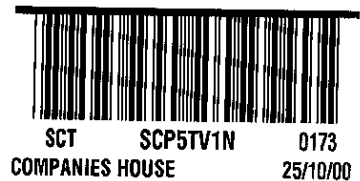


**WILLIAM HILL (STRATHCLYDE)
LIMITED**

Report and Financial Statements

28 December 1999

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



WILLIAM HILL (STRATHCLYDE) LIMITED

REPORT AND FINANCIAL STATEMENTS 1999

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WILLIAM HILL (STRATHCLYDE) LIMITED

REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr J M Brown
Mr W L Haygarth
Mr R Lambert

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 weeks ended 28 December 1999.

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 state of the company's affairs and trading results for the period are shown in the attached financial statements.

The directors recommend payment of a dividend for the period of £2,500,000 (1998 - £nil). Total capital and reserves at 28 December 1999 amounted to £878,000 (1998 - £2,546,000).

Sale of William Hill Group

In accordance with a Sale and Purchase Agreement dated 20 February 1999, as amended on 26 March 1999, Nomura International plc agreed to procure the sale by Grand Financing Limited (formerly The Grand Bookmaking Holdings Limited) of the entire issued share capital and certain securities of William Hill Limited (formerly The Grand Bookmaking Company Limited), an intermediate parent company of William Hill (Strathclyde) Limited to Baseflame Limited. Baseflame Limited is an intermediate holding company ultimately owned by William Hill Holdings Limited (formerly Chartley Limited), a company formed for the purpose of the acquisition of William Hill Limited and controlled jointly by funds and investors managed or advised by Cinven Limited and CVC Capital Partners Limited or an affiliate thereof. The sale was completed on 29 March 1999.

Business developments and future activities

Turnover has been higher than in the last period but this increase will have been partly due to the lower margin earned through the re-staking of winning bets. Both turnover and margin suffered in comparison to 1998 because of the absence of the Football World Cup and the margin was also adversely affected by the relatively greater success of favoured horses and football teams. The result of the Grand National was again unfavourable to bookmakers.

The horseracing margin was also adversely affected by an indirect consequence of changes to long-standing regulations and working practices affecting the on-course betting market.

Income generated from Amusement with Prizes (AWPs) increased again, although at least part of the increase will have been at the expense of traditional betting office turnover.

Variations in margin, either above or below the long-term level, have been a continuing characteristic of the bookmaking industry, and since the period end, trading has reflected a gross win percentage higher than expectations. However, the adverse consequences of the on-course market continued after the period end and the bookmaking industry engaged in dialogue with the racing industry regulatory bodies to ensure that agreed regulations are enforced. The Starting Price Executive, the body responsible for the collection of starting prices on the racecourse, has laid down criteria for the collection of starting prices. The impact of these changes on margins is not clear and will continue to be monitored. The Starting Price Executive has recently appointed consultants to review their criteria.

During 1999 and subsequently, the threat from offshore bookmakers taking advantage of lower rates of betting duty in other jurisdictions and offering telephone and internet betting services to UK customers on favourable terms has increased. Representations have been made to the UK Government that the rate of UK duty should be substantially reduced and whilst no reduction has been made, the Government recognised, in March 2000, the need to modernise the system of taxing bets and a consultation process with interested parties is in progress. It is anticipated that the Government will respond to the outcome of the consultation process in their next budgetary round.

WILLIAM HILL (STRATHCLYDE) LIMITED

DIRECTORS' REPORT

Business developments and future activities (continued)

Offshore telephone and internet services are not seen to be particularly attractive to the majority of the company's smaller-staking betting office customer base but they are attractive to larger-staking betting office customers. The company's business is also affected by many other factors and it is not possible to separate and quantify the specific impact of the new offshore competition. However, in the absence of a reduction in UK betting duty, turnover and profit will be adversely impacted.

A significant number of companies are reported to be pursuing licences in Malta where betting duty has recently been set at 0.5% on stakes. It is understood that many of these operators are UK based.

The company has continued to take action to control costs and plays an active role in lobbying Government particularly in respect of a reduction in the level of betting duty.

On 2 March 2000 the Government announced that the Horserace Levy Board and the Levy system were to be abolished and 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. It is considered unlikely that the necessary legislative changes will be achieved in the next two years.

The UK Government further announced a comprehensive review of UK gambling laws by an independent review body to be led by Professor Alan Budd. The body will report in Summer 2001. Any major legislative changes arising from the review are unlikely for at least five years.

