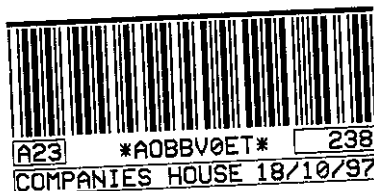


WILLIAM HILL LEISURE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996



**WILLIAM HILL LEISURE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

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WILLIAM HILL LEISURE LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr J M Brown
Mr W L Haygarth
Mr R Lambert
Mr L J McGuigan

SECRETARY

Mr M J S Mott

REGISTERED OFFICE

15 Mark Lane
Leeds
LS1 8LB

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR

WILLIAM HILL LEISURE LIMITED

DIRECTORS' REPORT

The Directors present their report and audited financial statement for the year ended 31 December 1996.

PRINCIPAL ACTIVITY

The Company did not trade during the current or preceding financial year.

REVIEW OF BUSINESS

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

The Directors have decided not to declare a dividend for the year (1995 - £nil) and the retained loss of £83,000 (1995 - nil) has been transferred from reserves. Total capital and reserves at 31 December 1996 amounted to £1,639,000 (1995 - £1,722,000).

The company is not expected to trade in the foreseeable future.

DIRECTORS

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

The Directors who served throughout the year and subsequently are:

Mr J M Brown

Mr W L Haygarth

Mr R Lambert

Mr L J McGuigan (appointed 12 February 1997)

Mr S G Olive (resigned 29 November 1996)

According to the register of Directors' interests maintained under the Companies Act 1985 none of the Directors had an interest in the shares or debentures in any Group company and no rights to subscribe for shares in or debentures of any Group company were granted to any of the Directors or their immediate families or exercised by them, during the financial year, except as noted below.

The interests of Mr J M Brown in The Brent Walker Group plc are disclosed in that company's annual report.

Mr R Lambert had an interest in 12,119 ordinary shares and 6,058 warrants in The Brent Walker Group plc at 31 December 1996 and 28 December 1995.

WILLIAM HILL LEISURE LIMITED
DIRECTORS' REPORT (CONTINUED)

TERMS OF PAYMENT

William Hill Organization Limited, another operating company within the William Hill group of companies discharges all expenditure on behalf of the group. William Hill Organization Limited's normal practice is to agree terms of trading, including payment terms, with suppliers to all Group Companies and, provided suppliers perform in accordance with agreed terms, it is that Company's policy that payment should be made accordingly.

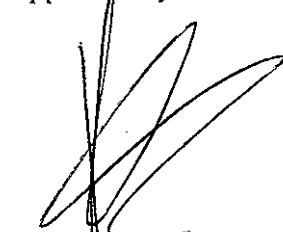
CHANGE OF NAME

The William Hill Group Limited changed its name to Blueslate Limited in September 1996. Blueslate Limited is an intermediate parent company and the smallest group into which this Company's results are consolidated.

AUDITORS

Deloitte and Touche have indicated their willingness to continue in office and a resolution to reappoint them will be proposed at the next Annual General Meeting.

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

A handwritten signature in black ink, appearing to read 'M J S Mott', with a large, sweeping flourish extending from the end of the signature.

M J S Mott
Secretary
30 April 1997

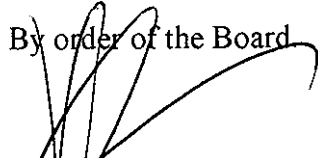
WILLIAM HILL LEISURE LIMITED
DIRECTORS' STATEMENT OF RESPONSIBILITIES

As Directors we are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of the Company's affairs as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, we 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;
- ♦ prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable us to ensure that the financial statements comply with the Companies Act. We are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



M. J. S. Mott
Secretary
30 April 1997

AUDITORS' REPORT TO THE MEMBERS OF WILLIAM HILL LEISURE LIMITED

We have audited the financial statements on pages 6 to 11 which has been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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.

