

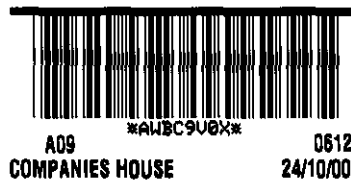
Company Registration No. 3722014

BASEFLAME LIMITED

Report and Financial Statements

**Period from 26 February 1999 to
28 December 1999**

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



BASEFLAME LIMITED

REPORT AND FINANCIAL STATEMENTS 1999

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BASEFLAME LIMITED

REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr J M Brown
Mr R Lambert
Mr W L Haygarth

SECRETARY

Mr N E Blythe-Tinker

REGISTERED OFFICE

Greenside House
50 Station Road
Wood Green
London N22 7TP

AUDITORS

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

BASEFLAME LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the period from 26 February 1999 to 28 December 1999.

PRINCIPAL ACTIVITIES

The company is a subsidiary of William Hill Holdings Limited and together with other subsidiaries of that company forms the William Hill group of companies ("the group") as explained at note 15 to the accounts.

The company was formed for the purpose of the acquisition of William Hill Limited and following this transaction has not traded.

REVIEW OF BUSINESS DEVELOPMENTS AND FUTURE ACTIVITIES

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

The directors do not recommend payment of a dividend for the period. Total capital and reserves at 28 December 1999 amounted to £650,000.

The company was incorporated on 26 February 1999. 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 to the company. The company is an intermediate holding company ultimately owned by William Hill Holdings Limited (formerly Chartley Limited), a company formed for the purpose of the acquisition 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. The cost of acquisition to the group was £824 million including £494 million of acquired debt. The company paid £326.1 million in acquiring the shares and other securities of William Hill Limited including £130.3 million in respect of unsecured redeemable loan stock issued by William Hill Limited which it waived entirely. Other companies in the group were responsible for the balance of the net costs of acquisition.

On 29 March 1999, William Hill Investments Limited, a subsidiary of William Hill Holdings Limited, issued £1,065.0 million Unsecured Loan Notes 2009 ("Notes") at a discount with an initial price of £342.9 million. £328.0 million of the proceeds from this issue were lent to the company on the same date to fund the acquisition of the entire share capital and unsecured redeemable loan stock of William Hill Limited and to meet acquisition costs and interest payable. This loan was waived on 29 March 1999. A further £0.3 million was lent to the company by William Hill Holdings on 23 September 1999 primarily in respect of an adjustment to the purchase price. This amount was waived on 28 September 1999.

Pursuant to a structure memorandum adopted by a resolution of the Board of Directors of the company and other companies in the group, on 6 May 1999 William Hill Limited issued 100,000 ordinary shares to William Hill Investments Limited, and the shares held by the company were reclassified as deferred shares. As a result of the dilution of its interest in William Hill Limited, the company has written off its investment in William Hill Limited as a charge to the profit and loss account.

The company is not expected to trade for the foreseeable future.

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	(appointed 25 March 1999)
Mr R Lambert	(appointed 25 March 1999)
Mr W L Haygarth	(appointed 26 May 1999)
Mr L J McGuigan	(appointed 26 May 1999, resigned 17 May 2000)
Instant Companies Limited	(appointed 26 February 1999, resigned 18 March 1999)
Ms I R Edwards	(appointed 23 March 1999, resigned 25 March 1999)
Mr P Dunne	(appointed 18 March 1999, resigned 25 March 1999)

BASEFLAME LIMITED

DIRECTORS' REPORT

DIRECTORS (continued)

The directors' interests and rights to subscribe for shares in the ultimate parent company (William Hill Holdings Limited) are disclosed in the financial statements of William Hill Organization Limited.

YEAR 2000 ISSUES

The directors are 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.

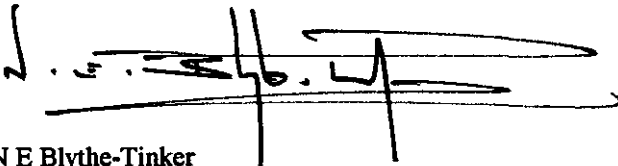
TERMS OF PAYMENT

The company has made no trade purchases during the current financial period and therefore the number of creditor days outstanding is not presented.

AUDITORS

Deloitte & Touche were appointed auditors during the period and have indicated their willingness to continue in office as auditors. A resolution to re-appoint them is to be proposed at the next 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', with a large, stylized flourish extending to the right.

N E Blythe-Tinker

Secretary

18 October 2000

BASEFLAME LIMITED

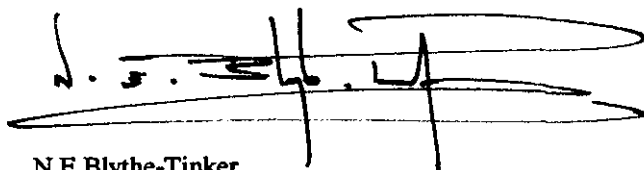
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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', is written over a horizontal line. The signature is stylized with a large loop at the end.

