company whose names are set out on pages 149 and 150 of this document;
“EBITDA”	earnings before interest payments, taxes, depreciation, share remuneration charges and amortisation and further adjusted for non-recurring items (such as exceptional items and impairment of goodwill);
“ECJ”	European Court of Justice;
“Employee Share Schemes”	the employee share schemes described in paragraph 6 of Part VII of this document;
“Enlarged Share Capital”	the issued share capital of the Company following the allotment and issue of the New Ordinary Shares;
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, the operator of CREST;
“Existing Bank Facilities”	means each of (i) the £1.2 billion term and revolving facilities made available pursuant to a facilities agreement dated 2 March 2005 (as amended) between the Company and a syndicate of lenders and (ii) the £250 million term facility made available pursuant to a facility agreement dated 31 July 2006 between the Company and a syndicate of lenders;
“Existing Ordinary Shares”	the fully paid Ordinary Shares in issue at the Record Date;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA at 10.30 a.m. on 23 March 2009, notice of which is set out at the end of this document;
“Form of Proxy”	the enclosed form of proxy for use in connection with the Extraordinary General Meeting;
“FSA”	the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise

	of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of FSMA;
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time;
“Fully Paid Rights”	rights to acquire New Ordinary Shares, fully paid;
“Gambling Act”	the Gambling Act 2005;
“Gambling Commission”	the Gambling Commission set up under the Gambling Act;
“Group”	the Company and its subsidiaries from time to time;
“Group Information Service”	a regulatory information service that is approved by the FSA and that is on the list of regulatory information service providers maintained by the FSA;
“IFRS”	International Financial Reporting Standards as adopted for use in the European Union;
“Issue Price”	105 pence per new Ordinary Share;
“Japan”	Japan, its territories and possessions and any areas subject to its jurisdiction;
“JVC01”	William Hill (Gibraltar) 2008 Limited;
“JVC02”	William Hill (Gibraltar) Limited;
“Lead Managers”	each of Barclays Bank PLC, Lloyds TSB Bank plc and RBS Hoare Govett Limited;
“LIBOR”	the London Interbank Offered Rate, being the British Bankers Association Interest Settlement Rate, at 11.00 a.m. on the first day of an interest period for the offering of deposits in sterling for the period comparable to the interest period for a loan;
“Listing Rules”	the listing rules made by the FSA under Part VI of FSMA (as amended from time to time);
“London Stock Exchange”	London Stock Exchange plc;
“member account ID”	the identification code or number attached to any member account in CREST;
“Member States”	member states of the European Union;
“Money Laundering Regulations”	the Money Laundering Regulations 2007, as amended from time to time;
“New Bank Facilities”	means each of (i) the £538.5 million term and revolving forward start facilities made available pursuant to a facilities agreement dated 27 February 2009 between the Company and a syndicate of lenders and (ii) the up £50 million incremental facility made available pursuant to a facility agreement dated 27 February 2009 between the Company and a syndicate of lenders;
“New Ordinary Shares”	347,907,117 New Ordinary Shares to be issued by the Company pursuant to the Rights Issue;
“Nil Paid Rights”	New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
“North America”	the United States and Canada;

“North American Person”	a citizen or resident of North America, including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of North America or any constitutional sub-division thereof;
“Notice of Extraordinary General Meeting”	the notice of extraordinary general meeting set out at the end of this document;
“Official List”	the Official List of the FSA;
“Orbis”	Orbis Technology Limited;
“Ordinary Shares”	the ordinary shares of 10 pence each in the capital of the Company;
“Overseas Shareholders”	Qualifying Shareholders who have registered addresses outside the UK;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“Playtech”	Playtech Software Limited;
“Prospectus Directive”	Directive 2003/71/EC;
“Prospectus Rules”	the rules made by the FSA under Part VI of FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market;
“Provisional Allotment Letter”	the renounceable provisional allotment letter to be issued to Qualifying non-CREST Shareholders by the Company in respect of the Nil Paid Rights pursuant to the Rights Issue;
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in uncertificated form;
“Qualifying US Investor Representation Letter”	the qualifying US investor representation letter in the appropriate form as described in paragraph 8.6(c) of Part III of this document;
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in certificated form;
“Qualifying Shareholders”	holders of Ordinary Shares on the register of members of the Company at the close of business on the Record Date;
“Qualifying US Investors”	Qualifying Shareholders that are “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act;
“Record Date”	close of business on 18 March 2009;
“Refinanced Bank Facilities”	means the Existing Bank Facilities and the New Bank Facilities;
“Regulation S”	Regulation S under the Securities Act;
“Resolution”	the special resolution set out in the Notice of Extraordinary General Meeting;
“Responsible Persons”	the Company and the Directors;
“Restricted Jurisdictions”	the United States, Canada, Japan, the Republic of South Africa and Australia and any other jurisdiction outside the UK in which it would be unlawful or in contravention of certain regulations to offer the Nil Paid Rights or New Ordinary Shares under the Rights Issue;

