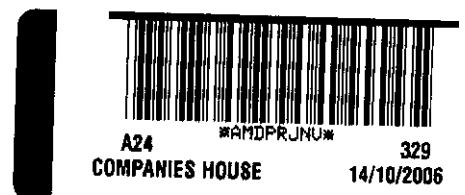


**Company Registration No. 278208**

**William Hill Organization Limited**

**Report and Financial Statements**

**27 December 2005**



# **William Hill Organization Limited**

## **Report and financial statements 2005**

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# **William Hill Organization Limited**

## **Report and financial statements 2005**

### **Officers and professional advisers**

#### **Directors**

Mr D C I Harding  
Mr T D Singer  
Mr I J Spearing  
Mr A D Steele  
Mr S Wasani

#### **Secretary**

Ms S Anderson

#### **Registered office**

Greenside House  
50 Station Road  
Wood Green  
London N22 7TP

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# **William Hill Organization Limited**

## **Directors' report**

The directors present their annual report and audited financial statements for the 52 week period ended 27 December 2005.

### **Principal activity**

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

### **Review of business developments and future activities**

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

On 19 December 2005, the Company paid an interim dividend of £63,000,000 (28 December 2004 - £165,400,000). The directors do not recommend the payment of a final dividend (28 December 2004 - £nil).

### *Trading performance*

Growth in gross profit reflected a number of factors including the continuing roll out of fixed odds betting terminals (FOBTs), extended trading hours, and an expansion in the number of betting opportunities. Whilst there has been a staff cost associated with taking an increased volume of bets and extending opening hours, there is clear evidence that these initiatives are helping to drive growth.

### *Cosi of content*

In July 2005 the Court of Appeal agreed with the European Court of Justice ("ECJ") interpretation of the Database Directive which had previously been referred to the ECJ by the Court of Appeal in relation to the dispute with the British Horseracing Board (BHB) on the use of certain racing data. This judgement supported the Group's position. Subsequently the BHB has decided not to challenge this judgement thus bringing to an end a dispute that commenced in 2001.

Had the BHB been successful, their database would have been the basis of a commercial deal between racing and betting that would have allowed the statutory levy scheme to end. As a result of the decision, the government has extended the Levy until 2009 and appointed a committee, under the chairmanship of Lord Donoghue, to find an alternative basis for a commercial arrangement. The committee issued its draft report in December 2005. It is anticipated that discussions will take place between the interested parties during 2006 in order to assess whether a viable alternative to the current statutory levy can be developed from the options identified by the committee.

The betting industry has contractual arrangements in place with 58 of the country's 59 race-tracks for the supply of horseracing pictures into licensed betting offices. These contracts expire between Spring 2007 and Summer 2009.

### *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 Act 2005 passed its final parliamentary stage and received Royal Assent in April 2005. The directors are advised that it is unlikely to be fully implemented until the Gambling Commission is fully resourced and operational, which is unlikely to be before Autumn 2007.

### **Employees**

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

# William Hill Organization Limited

## Directors' report (continued)

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

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

### Directors

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

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

Mr D C I Harding  
Mr D Lowrey (resigned 5 April 2006)  
Mr T D Singer  
Mr I J Spearing  
Mr A D Steele  
Mr S Wasani

The directors who held office at 27 December 2005 had the following interests, including family interests (all of which were beneficial) in the ordinary shares of the ultimate parent company (William Hill PLC):

	27 December 2005	28 December 2004
D C I Harding	50,000	50,000
D Lowrey	-	-
T D Singer	32,286	26,009
I J Spearing	2,667	7,667
A D Steele	37,577	37,577
S Wasani	21,854	16,577

The directors have no interests in any other Group company.

# William Hill Organization Limited

## Directors' report (continued)

### Directors (continued)

The directors' interests, including family interests, in rights to subscribe for shares in the ultimate parent company (William Hill PLC) at the beginning of the period (or date of appointment if later) and end of the period for Messrs Harding and Singer are described in the accounts of William Hill PLC. The directors' interests, including family interests, in rights to subscribe for shares in the ultimate parent company (William Hill PLC) at the beginning of the period (or date of appointment if later) and end of the period for the other directors are as follows:

		Number of shares at 28 December 2004	Granted during period	Lapsed during period	Number of shares at 27 December 2005	Date from which exercisable	Expiry date
D Lowrey	LTIP 2003	59,977	-	-	59,977	March 2006	March 2013
	LTIP 2004	28,528	-	-	28,528	March 2007	March 2014
	PSP 2005	-	59,480	-	59,480	March 2008	March 2015
I J Spearing	LTIP 2003	61,437	-	-	61,437	March 2006	March 2013
	LTIP 2004	28,834	-	-	28,834	March 2007	March 2014
	PSP 2005	-	59,480	-	59,480	March 2008	March 2015
A D Steele	LTIP 2003	54,002	-	-	54,002	March 2006	March 2013
	LTIP 2004	25,370	-	-	25,370	March 2007	March 2014
	PSP 2005	-	53,903	-	53,903	March 2008	March 2015
S Wasani	LTIP 2003	57,514	-	-	57,514	March 2006	March 2013
	LTIP 2004	26,980	-	-	26,980	March 2007	March 2014
	PSP 2005	-	51,673	-	51,673	March 2008	March 2015