Fundamental uncertainty relating to the parent company

In forming our opinion we have considered the adequacy of disclosures made in Note 1 of these financial statements, regarding fundamental uncertainties as to the validity of the going concern basis in preparation of the financial statements of Blueslate Limited (formerly The William Hill Group Limited) for the year ended 31 December 1996. The audit report on those financial statements contains reference to those fundamental uncertainties. These financial statements have been prepared on a going concern basis and do not include adjustments, if any, which would result from a crystallisation of those fundamental uncertainties in the financial statements of Blueslate Limited. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements gives a true and fair view of the state of the Company's affairs as at 31 December 1996 and of its loss for the year then ended and has been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Deloitte & Touche

Chartered Accountants and
Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

30 April 1997.

WILLIAM HILL LEISURE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

| | Notes | 1996 £'000 | 1995 £'000 |
|--|-------|---------------|---------------|
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 0 | 0 |
| | | <hr/> | <hr/> |
| Tax on profits on ordinary activities | 4 | (83) | 0 |
| | | <hr/> | <hr/> |
| RETAINED LOSS FOR THE FINANCIAL YEAR | 9 | (83) | 0 |
| | | <hr/> | <hr/> |

There are no recognised gains or losses or movements in shareholders' funds other than the loss for the current financial year. All transactions are derived from continuing activities.

Movements in reserves are set out in Note 9.

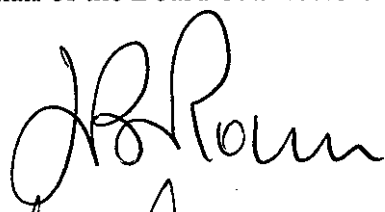
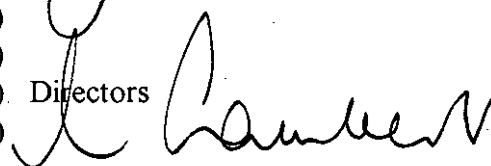
WILLIAM HILL LEISURE LIMITED
BALANCE SHEET AT 31 DECEMBER 1996

| | | 31 December 1996 £'000 | 26 December 1995 £'000 |
|---|-------|------------------------------|------------------------------|
| | Notes | | |
| FIXED ASSETS | | | |
| Investments | 5 | — | — |
| CURRENT ASSETS | | | |
| Debtors | 6 | 1,650 | 1,733 |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 7 | (11) | (11) |
| NET CURRENT ASSETS | | 1,639 | 1,722 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,639 | 1,722 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 8 | 428 | 428 |
| Profit and loss account | 9 | 1,211 | 1,294 |
| EQUITY SHAREHOLDERS' FUNDS | | 1,639 | 1,722 |

Approved by and signed on behalf of the Board of Directors on 30 April 1997.

J M BROWN

R LAMBERT

) 
)
)
) Directors
) 

WILLIAM HILL LEISURE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

1. CHANGE OF OWNERSHIP

On 13 December 1989 both William Hill Organization Limited and Camec Limited were acquired by Blueslate Limited from Grand Metropolitan PLC. A significant dispute between Grand Metropolitan plc and Blueslate Limited concerning the level of the consideration to be paid for the acquisition was determined in Blueslate Limited's favour during the year. A number of disputed issues remain to be resolved between Blueslate Limited and Grand Metropolitan plc and the current position is described in detail in Note 1 of the financial statements of Blueslate Limited for the year ended 31 December 1996.

Those financial statements contain a reference to a fundamental uncertainty regarding the validity of the going concern basis used for their preparation. The auditors have not qualified those financial statements in this respect.

2. ACCOUNTING POLICIES

The financial statements has been prepared in accordance with applicable accounting standards and under the historical cost convention.

A cash flow statement, as required by FRS 1 has not been prepared, as the Company is a wholly owned subsidiary of a company incorporated in Great Britain and the consolidated accounts of the Group include a cash flow statement in the form prescribed by FRS 1.

The significant accounting policy of the Company is as follows:

(a) Investments

Investments are stated at cost less provision for permanent diminution in value.

