Company Registration No. 934212

Laystall Limited

Report and Financial Statements

26 December 2006

Laystall Limited

Report and financial statements 2006

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Laystall Limited

Report and financial statements 2006

Officers and professional advisers

Directors

Mr D C I Hardıng
Mr S P Lane
Mr A D Steele

Secretary

Ms S Anderson

Regıstered Office

Greensıde House
50 Statıon Road
Wood Green
London
N22 7TP

Audıtors

Deloıtte & Touche LLP
Chartered Accountants
London

Laystall Limited

Directors' report

The directors present their report and audited financial statements for the 52 week period ended 26 December 2006

Principal activity

The principal activity of the Company is the operation of Licensed Betting Offices (LBOs) The Company is a subsidiary of William Hill PLC, which together with other subsidiaries of that Company forms the William Hill Group of companies ("the Group")

Review of business developments and future activities

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

The directors do not recommend payment of a dividend for the period (period ended 27 December 2005 – £ nil)

The directors are considering a proposal to transfer its business to William Hill Organization Limited as part of a group re-organisation No decisions have yet been taken on this proposal

Trading performance

Gross profit movements reflected a number of factors including the impact of sporting results, the popularity of fixed odds betting terminals (FOBTs) and an expansion in the number of betting opportunities Costs were reviewed on a regular basis and were tightly controlled during the period

Key performance indicators

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

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

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

The KPIs for the 2006 and 2005 financial periods are shown below

	2006	**2005**
Gross win growth	9 18%	4 78%
Gross win %	5 89%	6 18%
Gross profit growth	10 10%	4 81%
Operating expense growth (excl exceptionals)	1 23%	4 25%

Laystall Limited

Directors' report (continued)

Review of business developments and future activities (continued)

Risk and Uncertainties

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

- the potential impact of legislative changes in the UK on the Company's scope and conduct of operations and ability to accept bets,
- the potential impact of changes to the UK fiscal environment,
- the effects of the smoking ban,
- the ability of the Group to manage its bookmaking risk,
- the relationship with key suppliers, most notably the horse and greyhound industries,
- the payment of levies and fees to certain sporting bodies under various arrangements,
- the potential threat represented by competitors based in the UK and overseas,
- the risk that key technology or information systems could fail,
- the impact of weather or other factors on the sporting programme,
- the loss of key personnel,
- the risk of a prolonged economic recession or other geo-political events that may result in a reduction of betting activity, and
- the risk resulting from any inability of the Group to service its debt obligations

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

Financial risk management

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

Cost of content

On 14th December 2006, the Government announced that it had decided to retain the Horserace Betting Levy Board and the associated horserace betting levy scheme for the time being This follows the conclusion of an investigation of the future funding of the UK horseracing industry by an independent committee under the chairmanship of Lord Donoughue That committee concluded that there is no current commercial alternative funding mechanism for the industry

Satellite Information Services Limited ("SIS"), a company partly owned by the Group, is currently the sole provider of UK horse racing pictures and data content to bookmakers SIS (via the betting industry) has contracts, which expire at the end of 2007 with a number of UK racecourses to broadcast pictures and data to LBOs Recently a proposed joint venture between Alphameric and Racing UK has claimed to have secured exclusive transmission rights from up to 30 UK racecourses from the beginning of 2008 This would mean that SIS would not be able to transmit pictures from these 30 tracks (except when they are generally available via terrestrial coverage) once its current contracts expire If this happens, the directors will have to decide whether to have two different sources of pictures from the beginning of 2008 if the Company is to maintain coverage of these horse tracks within our LBOs This could imply an extra cost for the Company but also an inferior service for punters, as the co-ordination of the timing and broadcasting of events achieved by SIS would not be possible with two different transmission sources

Laystall Limited

Directors' report (continued)

Review of business developments and future activities (continued)

Business development

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

Regulatory development

The Gambling Commission has now been established and is in the process of developing its regulations, conditions, codes and standards in order to take over its duty to promote the licensing objectives of the 2005 Gambling Act with effect from 1 September 2007