The above interests arise from the directors' membership of the Group's Long Term Incentive Plan (LTIP) and Performance Share Plan (PSP). The LTIP and PSP are structured as zero cost options, which allows vesting of shares subject to various conditions. Further details of the detailed terms and conditions of the LTIP and PSP are available in the accounts of William Hill PLC. No interests were exercised in the period. The market price of William Hill PLC's ordinary shares at 27 December 2005 was £5.41 and the range during the period from 29 December 2004 to 27 December 2005 was £4.85 to £6.24.

### Donations

During the period the Company made charitable donations totalling £351,000 (2004 – £211,000), principally to industry related charities serving the communities in which the Company operates.

### Terms of payment

The Company discharges all expenditure on behalf of the Group's UK subsidiaries. The Company's normal practice is to agree terms of trading, including payment terms, with suppliers to all UK Group undertakings and, provided suppliers perform in accordance with agreed terms, it is the Group's policy that payment should be made accordingly. At 27 December 2005 the number of creditor days for the company was 19 days (2004 – 20 days).

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

The Group will adopt IFRS as the primary basis for reporting for the 52 week period ending 26 December 2006. It does not expect the adoption of IFRS to have a material impact on the reporting of financial performance as compared to results prepared in accordance with UK GAAP.

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.

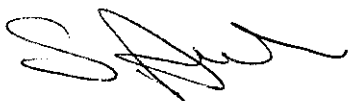
## **William Hill Organization Limited**

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

#### **Auditors**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and 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

A handwritten signature in black ink, appearing to be 'S Anderson', written in a cursive style.

S Anderson  
Secretary  
25 September 2006

## **William Hill Organization Limited**

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

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing those 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 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 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 William Hill Organization Limited**

We have audited the financial statements of William Hill Organisation Limited for the 52 weeks ended 27 December 2005, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 24. 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**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 the other information contained in the annual report for the above period as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

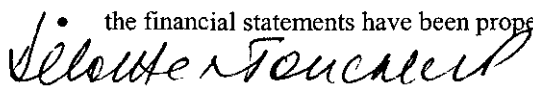
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 27 December 2005 and of its profit for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

15 September 2006

# William Hill Organization Limited

## Profit and loss account

52 week period ended 27 December 2005

	Notes	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 (restated) £'000
<b>Turnover</b>	1	727,177	531,386
Cost of sales		(690,457)	(500,003)
<b>Gross profit</b>		36,720	31,383
Net operating expenses	2	(15,431)	(7,670)
<b>Operating profit</b>	3	21,289	23,713
Income from fixed asset investments	5	82,095	165,400
<b>Profit on ordinary activities before interest</b>		103,384	189,113
Net interest payable	6	(41,889)	(14,937)
Other finance charge	22	(1,134)	(1,543)
<b>Profit on ordinary activities before taxation</b>		60,361	172,633
Tax credit on profit on ordinary activities	7	5,107	1,953
<b>Profit on ordinary activities after taxation</b>	18	65,468	174,586
Dividends paid	8	(63,000)	(165,400)
<b>Retained profit for the financial period</b>		2,468	9,186

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

# William Hill Organization Limited

## Statement of total recognised gains and losses 52 week period ended 27 December 2005

		52 week period ended 27 December 2005	52 week period ended 28 December 2004 (restated)
	Notes	£'000	£'000
Profit for the financial period		65,468	174,586
Actuarial gain/(loss) recognised in the pension scheme	22	2,024	(10,717)
Deferred tax (charge)/credit arising thereon		(607)	3,215
Total recognised gains and losses relating to the period		66,885	167,084
Prior period adjustment	1	(565)	-
Total recognised gains and losses since last annual report		66,320	167,084

