

scot

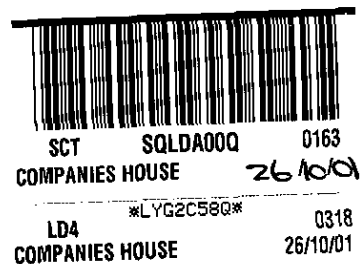
**WILLIAM HILL (STRATHCLYDE)
LIMITED**

Report and Financial Statements

26 December 2000

2

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



WILLIAM HILL (STRATHCLYDE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2000

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Auditors' report	6
Profit and loss account	7
Balance sheet	8
Notes to the accounts	9

WILLIAM HILL (STRATHCLYDE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2000

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

9/15 North Drive
Glasgow G1 4BL

AUDITORS

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

WILLIAM HILL (STRATHCLYDE) LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the 52 week period ended 26 December 2000.

PRINCIPAL ACTIVITY

The principal activity of the Company is the operation of Licensed Betting Offices. The Company is a subsidiary of William Hill Limited, 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.

Results were generally more favourable to bookmakers in 2000 than in 1999, although the results of some events during 2000, including Euro 2000, the Derby and Royal Ascot, fell below expectations.

The directors do not recommend payment of a dividend (1999 - £2,500,000). Total capital and reserves at 26 December 2000 amounted to £1,846,000 (28 December 1999 - £878,000).

Business developments and future activities

The Company operates Licensed Betting Offices ("LBOs") and Amusement with Prizes machines ("AWPs") and delivered a robust performance which for fixed odds bookmaking in LBOs was significantly influenced by good betting results. Income generated from AWPs increased although the rate of growth was lower than that seen in previous years as machine density reached its limit. The Group intends to continue its investment in the Retail Division and has introduced new initiatives aimed at both retaining existing and attracting new customers.

Recent developments

Foot and Mouth disease

The UK horse-racing programme was adversely affected by the outbreak of foot and mouth disease in the UK between February 2001 and May 2001. The racing programme has since returned to normal and additional fixtures have been introduced to compensate for previously lost racing. The alternative betting products introduced during the period of reduced UK horseracing, including increased dog racing and coverage of certain foreign horseracing, proved very successful and will continue to be part of the offering to customers.

Abolition of General Betting Duty

The Group, in conjunction with other UK bookmakers, made strong representations to the UK Government that the rate of UK betting duty should be substantially reduced. The UK Government has announced the replacement of betting duty with a 15% Gross Profits Tax effective from 6 October 2001.

The Group was instrumental in bringing about this change in the belief that it will have a significantly positive impact on the future profitability of the Group.

Gambling Review

In 2000 the UK Government commissioned an independent review of the legislation and regulations governing all forms of gambling in the UK. The review body reported in July 2001 and made a large number of recommendations that if implemented would result in a significant de-regulation of gambling activities including those taking place in LBOs. At this time management cannot predict the timing and form in which the recommendations may pass into law but believes the proposals, if implemented without significant amendment, will have a generally positive impact on the Company's and Group's future profits.

DIRECTORS' REPORT

Replacement of Statutory Levy

With respect to the levy on revenues attributable to horseracing, on 2 March 2000 the UK Government announced that it had accepted the recommendations of the Quinquennial Review of the Levy Board and that the levy system and the Board itself be abolished. The Government also invited the British Horseracing Board ("BHB") to produce a realistic plan to show how horseracing will be funded as a national sport without a statutory levy, taking into account racing's potential income from a wide variety of sources, not just that emanating from bookmakers. The racing industry has submitted to the UK Government its proposal for replacing the current levy scheme. A consultation document was issued by the Government, in November 2000, inviting comments by February 2001. The Group has responded to the request in a submission made by the Bookmakers' Committee. Pending replacement, the present system continues and on 31 October 2000 agreement was reached between the racing and bookmaking industries for the levy for the year ending 31 March 2002. The levy for the year ending 31 March 2003 is to be agreed with the Levy Board by the end of October 2001 or in the case of a dispute referred to the UK Government for determination. The levy may be replaced by a commercial arrangement between the BHB and bookmakers the terms of which have yet to be agreed.

