Company Registration No. SC22899

WILLIAM HILL (STRATHCLYDE) LIMITED

Report and Financial Statements

31 December 2002

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COMPANIES HOUSE 24/10/03

Deloitte & Touche LLP
London

REPORT AND FINANCIAL STATEMENTS 2002

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WILLIAM HILL (STRATHCLYDE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr W L Haygarth
Mr D Lowrey
Mr T D Singer
Mr I J Spearing
Mr S Wasani

SECRETARY

Mr N E Blythe-Tinker

REGISTERED OFFICE

29/31 Barnton Street
Stirling FK8 1HF

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their report and audited financial statements for the 52 week period ended 31 December 2002.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS DEVELOPMENTS AND FUTURE ACTIVITIES

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

The directors do not recommend payment of a dividend for the period (1 January 2002 - £nil).

Trading performance
The major change to the fiscal environment in 2002 was the full year effect of the new gross profit tax (GPT) introduced in October 2001, which directly taxes bookmakers' gross profit rather than customers' stakes, and which significantly reduces the amount of tax paid by bookmakers on business conducted in the UK. The gross profit tax regime has been particularly beneficial for our retail channel, which had been disadvantaged against remote channels due to the relative size of the deduction from customers' spend. From the day of the introduction of the new tax there has been clear evidence of customers recycling the money saved on deductions into more and bigger bets.

The results for the period also benefited from the inclusion of the football World Cup that stimulated betting activity and account recruitment.

The Group's strategy is to give the customer increased betting opportunities through opening more shops on Sundays and offering new sports, betting events and innovative bet types. Whilst there has been a staff cost associated with taking an increased volume of bets and extending opening hours, there is clear evidence that product diversification is helping to drive growth. Virtual racing shown as part of the SIS programme and self-service fixed odds betting terminals (FOBTs) have been particularly successful innovations.

The Gaming Board, the regulatory body responsible for the gaming industry in Great Britain, is in the process of seeking a declaration from the High Court to establish whether or not FOBTs are gaming machines and are therefore unlawful in betting shops under current legislation. The bookmaking industry has received legal advice that supports its view that these terminals offer fixed odds bets but recognises that the issue can only be determined definitively in a court of law and therefore is co-operating with the Gaming Board. The matter is not expected to be heard by the High Court until early in 2004.

A new commercial agreement with the British Horseracing Board became effective on 1 May 2002 and represents an important step in providing both the bookmaking and horse racing industries with certainty regarding the use and price of data. The Group has also secured the necessary rights to screen pictures from individual race tracks for periods up until the end of 2004.

In August 2002, the bookmaking industry reached agreement with the Football League on the acceptance of football bets. The agreement in respect of LBOs runs until the end of the 2005/6 season, and in respect of the remote channels, runs until the end of the 2003/4 season.

Business developments
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.

DIRECTORS' REPORT(continued)

DIRECTORS

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

The directors who served throughout the period and subsequently are:

Mr W L Haygarth
Mr D Lowrey
Mr T D Singer
Mr I J Spearing
Mr S Wasani

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

TERMS OF PAYMENT

William Hill Organization Limited, another operating company within the Group discharges all expenditure on behalf of the Group's UK subsidiaries. William Hill Organization Limited's normal practice is to agree terms of trading, including payment terms, with suppliers to all UK Group undertakings and, provided suppliers perform in accordance with agreed terms, it is the Group's policy that payment should be made accordingly. At 31 December 2002 the number of creditor days for William Hill Organization Limited was 17 days (1 January 2002 – 26 days).

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

N E Blythe-Tinker
Secretary
25 September 2003

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 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 52 weeks ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 transactions with the Company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2002 and of its profit for the 52 week period ended 31 December 2002 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London
25 September 2003

PROFIT AND LOSS ACCOUNT
52 week period ended 31 December 2002

	Note	52 week period ended 31 December 2002 £'000	53 week period ended 1 January 2002 £'000
TURNOVER	1	47,733	33,267
Cost of sales		(41,125)	(27,307)
GROSS PROFIT		6,608	5,960
Net operating expenses	2	(4,468)	(4,094)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2,140	1,866
Tax on profit on ordinary activities	4	(640)	(560)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE PERIOD TRANSFERRED TO RESERVES	11	1,500	1,306

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

BALANCE SHEET
at 31 December 2002

	Notes	31 December 2002 £'000	1 January 2002 £'000
FIXED ASSETS			
Intangible assets	5	16	16
Tangible assets	6	1,589	1,730
		1,605	1,746
CURRENT ASSETS			
Debtors	7	2,998	1,391
Cash at bank and in hand		105	68
		3,103	1,459
CREDITORS: amounts falling due within one year	8	(3)	-
NET CURRENT ASSETS		3,100	1,459
TOTAL ASSETS LESS CURRENT LIABILITIES		4,705	3,205
CAPITAL AND RESERVES			
Called up share capital	10	10	10
Profit and loss account	11	4,695	3,195
EQUITY SHAREHOLDERS' FUNDS	11	4,705	3,205

These financial statements were approved by the Board of Directors on 25 September 2003.