3. STAFF COSTS

The Directors of the Company are also directors of other trading and holding companies within the group. It is not practicable to allocate the Directors' remuneration for the year between their services to each company. Therefore details of the remuneration of the Company's Directors for the year ended 31 December 1996 are disclosed in the financial statements of William Hill Organization Limited or Blueslate Limited if the Directors were also directors of that company.

There are no employees of the Company as they are all employed by the William Hill Organization Limited.

The average number of employees and remuneration details in the year for William Hill Organization Limited, Camec Limited, their subsidiaries and Laystall Limited are disclosed in the financial statements of William Hill Organization Limited.

WILLIAM HILL LEISURE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1996 £'000 | 1995 £'000 |
|-----------------------------------|---------------|---------------|
| Group relief payable: Prior years | <u>83</u> | <u>-</u> |

5. INVESTMENTS

| | 1996 and 1995 £'000 |
|-----------------------------------|---------------------------|
| Cost | 14 |
| Provision for diminution in value | (23) |
| Net book value | <u>(9)</u> |

The balance is included in Other Creditors (See Note 7).

The Company owns the whole of the issued ordinary share capital of the following companies which did not trade during the year and are registered in England and Wales.

Hearsport Limited
Family Entertainments Limited

In the Directors' opinion the value of the Company's investment in its subsidiaries is not less than the amounts at which they are stated in the balance sheet.

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 another company incorporated in Great Britain (see Note 11).

6. DEBTORS

| | 1996 £'000 | 1995 £'000 |
|--------------------------------------|---------------|---------------|
| Amounts due from fellow subsidiaries | <u>1,650</u> | <u>1,733</u> |

WILLIAM HILL LEISURE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

7. CREDITORS: AMOUNTS FALLING DUE
 WITHIN ONE YEAR

| | 1996 £'000 | 1995 £'000 |
|-----------------|---------------|---------------|
| Other creditors | 11 | 11 |
| | <hr/> | <hr/> |

8. CALLED UP SHARE CAPITAL

| | 1996 and 1995 £'000 |
|---|---------------------------|
| Authorised; 5,000,000 ordinary shares of 10p each | 500 |
| | <hr/> |
| Called up, allotted, and fully paid: 4,277,550 ordinary shares at 10p each | 428 |
| | <hr/> |

9. PROFIT AND LOSS ACCOUNT

| | £'000 |
|-----------------------------|-------|
| Balance at 27 December 1995 | 1,294 |
| Retained loss for the year | (83) |
| | <hr/> |
| Balance at 31 December 1996 | 1,211 |
| | <hr/> |

WILLIAM HILL LEISURE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

10. CONTINGENT LIABILITIES

On 13 December 1989, Blueslate Limited acquired the share capitals of Camec Limited and William Hill Organization Limited. In connection with this acquisition Camec Limited, William Hill Organization Limited and certain of their subsidiaries provided guarantees to secure the loan facilities of Blueslate Limited.

In addition those companies also provided guarantees to secure the bank overdraft of Blueslate Limited.

On 1 March 1994 Blueslate Limited's Term Loan facility was refinanced and its overdraft facility renewed as explained in Note 17 of that company's financial statements. Amendments to that facility were agreed on 22 April 1997. The replacement Term Loan facility is for £370 million with a final maturity date of 1 March 1999 and its overdraft facility is for £20 million. The facilities are secured by fixed and floating charges over the assets of the Group. The Company has given, jointly and severally, guarantees of and security for these facilities to Blueslate Limited's bankers.

At 31 December 1996, the loan obligation guaranteed stood at £299,262,000 (1995: £362,548,000) and the overdraft guaranteed stood at £17,852,000 (1995: £19,998,000).

11. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The Company's ultimate parent company is The Brent Walker Group plc. The parent company of the largest group, which includes the company for which group accounts are prepared, is The Brent Walker Group plc. The parent company of the smallest group is Blueslate Limited. Both companies are incorporated in Great Britain and registered in England and Wales. The Company is taking advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with The Brent Walker Group plc companies who are related parties. The financial statements of The Brent Walker Group plc are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.