Investment in Satellite Information Services

The Group owns 19% of Satellite Information Services (Holdings) Limited (SIS) which provides pictures and information from racecourses under a non-exclusive contract with the Racecourse Association (RCA), a body representing the interests of all UK racecourses. This contract is due to end on 30 April 2002 and SIS is seeking to negotiate a new contract. Its ability to do so will be influenced by the existing competitive situation and the price it is prepared to pay as well as the wish of the RCA to grant rights to any particular party. In the meantime SIS has secured long term agreements to transmit racing from 10 UK tracks, foreign racing, greyhound racing and numbers betting in its efforts to continue to supply a betting shop service regardless of the outcome of RCA negotiations.

Database rights

The Group is currently involved in litigation with the BHB concerning the alleged infringement of the BHB's database rights arising from the Group's use of lists of runners on the internet for the purposes of accepting bets on horse races taking place in England, Scotland and Wales. The Group did not accept the BHB's position with respect to its intellectual property rights and therefore did not apply for a licence for its use of such rights. In February 2001, judgement was given against the Group in the Chancery Division of the High Court, and the Court ordered (a) an inquiry into damages, (b) an injunction restraining the Group from infringing the BHB's database rights, (c) an order that the Group pay the BHB's costs of the litigation (to be assessed by the Court if not agreed between the Group and the BHB) and (d) that the Group make an interim payment of £100,000 in respect of the BHB's costs. Following an appeal against the High Court judgement in relation to the issue of the BHB's proprietary rights with respect to pre-race data, the Court of Appeal has referred the matter to the European Court of Justice which is not expected to give judgement on the matter for some considerable time.

As a result of the High Court's decision, the Group has obtained a licence from the BHB for use of the data on the internet in consideration for payment of a royalty to the BHB of 1% of the gross sums received by the Group from websites in which the Group reproduces all or part of BHB's data and which are concerned with horse racing taking place in England, Scotland and Wales. The amount payable has been provided for in the Group's financial statements. Amounts payable under the licence will be deducted from any payment of levy. The licence has been backdated to May 1999 when the Group first started using the data on the internet. The Group has referred the licence it has taken from the BHB to the Office of Fair Trading ("OFT") in the UK as the Group believes that it is anti-competitive. The OFT has opened an investigation initially into the BHB's internet pricing policy although the investigation has been expanded to cover the BHB's whole pricing policy. The Group has to date made two submissions to the OFT detailing the issues. Other bookmakers and the Betting Offices Licensing Association on behalf of the bookmaking industry are also making submissions and representations to the OFT. Because of the backdated licence and the OFT's investigation, the Court has

WILLIAM HILL (STRATHCLYDE) LIMITED

DIRECTORS' REPORT

stayed its inquiry into damages. Consequently, the inquiry into damages will only commence if the BHB applies to the Court.

The outcome of discussions with the BHB and the replacement of the levy, the outcome of proceedings in respect of database rights or the ability of SIS to obtain a new contract to continue to supply pictures from UK horse-racing cannot be predicted at this time but could result in a material increase to the Group's cost base. If this were to occur consideration would be given to recovering part or all of the increase in costs from customers.

DIRECTORS

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

The directors who served during the period and subsequently are:

Mr J M Brown	(resigned 21 March 2001)
Mr W L Haygarth	
Mr R Lambert	(resigned 12 April 2001)
Mr D Lowrey	(appointed 21 March 2001)
Mr L J McGuigan	(resigned 17 May 2000)
Mr T D Singer	(appointed 21 March 2001)
Mr I J Spearing	(appointed 21 March 2001)
Mr S Wasani	(appointed 21 March 2001)

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

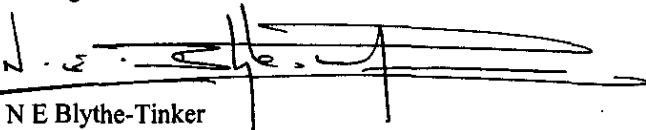
TERMS OF PAYMENT

William Hill Organization Limited, another operating company within the Group discharges all expenditure on behalf of the Group's UK subsidiaries. William Hill Organization Limited's normal practice is to agree terms of trading, including payment terms, with suppliers to all UK Group undertakings and, provided suppliers perform in accordance with agreed terms, it is the Group's policy that payment should be made accordingly. At 26 December 2000 the number of creditor days for William Hill Organization Limited was 15 days (1999 - 14 days).

