

A game of two halves

Annual Report & Accounts 2001



YEAR 2001 Financial Highlights

What a strange year it has been. Normally there is very little difference between the first and second halves of the year, but this year was different... it's a bit like a football match where you are leading 3 – 0 at half time and you end up with a draw.

4%
increase in profit
before tax*

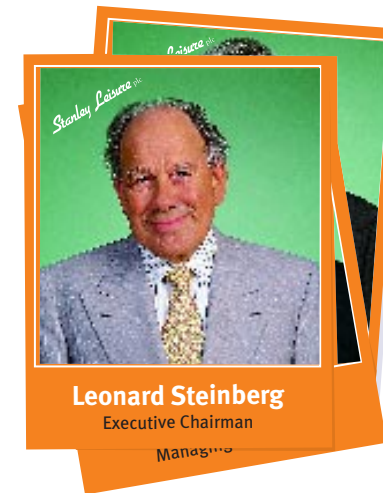
8%
increase in
dividend per
share

7%
increase
in turnover

6%
increase
in earnings
per share*

* before internet
activities and goodwill
amortisation

A brighter forecast



The Board's confidence in the future remains undiminished, not least due to the forthcoming new taxation regime in the betting industry and the impending report of the Gambling Review Body.

97	407	⚽
98	455	⚽
99	468	⚽
00	571	⚽
01	612	⚽
Turnover £m		

97	19	🐎
98	24	🐎
99	23	🐎
00	29	🐎
01	25	🐎
Profit before taxation £m		

97	4.00	🐎
98	4.60	🐎
99	4.95	🐎
00	5.55	🐎
01	6.00	🐎
Dividend per share p		

97	11.7	📦
98	14.8	📦
99	14.6	📦
00	17.3	📦
01	14.2	📦
Earnings per share p		

12%
increase in
betting division
operating
profit

3%
increase in
gaming division
operating
profit

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Chairman's Statement

What a strange year it has been. Normally there is very little difference between the first and second halves of the year, but this year was different. Profit (before goodwill amortisation) was £26.8m, below last year's £29.5m. Although the drop in Group profitability can be attributed primarily to our fledgling internet businesses, our profitability was also affected in the second half by an unpredictable combination of foot and mouth disease, bad weather and a few major winners at Crockfords. It's a bit like a football match where you are leading 3-0 at half time and you end up with a draw.

Earnings per share (before goodwill amortisation) were 15.7p against 18.1p last year. The Board's confidence in the future remains undiminished, not least due to the forthcoming new taxation regime in the betting industry and the impending report of the Gambling Review Body. Consequently, we are proposing a final dividend of 4.1p per share, making a total of 6.0p for the year, an increase of 8%.

Our Executive Board has remained the same and Paul Collis, who joined us at the beginning of the financial year, has settled into his position as Managing Director of the gaming division. It is always difficult to make changes and always you ask yourself "Will it work?". Paul and his new senior management team have made a number of significant changes to the business and are beginning to produce improved results. This shows that our faith in change is justified and we are confident that this trend will continue going forward.

In the betting division, turnover improved from £453m to £480m, an improvement of 6%, mainly due to acquisitions. Despite the interruptions to the racing programme, operating profit improved significantly from £18.7m to £20.9m, an increase of 12%. This resulted in an increase in our net profit margin from 4.1% to 4.3%. When one takes into account the adverse macro conditions, this is an extremely satisfying performance which highlights the resilience of our shop network.

The foot and mouth outbreak and bad weather resulted in the loss of 221 race meetings during our financial year, compared with 38 last year. 74 of these were lost as a result of the foot and mouth epidemic with the balance due to flooding and frost. We lost 23 turf days compared with just one last year and lost 11 full days

compared with none at all in the previous year. We believe the amount of turnover lost as a consequence was in the region of £20m. The cancellations have continued since the year-end and we have lost a further 39 compared with just two last year. The number of meetings lost as a result of the weather has highlighted that, in some cases, race tracks have inadequate drainage systems. We believe that greater funds should be placed at these tracks' disposal to improve long-term drainage problems and preserve the number one position that the U.K. holds in the world for turf racing.

Although trading conditions in the racing business in the second half were extremely difficult, it is a measure of the variety of bets that we offer that we were able to increase betting shop turnover in the full year, a statistic we believe to be something of a minor miracle. We were able to mitigate the loss of U.K. racing through providing access to attractive racing programmes from European countries such as France and Italy, as well as from countries such as Dubai and South Africa. Greyhound racing was also increased and, as a result of the changes in business mix, our margin in the second half improved to such an extent that the effect of the lost turnover was largely offset. Average stake per slip for the full year improved 4% from £5.43 to £5.63.

Our expansion policy continued, but at a slightly reduced level, with the average number of shops increasing from 620 to 638. The main change was the purchase of a 23-shop group in the Midlands in May 2000, which has contributed satisfactorily to Group profits. Recent acquisition activity in the betting shop industry has been limited, principally we believe because possible vendors are waiting to see the results from the change in taxation. As a result we are currently negotiating for only a few units, although we have a number of sites for which we are hoping to apply for new licences.

Perhaps the most important single event to occur in the last year was the proposal from the Government to transform the taxation regime in the betting industry. Under the new regime, the betting duty paid by our customers on each bet will be eliminated and will be replaced by a Gross Profits Tax of 15%, paid by the bookmaker. We expect the 9% deduction which has been paid historically by the customer will be reinvested and lead to a significant turnover improvement. The anticipated increased profitability will enable us to invest more on shop-fitting and on better site applications for

4.3%
betting division
net margin

the benefit of our customers. We also expect additional turnover to come from a considerable reduction in illegal betting, with the business transferring to licensed betting shops, and from an increase in betting on short priced favourites.

The industry's view is that the likely date for the commencement of the new tax is early October 2001. We are arranging for a substantial publicity campaign to coincide with the start of the new tax-free regime and are confident that this new taxation environment will prove to be the basis for a major move forward in the division's performance over the next few years.

The gaming division has undergone a year of major change. Turnover increased by 8% from £118m to £127m, due to higher attendance levels and the acquisition of a casino in Great Yarmouth. Operating profit (before goodwill amortisation) rose by 3% to £27.4m with the net profit margin reducing slightly from 22.5% to 21.5%.

The average drop per head in the provinces rose from £127 to £146, an increase of 15% and in London our average drop per head increased from £1,094 to £1,394, an increase of 27%.

The casino in Great Yarmouth, acquired at the beginning of July 2000, has traded satisfactorily during its first year. I am also pleased to report that the two new purpose-built destination casinos at Leith in Edinburgh and Margate are now up and running. These sites are operating under our new Cascades brand and form a blue-print for our development programme going forward. Despite a later opening date than hoped, they are both contributing at a satisfactory level.

This year we are planning to transfer the Stanley Midland casino licence in Manchester to The Circus site nearby, which is three times the size and will provide a number of extra facilities as well as substantially increasing the number of gaming tables. This licence transfer has already been agreed and we anticipate the new casino opening in Spring 2002. We have appealed against a refusal to grant Stanley Leisure a casino licence at the Star City site in Birmingham and the case is to be heard towards the end of September. We are hopeful of success and shall report the outcome of that appeal in due course. Also on the development side, we are pleased with the introduction of our automated roulette machines at the end of the year.

We continue to explore opportunities to acquire further provincial casinos and are also still trying to obtain approval for a casino in Jersey.

Our London casinos benefited from both increased attendance and drop per head. However, their profitability was influenced towards the end of the year by a short period of adverse high roller activity experienced at Crockfords. This type of activity is not unusual but it does cause short term profit fluctuations against defined year-end dates. We remain pleased with our London casinos, which continue to deliver good quality all round results.

We look forward to the forthcoming report of the Gambling Review Body (GRB). We received notification from the GRB on 27 June that the report had been completed and had been submitted to the Department for Culture, Media and Sport; our understanding is that the report will be published on 17 July. We at Stanley Leisure believe that this report will represent one of the most significant events within the gambling industry for many years. We fervently hope that it does not have the same fate as the Royal Commission on Gambling in the late 1970's, which made over 200 recommendations and which has been barely acted upon during the last 20 years.