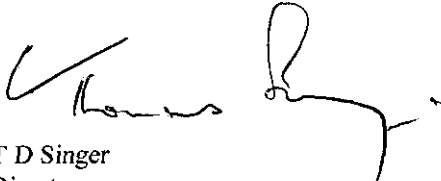
# William Hill Organization Limited

## Balance sheet 27 December 2005

	Notes	27 December 2005 £'000	28 December 2004 (restated) £'000
<b>Fixed assets</b>			
Intangible assets - goodwill	9	4,256	2,331
Tangible assets	10	69,821	36,614
Investments	11	891,039	384,464
		<u>965,116</u>	<u>423,409</u>
<b>Current assets</b>			
Stocks	12	301	296
Debtors	13	15,610	13,131
Cash at bank and in hand		32,292	31,016
		<u>48,203</u>	<u>44,443</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(958,813)</u>	<u>(417,837)</u>
<b>Net current liabilities</b>		<u>(910,610)</u>	<u>(373,394)</u>
<b>Total assets less current liabilities</b>		<u>(54,506)</u>	<u>(50,015)</u>
<b>Provision for liabilities and charges</b>	15	<u>(2,418)</u>	<u>-</u>
<b>Net assets excluding pension liability</b>		<u>52,088</u>	<u>50,015</u>
Pension liability	22	<u>(31,772)</u>	<u>(38,473)</u>
<b>Net assets</b>		<u>20,316</u>	<u>11,542</u>
<b>Capital and reserves</b>			
Called up share capital	17,18	1,468	1,468
Share premium	18	2,505	2,505
Other reserves	18	1,250	1,250
Shares held in ultimate parent company	18	(1,442)	(3,191)
Profit and loss account	18	16,535	9,510
<b>Equity shareholders' funds</b>	18	<u>20,316</u>	<u>11,542</u>

These financial statements were approved by the Board of Directors on 25 September 2006

Signed on behalf of the Board of Directors

  
T D Singer  
Director

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 1. Accounting policies

A summary of the Company's principal accounting policies, which have been applied consistently throughout the period and the prior period (except as explained in the following paragraph) is set out below.

##### Changes in accounting policies and restatement of comparatives

As encouraged by the Accounting Standards Board, the Group has adopted FRS 20 'Share-based Payment' in its financial statements for the 52 weeks to 27 December 2005, although it is not mandatory in this period.

FRS 20 changes the basis of charging the profit and loss account for share-based remuneration. Under the provisions of FRS 20, options granted are valued and charged to the profit and loss account on the basis of fair values as calculated by an option pricing model rather than on the basis of the intrinsic value of the share on which the option was granted, as was the case previously. In addition the costs of SAYE schemes are chargeable under FRS 20 whereas formerly they were exempt. The transitional arrangements of FRS 20 also mean that all options granted before 7 November 2002 do not attract a charge.

The effect of these changes is that in the 52 weeks ended 27 December 2005 the charge under FRS 20 is £1,312,000 more than the charge that would have been reported under UK GAAP prior to the introduction of FRS 20 (52 weeks ended 28 December 2004 – £2,033,000 less than under UK GAAP prior to FRS 20). In addition, there is a related increase in the tax charge and a reduction of deferred tax asset of £394,000 in the 52 weeks ended 27 December 2005 (52 weeks ended 28 December 2004 – £565,000 reduction in the tax charge and increase in the deferred tax asset). As the deferred tax adjustment is the only one that affects cumulative reserves, £565,000 is shown as the prior period adjustment in the statement of total recognised gains and losses.

##### 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. These financial statements present information about the individual company and not about its group. The Company has not prepared group accounts as, in accordance with S228 of the Companies Act 1985, the Company is a wholly owned subsidiary of William Hill PLC, a company incorporated in Great Britain (see note 24).

##### Revenue recognition and turnover

Revenue is recognised under an exchange transaction with a customer, when, and to the extent that, the Group obtains the right to consideration in exchange for its performance.

Turnover is the revenue resulting from exchange transactions under which the Group supplies to customers the services that it is in business to provide as set out below.

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

# William Hill Organization Limited

## Notes to the accounts

52 week period ended 27 December 2005

### 1. Accounting policies (continued)

#### Intangible fixed assets

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

The Companies Act 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.

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 comprise the assets which can be physically replaced and are stated in the balance sheet at cost, less provision, cumulative depreciation and impairment.

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

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

#### Tax

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

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

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

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

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

# **William Hill Organization Limited**

## **Notes to the accounts**

**52 week period ended 27 December 2005**

### **1. Accounting policies (continued)**

#### **Investments**

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

#### **Stocks**

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

#### **Pension costs**

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

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

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

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

#### **Leases**

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

#### **Share-based payments**

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

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

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

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

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 2. Net operating expenses

All expenditure of the Company and its subsidiaries (except the direct expenses of its offshore subsidiaries and the direct expenses of its stadia subsidiaries), Camec Limited and its subsidiaries, and Laystall Limited is reflected within administrative expenses of the Company. A proportion of these administrative expenses has been recharged by the Company.

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 (restated) £'000
Total administrative expenses	318,610	302,956
Less: management expenses recharged	(303,143)	(290,186)
	15,467	12,770
Brand recharge to subsidiaries <sup>(1)</sup>	(10,664)	(9,349)
Exceptional items – 2004 <sup>(2)</sup>	-	4,249
Exceptional items – 2005 <sup>(3)</sup>	10,628	-
Net operating expenses	15,431	7,670

(1) On 1 April 2004 the Company commenced charging its trading subsidiaries, Camec Limited and its subsidiaries, and Laystall Limited for the use of the 'William Hill' brand. Income for the period in respect of this charge is £10,664,000 (2004: £9,349,000).

(2) Exceptional items in 2004 related to the liquidation of the Company's subsidiary, William Hill (IOM) Limited, and include the write-off of the investment in the subsidiary (£4,600,000) and an exceptional credit (£351,000) in respect of the write-off of the intercompany balance between the two companies.

