

Introduction

This report has been prepared in accordance with the Large and Medium-Sized Companies and Groups Regulations, 2008 (the Regulations). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. The Committee has, in preparing this report, also considered the guidance issued by the National Association of Pension Funds and the ABI. As required by the Regulations, a resolution to approve the report will be proposed at the forthcoming AGM of the Company.

The Regulations require the auditors to report to the Company's shareholders on the 'auditable part' of the Directors' Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006 (as amended by the Regulations). The report has, therefore, been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

The Company has established a Remuneration Committee (the Committee), which is constituted in accordance with the recommendations of the Combined Code. It determines and agrees with the Board the Company's policy and framework for the remuneration of executive directors and the Chairman, and determines the specific remuneration packages for each of the executive directors and other senior management, including basic salary, other benefits and any compensation payments.

The composition of the Remuneration Committee changed during 2009 as Mr Barry Gibson retired from the PLC Board and was replaced as Chairman of the Remuneration Committee by Mr David Edmonds. Mr Charles Scott also joined the Committee during 2009.

Details of the membership of the Remuneration Committee, together with the year in which membership commenced are set out below. All members of the Committee are independent non-executive directors.

Director	Year of appointment
David Edmonds, Chairman	2005
David Allvey	2003
Ashley Highfield	2008
Charles Scott	2009

No director plays a part in any discussion about his own remuneration.

In determining the directors' remuneration, the Committee appointed Towers Watson to provide advice on structuring remuneration packages for the executive directors and senior management. The Committee also consulted Mr Topping, Chief Executive, and Mr David Russell, Group Director, Human Resources, about its proposals relating to individuals other than themselves. Towers Watson did not provide any other services to the Group. Legal advice was also taken as appropriate from the General Counsel and external advisers.

Remuneration policy

This report sets out the Group's policy on senior management remuneration for 2010 and, so far as practicable, for subsequent years. The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Group's business environment and in remuneration practice. The current executive and senior management remuneration policy is designed to support the business needs of the Group, ensure that the Group has the ability to attract and retain senior managers of an appropriate calibre and align the long-term interests of the senior management with those of the shareholders. There are four main elements of the remuneration package for senior management:

- Basic annual salary and benefits;
- Bonus payments;
- Long-term incentives; and
- Pension arrangements.

The Group's policy is to position on-target total pay of the senior management around the median of the relevant market, to ensure they remain competitive, with a substantial proportion of their remuneration being performance-related. Total pay benchmarks for comparison purposes are based on appropriate samples of companies from Towers Watson's executive surveys. In selecting appropriate peer groups the Committee considers a number of factors given the small number of direct comparators. As a result the Committee considers benchmarks from companies of a similar size and scope to William Hill by reference to factors such as Group revenue, market capitalisation, sector and international profile. The Group believes that this is the most appropriate policy for pay benchmarking purposes.

The performance measurement of the key members of senior management and the determination of their annual remuneration packages is undertaken by the Committee.

This overall policy will continue unless changed by the Committee and any changes in policy for years after 2010 will be described in future Directors' Remuneration Reports, which will continue to be subject to shareholder approval.

In 2009 the Committee continued with the operation of the Executive Bonus Matching Scheme (EBMS) described later in this report. As per the commitment undertaken at the time of the introduction of the EBMS, the Committee undertook a review of the continued appropriateness of the EBMS in 2010 in light of the growing strategic and long-term importance of William Hill Online. Following this review, the Company is in consultation with shareholders on the introduction of replacement long-term incentive arrangements for 2010 and onwards. Details of the replacement arrangement are set out in the Annual General Meeting (AGM) circular accompanying this report with awards in 2010 under a new plan, subject to shareholder approval at our AGM in May.

Basic annual salary and benefits

The salaries of senior management are reviewed on 1 March each year. Positioning of individual pay levels around competitive mid-market norms are determined by reference to individual performance, experience and criticality to the business.

The Committee's decisions are also influenced by the performance of the Company and pay decisions elsewhere in the Company.