I have written in my report on many occasions that the single most important item was gaming machines, and I do hope that the GRB have paid attention to not only our pleas but to the pleas of the entire industry. What a difference it would make to be able to have 50-100 machines in a casino which are linked and on which there is no limit in either stakes or prizes. It would revolutionise the future of the casino business. We must also not forget that machines in betting shops now provide an important revenue stream. It is ridiculous that at the moment the maximum prize is £15 and that shops are limited to just two machines; we are hoping that the GRB will take this matter into account. Please remember that machines are not late for work, nor do they go sick, or take holidays! As an aside, it is a pity that we still have no machines at all in Northern Ireland, the Republic of Ireland and Jersey.

21.5%
gaming division
net margin

6,500+
staff now
employed

There are also other items to which I have referred over the years such as advertising and suing for bad debts. There is no doubt that other changes, such as immediate membership and live entertainment, will alter the atmosphere in a casino. Although I am opposed to these changes, I recognise that they will create a different type of casino. My final plea is that the Government acts quickly to put into law whatever changes the GRB recommend.

During the year we started trading from our sports betting internet site, which was initially based in Malta to take advantage of the offshore taxation benefits. With the advent of the new betting taxation regime, we shall be closing down the offshore operation and repatriating the business to the U.K. this Autumn. Our three e-gaming sites performed in line with our expectations and we shall soon be going live with our state of the art crockfordscasinos.com site.

We now employ over 6,500 people, split between betting and gaming in almost equal numbers. Last year we awarded nearly 400 long service awards – 213 for five year, 156 for ten year and 28 for twenty years service. This award scheme not only shows our commitment to our staff, but equally shows their commitment to the Company. I am grateful to my colleague Directors, management and staff for their work and enthusiasm over the past year, which helped considerably in making the Company the leading betting and gaming company in the U.K.

The Company contributes to an ever-growing list of charities. I am also proud that management and staff raised over £100,000 this year for Children in Need and supported a number of other charities through their own efforts.

John Whittaker, the Managing Director of the betting division, completed the New York Marathon and both Angus Noble from the

gaming division head office and Lawrence Baxter from The Colony Club casino completed the London Marathon. Their combined efforts raised over £15,000 for charity.

In terms of current trading, we are pleased to report that in terms of profitability we are ahead of the same period last year, although you may recall that last year produced poor Euro 2000 football results and that the results at Royal Ascot were particularly bad. Turnover and profitability are ahead of last year in the betting division and in both our provincial and London casinos.

We all hope that this year we do not have the same level of weather interruptions and will have a much more steady and established trading pattern. Clearly the imminent new taxation regime represents a step-change for the betting industry. We look forward optimistically to the change; while we are hopeful that this will result in a stronger operating environment this year, we believe that the real benefit will be seen next year and thereafter. The gaming division is, we believe, also on the verge of a step-change, due to the report of the GRB. To have such major developments in the pipeline for both our divisions suggests to us that our future prospects look very bright and I am confident that Stanley Leisure is best placed to take advantage of these opportunities over the next few years.

I have been Executive Chairman of the Company for all the time I have been in the business, which is now over 40 years. I am continuing to take as great an interest and am still very involved in the business. My family and I still have the largest shareholding and as ever I am delighted to confirm our confidence in the future for the Company.

I close by thanking all our shareholders for their support and look forward to reporting increased profits in the year ahead.

Leonard Steinberg
Chairman
12 July 2001

Since the date of this statement, we have received notification that the new tax-free regime in the betting industry will commence on 6 October. In addition, as anticipated, the report of the GRB was published on 17 July.

Chief Executive's Review

This has not been an easy year for the Group. However, against the backdrop of a range of negative external influences, I am delighted to report that the betting division has confirmed its resilience and produced a very satisfactory growth in profitability. In addition the gaming division also reported increased profits whilst absorbing the effect of a major structural review of the business.



Bob Wiper
Chief Executive
Managing Director



Odds on...

As is always the case, the betting division had an interesting year...

The considerable disruption to the racing programme in the second half would have been disastrous a few years ago, but the betting industry as a whole is now much more focused on how to deal with this type of situation. The provision of betting opportunities on foreign racing wherever possible to a large extent negated the loss of over 200 U.K. race meetings. I pay credit to all our shop staff for their efforts during such a difficult trading period.

Our football business continued to improve as a proportion of turnover, particularly with the Euro 2000 Championships taking place in the first half of the year. Although we expected this event would give us significant incremental profit, the results were not always in our favour and after paying duty on our turnover, the outcome was neutral. Nevertheless, despite Euro 2000, our football margin was at a normal level for the full year.

Our numbers business has grown to 4.5% of total turnover; this has been achieved through the combination of sustained marketing activity over the past 18 months and the focused approach of our management team. We expect to continue increasing our numbers business during the current year and are hoping to introduce a new Keno-style numbers game shortly.

6%
increase in
betting division
turnover



Above:
Our football turnover continues to grow.

Below:
By the year-end we traded from 643 shops.



200+
U.K. race meetings
lost



Above:
The loss of turnover on U.K. racing was largely offset by improved margins.

Right:
As ever, we continued with our policy of shop refurbishment.





Further investment in technology will give improved customer service.

50% of screen systems upgraded



Our business in the Republic of Ireland continues to grow, still benefiting from the reduced duty regime introduced in 1999. It reported another healthy increase in profitability. Additionally our Jersey business continues to trade well, with significant increases in both turnover and profitability.

We are now entering the final stages of testing our new Electronic Point of Sale system and the roll-out is anticipated to commence in January 2002. We are also well advanced in a major upgrading of our screen systems and by the financial year-end, had replaced the screens in over half our estate. We expect the remainder of our shops to have the new systems by the end of the calendar year.

I mentioned last year our decision to sponsor more televised races and would hope that during the course of this financial year you will have seen our name well promoted by these sponsorships.

I must agree with Leonard's comments on the importance of the Government's decision to change the structure of the industry's taxation from turnover-based to profits-based. I am confident that this will prove to be the basis for a major step-change in the division's profitability over the next few years.



A winning hand

This has been a year of development for our gaming division.

Gaming Division

A change in legislation in August 2000 permitted casinos in Great Britain to extend their opening hours from 4.00 a.m. to 6.00 a.m. Over the following months we gradually incorporated these extra trading hours across our casino estate. We have recently extended the hours at Crockfords, our flagship London casino, thereby offering this improved service to customers across our whole portfolio.

The major review of the business resulted in a significant increase in the salaries of our gaming staff to improve operational standards and thereby combat the perennial high levels of staff turnover inherent within the gaming industry. We have also improved our customer service with the recruitment of a large number of croupiers; within our provincial casinos croupier numbers have increased from 500 to 900. Increased numbers of better-trained staff have contributed to the gross margin improvement seen in our provincial estate.

We have seen attendance levels increase significantly in the year, thereby reversing the negative trend of the last few years. The extended opening hours have played their part in this increase; however, we also attribute a proportion of the benefit to our considerable investment in staff development.

I look forward to the publication of the recommendations of the GRB. It is to be hoped that these include the long-awaited proposal to permit increased numbers of gaming machines in our casinos with potential payouts of six or seven figures.



Above:
Customers are now able to enjoy playing the tables until 6.00 a.m.

Below:
Our premier restaurant facilities play their part in the evening's entertainment.



Right:
Attendance levels rose significantly in the year.

8%
increase in
gaming division
turnover

Gaming Division

Managing change is never easy, and the division has undoubtedly absorbed a great deal of change during the financial year. I look forward to reporting improved levels of profitability as a result in the coming years.



Our new Cascades casino at Margate gives us a live blue-print for our development programme.



Internet

Internet

The environment is now radically different from a year ago and as a result we are planning to change the focus of our internet betting operation. The unique tax advantage which offshore internet and telephonic channels offered against land-based shops in the U.K. is now gone. As a consequence the migration that was anticipated by some from betting shops to on-line channels is now neutralised. Our soon to be repatriated internet betting operation should now be viewed as a complementary channel, contributing to the performance of the betting division as a whole.

On the internet gaming side, the launch of our crockfordscasinos.com has been slightly delayed as we endeavour to move licence jurisdiction.

The total loss for both internet betting and gaming was £3.9m (before goodwill amortisation) in the year, but a proportion of this loss should be viewed as non-recurring as it included both the costs of setting up the Maltese offshore operation and the costs of repatriating the business to the U.K. this Autumn.