(3) Exceptional items in 2005 encompassed £7,415,000 of costs arising from the roll out of electronic point of sale and text systems across the LBO network (primarily training and consultancy costs) and £3,213,000 of costs arising from the due diligence on and the integration of Stanley Retail (primarily external consultancy costs and integration team costs).

#### 3. Operating profit

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 (restated) £'000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration – audit fees	263	264
Depreciation	6,464	4,487
Operating lease charges - Land and buildings	34,131	29,224
- Other	5,354	8,001
Profit on disposal of fixed assets	(661)	(145)

Fees of £913,000 (52 weeks ended 28 December 2004: £273,000) were paid to the auditors in respect of other services.



# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 4. Staff costs

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000
<b>Directors' remuneration was as follows:</b>		
Directors' emoluments excluding pension contributions	1,555	2,431
Defined benefit pension payments	125	138
<b>Number of directors who:</b>	<b>No.</b>	<b>No.</b>
Were members of a defined benefit scheme	6	7
Exercised share options	1	2
<b>Highest paid director:</b>	<b>£'000</b>	<b>£'000</b>
Total emoluments excluding pension contributions	504	825
Defined benefit pension payments	19	17
Amount of accrued pension at 27 December 2005	19	15
Transfer value of accrued benefits at 27 December 2005	199	135

One director had shares receivable under the William Hill Save as You Earn (SAYE) scheme and exercised options from this scheme during the period. Six directors had shares receivable under the Long Term Incentive Plan (LTIP) and Profit Share Plan (PSP). The terms of the LTIP and PSP and details of the exercise of shares under the SAYE, are provided in the accounts of the Company's ultimate parent, William Hill PLC.

For those directors of the Company who are also directors of other trading and holding companies within the William Hill PLC group of companies it is not practicable to allocate their remuneration for the current or preceding period between their services to each company. Therefore the amounts disclosed above include amounts received for duties performed for the Company and other group companies within the William Hill PLC Group.

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000
Total remuneration, including directors, was:		
Wages and salaries	159,923	158,696
Social security costs	13,847	14,329
Pensions costs (note 22)	5,977	18,859
	179,747	191,884
	<b>No.</b>	<b>No.</b>
Average monthly number of persons employed during the period, including directors, all of whom were engaged in the administration and provision of betting services	11,523	11,200

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 4. Staff costs (continued)

Included in pension costs is £2,024,000 (52 weeks ended 28 December 2004: £10,717,000 loss) relating to actuarial gains which have been credited to the statement of recognised gains and losses and £1,134,000 charged (52 weeks ended 28 December 2004: £1,543,000) to other financial charges in the profit and loss account.

#### 5. Income from fixed asset investments

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000
Income from shares in subsidiary undertakings	80,000	165,400
Income from share in associated undertaking	2,095	-
	<u>82,095</u>	<u>165,400</u>

#### 6. Net interest payable

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000
Interest payable on loans from Group undertakings	(56,256)	(29,129)
Interest receivable on loans to Group undertakings	12,604	12,666
Interest receivable from third parties	1,763	1,526
	<u>(41,889)</u>	<u>(14,937)</u>

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

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

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 (Restated) £'000
Current taxation:		
Current period	-	-
Prior periods	-	(1,700)
Consortium relief receivable		
Prior periods	-	-
Group relief (receivable)/payable:		
Current period	(10,909)	(749)
Prior periods	-	-
Total current taxation	(10,909)	(2,449)
Deferred taxation (note 16)	5,802	496
Total tax credit on profit on ordinary activities	(5,107)	(1,953)

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

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 (Restated) £'000
<b>Reconciliation to current tax (credit):</b>		
Profit before taxation	60,361	172,633
Tax at 30% (28 December 2004: 30%)	18,108	51,790
Tax allowances in excess of depreciation	(2,629)	(1,231)
Permanent differences	1,412	286
Utilisation of brought forward losses	(1,560)	(3,000)
Held over gains crystallising	-	31
Adjustments in respect of prior periods	-	(1,700)
Other short term timing differences	(1,612)	995
Non taxable income	(24,628)	(49,620)
Current tax credit for the period	(10,909)	(2,449)

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 8. Dividends paid

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000
Equity shares:		
Interim dividend paid of £4.289 per share (2004 - £11.263 per share)	63,000	165,400

The interim dividend was paid on 19 December 2005.

#### 9. Intangible fixed assets - goodwill

	£'000
Cost and net book value:	
At 29 December 2004	2,331
Additions	1,925
At 27 December 2005	4,256

Intangible fixed assets represents licence value, goodwill and brand value. Intangible assets such as licenses 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'.

Additions of £1,925,000 in the period are in respect of the purchase of shop licences.