AUDITORS

Deloitte & Touche 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

(9 October 2001)

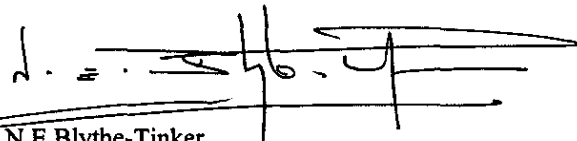
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



N E Blythe-Tinker
Secretary

19 October 2001

AUDITORS' REPORT TO THE MEMBERS OF WILLIAM HILL (STRATHCLYDE) LIMITED

We have audited the financial statements on pages 7 to 13 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5, the Company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 26 December 2000 and of its profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

26

October 2001

WILLIAM HILL (STRATHCLYDE) LIMITED

PROFIT AND LOSS ACCOUNT

52 week period ended 26 December 2000

	Note	52 week period ended 26 December 2000 £'000	52 week period ended 28 December 1999 £'000
TURNOVER	1	28,726	28,668
Cost of sales		(23,748)	(23,915)
GROSS PROFIT		4,978	4,753
Net operating expenses	2	(3,650)	(3,493)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,328	1,260
Tax on profit on ordinary activities	4	(360)	(428)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		968	832
Dividends proposed	5	-	(2,500)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	12	968	(1,668)

There have been no recognised gains or losses or movements in shareholders' funds other than those included in the profit and loss account above for the current and preceding financial period. All transactions in the current and preceding financial period are attributable to continuing activities.

Movements in reserves and shareholders' funds are set out in note 12.

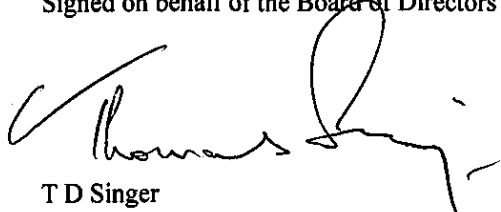
WILLIAM HILL (STRATHCLYDE) LIMITED

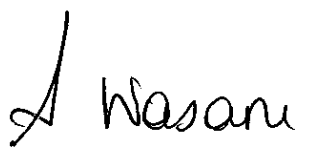
BALANCE SHEET at 26 December 2000

	Notes	26 December 2000 £'000	28 December 1999 £'000
FIXED ASSETS			
Intangible assets	6	16	16
Tangible assets	7	1,744	1,674
		<u>1,760</u>	<u>1,690</u>
CURRENT ASSETS			
Debtors	8	-	1,594
Cash at bank and in hand		131	94
		<u>131</u>	<u>1,688</u>
CREDITORS; AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(45)	(2,500)
NET CURRENT (LIABILITIES)/ASSETS		<u>86</u>	<u>(812)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,846</u>	<u>878</u>
CAPITAL AND RESERVES			
Called up share capital	11	10	10
Profit and loss account	12	1,836	868
EQUITY SHAREHOLDERS' FUNDS		<u>1,846</u>	<u>878</u>

These financial statements were approved by the Board of Directors on 19 October 2001.

Signed on behalf of the Board of Directors


T D Singer
Director


S Wasani
Director

NOTES TO THE ACCOUNTS

52 week period ended 26 December 2000

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 accounting standards and under the historical cost convention.

A cash flow statement, as required by Financial Reporting Standard ("FRS") 1 has not been prepared, as the Company is a wholly owned subsidiary of William Hill Limited, a company incorporated in Great Britain and the consolidated accounts of William Hill Limited include a cash flow statement in the form prescribed by FRS 1 (see note 13).

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 in the United Kingdom.

Acquisitions

On the acquisition of Licensed Betting Offices the excess of purchase consideration over the fair value of tangible fixed assets, other assets and liabilities acquired is capitalised as an intangible fixed asset.

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. Intangible assets are not amortised but are subject to impairment testing in accordance with FRS 10 and 11.

As permitted under FRS 10, goodwill previously written off against reserves in the year of purchase has not been restated.

Tangible fixed assets

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

The values incorporated for Licensed Betting Offices include the value of fixtures and fittings and the property, all of which are considered to be an integral part of the valuation.

