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WILLIAM HILL (CALEDONIAN) LIMITED

Report and Financial Statements

1 January 2002

**Deloitte & Touche
London**



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WILLIAM HILL (CALEDONIAN) LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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WILLIAM HILL (CALEDONIAN) 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
Chartered Accountants
London

WILLIAM HILL (CALEDONIAN) LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the 53 week period ended 1 January 2002.

PRINCIPAL ACTIVITY

The principal activity of the Company is the operation of Licensed Betting Offices (LBOs). The Company is a subsidiary of Will 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.

Trading performance

Trading in the early part of the period was disrupted by the loss of horse racing fixtures due to the impact of Foot and Mouth disease and poor weather. However, the bookmaking industry responded by providing additional betting opportunities on foreign horse racing and dog racing. This product substitution coupled with favourable results produced significant improvement in the levels of gross margin and gross win.

The bookmaking industry received a significant boost in October 2001 due to the introduction of a new tax regime for betting duty the effect of which was to remove duty on stakes bet in the UK resulting in the recycling of such savings in tax into additional bets. The change in regime also reduced the amount of duty paid by bookmakers resulting in an improvement in profitability.

The performance of LBOs also benefited in the period from organic growth in gross wins, extended trading hours, and tight control over operating expenses.

The directors do not recommend payment of a dividend for the period (2000 – £nil). Total capital and reserves at 1 January 2002 amounted to £4,137,000 (26 December 2000 – £3,305,000).

Business Developments

The Company intends to continue its investment in its LBO estate and to introduce new initiatives and products aimed at both retaining existing and attracting new customers.

Recent Events

In April 2002, the Group signed a five year agreement with the British Horseracing Board to secure the right to use pre-race data. In May 2002, an agreement was concluded with 49 racecourses in the UK to secure betting shop picture and audio rights under contracts varying in length from 8 to 30 months.

In August 2002, the Group reached an agreement with the Football League on the acceptance of football bets that provides for a flat rate arrangement in respect of LBOs until the end of the 2005/06 season, and in respect of the telephone, Internet and Interactive platforms until the end of the 2003/04 season.

WILLIAM HILL (CALEDONIAN) LIMITED

DIRECTORS' REPORT (continued)

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 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 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.

POST BALANCE SHEET EVENTS

On 15 April 2002, the shareholders of William Hill Holdings Limited agreed to exchange their shares in that company for shares in William Hill plc (formerly Troniclong Limited) as part of a group reorganisation. From that date William Hill plc became the ultimate parent company of the Group.

On 20 June 2002, the ordinary shares of William Hill plc were admitted to the official list of the UK Listing Authority and to trading on the London Stock Exchange.

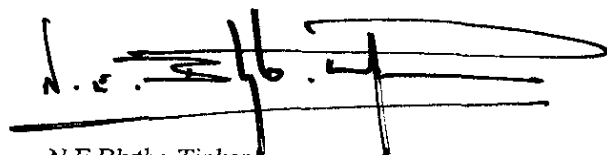
TERMS OF PAYMENT

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 2002 the number of creditor days for William Hill Organization Limited was 26 days (2000 - 15 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

25 October 2002

WILLIAM HILL (CALEDONIAN) LIMITED

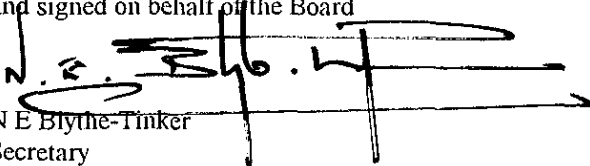
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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, subject to any material departures disclosed and explained in the financial statements; 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.

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


N E Blythe-Tinker
Secretary

25 October 2002

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

We have audited the financial statements of William Hill (Caledonian) Limited for the 53 week period ended 1 January 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

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 year and consider the implications for our report if we become aware of any apparent misstatements.