In respect of 2009, the Committee froze base salaries for executive directors and all other senior management in light of the current economic environment. This meant that Mr Topping's base salary since appointment in early 2008 has remained at £475,000 and Mr Lane's salary has remained at its 2008 level of £325,000. In respect of 2010, the Committee has decided to continue to freeze base salaries for executive directors and all senior management until there is more certainty about the economic environment and market conditions. The Committee intends to re-visit salaries for executive directors and senior management in the final quarter of the year, subject to performance and economic conditions at that time.

Bonus payments

Executives are eligible to participate in a senior management bonus scheme that is reviewed by the Committee on an annual basis to determine the most appropriate performance measures and targets for that year. For 2009, this comprised the Group's financial performance as measured by profit on ordinary activities before exceptional items, finance charges and taxation (PBIT) as well as other key operational results. The EBMS provided for a target payment of 90% of basic salary and a maximum payment of 165% of salary, 30% of which is payable in cash with the remaining 70% paid in shares on a deferred basis.

Bonus payments for Messrs Topping and Lane for the 52 weeks ended 29 December 2009 reflecting both strong financial performance and achievement of key operational goals were 90% and 60% of base salaries, respectively. Ordinarily, 30% of executive director bonuses are payable in cash with the remaining 70% payable in shares in March 2013. In view of Mr Lane's intended departure from the Company, his bonus payment will be in cash.

The performance measure for the 2010 bonus will continue to be primarily based on PBIT and other key operational results. The Committee believes that PBIT will remain the principal indicator of short-term performance for bonus purposes. It is intended that 75% of the 2010 bonus will be determined according to the Company PBIT and 25% will be based on corporate objectives for the year.

Long-term incentives

Long-term incentives are provided to drive performance, align the long-term interests of executives with those of shareholders and aid retention.

Under the EBMS, which was approved by shareholders in 2007, executive directors receive 70% of their annual bonus, on a pre-tax basis, in the Company's shares on deferred terms. Other senior executives who participate in the EBMS are required to compulsorily invest one half of their annual bonus, again on a pre-tax basis, in deferred shares. At the same time as granting the deferred shares, the Committee grant a matching award to the executive directors on a ratio of not more than one-for-one.

If the executive director remains in service for three years, he will be entitled, in addition to the deferred shares, to a number of the matching shares calculated by reference to two performance conditions measured over the three-year performance period. One half of the matching shares will be dependent on the Company's earnings per share performance (the EPS Tranche) and the other half will be related to the Company's relative Total Shareholder Return (the TSR Tranche).

Under the EPS Tranche, target performance is Consumer Price Index (CPI) plus 3% per annum, at which 50% of the relevant the matching shares will vest. For maximum performance (CPI plus 9% per annum), 100% of the relevant the matching shares will vest. No shares under the EPS Tranche will vest if EPS growth is less than CPI plus 3%.

The number of matching shares that a participant will receive under the TSR Tranche, depends on the Company's TSR performance relative to a comparator group of 29 companies from the retail and leisure sector. No shares will vest if the TSR ranking is below the 50th percentile, 25% of the relevant matching award will vest at the 50th percentile and at the 75th percentile, the TSR Tranche will vest in full.

The matching shares will vest on a straight-line basis between target and maximum performance. For 2010, subject to shareholder approval at the AGM, matching shares will be replaced by awards under a new Performance Share Plan (PSP) arrangement, the details of which are provided in the AGM circular accompanying this report.

Aside from the EBMS, the last awards made under a prior PSP arrangement remained in existence in 2009. This prior PSP provided for conditional awards of shares to the value of a percentage of basic salary. Under that PSP there were two performance conditions, relating to:

- the Group's real (i.e., over and above inflation) earnings per share (Real EPS) growth, which is calculated excluding exceptional items; and
- total Shareholder Return (TSR) performance.

In 2006, the Committee awarded Mr Lane shares to the value of 200% of salary and Mr Topping shares to the value of 100% of salary (the 2006 Awards). The vesting of one half of the 2006 Awards (the EPS Tranche) depended on the Company's growth in Real EPS, measured in terms of the compound annual growth in Real EPS achieved over the three financial years 2006 to 2008 by comparison with Real EPS for 2005. No shares vest if Real EPS growth is below 4% per annum, for 4% per annum growth 25% will vest and for above 12% growth per annum the EPS Tranche of the 2006 Awards will vest in full. The vesting of the remaining half of the 2006 Awards (the TSR Tranche) depends on the Company's TSR relative to the companies ranked 31–100 in the FTSE 100 index on 1 January 2006. No shares will vest if the TSR ranking is below the 50th percentile, 25% will vest at the 50th percentile and at or above the 90th percentile, this half of the 2006 Awards will vest in full. In addition no part of the TSR Tranche will vest if Real EPS of at least 3% per annum is not achieved.