# William Hill Organization Limited

## Notes to the accounts

52 week period ended 27 December 2005

### 10. Tangible fixed assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Plant and machinery £'000	Total £'000
<b>Cost:</b>				
At 29 December 2004	9,855	26,715	62,914	99,484
Additions	4,048	31,211	4,552	39,811
Disposals	(41)	(236)	(921)	(1,198)
At 27 December 2005	13,862	57,690	66,545	138,097
<b>Accumulated depreciation:</b>				
At 29 December 2004	2,474	8,398	51,998	62,870
Charge for period	554	2,738	3,172	6,464
Disposals	(41)	(152)	(865)	(1,058)
At 27 December 2005	2,987	10,984	54,305	68,276
<b>Net book value:</b>				
At 27 December 2005	10,875	46,706	12,240	69,821
At 29 December 2004	7,381	18,317	10,916	36,614

	27 December 2005 £'000	28 December 2004 £'000
The net book value of land and buildings comprises:		
Freehold	167	59
Short leasehold	10,708	7,322
	10,875	7,381

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 11. Investments held as fixed assets

	Investments in subsidiary undertakings £'000	Investment in associate £'000	Total £'000
Cost at 29 December 2004	392,775	17,657	410,432
Additions	506,575	-	506,575
At 27 December 2005	<u>899,350</u>	<u>17,657</u>	<u>917,007</u>
Provision at 29 December 2004 and at 27 December 2005	(8,311)	(17,657)	(25,968)
<b>Net book value:</b>			
At 27 December 2005	<u>891,039</u>	<u>-</u>	<u>891,039</u>
At 29 December 2004	<u>384,464</u>	<u>-</u>	<u>384,464</u>

On 18 June 2005, the Company acquired Stanley Leisure plc's retail bookmaking operations in Great Britain, Northern Ireland, the Republic of Ireland, Jersey and the Isle of Man (Stanley Retail) for total cash consideration of £506,575,000 including costs of £6,584,000.

# William Hill Organization Limited

## Notes to the accounts

52 week period ended 27 December 2005

### 11. Investments held as fixed assets (continued)

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

Directly owned:	Country of incorporation	Proportion of all classes of issued share capital owned by the Company	Nature of trade
William Hill (Course) Limited	Great Britain	100%	Betting services
William Hill (Strathclyde) Limited	Great Britain	100%	Betting services
Brooke Bookmakers Limited	Great Britain	100%	Betting services
William Hill (Grampian) Limited	Great Britain	100%	Betting services
William Hill (London) Limited <sup>(1)</sup>	Great Britain	50%	Betting services
William Hill (Midlands) Limited	Great Britain	100%	Betting services
William Hill (Scotland) Limited	Great Britain	100%	Betting services
William Hill (Western) Limited	Great Britain	100%	Betting services
William Hill (Essex) PLC	Great Britain	100%	Betting services
Arena Racing Limited	Great Britain	100%	Betting Services
Transdawn Limited	Great Britain	100%	Betting Services
Willstan Racing Limited	Great Britain	100%	Betting Services
The Regal Sunderland Stadium Limited	Great Britain	100%	Greyhound stadium operation
Team Greyhounds (Brough Park) Limited	Great Britain	100%	Greyhound stadium operation
<b>Held through intermediate companies:</b>			
William Hill Credit Limited	Great Britain	100%	Betting services
William Hill (North Eastern) Limited	Great Britain	100%	Betting services
William Hill (North Western) Limited	Great Britain	100%	Betting services
William Hill (Southern) Limited	Great Britain	100%	Betting services
William Hill (Caledonian) Limited	Great Britain	100%	Betting services
William Hill (Football) Limited	Great Britain	100%	Betting services
Willstan Racing (Ireland) Limited	Republic of Ireland	100%	Betting services
L. Willstan Limited	Northern Ireland	100%	Betting services
BJ O'Connor Limited	Jersey	100%	Betting services
Willstan (IOM) Limited	Isle Of Man	100%	Betting services

(1) 50% of the share capital of William Hill (London) Limited is owned by Ken Munden (Turf Accountant) Limited, a subsidiary of the Company.

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

A full list of subsidiaries of the Company will be appended to the Company's Annual Return.

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

As at 27 December 2005 the Company owned 19% of the ordinary share capital of Satellite Information Services (Holdings) Limited ('SIS'), a company incorporated in Great Britain. A provision was made for the cost of the investment, in 1999, to recognise an impairment in its carrying value.

# William Hill Organization Limited

## Notes to the accounts

52 week period ended 27 December 2005

### 12. Stocks

	27 December 2005 £'000	28 December 2004 £'000
Raw materials and consumables	301	296

### 13. Debtors

	27 December 2005 £'000	28 December 2004 (restated) £'000
Trade debtors	501	346
Deferred taxation (note 16)	-	1,120
Other debtors	1,808	758
Prepayments and accrued income	13,301	10,907
	15,610	13,131

	27 December 2005 £'000	28 December 2004 (restated) £'000
Amounts falling due after more than one year included above are:		
Deferred taxation (note 16)	-	1,120

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

	27 December 2005 £'000	28 December 2004 £'000
Trade creditors	4,431	10,086
Amounts owed to Group undertakings	879,202	336,363
Corporation tax	29,321	32,013
Other taxation including social security	15,059	11,006
Other creditors	3,503	2,263
Accruals and deferred income	27,297	26,106
	958,813	417,837



# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 15. Provision for liabilities and charges

	27 December 2005 £'000	28 December 2004 £'000
Deferred tax liability (note 16)	2,418	-

#### 16. Deferred taxation

	27 December 2005		28 December 2004	
	Provided £'000	Unprovided £'000	Provided (Restated) £'000	Unprovided £'000
Deferred taxation:				
Accelerated capital allowances	3,824	-	1,195	-
Held over gains	-	-	-	-
Rolled over gains	-	-	-	392
Tax losses	-	-	(1,560)	-
Short term timing differences	(1,406)	-	(755)	-
Deferred tax liability/(asset) (notes 13 and 15)	2,418	-	(1,120)	392
Deferred tax asset in pension liability	(13,617)	-	(16,488)	-
	11,199	-	(17,608)	392

The current rate of corporation tax of 30 % (28 December 2004 – 30%) has been used to calculate the amount of deferred taxation. Provision has been made for all deferred tax assets and liabilities in respect of accelerated capital allowances, held over capital gains and short term timing differences, arising from transactions recognised in the financial statements of the current and previous years.

No provision has been made for the deferred tax liability of £392,000 (28 December 2004 – £392,000) in respect of capital gains rolled over into non-depreciating assets as it is the intention to retain these assets for the foreseeable future. Tax on these rolled over gains would only become payable if the assets were sold without further rollover relief.

#### Movement in the period:

	£'000
At 29 December 2004 (as previously stated)	(18,173)
Prior period adjustment (note 1)	565
As restated	(17,608)
Amount charged to profit and loss account (note 7)	5,802
Amount charged to statement of total recognised gains and losses	607
At 27 December 2005	11,199

# William Hill Organization Limited

## Notes to the accounts

52 week period ended 27 December 2005

### 17. Called up share capital

	27 December 2005 £'000	28 December 2004 £'000
<b>Authorised:</b>		
25,651,700 (2004: 25,651,700) ordinary shares of 10p each	2,565	2,565
100 (2004: 100) 'B' shares of 10p each	-	-
	<u>2,565</u>	<u>2,565</u>
<b>Called up, allotted and fully paid:</b>		
14,685,856 (2004: 14,685,856) ordinary shares at 10p each	1,468	1,468
100 (2004: 100) 'B' shares of 10p each	-	-
	<u>1,468</u>	<u>1,468</u>

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

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 18. Reconciliation of movements in equity shareholders' funds and statement of movement in reserves

	Share capital £'000	Share premium account £'000	Other reserves £'000	Shares held in ultimate parent company £'000	Profit and loss account £'000	Total equity shareholders' funds £'000
At 29 December 2004:						
As previously reported	1,468	2,505	1,250	(3,191)	10,075	12,107
Prior period adjustment (note 1)	-	-	-	-	(565)	(565)
As restated	1,468	2,505	1,250	(3,191)	9,510	11,542
Profit for the financial period	-	-	-	-	65,468	65,468
Dividends paid on equity shares	-	-	-	-	(63,000)	(63,000)
Actuarial gain recognised in the pension scheme	-	-	-	-	2,024	2,024
Deferred tax arising thereon	-	-	-	-	(607)	(607)
Expense recognised in respect of share remuneration	-	-	-	-	2,175	2,175
Movements on reserves due to transfer of shares to recipients	-	-	-	1,749	965	2,714
At 27 December 2005	1,468	2,505	1,250	(1,442)	16,535	20,316

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 (restated) £'000
<b>Profit and loss reserve:</b>		
Profit and loss account excluding pension liability	48,307	47,983
Pension liability	(31,772)	(38,473)
Profit and loss account including pension liability	16,535	9,510

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 19. Share based payments

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

- (a) Profit Share Plans (PSP) and Long Term Incentive Plans (LTIP) encompassing awards made in 2003 to 2005;
- (b) Save As You Earn share option schemes granted after 7 November 2002 (SAYE) encompassing awards made in 2003 to 2005;
- (c) Float bonus;
- (d) Executive Director Incentive Plan (EDIP); and
- (e) Save As You Earn share option schemes granted before 7 November 2002 (2002 SAYE) encompassing an award made in 2002.

Details of these schemes are provided in the Directors Remuneration Report in the financial statements of William Hill plc.

In accordance with the transition provisions included in FRS20, the Group has recognised an expense in respect of all grants after 7 November 2002 that were unvested as of 31 December 2003. In the context of the Group's schemes, this includes (a) PSP and LTIP and (b) 2003 to 2005 SAYE schemes above. The total expense recognised (excluding employers' National Insurance costs) in respect of these schemes was £2.2m in the 52 weeks ended 27 December 2005 (52 weeks ended 28 December 2004 - £1.2m).