The Company is well prepared for the implementation of these detailed rules and regulations, and looks forward to the proposed deregulation that the Gambling Act enables, such as extended betting shop opening hours and the installation of higher payout gaming machines, both of which will be permitted from 1st September 2007

Directors

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

The directors who served throughout the period and subsequently, except as shown below, are

Mr D C I Harding	
Mr T D Singer	(resigned 6 November 2006)
Mr S Wasani	(resigned 12 April 2007)
Mr S P Lane	(appointed 12 April 2007)
Mr A D Steele	(appointed 12 April 2007)

The directors' interests in the shares and rights to subscribe for shares in the Company's ultimate parent company (William Hill PLC) are disclosed in the financial statements of William Hill Organization Limited Neither the directors nor the secretary had any interests in the share capital of the Company or any other Group company (except as disclosed in the accounts of William Hill Organization Limited) at any time during the period

Terms of payment

William Hill Organization Limited, another operating company within the Group, discharges all expenditure on behalf of the Group's UK subsidiaries William Hill Organization Limited's normal practice is to agree terms of trading, including payment terms, with suppliers to all UK Group undertakings and, provided suppliers perform in accordance with agreed terms, it is the Group's policy that payment should be made accordingly At 26 December 2006 the number of creditor days for William Hill Organization Limited was 19 days (27 December 2005 – 19 days)

Adoption of International Financial Reporting Standards (IFRS)

The Group adopted IFRS as the primary basis for reporting for the 52 week period ending 26 December 2006 The Group Financial Statements provide a reconciliation between IFRS and UK GAAP, showing the impact of the adoption on the financial performance

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

Laystall Limited

Directors' report (continued)

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 234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting

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

S Anderson
Secretary

June 2007

Laystall Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report to the members of Laystall Limited

We have audited the financial statements of Laystall Limited for the 52 weeks ended 26 December 2006, which comprise the profit and loss account, the balance sheet and the related notes 1 to 14 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 26 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
27 June 2007

Laystall Limited

Profit and loss account

52 week period ended 26 December 2006

	Notes	52 week period ended 26 December 2006 £'000	52 week period ended 27 December 2005 £'000
Turnover	1	289,790	252,761
Cost of sales		(276,458)	(240,652)
Gross profit		13,332	12,109
Net operating expenses	2	(9,015)	(8,905)
Operating profit		4,317	3,204
Net interest receivable	3	1,118	870
Profit on ordinary activities before taxation		5,435	4,074
Tax on profit on ordinary activities	4	(1,692)	(1,263)
Profit on ordinary activities after taxation and retained profit for the period transferred to reserves	13	3,743	2,811

There have been no recognised gains or losses other than those included in the profit and loss account for the current and preceding periods and accordingly no statement of total recognised gains and losses is presented

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

Laystall Limited

Balance sheet

26 December 2006

	Notes	26 December 2006 £'000	27 December 2005 £'000
Fixed assets			
Intangible assets - goodwill	6	11	11
Tangible assets	7	2,061	2,078
		2,072	2,089
Current assets			
Debtors	8	20,399	16,639
Cash at bank and in hand		251	237
		20,650	16,876
Creditors: amounts falling due within one year	9	-	(31)
Net current assets		20,650	16,845
Total assets less current liabilities		22,722	18,934
Provisions for liabilities	10	(81)	(36)
Net assets		22,641	18,898
Capital and reserves			
Called up share capital	12, 13	49,005	49,005
Profit and loss account	13	(26,364)	(30,107)
Shareholders' funds	13	22,641	18,898

These financial statements were approved by the Board of Directors on 21 June 2007

Signed on behalf of the Board of Directors

S P Lane

Director

Laystall Limited

Notes to the accounts

52 week period ended 26 December 2006

1. **Accounting policies**

The principal accounting policies are summarised below They have been applied consistently throughout the period and the prior period, except as noted below