People

As ever, I should like to pay tribute to all our management and staff who have contributed so much in what has been in many ways a difficult year for the Group.

Bob Wiper
Chief Executive
12 July 2001



4
e-gaming
sites soon to
be up and
running

Finance Director's Review

Operating Results

Group turnover increased in the year by 7% to £611.7m. Before goodwill amortisation, profit before tax was 9% lower than last year at £26.8m; the reduction was 12% to £25.1m after goodwill amortisation.

The reduction in profits was primarily due to losses incurred on our internet businesses. These losses, including goodwill amortisation on our internet casino, amounted to £4.7m against just £0.1m last year. Excluding the internet businesses and goodwill amortisation, operating profit rose by 6% to £43.9m.

The acquisitions made during the year contributed £15.5m of the increased turnover.

Cash Flow and Funding

The Group's operational cash flow increased from £45.1m to £57.0m. This was in part due to the year-end date this year, with a resultant high level of creditors and non-interest bearing cash; nevertheless the Group remains highly cash generative.

Capital additions totalled £22.6m (of which £16.8m was expended in the year), reflecting the Group's ongoing investment in the quality of our premises; this included our new casino developments at Leith in Edinburgh and Margate. Net interest paid rose to £12.1m (2000 – £11.6m). Taxation and dividend payments absorbed £15.2m. The gross cash cost of acquisitions in the year was £8.7m, comprising the Regency chain of bookmakers and King's Casino in Great Yarmouth. Net cash inflow before financing was £5.9m against the £82.7m outflow last year. Net borrowings at the year-end were £171.0m (2000 – £173.8m), representing 66% of shareholders' funds (2000 – 70%).

Net interest payable increased to £13.2m (2000 – £12.0m) due to the higher net borrowings on average during the course of the year; this resulted in interest cover of 2.9 times. The interest charge includes £0.6m amortisation in respect of debt finance costs, which, in accordance with FRS 4, are being amortised over a five year period.

Treasury Policy

The Group makes offsetting arrangements, whereby cash surpluses are offset against overdrafts elsewhere in the Group. Drawdowns on revolving credit facilities are controlled centrally for varying periods depending on market rates and cash flow projections. A stand-by facility is available solely to meet potential gaming losses in that division at a level agreed with the Gaming Board.

The Group is exposed to interest rate risk on borrowings. We believe that maintaining a significant proportion of the Group's borrowing at a floating rate is a sensible approach when taking into account a long term view regarding interest rates, particularly within Europe. However, where it considers appropriate, the Group uses swaps, caps and other interest rate instruments to achieve what it considers to be a balanced risk profile. At the year-end the Group had in place the following swaps:

- i) a £20m cancellable collar arrangement until June 2005 with the cap at 7.5% and the floor at 5.63%; the bank has a one-off right to cancel the collar in June 2002;
- ii) a £15m swap at a rate of 5.98% until April 2005 (incorporating a quarterly right of the bank to cancel from January 2003);
- iii) a £30m swap at a rate of 5.64% until June 2006;
- iv) a £22m swap at a rate of 5.885% until June 2001; and
- v) a £30.5m swap effective from June 2001 at a rate of 5.415% to September 2002, reducing to £15.5m at that date, continuing to September 2003 at the same rate.

Exchange Rates and EMU

The Group is not exposed to significant exchange rate risk, although trading and investment in the Republic of Ireland does give some exposure to fluctuations against the Irish punt. To some extent this exposure is hedged by intra Group indebtedness. Trading in Europe, through our 50% holding in Stanley International Betting Limited, does not create any significant currency exposure as the assets and liabilities are largely denominated in sterling.

The advent of European Monetary Union (EMU) will not have a material effect on the Group until the introduction of common coinage in the U.K. However, our Republic of Ireland betting operation is currently preparing for the introduction of the Euro at the beginning of 2002.

Taxation

The overall taxation charge for the year of £9.0m reflected an effective rate of 35.8%. The main reasons for the difference from the statutory rate of 30% are the goodwill charge and the losses incurred on our internet business not being available for relief against our U.K. profits. It is anticipated that the effective tax rate going forward will steadily fall back towards an underlying tax rate of 32%.

The tax paid figure for the year fell to £8.8m. In last year's transitional year under the Corporation Tax Self Assessment Scheme, the Group paid £12.3m as it moved into the new regime.

Shareholder Returns

Including goodwill amortisation, earnings per share fell 18% to 14.2p. The Board is recommending a final dividend of 4.1p, an increase of 8%, reflecting our confidence in the future. With shareholder approval, this will make the total dividend for the year 6.0p against 5.55p, also an increase of 8%. At this level, the dividend is covered 2.4 times by earnings.

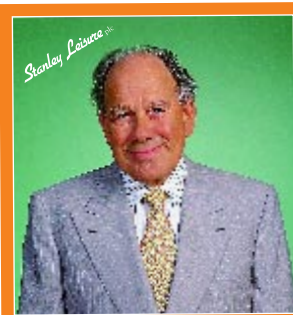
Share Price and Market Capitalisation

At 29 April 2001, the Group's share price was 247.5p (2000 – 181.5p). The high and low prices during the year were 251.5p and 149.5p respectively. At 29 April 2001, the market capitalisation of the Group was £278m.

Michael Riddy

Finance Director
12 July 2001

STANLEY LEISURE **The Team**



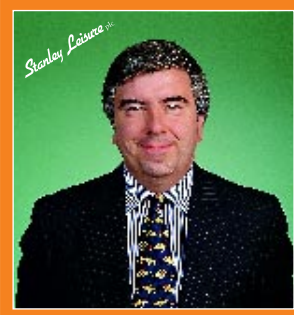
Leonard Steinberg
Executive Chairman

Leonard Steinberg (64), Executive Chairman, single handedly started the business from a one-shop operation in 1958, and has been largely responsible for its steady growth over the last 40 years. In 1997 and 1998 he received awards for North West Business Person of the Year. In July 1999 he was awarded an Honorary Doctorate by the University of Salford. He also sits on many charitable committees.



Bob Wiper
Chief Executive

Bob Wiper (46), Chief Executive, joined the Board in April 1999. He was formerly Chief Executive of the coach division of National Express Group plc for 5 years. Bob has previously held senior management positions within National Tyres and NFC plc.



Michael Riddy
Finance Director

Michael Riddy ACA (45), Finance Director, trained with Coopers & Lybrand. He joined the Board in September 1998, having previously been Finance Director of Hamleys plc from 1990. Prior to joining Hamleys, Michael had experience with BAT Stores Limited and the Burton Group plc.



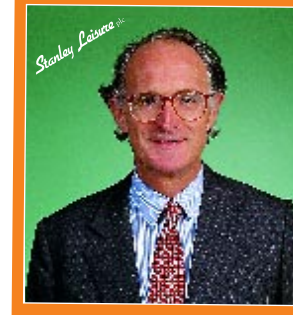
Sarah-Jane Goulbourne
Company Secretary

Sarah-Jane Goulbourne (36), joined the Group in May 1999 from Trinity plc. She was previously with Capital Bank plc and is a solicitor and Chartered Secretary.



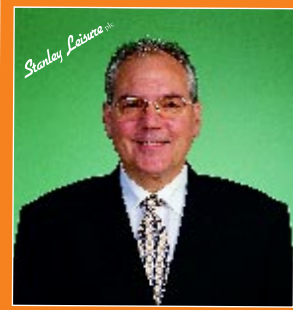
David Pearl
Independent Non-Executive Director

David Pearl (56), was appointed a Non-Executive Director in October 1994. He is a Coopers & Lybrand trained Chartered Accountant specialising in the provision of corporate finance advice to small public companies. He was previously Chairman of Premier Asset Management plc and London Securities plc. He has also been Vice Chairman of the Medway Ports Authority, Chairman of the Crown Suppliers and served as a Westminster City Councillor during which time he was Deputy Lord Mayor.



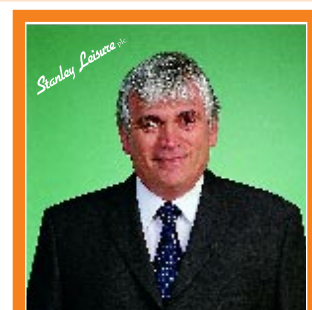
Robert Waddington
Independent Non-Executive Director

Robert Waddington (59), was appointed a Non-Executive Director in December 1998. He was a Director of Hambros Bank Limited until 1997. He is now Chairman of M. P. Industries Limited and a Non-Executive Director of a number of other private companies.