Depreciation on properties has been provided on the element of the property that requires replacement. These assets together with other tangible fixed assets are depreciated over their estimated useful lives on a straight line basis as follows:

Long leasehold properties	-	65 years
Short leasehold properties	-	over the unexpired period of the lease
Fixtures, fittings, equipment, plant and machinery	-	at variable rates between 3 and 10 years

No depreciation is provided on freehold land and buildings. In the directors' opinion annual expenditure on freehold buildings is sufficient to ensure that the residual value approximates to cost and therefore no provision for depreciation is required. Freehold and long leasehold properties are subject to impairment testing in accordance with FRS15.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

WILLIAM HILL (STRATHCLYDE) LIMITED

NOTES TO THE ACCOUNTS

52 week period ended 26 December 2000

2. OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 week period ended 26 December 2000 £'000	52 week period ended 28 December 1999 £'000
Operating profit is stated after charging:		
Administrative expenses:		
Depreciation	194	166
Management charge	3,456	3,326
Total administrative expense	3,650	3,492
Loss on disposal	-	1
Net operating expenses	3,650	3,493

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. Detailed disclosure in respect of the operating costs of William Hill Organization Limited and its subsidiaries (except William Hill Index (London) Limited and direct expenses of its offshore subsidiaries), Camec Limited and its subsidiaries and Laystall Limited is given in the financial statements of William Hill Organization Limited.

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 periods ended 26 December 2000 and 28 December 1999 are disclosed in the financial statements of William Hill Organization Limited.

	52 week period ended 26 December 2000 No.	52 week period ended 28 December 1999 No.
The number of directors who are members of:		
Defined benefit pension scheme	3	4

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

WILLIAM HILL (STRATHCLYDE) LIMITED

NOTES TO THE ACCOUNTS

52 week period ended 26 December 2000

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 week period ended 26 December 2000 £'000	52 week period ended 28 December 1999 £'000
Group relief payable: Current period	<u>360</u>	<u>428</u>

5. DIVIDENDS

	52 week period ended 26 December 2000 £'000	52 week period ended 28 December 1999 £'000
Final proposed £nil (1999 – £25,000p per ordinary share)	<u>-</u>	<u>2,500</u>

6. INTANGIBLE FIXED ASSETS

	£'000
At cost and net book value: At 28 December 1999 and at 26 December 2000	<u>16</u>

Intangible assets represent the excess of the cost of acquisition of Licensed Betting Offices over the fair value of the separate net tangible 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.

WILLIAM HILL (STRATHCLYDE) LIMITED

NOTES TO THE ACCOUNTS

52 week period ended 26 December 2000

7. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:			
At 29 December 1999	1,245	1,569	2,814
Additions	67	197	264
Disposals	-	(7)	(7)
At 26 December 2000	1,312	1,759	3,071
Accumulated depreciation:			
At 29 December 1999	204	936	1,140
Charge for period	45	149	194
Disposals	-	(7)	(7)
At 26 December 2000	249	1,078	1,327
Net book value:			
At 26 December 2000	1,063	681	1,744
At 28 December 1999	1,041	633	1,674

	26 December 2000 £'000	28 December 1999 £'000
The net book value of land and buildings comprises:		
Freehold	417	420
Short leasehold	646	621
	1,063	1,041

8. DEBTORS

	26 December 2000 £'000	28 December 1999 £'000
Amounts due from group undertakings	-	1,594

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	26 December 2000 £'000	28 December 1999 £'000
Proposed dividend	-	2,500
Amounts owed to group undertakings	45	-
	45	2,500

WILLIAM HILL (STRATHCLYDE) LIMITED

NOTES TO THE ACCOUNTS

52 week period ended 26 December 2000

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Unprovided 26 December 2000 £'000	Provided 26 December 2000 £'000	Unprovided 28 December 1999 £'000	Provided 28 December 1999 £'000
Deferred taxation:				
Accelerated capital allowances	(104)	-	(154)	-
Held over gains	42	-	42	-
	<u>(62)</u>	<u>-</u>	<u>(112)</u>	<u>-</u>

The deferred taxation (assets)/liabilities have been computed at 30% (1999 – 30%).

In view of the number of properties and other assets involved and the law relating to held over gains and roll over relief the likelihood of any material taxation liability arising from the disposal of such assets is remote. Accordingly no provision is made for any tax on capital gains which might arise on the disposal of such assets.

11. CALLED UP SHARE CAPITAL

	26 December 2000 £'000	28 December 1999 £'000
Authorised, called up, allotted and fully paid: 10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS AND STATEMENT OF MOVEMENTS IN RESERVES

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 29 December 1999	10	868	878
Retained profit for the financial period	-	968	968
Balance at 26 December 2000	<u>10</u>	<u>1,836</u>	<u>1,846</u>

13. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS

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

At the balance sheet date, the Company's ultimate parent company and controlling party was William Hill Holdings Limited, 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 which include the Company and for which group accounts are prepared are William Hill Holdings Limited and William Hill Limited respectively, companies incorporated in Great Britain.

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