Signed on behalf of the Board of Directors

T D Singer
Director

S Wasani
Director

NOTES TO THE ACCOUNTS
52 week period ended 31 December 2002

1. ACCOUNTING POLICIES

The significant accounting policies of the Company are as follows:

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention, modified to include the revaluation of certain tangible fixed assets.

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 12).

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.

Turnover

Turnover represents amounts received in respect of bets placed on events which occurred by the period end and arises exclusively within 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 an intangible asset comprising licence value, goodwill and brand value which is capitalised.

Intangible fixed assets

Intangible fixed assets represent licence value, goodwill and brand value. It is not considered appropriate to show these components as separate asset categories.

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 their long-term nature. Consequently, the directors consider that to amortise the asset 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 year 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, Goodwill and Intangible Assets 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, if any, for impairment together with additions at cost, less cumulative depreciation.

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

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

NOTES TO THE ACCOUNTS
52 week period ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

Tax

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

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

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

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

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

2. OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 week period ended 31 December 2002 £'000	53 week period ended 1 January 2002 £'000
Operating profit is stated after charging:		
Administrative expenses:		
Depreciation	184	183
Management charge	4,284	3,910
Total administrative expenses	4,468	4,093
Loss on disposal of fixed assets	-	1
Net operating expenses	4,468	4,094

Expenses of the Company and auditors' remuneration, which as explained in note 1 are borne by William Hill Organization Limited, are recharged to the Company and disclosed in total above as a management charge.

NOTES TO THE ACCOUNTS
52 week period ended 31 December 2002

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 Holdings Limited. 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.

The directors of the Company are also directors of other trading and holding companies within the group and it is not practicable to allocate their remuneration for the current or preceding period between their services to each company. Therefore details of their remuneration, for the 52 week period ended 31 December 2002 and the 53 week period ended 1 January 2002 are disclosed in the financial statements of William Hill Organization Limited.

	52 week period ended 31 December 2002 No.	53 week period ended 1 January 2002 No.
The number of directors who are members of:		
Defined benefit pension scheme	5	5

Disclosures in respect of the defined benefit pension scheme are provided in the financial statements of William Hill Organization Limited.

NOTES TO THE ACCOUNTS
52 week period ended 31 December 2002

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 week period ended 31 December 2002 £'000	53 week period ended 1 January 2002 £'000
UK Corporation tax	632	-
Group relief payable	-	535
Deferred tax (note 9)	8	25
	640	560

Reconciliation to current tax charge:

	52 week period ended 31 December 2002 £'000	53 week period ended 1 January 2002 £'000
Profit before tax	2,140	1,866
Tax at 30% (1 January 2002: 30%)	642	560
Permanent differences	-	-
Accelerated capital allowances	(10)	(26)
Held over gains crystallising	-	1
Current tax charge	632	535

5. INTANGIBLE FIXED ASSETS

	£'000
At cost and net book value:	
At 31 December 2002 and 1 January 2002	16

Intangible assets represent the excess of the cost of acquisition of Licensed Betting Offices over the fair value of the separate, identifiable net assets at the date of acquisition.

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
52 week period ended 31 December 2002

6. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Fixtures, fittings, equipment, plant and machinery £'000	Total £'000
Cost:			
At 2 January 2002	1,344	1,892	3,236
Additions	17	26	43
At 31 December 2002	1,361	1,918	3,279
Accumulated depreciation:			
At 2 January 2002	282	1,224	1,506
Charge for period	47	137	184
At 31 December 2002	329	1,361	1,690
Net book value:			
At 31 December 2002	1,032	557	1,589
At 1 January 2002	1,062	668	1,730

	31 December 2002 £'000	1 January 2002 £'000
The net book value of land and buildings comprises:		
Freehold	414	417
Short leasehold	618	645
	1,032	1,062

7. DEBTORS

	31 December 2002 £'000	1 January 2002 £'000
Amounts due from Group undertakings	2,978	1,363
Deferred tax (note 9)	20	28
	2,998	1,391

NOTES TO THE ACCOUNTS
52 week period ended 31 December 2002

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2002 £'000	1 January 2002 £'000
Trade creditors	1	-
Other taxation	2	-
	3	-

9. DEFERRED TAXATION

	31 December 2002 £'000	1 January 2002 £'000
Deferred taxation:		
Accelerated capital allowances	58	68
Held over gains crystallising	(38)	(40)
Deferred tax (note 7)	20	28

The deferred taxation assets/(liabilities) have been computed at 30% (1 January 2002 – 30%).

There are no amounts of unprovided deferred tax.

Movement in the period:

	£'000
At 2 January 2002	28
Amount charged to profit and loss account (note 4)	(8)
At 31 December 2002	20

10. CALLED UP SHARE CAPITAL

	31 December 2002 £'000	1 January 2002 £'000
Authorised, allotted ,called up and fully paid:		
10,000 ordinary shares of £1 each	10	10

NOTES TO THE ACCOUNTS
52 week period ended 31 December 2002

11. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS IN RESERVES

	Share capital £'000	Profit and loss account £'000	Total £'000
At 2 January 2002	10	3,195	3,205
Retained profit for the financial period	-	1,500	1,500
Balance at 31 December 2002	10	4,695	4,705

12. 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.