For the 2006 Awards under this plan, the Group's TSR performance was below the 50th percentile and, therefore, no shares vested under this portion of the plan. However, EPS growth over the period was such that 34% of the overall award vested. As a result 6,772 and 21,164 shares vested under the plan to Mr Topping and and Mr Lane, respectively.

The Company also operates SAYE Share Option Schemes for eligible employees under which options are granted with an exercise price up to 20% below the prevailing share price. Senior management is eligible to participate. No significant amendments are proposed to be made to the terms and conditions of any entitlement of a director to share options.

Pension and other benefit arrangements

Market competitive retirement benefits are provided to act as a retention mechanism and to recognise long service.

In April 2008, it was agreed that Mr Topping could draw his pension and continue working. As a result he ceased to be an active member of the Retirement Plan Section of the William Hill Pension Scheme and neither he nor the Group makes any contributions to the Scheme on his behalf. In 2009 Mr Topping was instead paid a supplement of 25% of base salary in lieu of ceasing to participate as an active member of the Pension Scheme.

The current final salary scheme is closed to new entrants and has been replaced by a money-purchase scheme, the Pensions Savings Plan in 2001, in respect of new joiners, including any future appointments of executive directors. The employer contributions under the money-purchase scheme are 20% of pensionable salary for executive directors, subject to the same earnings limit as in the 'Retirement Plan'.

Mr Lane is a member of the Pensions Savings Plan and he receives a further £32,500 per annum of pension contribution in compensation for the loss of benefit above the Earnings Cap. The Company contributed £24,420 to Mr Lane's defined contribution pension fund between 31 December 2008 and 29 December 2009.

The normal retirement age is 63 (final salary) and 65 (money purchase). However, in view of the Age Discrimination legislation introduced in October 2006, individuals can opt to continue working until 65, the Group's recognised normal retirement age.

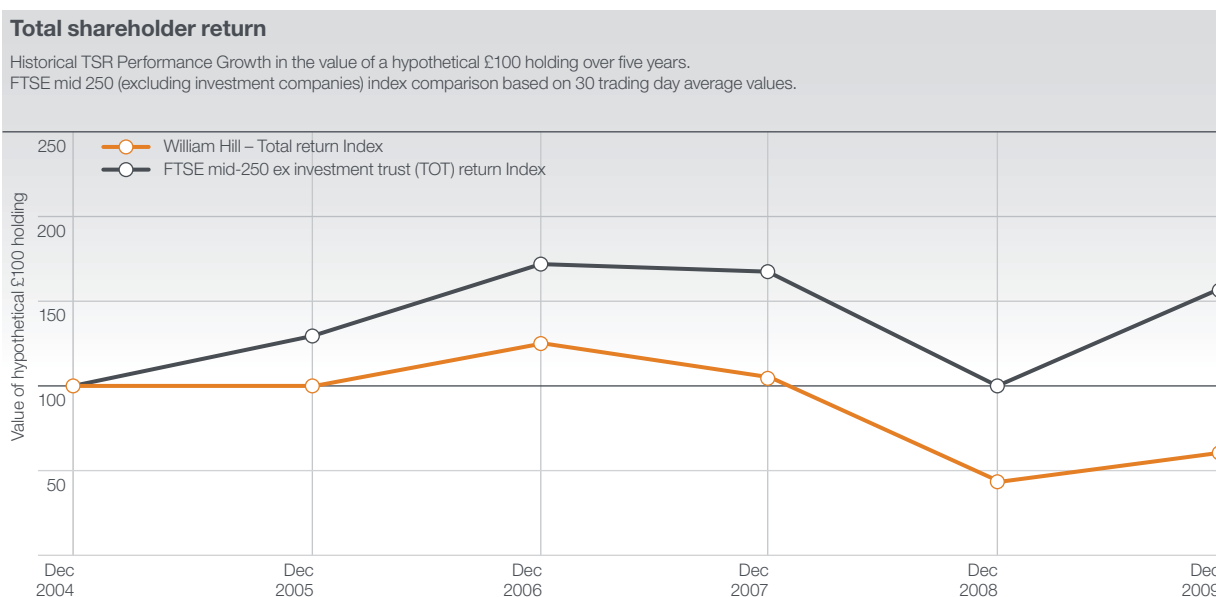
In addition to pension, senior management receive other competitive benefits, such as a fully expensed car or car allowance, private health cover and permanent health insurance. It is intended to continue to provide these benefits but to retain the flexibility to provide a cash alternative for any or all of these, according to individual circumstances.

