Company Registration No. SC22899

William Hill (Strathclyde) Limited

Report and Financial Statements

53 week period ended 1 January 2008

William Hill (Strathclyde) Limited

Report and financial statements 2007

Contents

William Hill (Strathclyde) Limited

Report and financial statements 2007

Officers and professional advisers

Directors

Mr I J Spearing
Mr S P Lane

Secretary

Mr D Read

Registered office

29/31 Barnton Street
Stirling FK8 1HF

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

William Hill (Strathclyde) Limited

Directors' report

The directors present their report and audited financial statements for the 53 week period ended 1 January 2008

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 financial period are shown in the attached financial statements

On 14 December 2007 the Company paid an interim dividend of £4,242,245 (period ended 26 December 2006 – £nil)

As a result of the changes brought about by the Gambling Act 2005, it was decided that the retail business of William Hill PLC would be more effectively managed from one trading entity Accordingly on 26 June 2007, the Company entered into an Intra Group Sale and Purchase Agreement with William Hill Organization Limited and the Company ceased to trade

Trading performance

Gross profit movements reflected a number of factors including the sale of the business, 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 2007 and 26 December 2006 financial periods are shown below (2007 relates to the six month period from 27 December 2006 to 26 June 2007)

	2007	2006
Gross win (decline)/growth	(45 56%)	0 19%
Gross win %	7 77%	8 01%
Gross profit (decline)/growth	(46 16%)	0 57%
Operating expense decline (excl exceptionals)	(49 61%)	(0 40%)

William Hill (Strathclyde) Limited

Directors' report (continued)

Review of business developments and future activities (continued)

Business development

On 26 June 2007 the Company ceased to trade

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 I J Spearing	
Mr S Wasani	(resigned 12 April 2007)
Mr S P Lane	(appointed 12 April 2007)

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 1 January 2008 the number of creditor days for William Hill Organization Limited was 15 days (26 December 2006 – 19 days)

Adoption of International Financial Reporting Standards (IFRS)

The Group has used IFRS as the primary basis for reporting for the 53 week period ending 1 January 2008

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

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

D Read
Secretary
23 September 2008

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 William Hill (Strathclyde) Limited

We have audited the financial statements of William Hill (Strathclyde) Limited for the 53 week period ended 1 January 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15 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 judgments 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

Independent auditors' report to the members of William Hill (Strathclyde) Limited (continued)

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 1 January 2008 and of its profit for the 53 week period 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

Emphasis of matter – financial statements prepared on a basis other than that of going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the basis of preparation under note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
26 September 2008

William Hill (Strathclyde) Limited

Profit and loss account
53 week period ended 1 January 2008

	Notes	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Turnover	1	71,472	127,353
Cost of sales		(67,133)	(119,293)
Gross profit		4,339	8,060
Net operating expenses		(2,816)	(5,590)
Operating profit	2	1,523	2,470
Net interest receivable	4	60	53
Profit on ordinary activities before taxation		1,583	2,523
Tax on profit on ordinary activities	5	(475)	(798)
Profit on ordinary activities after taxation	14	1,108	1,725

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 has been presented

All operations relate to discontinued operations (see note 1)

William Hill (Strathclyde) Limited

Balance sheet
1 January 2008

	Notes	1 January 2008 £'000	26 December 2006 £'000
Fixed assets			
Intangible assets	7		16
Tangible assets	8		2,172
			2,188
Current assets			
Debtors	9	10	828
Cash at bank and in hand			181
		10	1,009
Creditors: amounts falling due within one year	10		(1)
Net current assets			1,008
Total assets less current assets		10	3,196
Provision for liabilities	11		(52)
Net assets		10	3,144
Capital and reserves			
Called up share capital	13, 14	10	10
Profit and loss account	14		3,134
Shareholders' funds	14	10	3,144

These financial statements were approved by the Board of Directors on 23 September 2008

Signed on behalf of the Board of Directors

I J Spearing
Director

Notes to the accounts
53 week period ended 1 January 2008

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 under the historical cost convention in accordance with applicable United Kingdom law and accounting standards

The company transferred its trade, assets and liabilities to a fellow subsidiary company on 26 June 2007 and has ceased trading As required by FRS 18 'Accounting Policies', the directors have prepared the financial statements on the basis that the company is no longer a going concern No material adjustments arose as a result of ceasing to apply the going concern basis All assets and liabilities were transferred to the fellow subsidiary company at their book value

A cash flow statement, as required by Financial Reporting Standard ("FRS") 1 (Revised) 'Cash flow statements', 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 15)