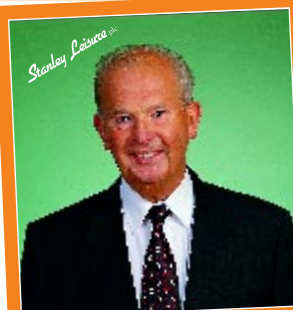
Paul Collis
Managing Director – Gaming

Paul Collis (48), Managing Director of the gaming division, joined the Board in June 2000. He was formerly at BSKyB, where he was Managing Director of the Sky Services division. Paul has formerly held senior management positions with Seaboard plc and a Netherlands based mobile telecoms operator.



John Whittaker
Managing Director – Betting

John Whittaker (50), Managing Director of the betting division, became a Board Director in January 1997. He joined the Group in 1978 and has been responsible for the successful integration and operation of the many betting shop acquisitions made by the Group throughout the U.K. John is a council member of the Betting Office Licensees Association, and a member of the Bookmakers' Committee, a statutory body whose remit is to negotiate the levy with the Levy Board.



Len Cowburn
Independent Non-Executive Director

Len Cowburn (66), Deputy Chairman and senior independent Non-Executive Director, has been a Non-Executive Director of the Group since May 1994. He was formerly Deputy Chairman of the William Hill Organisation. He also served as Chairman of the Bookmakers' Committee and as a member of the Levy Board. He was a founder Director of SIS, a council member of the Betting Office Licensees Association and a Director of Bookmakers Afternoon Greyhound Services.



Jonathan Steinberg
Non-Executive Director

Jonathan Steinberg (34), was appointed a Non-Executive Director in January 2000. He has extensive management experience in the catering industry and has developed a successful restaurant business.

Board Committees

Audit Committee
D. B. Pearl (Committee chairman)
L. P. Cowburn
J. Steinberg
R. Waddington
This Committee reviews the Group's internal control, accounting policies and financial reporting.

Remuneration Committee
L. P. Cowburn (Committee chairman)
D. B. Pearl
R. Waddington
This Committee sets the remuneration of the Group's Executive Directors and senior executives.

Nomination Committee
R. Waddington (Committee chairman)
L. Steinberg
R. Wiper
L. P. Cowburn
D. B. Pearl
J. Steinberg
This Committee considers the appointment of the Group's Directors.

Banking and Finance Committee
R. Waddington (Committee chairman)
L. Steinberg
A. M. Riddy
D. B. Pearl
This Committee oversees banking and treasury policy.

Directors' Report

The Directors present their Report and audited Financial Statements of the Company and the Group for the year ended 29 April 2001.

In addition to the following information, certain statutory disclosures may be found within the separate statements on Directors' Remuneration and Corporate Governance on pages 20 and 24 respectively.

Principal Activities

The principal activities of the Group are the operation of licensed betting offices and casinos, together with online gaming and internet sports betting.

Review of Operations

The Consolidated Profit and Loss Account on page 30 shows a profit on ordinary activities before taxation of £25.1m (2000 – £28.5m).

Detailed information on the activities of the Group throughout the year and between then and the date of this report is contained in the Chairman's Statement, Chief Executive's Review and Finance Director's Review on pages 2 to 15.

Dividends and Reserves

The Directors declared an interim dividend of 1.9p per share (2000 – 1.75p) which was paid on 28 February 2001. They now recommend a final dividend of 4.1p per share (2000 – 3.8p), making a total dividend for the year of 6.0p per share (2000 – 5.55p).

Subject to shareholder approval, the final dividend will be paid on 17 September 2001 to shareholders whose names are on the Register of Members at the close of business on 24 August 2001.

After provision for the above dividends amounting to £6.7m (2000 – £6.2m), the retained profit for the year of £9.2m (2000 – £13.1m) has been transferred to reserves.

Share Capital

Details of the Company's share capital and share options are included as note 17 to the Financial Statements.

Major Interests in Shares

As at 12 July 2001 the following companies, or their associates, had reported a notifiable interest in the Company's issued share capital.

	Percentage held
Standard Life	4.91%
Royal & SunAlliance	4.48%
UBS Asset Management	3.90%
Fidelity Investments	3.02%

The Chairman, Leonard Steinberg, also had a major interest at that date, details of which are shown in the Report of the Board on Directors' Remuneration on page 22.

Directors

The Directors of the Company as at the close of business on 12 July 2001 are named on pages 16 and 17 of this report, together with biographical notes on each. All of these Directors, except Paul Collis who was appointed on 8 June 2000, served throughout the year ended 29 April 2001. Graham Gibson and Allen Lowry retired from the Board on 8 May 2000 and 31 December 2000 respectively.

Leonard Steinberg, David Pearl and Michael Riddy retire by rotation at this year's Annual General Meeting and, being eligible, offer themselves for re-election. All have contracts with the Company that can be determined by 12 months' notice. Apart from service contracts, as at the date of this report, no Director of the Company had notified any interest in any contracts with the Company or its subsidiaries during the year or thereafter.

Directors' Interests

The interests of the Directors who held office at 29 April 2001, together with those of any related parties, are shown in the Report of the Board on Directors' Remuneration on pages 20 to 23.

Employees

The Group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of disability, sex, race or religion.

The Group recognises the importance of ensuring employees are kept informed of the Group's performance, activities and future plans.

Health and Safety

The Group recognises the importance of a safe working environment for both its employees and customers and to this end gives careful consideration to the promotion of risk management procedures. In view of this, the Group has established a broad-based Health and Safety Committee structure with meetings held on a regular basis.

Environment

The Board wishes to foster a socially and environmentally aware approach to business. Particular attention is paid to the minimisation of waste, participation in recycling schemes for office waste and, where feasible, energy management of buildings. The Board aims to review such initiatives on a regular basis.

Political and Charitable Donations

No political contributions were paid during the year (2000 – £Nil). Donations for charitable purposes within the U.K. amounted to £60,000 (2000 – £96,000).

Creditor Payment Policy

It is the policy of the Group that each company should agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payments are normally made in accordance with these terms and conditions, provided that they have also been complied with by the supplier. All Group companies have complied with this policy during the year. At 29 April 2001 the Company trade creditors represented 59 days of purchases (2000 – 45 days) and Group trade creditors represented 59 days of purchases (2000 – 46 days).

Auditors

PricewaterhouseCoopers offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

Annual General Meeting

The notice of Annual General Meeting, together with explanatory notes, is being circulated separately from this report.

By order of the Board
Sarah-Jane Goulbourne
Company Secretary
12 July 2001

Report of the Board on Directors' Remuneration

Compliance

The Company follows the provisions relating to Directors' remuneration contained in Schedule B of the Combined Code appended to the FSA's Rules governing companies listed on the London Stock Exchange and takes into account the provisions of Schedule A of that Code.

Remuneration Policy

The Board has appointed a Remuneration Committee comprising the independent Non-Executive Directors named on page 17. The Committee aims to ensure that levels of executive remuneration are sufficient to attract, retain and motivate the calibre of directors needed to run the Group successfully. The Committee measures the performance of the Executive Directors and key members of senior management as a prelude to recommending their annual remuneration, bonus and awards of share options to the Board for final determination. The Committee consults the Chairman and the Chief Executive about its proposals and has access to professional advice from inside and outside the Group. It held six meetings during the year, a number of which were with professional advisers. Directors are not involved in deciding their own remuneration.

Executive Directors

The Executive Directors have service agreements which are terminable by the Company on 12 months' written notice or by the Director on six months' written notice. In the event of the early termination by the Company of any Executive Director's service agreement, the amount payable by the Company under the terms of such service agreement (subject to the principle of mitigation) would be an amount equal to 12 months' salary and benefits.

The main components of the Executive Directors' remuneration package are basic annual salary, fringe benefits (principally a fully expensed company car, private medical insurance and life assurance), an annual bonus scheme based on both corporate and individual performance, share based incentives and pensions. Neither fringe benefits nor bonuses are pensionable.