“Rights”	the Nil Paid Rights and the Fully Paid Rights;
“Rights Issue”	the proposed offer by way of rights of the New Ordinary Shares to Qualifying Shareholders at the Issue Price on the terms and subject to the conditions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter;
“Securities Act”	the United States Securities Act of 1933, as amended;
“Shareholders”	holders of Ordinary Shares;
“SIS”	Satellite Information Services Holdings Limited;
“Uncertified Securities Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No 3755), as amended from time to time;
“Underwriters”	each of Citigroup Global Markets U.K. Equity Limited, Barclays Bank PLC and RBS Hoare Govett Limited;
“Underwriting Agreement”	the agreement between the Company, Citi and the Lead Managers dated 27 February 2009, the principal terms of which are summarised in paragraph 11 of Part VI;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
“WHO”	William Hill Organization Limited;
“£”, “pence” or “sterling”	the lawful currency of the UK.

## GLOSSARY

accumulator bet	a single bet that links together two or more outcomes and is dependent on all of those outcomes occurring
active customers	customers who have placed a bet with William Hill within the previous 12 months
Amusement Machine Licence Duty	a flat tax of £2,030 per gaming machine per annum
betting duty	a duty charged by the UK Government based on bookmakers' gross win
category B gaming machines	gaming machines with maximum stakes ranging from £1 to £100 and maximum prizes ranging from £250 to £4,000
deduction	amount either paid by the customer at the time of placing a bet or deducted from customer winnings used by bookmakers to cover payments of duty and levy. This payment or deduction was at a rate of 9 per cent. (6.75 per cent. of which was payable to the UK Government) on bets placed in the UK until the introduction of GPT on 6 October 2001
fixed-odds bet	a bet in which the odds are fixed either (i) in respect of horse racing, through the starting price mechanism or (ii) with respect to other bets, by the bookmaker and which are not influenced by the number of customers placing bets
gaming machines	electronic machines on which customers pay to play games of chance; the March 2002 Government Paper differentiated these machines into four categories ranging from Category D with a maximum stake of 10p and maximum prize of £5 to Category A with unlimited stakes and prizes
greyhound racing levy	a voluntary levy, currently 0.4 per cent. of the Group's off-course UK turnover relating to greyhound racing, for the purpose of supporting greyhound racing in the UK
gross profit tax or GPT	a duty charged by the UK Government of 15 per cent. of a bookmaker's gross win, introduced in October 2001
gross win	total customer stakes less customer winnings
gross win percentage	gross win as a percentage of turnover
horse racing levy	a levy attributable to bets taken on horse racing and payable to the Horserace Betting Levy Board, primarily for purposes of augmenting the prize money available for winning horses and providing certain racecourse amenities
IT	information technology
LBO	licensed betting office
March 2002 Government Paper	the UK Government paper released on 26 March 2002 on its proposals for updating the laws governing gambling in Great Britain
numbers betting	a type of fixed-odds wager in which customers place bets on the odds of one or more numbers being drawn from a pool of numbers

odds	the ratio of potential winnings to the stake placed by the customer; for example, if the odds are 2-1, the winnings will be £2 for every £1 staked
player lifetime value	the profit made in relation to a customer over the period of time during which such customer maintains his or her relationship with the relevant operator
Sportsbook	bets accepted on sporting and other events
starting price	a price based on the odds offered by a selection of on-course bookmakers at the time a horse race begins; these are determined for each runner by the starting price returners of the Press Association on the basis of their observations of the prices available from the on-course bookmakers
statutory levy	the statutory levy payable to the Horserace Betting Levy Board
URL	Uniform Resource Locator; the “address” or location of a web site or other internet service

## DOCUMENTS INCORPORATED BY REFERENCE

The following information, available free of charge in electronic format through William Hill's website at [www.williamhill.co.uk](http://www.williamhill.co.uk) or in printed format from William Hill's registered office at Greenside House, 50 Station Road, Wood Green, London N22 7TP, is incorporated by reference in this document.