Basis of preparation

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

A cash flow statement, as required by Financial Reporting Standard ("FRS") 1 (Revised) has not been prepared, as the Company is a wholly owned subsidiary of William Hill PLC, a company incorporated in Great Britain and the consolidated accounts of William Hill PLC include a cash flow statement in the form prescribed by FRS 1 (see note 14)

William Hill Organization Limited, another operating company within the Group discharges all expenditure including auditors' remuneration on behalf of the Group's UK subsidiaries with appropriate charges being made to the Company for its share of the cost

Revenue recognition and turnover

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

In the case of Amusements with Prizes (AWPs), turnover represents the net winnings (excluding VAT) from customers on gaming activity completed by the period end

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

Turnover arises exclusively in the United Kingdom

Acquisitions

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

Intangible fixed assets

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

The Companies Act 1985 requires goodwill and intangible assets to be amortised over a finite period The directors consider that the Company's intangible assets have an indefinite life due to the fact that the Company is a significant operator in a well established market, the proven and sustained demand for bookmaking services, the operation of current law that acts as a barrier to entry for new entrants, and the Company's track record of successfully renewing its betting permits and licences

1. **Accounting policies (continued)**

Intangible fixed assets (continued)

Consequently, the directors consider that to amortise these assets would not provide a true and fair view and so the financial statements depart from this specific requirement of the Companies Act 1985 If this departure from the Companies Act 1985 had not been made, the profit for the financial period would have been reduced by amortisation The amount of this amortisation cannot be quantified because of the indefinite life of these assets

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

Tangible fixed assets

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

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

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

Tax

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

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

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

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

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

2. Operating profit

	52 week period ended 26 December 2006 £'000	52 week period ended 27 December 2005 £'000
Operating profit is stated after charging		
Administrative expenses		
Depreciation	284	289
Management charge	8,728	8,580
Auditors remuneration	1	1
Total administrative expenses	9,013	8,870
Loss on disposal of fixed assets	2	35
Net operating expenses	9,015	8,905

Expenses of the Company, which as explained in note 1 are borne by William Hill Organization Limited, are recharged to the Company and disclosed above as a management charge The auditors' remuneration represents the amount recharged to the Company by William Hill Organization Limited The auditors received no fees for non-audit work in either period

3. Net interest receivable

	52 week period ended 26 December 2006 £'000	52 week period ended 27 December 2005 £'000
Interest payable on loans from Group undertakings	(322)	(180)
Interest receivable on loans to Group undertakings	1,440	1,050
	1,118	870

4. Tax on profit on ordinary activities

	52 week period ended 26 December 2006 £'000	52 week period ended 27 December 2005 £'000
Current taxation		
UK corporation tax	1,647	1,248
Group relief	-	-
Current tax	1,647	1,248
Deferred tax (note 10)	45	15
Total tax on profit on ordinary activities	1,692	1,263

4. Tax on profit on ordinary activities (continued)

Reconciliation to current tax charge:

	52 week period ended 26 December 2006 £'000	52 week period ended 27 December 2005 £'000
Profit before tax	5,435	4,074
Tax at 30% (27 December 2005 30%)	1,631	1,222
Permanent differences	32	41
Accelerated capital allowances	(15)	(15)
Chargeable gains	(1)	-
Total current tax charge	1,647	1,248

5. Staff costs

There are no employees of the Company in either the current or preceding financial period All UK employees of the Group are employed by William Hill Organization Limited or William Hill PLC The details of the average monthly number of employees and remuneration in the period are disclosed in the financial statements of William Hill Organization Limited or William Hill PLC

The directors of the Company are also directors of other trading and holding companies within the Group and it is not practicable to allocate their remuneration for the current or preceding period between their services to each company Therefore details of their remuneration, for the 52 week period ended 26 December 2006 and the 52 week period ended 27 December 2005 are disclosed in the financial statements of William Hill Organization Limited or William Hill PLC