(A) Basic Annual Salary

Basic salaries are reviewed annually and are set relative to comparable jobs in selected relevant companies. The Committee takes advice from independent professional remuneration consultants and takes into consideration the associated costs of pensions and other consequences of increases in salary.

(B) Annual Bonus

The Group operates annual performance-related bonus schemes for a number of executives, including Executive Directors. These provide for annual cash bonuses up to a maximum of 50% of basic salary subject to the achievement of challenging targets in Group earnings per share growth and personal performance that reflect the Group's objectives.

The Committee considers that the performance conditions applying to annual bonus schemes are relevant and stretching and that this results-driven approach is in the interests of shareholders.

(C) Share Option Schemes

The Committee believes that share based incentives are an important part of aligning the interests of shareholders and employees in enhancing the long-term performance of the Group. It keeps under review market practice in respect of both performance criteria and other forms of long-term incentives and is in favour of phasing the grant of share options.

The Company operates an Inland Revenue Approved Savings Related Share Option Scheme under which periodic option grants may be made to all eligible employees, including Executive Directors. Inland Revenue rules limit the amount which can be saved to £250 per person, per month. Depending on the term chosen by the employee, at the end of either three or five years, members of the scheme will receive a bonus to add to their savings and may use all or part of their savings and bonus to purchase shares at the option price which can be set by the Board at up to 20% discount to the market price at the start of the savings plan. On 27 September 1999, Stanley Leisure QUEST Trustees Limited was established to administer the Group's Qualifying Employee Share Trust ("the QUEST"). It is intended to exercise savings related share options through the QUEST.

In addition, the Remuneration Committee approves the terms, conditions and allocation of executive share options for certain senior executives under both an Inland Revenue Approved and a Non-Approved Executive Share Option Scheme. Both schemes incorporate the achievement of challenging targets in Group earnings per share growth prior to the exercise of options. On 13 October 1999, the Stanley Leisure Employee Benefit Trust ("the EBT") was established. The EBT is intended to operate as a vehicle for granting options under both the Approved and the Non-Approved Executive Share Option Schemes.

A Deed Option over 88,200 shares at an exercise price of 252.5p per share was granted to Bob Wiper on his appointment. The terms of the Deed Option are principally

the same as those of the Non-Approved Executive Share Option Scheme described above.

(D) Pensions

Current Directors

Leonard Steinberg is a non-contributory member of the money purchase Stanley Leisure plc Directors' Pension Fund to which the Company contributes 55% of basic annual salary. Bob Wiper, Michael Riddy and Paul Collis all have money purchase pension arrangements that are non-contributory to them, and to which the Company contributes 15% of basic annual salary. On 1 August 2000, John Whittaker transferred his accrued benefits and pension entitlement from a non-contributory money purchase arrangement providing a target benefit of 37/60ths of final pensionable salary, becoming instead a non-contributory member of the defined benefit Stanley Leisure 1988 Retirement Benefit Scheme.

Past Directors

Graham Gibson participated in the money purchase Stanley Leisure plc Directors' Pension Fund at a target benefit rate of 49.17% of final salary at normal retirement date, with pension benefits ceasing to accrue upon leaving the Company. For part of the year, Allen Lowry also participated in the same scheme at a target benefit of 40/60ths of final salary at normal retirement date. On 1 August 2000, he transferred his accrued benefits and pension entitlement, becoming instead a non-contributory member of the defined benefit Stanley Leisure 1988 Retirement Benefit Scheme.

Directors' Remuneration

The aggregate remuneration of the Directors of the Company for the year to 29 April 2001 was as follows:

	Salary and fees £'000	Benefits £'000	Bonus £'000	Other £'000	Total 2001 £'000	Total 2000 £'000
Executive:						
L. Steinberg	209	32	–	–	241	312
R. Wiper	180	18	–	–	198	255
A. M. Riddy	100	12	–	–	112	125
J. S. Whittaker	125	13	–	–	138	143
P. J. Collis	113	8	–	–	121	–
T. A. Lowry (retired)	52	10	–	–	62	113
G. W. Gibson (retired)	–	–	–	30	30	124
Non-Executive:						
L. P. Cowburn	27	–	–	–	27	20
D. B. Pearl	19	–	–	–	19	18
R. Waddington	19	–	–	–	19	18
J. Steinberg	19	–	–	–	19	6
G. C. Revill (retired)	–	–	–	–	–	42
	863	93	–	30	986	1,176

The disclosures for Allen Lowry and Graham Gibson are for the period to the date of their retirement from the Board. For Graham Gibson, the "other" amount of £30,000 was paid to him after his retirement to mark the end of his association with the Company.

Report of the Board on Directors' Remuneration (continued)

Pension benefits earned by the Directors under defined benefit schemes are as follows:

	Increase in accrued pension during year £'000	Transfer value of increased pension £'000	Total accrued pension at year-end £'000
J. S. Whittaker (from 1 August 2000)	6	76	40
T. A. Lowry (to 31 December 2000)	–	3	40

The transfer value represents a liability of the pension scheme, not a sum paid or due to the individual.

Contributions made by the Company to Directors' money purchase schemes totalled £200,000 and comprised:

L. Steinberg – £115,000; R. Wiper – £27,000; A. M. Riddy – £15,000; J. S. Whittaker (1 May – 31 July 2000) – £9,000;

P. J. Collis – £17,000. Pension contributions in respect of a former Director were £17,000 (2000 – £64,000).

Interests in Shares

The Directors have interests in the ordinary shares of the Company, which are included in the Company's Register of Directors' Interests, as follows:

(a) Shareholdings

	Ordinary shares of 25p each			
	At 29 April 2001		At 30 April 2000 ⁽¹⁾	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Executive:				
L. Steinberg	23,511,349	2,580,000	23,801,349	2,290,000
R. Wiper	20,000	–	20,000	–
A. M. Riddy	2,380	–	2,380	–
J. S. Whittaker	111,704	–	111,704	–
P. J. Collis	–	–	–	–
Non-Executive:				
L. P. Cowburn	10,000	–	10,000	–
D. B. Pearl	2,500	–	2,500	–
R. Waddington	10,000	–	10,000	–
J. Steinberg	100,000	–	100,000	–

⁽¹⁾ or date of appointment, if later.

(b) Options

	Number of options at 29 April 2001	Option price P	Granted in year	Date of grant	Number of options at 30 April 2000 ⁽¹⁾	Exercisable between
L. Steinberg	12,847 *	233.50	–	–	12,847	04.11.2002 - 04.11.2009
	12,153 †	233.50	–	–	12,153	04.11.2002 - 04.11.2009
	10,289 §	164.00	–	–	10,289	01.05.2005 - 31.10.2005
R. Wiper	11,800 *	252.50	–	–	11,800	04.05.2002 - 04.05.2009
	88,200 †	252.50	–	–	88,200	04.05.2002 - 04.05.2009
	30,000 ‡	194.00	30,000	17.07.2000	–	17.07.2003 - 17.07.2010
A. M. Riddy	9,850 *	303.50	–	–	9,850	15.09.2001 - 15.09.2008
	15,150 †	233.50	–	–	15,150	04.11.2002 - 04.11.2009
	10,289 §	164.00	–	–	10,289	01.05.2005 - 31.10.2005
	30,000 ‡	194.00	30,000	17.07.2000	–	17.07.2003 - 17.07.2010
J. S. Whittaker	12,847 *	233.50	–	–	12,847	04.11.2002 - 04.11.2009
	22,153 †	233.50	–	–	22,153	04.11.2002 - 04.11.2009
	10,289 §	164.00	–	–	10,289	01.05.2005 - 31.10.2005
	30,000 ‡	194.00	30,000	17.07.2000	–	17.07.2003 - 17.07.2010
P. J. Collis	15,463 *	194.00	15,463	17.07.2000	–	17.07.2003 - 17.07.2010
	14,537 †	194.00	14,537	17.07.2000	–	17.07.2003 - 17.07.2010

⁽¹⁾ or date of appointment, if later.

* The Stanley Leisure plc 1996 Inland Revenue Approved Executive Share Option Scheme

† The Stanley Leisure plc 1999 Executive Share Option Scheme

‡ The Stanley Leisure plc 1996 Inland Revenue Approved Savings Related Share Option Scheme

Details of exercise criteria for each of these schemes are given on pages 20 and 21.