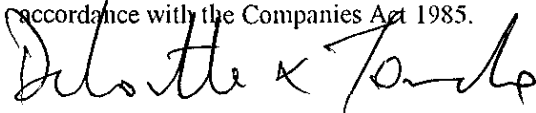
Basis of opinion

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 at 1 January 2002 and of its profit for the 53 week period then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors
London

3 / October 2002

WILLIAM HILL (CALEDONIAN) LIMITED

PROFIT AND LOSS ACCOUNT

53 week period ended 1 January 2002

	Note	53 week period ended 1 January 2002 £'000	52 week period ended 26 December 2000 (restated) £'000
TURNOVER	1	17,815	15,020
Cost of sales		<u>(14,303)</u>	<u>(12,239)</u>
GROSS PROFIT		3,512	2,781
Net operating expenses	2	<u>(2,327)</u>	<u>(2,041)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,185	740
Tax on profit on ordinary activities	4	<u>(353)</u>	<u>(228)</u>
RETAINED PROFIT FOR THE FINANCIAL PERIOD	9	<u>832</u>	<u>512</u>

All transactions in the current financial period are attributable to continuing activities.

Movements in reserves and shareholders' funds are set out in note 9.

WILLIAM HILL (CALEDONIAN) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES **53 week period ended 1 January 2002**

	53 week period ended 1 January 2002	52 week period ended 26 December 2000 (restated)
Note	£'000	£'000
Profit for the financial period	832	512
Total recognised gains and losses relating to the period	832	512
Prior period adjustment	1 32	
Total recognised gains and losses since last annual report	864	

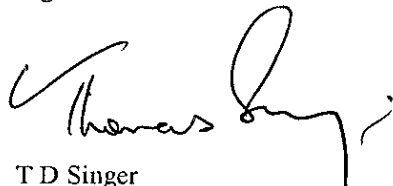
WILLIAM HILL (CALEDONIAN) LIMITED

BALANCE SHEET at 1 January 2002

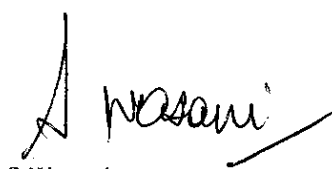
	Note	1 January 2002 £'000	26 December 2000 (restated) £'000
FIXED ASSETS			
Tangible assets	5	909	981
CURRENT ASSETS			
Debtors	6	3,184	2,249
Cash at bank and in hand		44	75
NET CURRENT ASSETS		3,228	2,324
TOTAL ASSETS LESS CURRENT LIABILITIES		4,137	3,305
CAPITAL AND RESERVES			
Called up share capital	8	30	30
Profit and loss account	9	4,107	3,275
EQUITY SHAREHOLDERS' FUNDS	9	4,137	3,305

These financial statements were approved by the Board of Directors on ~~25~~ October 2002.

Signed on behalf of the Board of Directors



T D Singer
Director



S Wasani
Director

NOTES TO THE ACCOUNTS

53 week period ended 1 January 2002

1. ACCOUNTING POLICIES

The significant accounting policies of the Company are as follows:

The Company has adopted FRS 19 'Deferred Tax' and has therefore accounted for deferred tax as set out in note 7. This change in policy has increased the deferred tax charge for the period by £nil (52 weeks ended 26 December 2000 – £35,000). The adoption of FRS 19 has increased equity shareholders' funds at 27 December 2000 by £32,000 in respect of deferred tax assets recognised at that date.

The comparative figures have been restated to reflect this change in accounting policy.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK 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 Will Hill Limited (formerly William Hill Limited), a company incorporated in Great Britain and the consolidated accounts of Will Hill Limited include a cash flow statement in the form prescribed by FRS 1 (see note 10).

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.

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	-	50 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 in full on material timing differences at the rate of taxation anticipated to apply when these differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

A deferred tax asset is only recognised where it is more likely than not that it will be recoverable in the future. Deferred tax assets and liabilities recognised have not been discounted.

WILLIAM HILL (CALEDONIAN) LIMITED

NOTES TO THE ACCOUNTS

53 week period ended 1 January 2002

2. OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	53 week period ended 1 January 2002 £'000	52 week period ended 26 December 2000 £'000
Operating profit is stated after charging		
Depreciation	104	93
Management charge	2,223	1,948
Total administrative expenses and net operating expenses	<u>2,327</u>	<u>2,041</u>

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.

3. STAFF COSTS

There are no employees of the Company in either the current or preceding financial periods. 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 53 week period ended 1 January 2002 and the 52 week period ended 26 December 2000 are disclosed in the financial statements of William Hill Organization Limited.