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 | |
| Mr F Duncan | (resigned 8 February 1999) |
| Mr W L Haygarth | |
| Mr R Lambert | |
| Mr L J McGuigan | (resigned 17 May 2000) |

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.

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 undertakings and, provided suppliers perform in accordance with agreed terms, it is the group's policy that payment should be made accordingly. At 28 December 1999 the number of creditor days for William Hill Organization Limited was 14 days (1998 - 15 days).

YEAR 2000 ISSUES

The directors continue to be alert to the potential risks and uncertainties surrounding the Year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

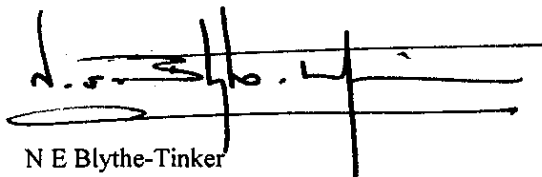
WILLIAM HILL (STRATHCLYDE) LIMITED

DIRECTORS' REPORT

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

A handwritten signature in black ink, appearing to read 'N E Blythe-Tinker', is written over two horizontal lines.

N E Blythe-Tinker

Secretary

18 October 2000

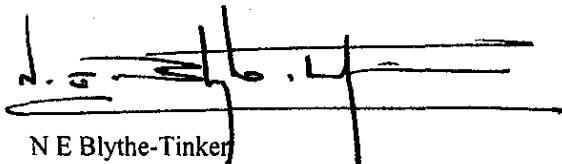
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

A handwritten signature in black ink, appearing to read 'N. E. Blythe-Tinker', written over a horizontal line.

Secretary

18 October 2000

AUDITORS' REPORT TO THE MEMBERS OF

WILLIAM HILL (STRATHCLYDE) LIMITED

We have audited the financial statements on pages 7 to 14 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 28 December 1999 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

18 October 2000

WILLIAM HILL (STRATHCLYDE) LIMITED

PROFIT AND LOSS ACCOUNT 52 weeks ended 28 December 1999

| | Note | 52 weeks ended 28 December 1999 £'000 | 52 weeks ended 29 December 1998 £'000 |
|---|------|---|---|
| TURNOVER | 1 | 28,668 | 25,915 |
| Cost of sales | | (23,915) | (21,504) |
| GROSS PROFIT | | 4,753 | 4,411 |
| Net operating expenses | 2 | (3,493) | (3,207) |
| OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | 1,260 | 1,204 |
| Tax on profit on ordinary activities | 4 | (428) | (301) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 832 | 903 |
| Dividends proposed | 5 | (2,500) | - |
| RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD | 12 | (1,668) | 903 |

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 period and preceding financial period relate to continuing activities.

Movements in reserves are set out in note 12.

WILLIAM HILL (STRATHCLYDE) LIMITED

BALANCE SHEET at 28 December 1999

| | Notes | 28 December 1999 £'000 | 29 December 1998 £'000 |
|---|-------|------------------------------|------------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 6 | 16 | - |
| Tangible assets | 7 | 1,674 | 1,524 |
| | | <u>1,690</u> | <u>1,524</u> |
| CURRENT ASSETS | | | |
| Debtors | 8 | 1,594 | 969 |
| Cash at bank and in hand | | 94 | 53 |
| | | <u>1,688</u> | <u>1,022</u> |
| CREDITORS; AMOUNTS FALLING DUE WITHIN ONE YEAR | 9 | <u>(2,500)</u> | <u>-</u> |
| NET CURRENT (LIABILITIES)/ ASSETS | | <u>(812)</u> | <u>1,022</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>878</u> | <u>2,546</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 10 | 10 |
| Profit and loss account | 12 | 868 | 2,536 |
| EQUITY SHAREHOLDERS' FUNDS | | <u>878</u> | <u>2,546</u> |

These financial statements were approved by the Board of Directors on *18 October* 2000.
Signed on behalf of the Board of Directors

J M Brown
Director



R Lambert
Director



NOTES TO THE ACCOUNTS

52 weeks ended 28 December 1999

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 William Hill Limited group of companies discharges all expenditure including auditors' remuneration on behalf of the whole group 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, if any, for impairment in value together with additions at cost, less cumulative depreciation.

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.