The market price of the shares at 29 April 2001 was 247.5p (30 April 2000 – 181.5p) and the range during the year was 149.5p to 251.5p.

At 12 July 2001, there had been no transactions by Directors in the shares of the Company or under Share Option Schemes subsequent to 29 April 2001.

By order of the Board

Len Cowburn

Chairman of the Remuneration Committee

12 July 2001

Corporate Governance

A “Code of Best Practice” is appended to the FSA’s Rules governing companies listed on the London Stock Exchange. The Company has complied throughout the year with all the provisions of Section 1 of the Code and has applied its principles as outlined below.

(A) Directors

The Board of Directors leads and controls the Company. The present Board comprises a balance of five Executive and four Non-Executive Directors. A majority of the Non-Executive Directors are independent from any business or other relationship with the Group. There is a clear division of responsibilities between the Chairman, Leonard Steinberg and the Chief Executive, Bob Wiper. The Chairman is primarily responsible for the running of the Board. He ensures that all Directors receive sufficient relevant information on financial, business and corporate issues in a timely manner prior to meetings and provides a conduit for Directors to make further enquiries where necessary. The Chief Executive’s responsibilities focus on co-ordinating the Company’s business and implementing Group strategy. All Directors are expected to bring independent judgement to bear and are able to take independent professional advice if necessary, at the Company’s expense. All Directors have access to the services of the Company Secretary. The Company Secretary is appointed by, and responsible to, the collective Board and is responsible for ensuring that Board procedures are followed and for compliance with applicable rules and regulations.

The Board met seven times during the year and has a formal schedule of matters reserved for its consideration. It is responsible for overall Group strategy, standards of conduct, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of individual trading subsidiaries, their codes of conduct, annual budgets, progress towards achievement of these budgets and capital expenditure programmes. The Board also considers employee issues and key appointments and ensures that all Directors receive appropriate training on appointment and then subsequently as necessary and appropriate. Any Directors appointed by the Board will be subject to election by shareholders at the earliest practicable opportunity. All Directors are required to retire and submit themselves for re-election at least once every three years.

The Board has established a number of standing committees. Each committee operates within defined terms of reference. The principal committees are the Audit Committee, the Remuneration Committee, the Nomination Committee and the Banking and Finance Committee. Minutes of the standing committees are

circulated to and reviewed by the Board of Directors. Those who served on each Committee throughout the year are named on page 17. The role of the Audit Committee is explained on page 25 and that of the Remuneration Committee on page 20, together with information about the terms of Directors’ appointments. The Nomination Committee comprises the Chairman, Chief Executive and all the Non-Executive Directors and makes recommendations to the Board on all new appointments of Directors. Its members meet as required and also advise on general Board composition. The Banking and Finance Committee meets not less than twice a year and makes recommendations to the Board regarding banking and treasury policy.

(B) Directors’ Remuneration

Particulars of Directors’ Remuneration are given in the Report of the Board on Directors’ Remuneration which is set out on pages 20 to 23. This contains a statement on remuneration policy together with details of the remuneration of each Director, including incentive payments and the related performance criteria.

(C) Relations with Shareholders

The Company encourages a dialogue with both its institutional and private investors and responds quickly to all queries received. The Chief Executive and the Finance Director meet regularly with analysts and institutional shareholders. All shareholders have at least 20 working days’ notice of the Annual General Meeting at which all Directors and Committee Chairmen are introduced and are available for questions. During the year the Company established an investor relations website which can be found at www.stanleyleisure.com.

(D) Accountability and Audit

(1) Financial Reporting

Through the detailed reviews of the performance and financial position in the Chief Executive’s Review (on pages 5 to 13) and the Finance Director’s Review (on pages 14 and 15), together with the Chairman’s Statement (on pages 2 to 4) and the Directors’ Report (on pages 18 and 19), the Board seeks to present a balanced and understandable assessment of the Group’s position and prospects. The responsibilities of the Directors for the Financial Statements are described on page 27.

(2) Internal Control

The Board is responsible for the Company’s system of control and for reviewing its effectiveness. Throughout the year, the Board has continued to encourage and

oversee the establishment of a risk-based approach to internal controls in order to ensure proper identification, evaluation and management of significant risks. The Board considers that it maintains a sound system to safeguard shareholders’ investments and the Group’s assets, and that it is compliant with the Turnbull Guidance on internal control. It recently conducted its latest review of the effectiveness of internal controls and notes that these are designed to manage, not eliminate, risk and that such a system can provide only reasonable but not absolute assurance against material misstatement or loss.

Some key features of the internal control system are:

- (i) a Group Internal Audit department, together with Security and Compliance departments in each of the divisions;
- (ii) various Group procedures and policies, including manuals detailing principal operational, accounting and other policies;
- (iii) a clearly-defined organisational structure and well established financial reporting and control systems; and
- (iv) preparation of comprehensive annual budgets that are reviewed and approved by the Board. Detailed monthly management accounts are prepared and variances against budget and prior years reviewed.

Risk Management

Strategic reviews are undertaken by the Board and communicated to senior management. Separate departments are directly responsible and accountable for Internal Audit (reviewing and reporting on actual performance against laid down standards and procedures), Security and Compliance, all of whom report routinely to the Audit Committee. Monitoring of controls and policies is undertaken by all levels of management and divisional managers regularly visit operations throughout the Group and review with local managers both the financial and business issues affecting the Group’s operations.

A Risk Committee has been established to direct risk management on a planned basis and to ensure that a system is in place for raising and dealing with matters reported by management. Throughout the year, the Group conducted a series of interviews and workshops

with senior management from all divisions and support functions. The risks identified by this process were assigned to those accountable; the mechanisms for controlling those risks were documented and actions taken to identify and implement measures to further reduce and/or eliminate those risks.

Information and Communication

The risk management workshops proved an effective means of disseminating and communicating information and further developing a risk management culture throughout the Group. It is anticipated that, together with site visits and briefings, they will remain the primary means of communication for risk management purposes.

(3) Audit Committee and Auditors

The Audit Committee, comprising all the Non-Executive Directors, has specific terms of reference which deal with its authority and duties. It meets three times a year with the internal and external auditors attending by invitation. The Committee oversees the monitoring of the adequacy of the Group’s internal controls, accounting policies and financial reporting and provides a forum through which the Group’s external auditors and internal audit function report to the Non-Executive Directors.

Independent Auditors' Report to the Members of Stanley Leisure plc

We have audited the Financial Statements on pages 30 to 51 which comprise the Consolidated Profit and Loss Account, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes (including the additional disclosures on pages 20 to 23 relating to the remuneration of the Directors specified for our review by the Financial Services Authority), which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out in the statement of accounting policies on pages 27 and 28.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable U.K. law and accounting standards are set out in the Statement of Directors' Responsibilities on page 27.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements, U.K. Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

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 to you 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 or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, Finance Director's Review and the Corporate Governance statement.

We review whether the Corporate Governance statement on pages 24 and 25 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

We conducted our audit in accordance with 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 affairs of the Company and the Group at 29 April 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW
12 July 2001

Directors' Responsibilities

The Directors are required by the Companies Act 1985 to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the Financial Statements on pages 30 to 51 the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the Financial Statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Financial Statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for the maintenance and integrity of the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accounting Policies

Accounting Convention

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of certain properties and licences, and in accordance with applicable accounting standards.

Basis of Consolidation

The consolidated Financial Statements include those of the Company and all of its subsidiaries. Financial Statements are prepared for the financial year ending on the Sunday nearest to 30 April. For the current year this Sunday was 29 April 2001, resulting in a 52 week trading period. The results of businesses acquired or disposed of are accounted for from or to the effective date of acquisition or disposal.

Goodwill

Since 2 May 1999, goodwill arising on consolidation (being the excess of cost of acquisition over the fair value of net assets of subsidiaries at the date of acquisition) and purchased goodwill are capitalised and amortised over their estimated

useful economic lives, up to a maximum of 20 years, in accordance with FRS 10. Prior to 2 May 1999, goodwill was written off to reserves in the year in which it arose. This goodwill will be charged to the profit and loss account as appropriate on the subsequent disposal of the business to which it relates.

Turnover

Turnover represents total amounts staked by customers on betting activities, gross gaming yield from casino gaming activities and amounts receivable for goods and services provided exclusive of Value Added Tax.