- (a) Profit Share Plans (PSP) and Long Term Incentive Plans (LTIP)

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

	27 December 2005 Number	28 December 2004 Number
Outstanding at beginning of the period	2,287,528	1,749,011
Granted during the period	2,481,919	981,307
Forfeited during the period	(27,437)	(372,504)
Exercised during the period	(6,147)	(70,286)
Outstanding at the end of the period	4,735,863	2,287,528
Exercisable at the end of the period	10,470	-

As the PSP and LTIP are conditional awards of shares and therefore the recipients do not have to pay an exercise price, the shares have, in effect, a zero cost exercise price. The weighted average share price at the date of exercise for share options exercised during the period was £5.76 (52 weeks ended 28 December 2004 - £5.31). The options outstanding at 27 December 2005 had a remaining weighted average contractual life of 8.5 years (28 December 2004 - 8.6 years).

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 19. Share based payments (continued)

##### (a) Profit Share Plans (PSP) and Long Term Incentive Plans (LTIP) (continued)

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

	27 December 2005	28 December 2004
Weighted average share price at date of grant	£4.16	£3.17
Weighted average exercise price	Nil	Nil
Expected volatility	29%	31%
Expected life	3.5 years	3.5 years
Risk free interest rate	4.4%	4.5%
Expected dividend yield	3.3%	3.4%

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

The weighted average fair value of the options granted under the PSP and LTIP schemes at the date of grant was £2.02 per option (28 December 2004 - £0.94). The expense recognised (excluding employers' national insurance costs) in respect of relevant PSP and LTIP schemes in the 52 weeks ended 27 December 2005 was £1.1m (52 weeks ended 28 December 2004 - £0.6m).

##### (b) SAYE schemes for 2003 to 2005

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

	27 December 2005		28 December 2004	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	1,828,281	2.62	1,262,604	1.76
Granted during the period	621,898	4.57	782,534	3.93
Forfeited during the period	(200,887)	(3.47)	(215,114)	(2.36)
Exercised during the period	(3,534)	(2.68)	(1,743)	(1.76)
Outstanding at the end of the period	2,245,758	3.08	1,828,281	2.62
Exercisable at the end of the period	-	-	-	-

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 19. Share based payments (continued)

##### (b) SAYE schemes for 2003 to 2005 (continued)

The exercise price for the 2003, 2004 and 2005 SAYE schemes was £1.76, £3.93 and £4.57 respectively.

The weighted average share price at the date of exercise for share options exercised during the period was £5.42 (52 weeks ended 28 December 2004 - £4.89). The options outstanding at 27 December 2005 had a remaining weighted average contractual life of 3.0 years (28 December 2004 - 3.5 years).

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

	27 December 2005	28 December 2004
Weighted average share price at date of grant	£3.81	£3.51
Weighted average exercise price	£2.98	£2.56
Expected volatility	30%	31%
Expected life	4.7 years	4.6 years
Risk free interest rate	4.7%	4.8%
Expected dividend yield	3.2%	3.1%

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

The weighted average fair value of the options granted under these SAYE schemes at the date of grant was £1.23 per option (28 December 2004 - £1.26). The expense recognised in respect of relevant SAYE schemes in the 52 weeks ended 27 December 2005 was £1.1m (52 weeks ended 28 December 2004 - £0.6m).

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 19. Share based payments (continued)

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

In accordance with the transition provisions included in FRS20, the Group has not recognised an expense in respect of all grants before 7 November 2002 that were unvested as of 31 December 2003. In the context of the Group's schemes, this includes options outstanding in relation to a float bonus, the Executive Director Incentive Plan (EDIP) and the 2002 SAYE Share Option Scheme. The float bonus and EDIP were incentive arrangements for Messrs Harding and Singer arising out of the flotation of the Group. They were structured as zero cost options. The float bonus and 30% of the EDIP arrangement were exercised in the 52 weeks ended 28 December 2004. The remaining EDIP has now vested but was not exercised by the period end.

	27 December 2005		28 December 2004	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	5,880,593	1.41	7,581,833	1.14
Forfeited during the period	(129,724)	(1.80)	(179,526)	(1.80)
Exercised during the period	(1,503,470)	(1.80)	(1,521,714)	(0.03)
Outstanding at the end of the period	4,247,399	1.26	5,880,593	1.41
Exercisable at the end of the period	1,294,728	0.02	550,000	N/a

The weighted average share price at the date of exercise for share options exercised during the period was £5.76 (28 December 2004 - £5.31). The options outstanding at 27 December 2005 had a remaining weighted average contractual life of 2.4 years (28 December 2004 - 3.4 years).

#### 20 Capital commitments

The Company undertakings had capital commitments as follows:

	27 December 2005 £'000	28 December 2004 £'000
Contracted but not provided for	65,000	28,653

The high level of financial commitments at 27 December 2005 reflected various contracts signed to install electronic point of sale equipment and replacement text systems in all of the Group's LBOs.

#### 21 Contingent liabilities

The Company has jointly and severally, together with a number of other fellow subsidiaries of the William Hill PLC Group, given a guarantee in respect of the Group's obligations under a £1,200 million Facility Agreement and a £250 million Facility Agreement between William Hill PLC and a syndicate of banks. At 27 December 2005 the outstanding borrowings guaranteed were £1,020 million (28 December 2004 - £500 million).