	52 week period ended 26 December 2006 No.	52 week period ended 27 December 2005 No.
The number of directors who are members of		
Defined benefit pension scheme	3	3
Defined contribution pension scheme	1	-

Disclosures in respect of the defined benefit pension scheme, which has a deficit at 26 December 2006 of £25,068,000 (2005 £31,772,000), are provided in the financial statements of William Hill Organization Limited

Laystall Limited

Notes to the accounts

52 week period ended 26 December 2006

6. Intangible fixed assets

	£'000
At cost and net book value	
At 28 December 2005 and 26 December 2006	11

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

Following the annual review for impairment, in the opinion of the directors, the recoverable amount of intangible assets is not less than as stated in the balance sheet

7. Tangible fixed assets

	Land and buildings £'000	Fixtures, fittings, equipment, plant and machinery £'000	Total £'000
Cost:			
At 28 December 2005	2,041	2,431	4,472
Additions	95	172	267
Disposals	(14)	-	(14)
At 26 December 2006	2,122	2,603	4,725
Accumulated depreciation:			
At 28 December 2005	892	1,502	2,394
Charge for period	100	184	284
Disposals	(14)	-	(14)
At 26 December 2006	978	1,686	2,664
Net book value:			
At 26 December 2006	1,144	917	2,061
At 28 December 2005	1,149	929	2,078

	26 December 2006 £'000	27 December 2005 £'000
The net book value of land and buildings comprises		
Freehold	365	369
Short leasehold	779	780
	1,144	1,149

Laystall Limited

Notes to the accounts

52 week period ended 26 December 2006

8. Debtors

	26 December 2006 £'000	27 December 2005 £'000
Amounts owed by Group undertakings	20,399	16,639

9. Creditors: amounts falling due within one year

	26 December 2006 £'000	27 December 2005 £'000
Amounts owed to Group undertakings	-	3
Other creditors	-	28
	-	31

10. Provision for liabilities

	26 December 2006 £'000	27 December 2005 £'000
Deferred taxation (note 11)	81	36

11. Deferred taxation

	26 December 2006 £'000	27 December 2005 £'000
Accelerated capital allowances	81	36
Deferred tax liability	81	36

The deferred taxation liabilities have been computed at 30% (27 December 2005 – 30%)

A potential deferred tax liability of £69,000 (27 December 2005 – £69,000) in respect of rolled over capital gains has not been provided on the basis that there is no intention to sell the asset into which the gains have been rolled over

Movement in the period:

	£'000
At 28 December 2005	36
Amount charged to profit and loss account (note 4)	45
At 26 December 2006	81

Laystall Limited

Notes to the accounts

52 week period ended 26 December 2006

12. Called up share capital

	26 December 2006 £	27 December 2005 £
Authorised:		
980,102,000 (2005 980,102,000) ordinary shares of 5p each	49,005,100	49,005,100
100 (2005 100) 'B' shares of 10p each	10	10
	49,005,110	49,005,110
Called up, allotted and fully paid:		
980,100,038 (2005 980,100,038) ordinary shares of 5p each	49,005,002	49,005,002
100 (2005 100) 'B' shares of 10p each	10	10
	49,005,012	49,005,012

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

13. Reconciliation of movements in shareholders' funds and statement of movements in reserves

	Share capital £'000	Profit and loss account £'000	Total £'000
At 28 December 2005	49,005	(30,107)	18,898
Retained profit for the financial period	-	3,743	3,743
Balance at 26 December 2006	49,005	(26,364)	22,641

14 Ultimate parent company and related party transactions

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

At the balance sheet date, the Company's ultimate parent company and controlling party was William Hill PLC, a company incorporated in Great Britain The Company's immediate parent company and controlling entity is Will Hill Limited, a company incorporated in Great Britain

The parent company of the largest and smallest groups for which group accounts are prepared of which this Company is a member is William Hill PLC, a company incorporated in Great Britain

Copies of the financial statements of William Hill PLC and Will Hill Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