Policy regarding minimum shareholding

It is the Board's policy to require executive directors and certain members of senior management to hold a minimum shareholding in the Company equal to one year's basic salary. Whilst not contractually enforceable, the Committee expects to exercise its discretion so as not to extend participation in various bonus schemes and long-term incentive arrangements to individuals who fail to meet the minimum shareholding requirement. All members of the senior management team for whom this was applicable by the end of 2009 met their minimum shareholding requirement.

Policy on external appointments for executive directors

Executive directors are required to obtain the Board's prior written consent to accept external appointments. Mr Topping was appointed Non-Executive Chairman of the Scottish Premier League on 15 October 2009 and is also a Board member of the Scottish Football Association. He did not receive any fees in 2009 in relation to these appointments.



As required by the Regulations, the graph above shows the Company's performance, measured by TSR, compared with that of the performance of the FTSE 250 (excluding investment companies) Index. The Company is a member of the FTSE 250 Index.

The graph consists of points representing the change in the value of a nominal investment of £100 made on 29 December 2004 in the Company and the FTSE 250 (excluding investment companies) Index, respectively. The change in value of the index holding reflects changes in the value of the constituent companies over the period. The closing values at 31 December 2009 represent the value of each nominal holding at that date and reflect the change in the share price and the value of dividend income re-invested over the period.

Executive directors' contracts

It is the Company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. Consequently, no executive has a contractual notice period in excess of 12 months.

In the event of early termination, the policy on executive directors' contracts provides for compensation up to a maximum of 12 months' basic salary, pension contributions and other benefits. Executive directors may also receive pro-rated annual bonus in respect of the period worked in the financial year up to departure, subject to performance. The Committee will also consider mitigation to reduce compensation to a departing director where appropriate to do so.

Mr Topping is employed under a service contract dated 21 February 2008. He is entitled to a basic annual salary, participation in the Company's bonus scheme, a cash allowance in lieu of pension equivalent to 25% of basic annual salary, a company car (or cash allowance in lieu), permanent health insurance and private medical insurance cover. Mr Topping's contract is for an indefinite term ending automatically on his retirement date (age 63) but may be terminated by 12 months' notice given by either party.

Mr Lane is employed under a service contract with the Company dated 20 March 2006 in the same format that applies to Mr Topping, other than in respect of pension. Mr Lane's contract is for an indefinite term ending automatically on his retirement date (age 65) but may be terminated by 12 months' notice given by either party. Mr Lane has informed the Board of his intention to leave the Company and will depart in 2010, a leaving date has yet to be agreed. Mr Neil Cooper has been appointed as his successor and he will join the Company in 2010.

The service contracts of Messrs Topping and Lane contain the following provisions:

- The Company may, at its discretion, elect to terminate the contract by making a payment in lieu of notice equal to the salary that would have been received during the notice period, a pro-rated amount in respect of bonus for the year in which the employment terminates, and the annual cost to the Company of providing pension and all other benefits to which he is entitled under the contract;
- At the Company's discretion, this payment may be made either as a lump sum or in 12 equal monthly instalments. If the Company elects to pay in instalments and the individual commences alternative employment or provides services pursuant to a consultancy arrangement while the monthly payments are being made then they shall be reduced by 80% of 1/12th of the basic annual salary or fee; and
- There is a contractual obligation to secure alternative employment as soon as reasonably practicable.

Non-executive directors' letter of appointment

All non-executive directors have specific letters of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. Remuneration is set taking account of the commitment and responsibilities of the relevant role. The non-executive directors do not have service contracts.