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 22 Pensions

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

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000
Defined contribution scheme (charged to operating profit)	704	533
Defined benefit scheme (charged to operating profit)	6,163	6,066
Defined benefit scheme (charged to other finance income)	1,134	1,543
Defined benefit scheme ((credited)/charged to statement of total recognised gains and losses)	(2,024)	10,717
	<u>5,977</u>	<u>18,859</u>

At 27 December 2005, company contributions of £nil (28 December 2004 – £nil) remain outstanding in respect of the defined contribution scheme.

#### Defined benefit scheme:

A full actuarial valuation was carried out at 30 September 2004 and updated to 27 December 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	27 December 2005	28 December 2004	31 December 2003
Rate of increase of salaries	3.75%	3.75%	3.75%
Rate of increase in pensions in payment	2.75%	2.75%	2.75%
Discount rate	4.90%	5.25%	5.5%
Inflation assumption	2.75%	2.75%	2.75%



# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 22. Pensions (continued)

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

	Return at 27 December 2005	Value at 27 December 2005 £'000	Return at 28 December 2004	Value at 28 December 2004 £'000	Return at 31 December 2003	Value at 31 December 2003 £'000
Equities	6.10%	141,851	6.50%	114,308	6.10%	102,360
Gilts and cash	4.90%	18,005	5.25%	8,273	5.50%	5,893
Corporate bonds	4.10%	12,537	4.50%	8,983	4.50%	4,512
Total fair value of assets		172,393		131,564		112,765
Present value of scheme liabilities		(217,781)		(186,525)		(158,089)
Deficit in scheme		(45,388)		(54,961)		(45,324)
Related deferred tax asset		13,616		16,488		13,597
Net pension liability		(31,772)		(38,473)		(31,727)

The contribution rate for 2005 was 19.2% (2004: 17%) of pensionable earnings. This rate is subject to regular review. In addition the Company made an additional contribution of £9,400,000 to the scheme in October 2005 to help to reduce the deficit. The scheme is now closed to new members and has been replaced by a defined contribution scheme, which is open to eligible joiners.

#### Analysis of the amount charged to operating profit:

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000
Current service cost	5,912	5,716
Past service costs	251	350
Total operating charge	6,163	6,066

#### Analysis of the amount charged to other finance charge:

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000
Expected return on pension scheme assets	(8,562)	(7,059)
Interest on pension scheme liabilities	9,696	8,602
Net return	1,134	1,543

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 22. Pensions (continued)

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

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000
Actual return less expected return on pension scheme assets	(18,891)	(4,314)
Experience gains and losses arising on the scheme liabilities	(2,114)	(2,581)
Changes in assumptions underlying the present value of the scheme	18,981	17,612
Total (gain)/loss recognised in STRGL	(2,024)	10,717

Movement in deficit during the period:

	27 December 2005 £'000	28 December 2004 £'000
Deficit in scheme at start of period	(54,961)	(45,324)
Movement in period:		
Current service costs	(5,911)	(5,718)
Contributions	14,845	8,691
Past service costs	(251)	(350)
Other finance charge	(1,134)	(1,543)
Actuarial gains/(losses)	2,024	(10,717)
Deficit in scheme at end of period	(45,388)	(54,961)

History of experience gains and losses:

	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000	52 week period ended 30 December 2003 £'000	52 week period ended 31 December 2002 £'000	53 week Period ended 1 January 2001 £'000
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	18,891	4,314	13,100	(34,950)	(23,500)
% of scheme assets	11%	3%	12%	(41%)	(20%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	2,114	2,581	(2,093)	(1,406)	3,300
% of the present value of the scheme liabilities	1%	1%	(1%)	(1%)	3%
Total amount recognised in STRGL					
Amount (£'000)	2,024	(10,717)	(3,750)	(36,573)	(28,800)
% of the present value of the scheme liabilities	1%	(6%)	(2%)	(28%)	24%

# William Hill Organization Limited

## Notes to the accounts

### 52 week period ended 27 December 2005

#### 23. Operating lease commitments

At 27 December 2005, the Company was committed to making the following payments within one year as follows:

	27 December 2005		28 December 2004	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Payments due within one year for leases which expire:				
Within one year	2,752	74	2,562	54
Between two and five years	7,327	1,299	6,733	1,000
After five years	22,076	-	19,907	-
	<u>32,155</u>	<u>1,373</u>	<u>29,202</u>	<u>1,054</u>

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

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

During the period, the Company made purchases of £23,380,000 (52 weeks ended 28 December 2004 – £18,588,000) from Satellite Information Services Limited, a subsidiary of Satellite Information Services (Holdings) Limited. At 27 December 2005, the amount payable to Satellite Information Services Limited was £10,500 (28 December 2004 – £nil). 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.

The financial statements of William Hill PLC and Will Hill Limited for the period ended 27 December 2005 are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.