	53 week period ended 1 January 2002 No.	52 week period ended 26 December 2000 No.
The number of directors who are members of: Defined benefit pension scheme	<u>5</u>	<u>3</u>

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

WILLIAM HILL (CALEDONIAN) LIMITED

NOTES TO THE ACCOUNTS

53 week period ended 1 January 2002

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	53 week period ended 1 January 2002 £'000	52 week period ended 26 December 2000 (restated) £'000
Deferred tax (note 7)	-	35
Group relief payable:		
Current period	353	193
	<u>353</u>	<u>228</u>
Reconciliation to current tax charge:		
	53 week period ended 1 January 2002 £'000	52 week period ended 26 December 2000 (restated) £'000
Profit before tax	1,185	740
Tax at 30%	355	222
Permanent differences	(2)	6
Accelerated capital allowances	(12)	(35)
Held over gains crystallising	12	-
Current tax charge	<u>353</u>	<u>193</u>

WILLIAM HILL (CALEDONIAN) LIMITED

NOTES TO THE ACCOUNTS

53 week period ended 1 January 2002

5. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:			
At 27 December 2000	689	1,023	1,712
Additions	-	34	34
Disposals	-	(38)	(38)
At 1 January 2002	689	1,019	1,708
Accumulated depreciation:			
At 27 December 2000	155	576	731
Charge for period	19	85	104
Disposals	-	(36)	(36)
At 1 January 2002	174	625	799
Net book value:			
At 1 January 2002	515	394	909
At 26 December 2000	534	447	981

	1 January 2002 £'000	26 December 2000 £'000
The net book value of land and buildings comprises:		
Freehold	233	233
Long leasehold	24	24
Short leasehold	258	277
	515	534

WILLIAM HILL (CALEDONIAN) LIMITED

NOTES TO THE ACCOUNTS

53 week period ended 1 January 2002

6. DEBTORS

	1 January 2002 £'000	26 December 2000 (restated) £'000
Deferred taxation (note 7)	32	32
Amounts owed by group undertakings	3,152	2,217
	<u>3,184</u>	<u>2,249</u>

7. DEFERRED TAXATION

	1 January 2002 £'000	26 December 2000 (restated) £'000
Deferred taxation:		
Accelerated capital allowances	(33)	(45)
Held over gains crystallising	1	13
	<u>(32)</u>	<u>(32)</u>

The deferred taxation (assets)/liabilities have been computed at 30% (2000 – 30%).

A potential deferred tax liability of £19,000 (2000 - £19,000) in respect of rolled over capital gains was not been provided on the basis that there is no intention to sell the assets into which the gains have been rolled over.

Movement in the period:

	£'000
At 27 December 2000	-
Prior year adjustment - FRS 19 adoption	(32)
Restated at 27 December 2000	(32)
Amount charged to profit and loss account (note 4)	-
At 1 January 2002	<u>(32)</u>

8. CALLED UP SHARE CAPITAL

	1 January 2002 £'000	26 December 2000 £'000
Authorised, called up, allotted and fully paid: 30,000 ordinary shares of £1 each	<u>30</u>	<u>30</u>

WILLIAM HILL (CALEDONIAN) LIMITED

NOTES TO THE ACCOUNTS

53 week period ended 1 January 2002

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS IN RESERVES

	Share capital £'000	Profit and loss account £'000	Total £'000
At 27 December 2000 (as previously reported)	30	3,243	3,273
Prior year adjustment (note 1)	-	32	32
At 27 December 2000 (as restated)	30	3,275	3,305
Retained profit for the financial period	-	832	832
Balance at 1 January 2002	30	4,107	4,137

10. 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 Windsors (Sporting Investments) Limited, a company incorporated in Great Britain.

The parent companies of the largest and smallest groups which include the Company and for which group accounts are prepared are William Hill Holdings Limited and Will Hill Limited, respectively, companies incorporated in Great Britain.

Copies of the financial statements of William Hill Holdings Limited, Will Hill Limited and Windsors (Sporting Investments) Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

11. POST BALANCE SHEET EVENTS

On 15 April 2002, the shareholders of William Hill Holdings Limited agreed to exchange their shares in that company for shares in William Hill plc (formerly Troniclong Limited) as part of a group reorganisation. From that date William Hill plc became the ultimate parent company of the Group.

On 20 June 2002, the ordinary shares of William Hill plc were admitted to the official list of the UK Listing Authority and to trading on the London Stock Exchange.