<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page number in the reference documents</i>
William Hill PLC Annual Report and Accounts for the 52 weeks ended 30 December 2008	Independent Auditors' Report	54
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	Directors' Remuneration Report	16
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William Hill PLC Annual Report and Accounts for the 52 weeks ended 26 December 2006	Independent Auditors' Report	42
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	Group Cash Flow Statement	46
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Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document.

# WILLIAM HILL PLC

Registered in England & Wales No 4212563

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of William Hill PLC (the “Company”) will be held at 10.30 a.m. on 23 March 2009 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as special resolution:

### SPECIAL RESOLUTION

THAT:

- (a) the Directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the “Act”), in addition to any existing authority to allot relevant securities to the extent unused, to exercise all the powers of the Company to allot relevant securities in connection with the Rights Issue (as defined in the prospectus of the Company dated 27 February 2009, a copy of which has been produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification only (the “Prospectus”)) (within the meaning of that section) up to an aggregate nominal amount of £34,790,711.70, representing approximately 50 per cent. of the existing issued share capital of the Company, such authority to expire on 26 February 2010 (unless previously renewed, varied or revoked by the Company in general meeting) (save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired); and
- (b) the Directors be and are hereby empowered pursuant to section 95 of the Act, in addition to all existing powers pursuant to that section of the Act to the extent unused, to allot equity securities (as defined in section 94(2) of the Act) of the Company for cash pursuant to the authority conferred by part (a) of this resolution for cash as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of up to 347,907,117 ordinary shares of 10 pence each in connection with the Rights Issue and provided further that this power shall expire on 26 February 2010, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power hereby conferred had not expired.

*Registered Office:*

Greenside House  
50 Station Road  
Wood Green  
London N22 7TP

By order of the Board

27 February 2009

Thomas Murphy  
General Counsel and Company Secretary

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company.
2. In order that the Form of Proxy shall be valid, it must be deposited, completed and signed (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or a copy certified in accordance with the Powers of Attorney Act 1971 or in some other manner approved by the Directors), at the Company’s registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10.30 a.m. on 21 March 2009. Appointment of a proxy does not preclude you from attending the meeting and voting. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3. A proxy does not need to be a member of the Company but must attend to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your Form of Proxy. If you sign and return your Form of Proxy with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comment on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank Form of Proxy and a Form of Proxy which states the number of shares to which it applies, the specific Form of Proxy shall be counted first, regardless of whether it was sent or received before or after the blank Form of Proxy, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank Form of Proxy. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
5. To direct your proxy how to vote on the resolution mark the appropriate box on your Form of Proxy with an "X". To abstain from voting on the resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy, your Form of Proxy must be:
  - completed and signed;
  - sent or delivered to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
  - received by Capita no later than 10.30 a.m. on 21 March 2009.
7. In the case of a member which is a company, your Form of Proxy must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which your Form of Proxy is signed (or a duly certified copy of such power of authority) must be included with your Form of Proxy.
9. CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent Capita, whose CREST participant ID is RA10, by 10.30 a.m. on 21 March 2009.
10. Subject to Note 4 above, if you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. You may not use any electronic address provided in your Form of Proxy to communicate with the Company for any purposes other than those expressly stated.
12. Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company at 6.00 p.m. on 21 March 2009 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after 6.00 p.m. on 21 March 2009, or in the event that this meeting is adjourned, in the register of members after 6.00 p.m. on the day two days before the date of the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.
13. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – <http://www.icsa.org.uk> – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
14. Any person to whom this Notice is sent who is a person who is nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for this meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may under such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
15. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may have a right, under an agreement between him/her and the member by whom

he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights.

16. The statement above of the rights of members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.
17. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006 provided in this Notice of Extraordinary General Meeting (or in any related documents including the Letter from the Chairman and Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.