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 weeks ended 28 December 1999

2. OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 52 weeks ended 28 December 1999 £'000 | 52 weeks ended 29 December 1998 £'000 |
|---|---|---|
| Operating profit is stated after charging: | | |
| Administrative expenses: | | |
| Depreciation | 166 | 193 |
| Provision for impairment of tangible fixed assets | - | 36 |
| Management charge | 3,326 | 2,978 |
| Total administrative expense | 3,492 | 3,207 |
| Loss on disposal | 1 | - |
| Net operating expenses | 3,493 | 3,207 |

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 United Kingdom subsidiaries (except William Hill Index (London) Limited), 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, other than F Duncan, for the 52 weeks ended 28 December 1999 and 29 December 1998 are disclosed in the financial statements of William Hill Organization Limited. F Duncan did not receive any remuneration from any group undertaking during the current or preceding financial period.

| | 52 weeks ended 28 December 1999 No. | 52 weeks ended 29 December 1998 No. |
|---|---|---|
| The number of directors who are members of: Defined benefit pension scheme | 4 | 4 |

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 weeks ended 28 December 1999

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 52 weeks ended 28 December 1999 £'000 | 52 weeks ended 29 December 1998 £'000 |
|---|---|---|
| Group relief payable: Current period | 428 | 301 |

5. DIVIDENDS

| | 52 weeks ended 28 December 1999 £'000 | 52 weeks ended 29 December 1998 £'000 |
|---|---|---|
| Final proposed – 25,000.00p per ordinary share (1998 – £nil) | 2,500 | - |

6. INTANGIBLE FIXED ASSETS

| | £'000 |
|-----------------------------|-------|
| At cost and net book value: | |
| At 29 December 1998 | - |
| Additions | 16 |
| At 28 December 1999 | 16 |

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 weeks ended 28 December 1999

7. TANGIBLE FIXED ASSETS

| | Land and buildings £'000 | Fixtures, fittings and equipment £'000 | Total £'000 |
|---------------------------|--------------------------------|---|----------------|
| Cost: | | | |
| At 30 December 1998 | 1,045 | 1,539 | 2,584 |
| Additions | 200 | 116 | 316 |
| Disposals | - | (86) | (86) |
| At 28 December 1999 | 1,245 | 1,569 | 2,814 |
| Accumulated depreciation: | | | |
| At 30 December 1998 | 169 | 891 | 1,060 |
| Charge for period | 35 | 131 | 166 |
| Disposals | - | (86) | (86) |
| At 28 December 1999 | 204 | 936 | 1,140 |
| Net book value: | | | |
| At 28 December 1999 | 1,041 | 633 | 1,674 |
| At 29 December 1998 | 876 | 648 | 1,524 |

| | 28 December 1999 £'000 | 29 December 1998 £'000 |
|---|------------------------------|------------------------------|
| The net book value of land and buildings comprises: | | |
| Freehold | 420 | 301 |
| Short leasehold | 621 | 575 |
| | 1,041 | 876 |

8. DEBTORS

| | 28 December 1999 £'000 | 29 December 1998 £'000 |
|-------------------------------------|------------------------------|------------------------------|
| Amounts due from group undertakings | 1,594 | 969 |

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 28 December 1999 £'000 | 29 December 1998 £'000 |
|-------------------|------------------------------|------------------------------|
| Proposed dividend | 2,500 | - |

WILLIAM HILL (STRATHCLYDE) LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 28 December 1999

10. PROVISIONS FOR LIABILITIES AND CHARGES

| | Unprovided 28 December 1999 £'000 | Provided 28 December 1999 £'000 | Unprovided 29 December 1998 £'000 | Provided 29 December 1998 £'000 |
|--------------------------------|--|--|--|--|
| Deferred taxation: | | | | |
| Accelerated capital allowances | (154) | - | (93) | - |
| Held over gains | 42 | - | 25 | - |
| | <u>(112)</u> | <u>-</u> | <u>(68)</u> | <u>-</u> |

The deferred taxation (assets)/liabilities have been computed at 30% (1998 - 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

| | 28 December 1999 £'000 | 29 December 1998 £'000 |
|--|------------------------------|------------------------------|
| Authorised, called up, allotted and fully paid: 10,000 ordinary shares of £1 each | <u>10</u> | <u>10</u> |

12. STATEMENT OF MOVEMENTS IN RESERVES

| | Profit and loss account £'000 |
|--|--|
| Balance at 29 December 1998 | 2,536 |
| Retained loss for the financial period | <u>(1,668)</u> |
| Balance at 28 December 1999 | <u>868</u> |

WILLIAM HILL (STRATHCLYDE) LIMITED

NOTES TO THE ACCOUNTS

52 weeks ended 28 December 1999

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 CF4 3UZ.