Accounting Policies (continued)

Fixed Assets and Depreciation

The Group's properties are carried at an open market, existing use valuation including the benefit of casino and betting office licences where applicable.

The Group's properties are revalued by professionally qualified external valuers every five years with interim valuations performed at least every third year. The last full revaluation was at 3 May 1998. Net revaluation surpluses are credited to reserves.

No depreciation is provided on land. Depreciation on other assets is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned, at the following rates:

Freehold and long leasehold properties	2% per annum on a straightline basis
Short leasehold properties	Over the term of the associated lease on a straightline basis
In view of the high residual values of casino and betting office licences, properties are reviewed annually for potential impairment.	
Leasehold improvements	Over the shorter of the term of the associated lease or 50 years on a straightline basis
Fixtures, fittings and equipment	15-25% per annum on a reducing balance basis
Motor vehicles	25% per annum on a straightline basis

Gross interest costs incurred in funding the construction of properties are capitalised at the weighted average cost of the related borrowings during the period of construction.

Listed Investments

Listed investments held for long term strategic purposes are disclosed as fixed asset investments and stated at cost less provision for impairment. Other listed investments are stated at the lower of cost and mid-market value at the balance sheet date.

Pension Costs

The costs of contributions to the Group's defined benefit pension arrangements are charged to the profit and loss account on a systematic basis allowing the expected pension costs to be spread over the remaining service lives of the scheme members, as calculated by a qualified independent actuary.

The costs of the Group's defined contribution pension arrangements are charged to the profit and loss account on the basis of contributions payable in respect of the accounting period.

Foreign Currencies

The balance sheets of the overseas undertakings are translated into sterling at the rates ruling at the year end. Trading results are translated into sterling at the average rates ruling during the year. Translation differences arising on foreign currency loans which finance investments in overseas undertakings are offset against the differences arising on the retranslation at closing rates of the opening net assets and trading results of those undertakings and the resulting translation differences are accounted for through reserves.

Differences on exchange arising in the normal course of trading are dealt with in the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Operating Leases

The cost of operating leases is charged to the profit and loss account as incurred.

Leased Assets

Assets subject to finance leases or hire purchase agreements are shown as fixed assets and depreciated over the asset life. The corresponding liability for the capital element is shown as a finance lease or hire purchase creditor and the interest element is charged to the profit and loss account over the period of the lease or agreement.

Taxation

Corporation tax is provided on the assessable profits of the Group at the appropriate rates in force.

Provision is made at anticipated future rates in respect of taxation liabilities deferred, to the extent that they are expected to crystallise within the foreseeable future.

Financial Instruments

The Group uses instruments to hedge the risk associated with interest rates. Interest differentials on financial instruments are recognised by adjusting net interest payable. Gains or losses on the hedges are recognised in the period to which they relate.

Costs of arranging debt finance are amortised over the life of the related borrowing facilities.

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Consolidated Profit and Loss Account

for the year ended 29 April 2001

	notes	Pre goodwill amortisation £'000	Goodwill amortisation £'000	2001 £'000	2000 £'000
Turnover	1				
Continuing operations		596,216	–	596,216	571,391
– Acquisitions		15,464	–	15,464	–
		611,680	–	611,680	571,391
Cost of sales	1	(566,614)	–	(566,614)	(524,872)
Gross profit	1	45,066	–	45,066	46,519
Net operating expenses	1	(5,047)	(1,759)	(6,806)	(5,981)
Operating profit by division					
Betting		20,867	–	20,867	18,708
Gaming		27,377	(885)	26,492	25,682
Internet		(3,875)	(874)	(4,749)	(112)
Other activities		(4,350)	–	(4,350)	(3,740)
Operating profit	1	38,794	(1,759)	37,035	40,538
Continuing operations		38,794	(1,759)	37,035	40,538
– Acquisitions		1,225	–	1,225	–
Profit on ordinary activities before interest	1	40,019	(1,759)	38,260	40,538
Net interest payable	4	(13,206)	–	(13,206)	(12,015)
Profit on ordinary activities before taxation	1,2	26,813	(1,759)	25,054	28,523
Taxation on profit on ordinary activities	5	(8,980)	–	(8,980)	(8,908)
Profit on ordinary activities after taxation		17,833	(1,759)	16,074	19,615
Minority equity interests		(161)	–	(161)	(281)
Profit for the financial year		17,672	(1,759)	15,913	19,334
Dividends	6	(6,748)	–	(6,748)	(6,242)
Retained profit for the year	18	10,924	(1,759)	9,165	13,092
EBITDA				48,662	48,617
Earnings per share	7			14.2p	17.3p
Diluted earnings per share	7			14.1p	17.2p

The accounting policies on pages 27 and 28 and the notes on pages 36 to 51 form part of these Financial Statements.

Balance Sheets

as at 29 April 2001

	notes	Group		Company	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fixed assets					
Intangible assets – Goodwill	8	23,204	24,893	–	–
Tangible assets	9	449,675	426,133	18,184	12,472
Investments	10	71	71	152,635	152,635
		472,950	451,097	170,819	165,107
Current assets					
Stocks	11	1,485	1,512	22	13
Debtors	12	5,936	3,742	137,290	105,520
Investments	10	7	7	5	5
Cash at bank and in hand		22,021	7,827	941	3
		29,449	13,088	138,258	105,541
Creditors					
Amounts falling due within one year	13	(67,993)	(49,895)	(48,186)	(28,491)
Net current assets/(liabilities)		(38,544)	(36,807)	90,072	77,050
Total assets less current liabilities		434,406	414,290	260,891	242,157
Creditors					
Amounts falling due after more than one year	14	(173,618)	(163,643)	(172,517)	(162,690)
Provisions for liabilities and charges					
Deferred taxation	16	(2,789)	(2,605)	(619)	(496)
Net assets		257,999	248,042	87,755	78,971
Capital and reserves					
Called up share capital	17	28,114	28,105	28,114	28,105
Share premium account	18	16,187	16,126	16,187	16,126
Revaluation reserve	18	95,882	96,032	11	11
Capital reserve	18	5,304	5,304	–	–
Other reserves	18	23,922	23,922	23,668	23,668
Profit and loss account	18	88,324	78,398	19,775	11,061
Equity shareholders' funds		257,733	247,887	87,755	78,971
Minority equity interests		266	155	–	–
Total funds employed		257,999	248,042	87,755	78,971

The accounting policies on pages 27 and 28 and the notes on pages 36 to 51 form part of these Financial Statements.

Approved by the Board on 12 July 2001.

L. Steinberg
A. M. Riddy

Statement of Total Recognised Gains and Losses

for the year ended 29 April 2001

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Profit for the financial year	15,913	19,334	15,462	10,651
Currency translation	611	(892)	–	–
Total net gains recognised in the year	16,524	18,442	15,462	10,651

Reconciliation of Movements in Equity Shareholders' Funds

for the year ended 29 April 2001

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Profit for the financial year	15,913	19,334	15,462	10,651
Dividends	(6,748)	(6,242)	(6,748)	(6,242)
Retained profit for the financial year	9,165	13,092	8,714	4,409
Issue of share capital including share premium	70	2,511	70	2,511
Contributions in respect of shares issued under Qualifying Employee Share Ownership Trust	–	(927)	–	(111)
Currency translation	611	(892)	–	–
Net addition to equity shareholders' funds	9,846	13,784	8,784	6,809
Opening equity shareholders' funds	247,887	234,103	78,971	72,162
Closing equity shareholders' funds	257,733	247,887	87,755	78,971

As permitted by section 230(i) Companies Act 1985, the Company has not presented its own profit and loss account. The profit attributable to members dealt with in the accounts of the Company was £15,462,000 (2000 – £10,651,000).

Historical Cost Profits and Losses

There is no material difference between the reported profit before taxation and the historical cost profit before taxation.

