

## Directors' Report

The directors present their Annual Report on the activities of the Group, together with the Financial Statements and Auditors' Report, for the 52 weeks ended 29 December 2009 (the period).

### Principal activities

The principal activities of the Group during the period continued to be the operation of licensed betting offices, and the provision of Telephone and Internet betting, Online casino and poker services. The subsidiary and associated undertakings principally affecting the profits or net assets of the Group are listed in note 14 to the Financial Statements.

### Business review

For a fair review of the Group's business during the period, a description of the principal risks and uncertainties it faces and the position of the Group at the end of the year, see the following:

|                                    |          |
|------------------------------------|----------|
| Chief Executive strategic overview | 06 – 11  |
| Divisional overview                | 12 – 25  |
| Financial review                   | 26 – 28  |
| Regulation                         | 29 – 31  |
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### Results and dividends

The Group's profit on ordinary activities after taxation and exceptional items for the period was £81.2m (52 weeks ended 30 December 2008 – £234.0m). The directors have approved a second interim dividend of 5.0p per share, in lieu of final dividend, to be paid on 1 April 2010 to ordinary shareholders on the Register of Members on 12 March 2010. Together with the interim dividend of 2.5p per share paid on 7 December 2009, this makes a total of 7.5p per share for the year.

### Directors

The directors who served during the period and up to 26 February 2010 comprise:

|                  |                                                                  |
|------------------|------------------------------------------------------------------|
| Charles Scott    | Non-Executive Chairman                                           |
| Ralph Topping    | Chief Executive                                                  |
| Simon Lane       | Group Finance Director                                           |
| Ian Spearing     | Executive Director (Resigned 31 December 2008)                   |
| David Allvey     | Independent Non-Executive Director                               |
| Barry Gibson     | Senior Independent Non-Executive Director (Resigned 10 May 2009) |
| David Edmonds    | Independent Non-Executive Director                               |
| Ashley Highfield | Independent Non-Executive Director                               |

Mr Allvey was appointed Senior Independent Non-Executive Director on 1 July 2009.

Details of committee membership are set out on pages 46–47.

Details of the directors' interests are set out in note 1 to the Parent Company Financial Statements on page 123.

As previously announced to the London Stock Exchange, Simon Lane will be leaving the Group on 31 March 2010 and will be replaced as Finance Director by Neil Cooper, who is due to take up his position on 10 May 2010.

### Directors' and Officers' liability insurance

Pursuant to Article 155 of the Articles of Association and subject to the provisions of the Companies Act 2006, the directors and officers of the Company shall be indemnified out of the assets of the Company, against liability in defending proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company. In addition the Group has purchased and maintains Directors' and Officers' liability insurance cover against certain legal liabilities and costs for claims incurred in respect of any act or omission in the execution of their duties.

## Directors proposed for re-election

David Allvey and Ralph Topping retire by rotation at the next Annual General Meeting and offer themselves for re-election.

Neil Cooper is expected to join as Group Finance Director in May 2010 and would be appointed to the Board on his start date. If appointed, he will retire at the AGM, and being eligible, would offer himself for re-election.

Please refer to pages 46–47 for biographies of the current directors.

## Directors' conflicts of interests

At the Company's Annual General Meeting held on 15 May 2008, shareholders approved amendments to the Company's Articles of Association to reflect certain provisions of the Companies Act 2006 relating to conflicts of interest that came into force on 1 October 2008, enabling the Board to authorise conflicts or potential conflicts of interests.

The amended Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('situational conflicts'). The Board has a formal system in place for directors to declare situational conflicts and for these to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, these non-conflicted directors are required to act in the way they would consider would be most likely to promote the success of the Company, and they may impose limits or conditions when giving authorisation or subsequently if they think this is appropriate.

## Supplier payments policy

The Group does not have a formal code on payment practice but it is the Group's policy to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 29 December 2009 were equivalent to 20 days' purchases (30 December 2008 – 17 days' purchases), based on the average daily amount invoiced by suppliers during the year.

## Charitable contributions

During the year the Group made charitable donations of £924,848 (52 weeks ended 30 December 2009 – £773,000), principally to industry-related charities serving the communities in which the Group operates.

## Substantial shareholdings

Where not provided elsewhere in this Directors' Report, the following provides the additional information required for shareholders as a result of the implementation of the Takeovers directive into English Law.

The Company has one class of share capital, ordinary shares. All the ordinary shares rank *pari passu*. Details of the ordinary share capital can be found in note 26 to the Group Financial Statements. There are no restrictions on transfer of the ordinary shares in the Company other than: certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); and pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the ordinary shares. On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and entitled to vote shall have one vote for every ordinary shares held in treasury are suspended. The notice of the AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting. The rules governing the appointment and replacement of Board members and changes to the Articles of Association accord with usual English company law provisions. Subject to the Company's Memorandum of Association, the Articles of Association, and statute or subordinate legislation for the time being in force concerning companies and affecting the Company, and directions given by special resolutions, the business of the Company shall be managed by the Directors, who may exercise all the powers of the Company.

On 26 February 2010, the Company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, of the notifiable interests in the ordinary share capital of the Company set out in the table below.

| Name of holder                           | Percentage shareholding |
|------------------------------------------|-------------------------|
| Massachusetts Financial Services Company | 8.63                    |
| FMR LLC                                  | 5.18                    |
| Schroder PLC                             | 5.15                    |
| AXA S.A.                                 | 5.00                    |
| FIL Limited                              | 4.99                    |
| BlackRock, Inc.                          | 4.83                    |
| Legal & General Group PLC                | 3.97                    |

## Change of control provisions

The Group's bank facility agreements contain provisions that in some cases automatically require prepayment and in others grant the lender discretion to require prepayment of the loans on a change of control. The Group's framework agreement with Playtech Software Limited dated 19 October 2008 also contains change of control provisions. With the exception of these agreements, there are no significant agreements outside the ordinary course of business to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company. There are no agreements providing for compensation for the Directors or employees on a change of control.

## Disabled employees

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

## Employee consultation

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

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

At the AGM, to be held on 11 May 2010, the Company is proposing to introduce a Share Incentive Plan to all eligible employees to further its aim to encourage employee share ownership.

## Authority to purchase own shares

The Company did not purchase any of its own shares during the year.

The authority for the Company to purchase its own shares remains valid until the forthcoming Annual General Meeting (AGM), when it is intended that a resolution will be put forward to shareholders to review.

## Annual General Meeting

The AGM will be held on Tuesday, 11 May 2010 at Cavendish Conference Centre, 22 Duchess Mews, London W1G 9DT. The notice of the AGM and an explanation of the items of non-routine business are set out in the explanatory circular that accompanies this Annual Report.

## Auditors and disclosure of information to auditors

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

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

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

A resolution to re-appoint Deloitte LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

## Going concern

The directors have prepared the financial statement on a going concern basis consistent with their views, formed after making appropriate enquiries, as outlined in the Statement of Group Accounting Policies, on page 81 of the Group financial statements.

By order of the Board.

**Thomas Murphy**  
General Counsel and Company Secretary

26 February 2010

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