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 other LBO betting activity (including gaming machines 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

Notes to the accounts
53 week period ended 1 January 2008

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
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

William Hill (Strathclyde) Limited

Notes to the accounts
53 week period ended 1 January 2008

2. Operating profit

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Operating profit is stated after charging/(crediting)		
Administrative expenses		
Depreciation	121	236
Management charge	2,767	5,329
Auditors' remuneration	1	1
Total administrative expenses	2,889	5,566
(Profit)/loss on disposal of fixed assets	(73)	24
Net operating expenses	2,816	5,590

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. 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 53 week period ended 1 January 2008 and the 52 week period ended 26 December 2006 are disclosed in the financial statements of William Hill Organization Limited or William Hill PLC

	53 week period ended 1 January 2008 No.	52 week period ended 26 December 2006 No.
The number of directors who are members of		
Defined benefit pension scheme	1	3
Defined contribution pension scheme	1	1

Disclosures in respect of both pension schemes are provided in the financial statements of William Hill Organization Limited The defined benefit pension scheme has a deficit at 1 January 2008 of £2,329,760 (2006 £17,518,000)

Notes to the accounts
53 week period ended 1 January 2008

4. Net interest receivable

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Interest payable on loans from Group undertakings	(271)	(364)
Interest receivable on loans to Group undertakings	331	417
	60	53

5 Tax on profit on ordinary activities

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Current taxation		
Group relief	457	775
Total current tax	457	775
Deferred tax (note 12)	18	23
Total tax on profit on ordinary activities	475	798

Reconciliation to current tax charge:

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Profit before tax	1,583	2,523
Tax at 30% (2006 30%)	475	757
Permanent differences	(7)	34
Accelerated capital allowances	(11)	(16)
Current tax charge	457	775

Notes to the accounts
53 week period ended 1 January 2008

6. Dividends paid

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Interim dividend paid of £424 22 per share (2006 nil per share)	4,242	

7. Intangible fixed assets

	£'000
Net book value at 27 December 2006	16
Transfer of business to Group undertaking	(16)
Net book value 1 January 2008	

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

Notes to the accounts
53 week period ended 1 January 2008

8. Tangible fixed assets

	Land and buildings £'000	Fixtures, fittings, equipment, plant and machinery £'000	Total £'000
Cost:			
At 27 December 2006	1,969	2,412	4,381
Additions	202	272	474
Disposals	(18)	(109)	(127)
Transfer of business to Group undertaking	(2,153)	(2,575)	(4,728)
At 1 January 2008			
Accumulated depreciation:			
At 27 December 2006	591	1,618	2,209
Charge for period	47	74	121
Disposals	(1)	(106)	(107)
Transfer of business to Group undertaking	(637)	(1,586)	(2,223)
At 1 January 2008			
Net book value:			
At 1 January 2008			
At 26 December 2006	1,378	794	2,172

	1 January 2008 £'000	26 December 2006 £'000
The net book value of land and buildings comprises		
Freehold		382
Short leasehold		996
		1,378

9. Debtors

	1 January 2008 £'000	26 December 2006 £'000
Amounts due from Group undertakings	10	828

Notes to the accounts
53 week period ended 1 January 2008

10. Creditors: amounts falling due within one year

	1 January 2008 £'000	26 December 2006 £'000
Other taxation		1
Total Creditors		1

11. Provision for liabilities

	1 January 2008 £'000	26 December 2006 £'000
Deferred tax (note 12)		52

12. Deferred taxation

	1 January 2008 £'000	26 December 2006 £'000
Accelerated capital allowances		52
Deferred tax liability		52

The deferred taxation liabilities have been computed at 28% (26 December 2006 30%)

The amount of unprovided deferred tax in relation to rolled over capital gains is £nil (2006 £5,485)

Movement in the period.

	£'000
At 27 December 2006	52
Amount charged to profit and loss account (note 5)	18
Transfer of business to Group undertaking	(70)
At 1 January 2008	

13 Called up share capital

	1 January 2008 £'000	26 December 2006 £'000
Authorised, allotted, called up and fully paid:		
10,000 (2006 10,000) ordinary shares of £1 each	10	10

Notes to the accounts
53 week period ended 1 January 2008

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

	Share capital £'000	Profit and loss account £'000	Total £'000
At 27 December 2006	10	3,134	3,144
Retained profit for the financial period		1,108	1,108
Dividend paid		(4,242)	(4,242)
Balance at 1 January 2008	10		10

15. 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 William Hill Organization 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 William Hill Organization Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