N E Blythe-Tinker

Secretary

18 October 2000

AUDITORS' REPORT TO THE MEMBERS OF

BASEFLAME LIMITED

We have audited the financial statements on pages 6 to 10 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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 affairs of the company as at 28 December 1999 and of its loss for the period from 26 February 1999 to 28 December 1999 and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

18 October 2000

BASEFLAME LIMITED

PROFIT AND LOSS ACCOUNT

Period from 26 February 1999 to 28 December 1999

	Note	Period from 26 February 1999 to 28 December 1999 £'000
Amounts written off investments	4	<u>(326,053)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(326,053)
Net interest payable and similar charges	5	<u>(2,171)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(328,224)
Tax credit on loss on ordinary activities	6	<u>651</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	11	<u>(327,573)</u>

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

Movements in reserves and movements in shareholders' funds are set out in note 11.

BASEFLAME LIMITED

BALANCE SHEET

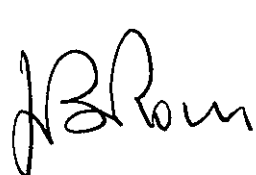
28 December 1999

	Note	28 December 1999 £'000
CURRENT ASSETS		
Debtors due after more than one year	8	651
CREDITORS: amounts falling due within one year	9	(1)
NET CURRENT ASSETS		<u>650</u>
CAPITAL AND RESERVES		
Called up share capital	10	-
Profit and loss account	11	650
TOTAL EQUITY SHAREHOLDERS' FUNDS	11	<u>650</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



BASEFLAME LIMITED

NOTES TO THE ACCOUNTS

Period from 26 February 1999 to 28 December 1999

1. ACCOUNTING POLICIES

The significant accounting policies of the company are as follows:

Basis of preparation

The financial statements are 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 Holdings Limited, a company incorporated in Great Britain and the consolidated accounts of William Hill Holdings Limited include a cash flow statement in the form prescribed by FRS 1.

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 of which it is expected that tax will arise.

2. STAFF COSTS

There are no employees of the company in the 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 financial period between their services to each company. Therefore details of their remuneration for the period ended 28 December 1999 are disclosed in the financial statements of William Hill Organization Limited.

	No.	No.
The number of directors who are members of:		
Defined benefit pension scheme	<u>4</u>	<u>4</u>

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

3. AUDITORS' REMUNERATION

Auditors' remuneration for the company is borne by the company's fellow subsidiary, William Hill Organization Limited, and is disclosed in the financial statements of that company.

4. AMOUNTS WRITTEN OFF INVESTMENTS

	Period from 26 February 1999 to 28 December 1999 £'000
Write off of investment in William Hill Limited (note 7)	<u>(326,053)</u>

BASEFLAME LIMITED

NOTES TO THE ACCOUNTS

Period from 26 February 1999 to 28 December 1999

The company has written off its investment in William Hill Limited. The reasons for this write off are explained in the directors' report.

5. NET INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 26 February 1999 to 28 December 1999 £'000
Interest receivable	4
Interest payable on purchase consideration	(2,175)
	<u>(2,171)</u>

Interest payable relates to interest charged on the purchase consideration for William Hill Limited.

6. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

The tax credit for the period is £651,000 as the company made losses during the period which have been surrendered as group relief.

7. INVESTMENTS

	£'000
At 26 February 1999	-
Additions	326,053
Write offs	(326,053)
	<u>-</u>
At 28 December 1999	-

At 28 December 1999 the company owned 50,001 deferred shares in William Hill Limited. The holders of these shares are not entitled to dividends or assets of the company, other than on liquidation when an amount not exceeding the par value of the share is payable. Deferred shareholders are not entitled to attend and vote at general meetings.

The details relating to the acquisition of shares and other securities in William Hill Limited are explained in the directors's report.

8. DEBTORS

	28 December 1999 £'000
Amounts owed by group undertakings due after more than one year	<u>651</u>

BASEFLAME LIMITED

NOTES TO THE ACCOUNTS

Period from 26 February 1999 to 28 December 1999

Amounts owed by group undertakings due after more than one year comprise amounts due in respect of group relief. Payment for these amounts is prohibited under the terms of an Intercreditor Agreement and the Senior debt facilities entered into by William Hill Limited and William Hill Organization Limited, fellow subsidiaries of the company, without the prior agreement of the group's banks.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 December 1999 £'000
Amounts owed to group undertakings	<u>1</u>

10. CALLED UP SHARE CAPITAL

	28 December 1999 £
Authorised, called up, allotted and fully paid: 2 ordinary shares of £1 each	<u>2</u>

11. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital £'000	Profit and loss account £'000	Total £'000
At 26 February 1999	-	-	-
Loss for the financial period	-	(327,573)	(327,573)
Issue of shares	-	-	-
Loan waiver	-	328,223	328,223
	<u>-</u>	<u>328,223</u>	<u>328,223</u>
Balance at 28 December 1999	-	650	650

The loan waiver is explained in the directors' report.

12. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The company is taking advantage of the exemption granted by paragraph 3(c) of FRS 8 not to disclose transactions with companies within the William Hill Holdings Limited group who 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 Investments 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 is William Hill Holdings Limited, incorporated in Great Britain.

Copies of the financial statements of William Hill Holdings Limited and William Hill Investments Limited are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.