Mr Scott was appointed a non-executive director on 15 April 2002 and Non-Executive Chairman on 1 January 2004 under an appointment letter dated 28 October 2003 and his initial term of office expired on 31 December 2006. Following a review by the Nomination Committee, chaired by the Senior Independent Non-Executive Director, and agreement by the Board, his term of office was extended by a letter dated 5 December 2006 for a further three-year term ending on 31 December 2009. Mr Scott's basic annual fee was increased to £262,500 with effect from 1 March 2007 in respect of all services rendered to the Company, including chairing the Nomination Committee. Following a review of fee levels by Towers Watson in July 2008, his basic fee was increased to £273,000 and this arrangement has remained the same during 2009.

In March 2008, the basic annual fee paid to non-executive directors was increased to £50,000 and the additional fee for chairing a Board committee was increased to £13,000 and £18,000 for the Audit Committee. Also, with effect from 1 March 2008, the Senior Non-Executive Director was paid an additional fee of £5,000. These arrangements remained in place during 2009.

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 rigorous review at the relevant time and agreement with the relevant director.

Messrs Allvey's and Gibson's appointment letters were dated 17 May and 22 May 2002, respectively and their terms of office were extended by letters dated 12 April 2005 for a further three-year term to expire on 17 May 2008 and 22 May 2008, respectively. Mr Allvey's term of office has been further extended for three years to end in May 2011 and Mr Gibson's by a further year to end in May 2009. Mr Gibson retired from the Board at the end of this extension in May 2009. Mr Edmonds was appointed as an independent non-executive director in January 2005 by an appointment letter dated 22 December 2004 and his term of office was extended by a letter with effect from 1 January 2008 for a further three-year term to expire in 2011. Ashley Highfield was appointed as an independent non-executive director in November 2008 by an appointment letter dated 17 November 2008. Upon termination or resignation non-executive directors are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment. Non-executive directors cannot participate in any of the Company's incentive schemes and are not eligible to join the Group's pension scheme.

Audited information

Aggregate directors' remuneration:

	2009 Total £	2008 total £
Emoluments	2,126,274	3,302,277
Gains on exercise of share options	–	20,701
Gains arising on shares transferred	–	7,020
	2,126,274	3,329,998
Pension contributions	24,420	55,972

Directors' emoluments:

Name of director	Fees/basic salary £	Benefits in kind £	Annual bonuses ² £	In lieu of pension ¹ £	2009 Total £	2008 Total £
Executive directors						
Ralph Topping	475,000	34,264	427,500	118,750	1,055,514	1,295,522
Simon Lane	325,000	24,315	195,000	32,500	576,815	866,185
Ian Spearing	–	–	–	–	–	672,904
Non-executive directors						
Charles Scott	273,000	–	–	–	273,000	282,333
David Allvey	70,500	–	–	–	70,500	60,250
David Edmonds	69,500	–	–	–	69,500	57,750
Barry Gibson	24,862	–	–	–	24,862	61,250
Ashley Highfield	56,083	–	–	–	56,083	6,083
Aggregate emoluments	1,293,945	58,579	622,500	151,250	2,126,274	3,302,277

¹ Included in lieu of pension for Mr Topping was £118,750 paid as supplement in lieu of pension contributions to the Company Scheme. Included for Mr Lane was £32,500, paid as a salary supplement in lieu of pension benefit lost due to the Earnings Cap.

² As stated on page 53, 30% of the annual bonus is normally payable in cash, with the remaining 70% paid in shares on a deferred basis. However in view of Mr Lane's intended departure his bonus will be paid in cash.

The executive directors are the highest paid employees within the Group.

There were no payments made to executive directors by the Company during the financial year for compensation for loss of office or payments in connection with the termination of qualifying services. The non-cash elements of the executive directors' remuneration packages consist of the provision of a company car or car allowance, private health cover, travel card and permanent health insurance.

Directors' share options and awards

Aggregate emoluments disclosed above do not include any amounts for the value of share options to acquire, or awards over, ordinary shares in the Company granted to or held by the directors.

Details of the options exercised during the period are as follows:

Name of director	Scheme	Number of options	Exercise price	Market value at exercise date	Gains on exercise 2009 £	Gains on exercise 2008 £
Ian Spearing	–	–	–	–	–	20,701

Details of options for directors who served during the period are as follows:

Name of director	Scheme	Number of shares at 31 December 2008	Granted during the period	Exercised during the period	Rights issue adjustment	Lapsed/forfeited	Number of shares at 29 December 2009 ¹	Exercise price	Date from which exercisable	Expiry date
Simon Lane	PSP 2006 ²	72,013	14,943	–	6,221	–	21,164		Mar 2009	Mar 2016
	EBMS 2007	60,500	–	–	25,184	–	85,684		Mar 2010	Mar 2017
	EBMS 2008	87,780	–	–	36,440	–	124,220		Mar 2011	Mar 2018
	EBMS 2009	–	507,226	–	–	–	507,226		Mar 2012	Mar 2019
	SAYE 2008	3,428	–	–	–	(3,428)	–	280p	Aug 2011	Jan 2012
	SAYE 2009	–	6,582	–	–	–	6,582	139p	Aug 2012	Jan 2013
Ralph Topping	Operating bonus ^{2,3}	3,312	–	–	1,379	–	4,691		N/A	N/A
	PSP 2005 ²	9,487	–	–	3,949	–	13,436		Mar 2008	Mar 2015
	PSP 2006 ²	23,044	4,782	–	1,990	–	6,772		Mar 2009	Mar 2016
	EBMS 2007	50,948	–	–	21,208	–	72,156		Mar 2010	Mar 2017
	EBMS 2008	104,720	–	–	43,590	–	148,310		Mar 2011	Mar 2018
	EBMS 2009	–	741,330	–	–	–	741,330		Mar 2012	Mar 2019
	SAYE 2008	3,428	–	–	–	(3,428)	–	280p	Aug 2011	Jan 2012
	SAYE 2009	–	6,582	–	–	–	6,582	139p	Aug 2012	Jan 2013
Ian Spearing ¹	PSP 2006	5,081	–	–	–	–	5,081		Mar 2009	Mar 2016
	EBMS 2007	50,948	–	–	–	–	50,948		Mar 2010	Mar 2017
	EBMS 2008	97,020	–	–	–	–	97,020		Mar 2011	Mar 2018
David Allvey	n/a	–	–	–	–	–	–	–	–	–
David Edmonds	n/a	–	–	–	–	–	–	–	–	–
Barry Gibson	n/a	–	–	–	–	–	–	–	–	–
Ashley Highfield	n/a	–	–	–	–	–	–	–	–	–

¹ Or in the case of Mr Spearing, his date of resignation as a director.

² Fully vested but not exercised.

³ Represents deferred bonus shares issued to Mr Topping before his appointment as a director.

Options granted under the SAYE Share Option Schemes are not subject to performance criteria. There have been no variations to the terms and conditions or performance criteria for any share options during the financial year.

The market price of the Ordinary Shares at 29 December 2009 was 190.8p, and the range during the period from 31 December 2008 to 29 December 2009 was 160.5p to 269.25p

Directors' pension entitlements

Mr Spearing was the only director who is a member of the Group's defined benefit pension scheme during 2009. Mr Spearing retired on 31 December 2008.

In accordance with the Regulations, the following table shows the member's contributions, the increase in accrued entitlement during the period and the accrued entitlement at the date of retirement:

Name of director	Pension b/f at 31 December 2008 £	Reduction for early retirement £	Commutated for cash at retirement £	Pension in payment at date of retirement £
Ian Spearing	58,800	(5,175)	(1,980)	51,645

There was no change in the transfer value of the accrued benefits for Mr Spearing between 30 December 2008 and the date of his retirement, the accrued benefits being £1,138,709. The transfer value of the director's accrued benefits is calculated in a manner determined by the Trustee of the Scheme having taken advice from the Scheme Actuary. It does not make any allowance for the portion of his scheme pension which was commuted at retirement for a cash lump sum of £30,704.

Members of the scheme have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the above tables.

The Company contributed £24,420 to Mr Lane's defined contribution pension fund between 31 December 2008 and 29 December 2009.

Approval

This report was approved by the Board of directors on 26 February 2010 and signed on its behalf by:

David Edmonds

Chairman of the Remuneration Committee