Consolidated Cash Flow Statement

for the year ended 29 April 2001

	notes	2001 £'000	2000 £'000
Net cash inflow from operating activities	A	56,985	45,051
Dividends received from associates		35	18
Returns on investments and servicing of finance	B	(12,381)	(13,410)
Taxation		(8,751)	(12,346)
Capital expenditure and financial investment	B	(15,959)	(14,657)
Acquisitions	B	(7,587)	(79,657)
Total dividends paid	B	(6,406)	(7,684)
Net cash inflow/(outflow) before use of liquid resources and financing		5,936	(82,685)
Financing – issue of ordinary shares		70	1,206
– increase in debt	B	12,786	77,353
Net cash inflow from financing		12,856	78,559
Increase/(decrease) in cash in the year		18,792	(4,126)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		18,792	(4,126)
Increase in debt in the year		(12,786)	(75,553)
Decrease/(increase) in net debt resulting from cash flows	C	6,006	(79,679)
Loans and finance leases acquired with subsidiaries		–	(23,128)
Loan notes issued	C	(2,129)	–
Other non-cash changes		(1,149)	(261)
Currency translation	C	17	65
Decrease/(increase) in net debt		2,745	(103,003)
Net debt at the start of the year		(173,767)	(70,764)
Net debt at the end of the year	C	(171,022)	(173,767)

Notes to the Consolidated Cash Flow Statement

for the year ended 29 April 2001

	2001	2000
	£'000	£'000
A Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	38,260	40,538
Depreciation	7,988	6,973
Amortisation	1,759	958
Loss on sale of tangible fixed assets	655	148
Decrease/(increase) in stocks	46	(35)
Increase in debtors	(1,939)	(124)
Increase/(decrease) in creditors	10,251	(3,389)
Income from interests in associated companies	(35)	(18)
Net cash inflow from operating activities	56,985	45,051
B Analysis of cash flows for headings netted in the consolidated cash flow statement		
	2001	2000
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	298	254
Interest paid	(12,298)	(11,757)
Debt finance costs	-	(1,800)
Interest element of finance lease repayments	(131)	(107)
Dividends paid to minority shareholders	(250)	-
Net cash outflow from returns on investments and servicing of finance	(12,381)	(13,410)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(70)	-
Purchase of tangible fixed assets	(16,797)	(15,435)
Sale of tangible fixed assets	908	778
Net cash outflow for capital expenditure and financial investment	(15,959)	(14,657)
Acquisitions		
Purchase of subsidiary undertakings (note D)	(8,715)	(81,618)
Cash acquired with subsidiary undertakings (note D)	1,738	2,064
Deferred consideration in respect of prior year acquisitions	(610)	(103)
Net cash outflow for acquisitions	(7,587)	(79,657)
Total dividends paid		
Capital Corporation PLC dividends paid	-	(2,033)
Equity dividends paid	(6,406)	(5,651)
Total dividends paid	(6,406)	(7,684)
Financing		
Issue of ordinary shares	70	1,206
Debts due within one year:		
Loans raised	-	11,250
Debts due after more than one year:		
Loans raised	25,000	164,250
Repayment of loans	(11,508)	(97,500)
Capital element of finance lease repayments	(706)	(647)
	12,786	77,353
Net cash inflow from financing	12,856	78,559

	2000	Cash flow	Other non-cash changes	Currency translation	2001
	£'000	£'000	£'000	£'000	£'000
C Analysis of net debt					
Cash in hand and at bank	7,827	14,123	-	71	22,021
Overdrafts	(6,415)	4,669	-	-	(1,746)
	1,412	18,792	-	71	20,275
Debts due within one year	(11,425)	11,508	(17,614)	(51)	(17,582)
Debts due after more than one year	(162,562)	(25,000)	14,922	-	(172,640)
Finance leases	(1,192)	706	(586)	(3)	(1,075)
Total	(173,767)	6,006	(3,278)	17	(171,022)
Other non-cash changes comprise:					
Deferred consideration – loan notes (note 22)					2,129
Finance leases raised					586
Amortisation of debt finance costs					563
					3,278
D Purchase of subsidiary undertakings					£'000
Fair value of assets acquired:					
Tangible fixed assets					9,905
Stocks					16
Debtors					175
Cash at bank and in hand					1,738
Creditors					(777)
Corporation tax					(201)
Deferred tax					(12)
Total					10,844
Satisfied by:					
Cash					8,715
Deferred consideration – loan notes (note 22)					2,129
Total					10,844

Notes to the Financial Statements

1	Segmental information	Continuing	Continuing	Year to	Year to
		operations	operations	29 April 2001	30 April 2000
		£'000	£'000	£'000	£'000
Turnover					
	Betting division	466,901	13,518	480,419	453,332
	Gaming division	125,098	1,946	127,044	117,645
	Internet	4,072	–	4,072	250
	Other activities	145	–	145	164
	Total	596,216	15,464	611,680	571,391
	Cost of sales	(552,375)	(14,239)	(566,614)	(524,872)
	Gross profit	43,841	1,225	45,066	46,519
Net operating expenses					
	Administration expenses	(5,960)	–	(5,960)	(4,261)
	Administration expenses – exceptional reorganisation costs	–	–	–	(1,607)
	Other operating income	1,532	–	1,532	974
	Income from interests in associated undertakings	35	–	35	18
	Income from listed investments	1	–	1	1
	Loss on sale of tangible assets	(655)	–	(655)	(148)
	Net operating expenses pre goodwill amortisation	(5,047)	–	(5,047)	(5,023)
	Administration expenses – goodwill amortisation	(1,759)	–	(1,759)	(958)
	Net operating expenses	(6,806)	–	(6,806)	(5,981)
	Operating profit	37,035	1,225	38,260	40,538
Total administration expenses including exceptional items and goodwill amortisation amount to £7,719,000 (2000 – £6,826,000).					
Analysis of profit on ordinary activities before taxation					
	Betting division	20,099	768	20,867	18,708
	Gaming division				
	Pre goodwill amortisation	26,920	457	27,377	26,528
	Goodwill amortisation	(885)	–	(885)	(846)
	Including goodwill amortisation	26,035	457	26,492	25,682
	Internet				
	Pre goodwill amortisation	(3,875)	–	(3,875)	–
	Goodwill amortisation	(874)	–	(874)	(112)
	Including goodwill amortisation	(4,749)	–	(4,749)	(112)
	Other activities	(4,350)	–	(4,350)	(3,740)
	Net interest payable	37,035	1,225	38,260	40,538
				(13,206)	(12,015)
				25,054	28,523
Substantially all of the Group's turnover and profit on ordinary activities before taxation arises within the U.K., Republic of Ireland and Jersey.					
Other activities comprise central costs.					
Net assets					
	Betting division			191,154	175,037
	Gaming division			224,036	200,644
	Internet			7,958	12,390
	Other activities			(165,149)	(140,029)
				257,999	248,042

2	Profit on ordinary activities before taxation	2001	2000
		£'000	£'000

Profit on ordinary activities before taxation is stated after charging/(crediting) the following:

Betting tax, betting levy and gaming duty	55,255	55,198
Depreciation (including £484,000 in respect of leased assets (2000 – £406,000))	7,988	6,973
Goodwill amortisation	1,759	958
Auditors' remuneration	128	110
Operating lease rentals – land and buildings	6,109	5,816
– plant and machinery	2,398	2,375
Exceptional reorganisation costs	–	1,607
Rents receivable	(644)	(639)

Depreciation includes £765,000 (2000 – £711,000) in respect of properties.

Fees payable to the auditors in the U.K. for non-audit services in 2001 were £164,000 (2000 – £435,000). Fees payable by the Company for auditors' remuneration were £14,000 (2000 – £15,000). All non-audit fees were incurred by the Company.

3	Employees and staff costs	2001	2000
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The average number of persons employed by the Group during the year was as follows:

Betting division	3,007	2,914
Gaming division	3,129	2,794
Internet	38	–
Other activities	61	59
	6,235	5,767
	2001	2000
	£'000	£'000

Employee costs including Directors were as follows:

Wages and salaries	75,828	65,905
Social security costs	6,074	5,328
Other pension costs	1,757	1,629
	83,659	72,862

Notes to the Financial Statements (continued)

	2001 £'000	2000 £'000
4 Net interest payable		
Interest payable:		
Bank loans, overdrafts and other loans wholly repayable within five years	12,850	11,608
Amortisation of debt finance costs	563	562
Finance lease	131	107
Interest receivable	(338)	(262)
	13,206	12,015

	2001 £'000	2000 £'000
5 Taxation on profit on ordinary activities		
U.K. corporation tax:		
Current tax at 30.0% (2000 – 30.0%) on profit for the year	8,207	8,084
Adjustment in respect of prior years	(235)	(50)
U.K. deferred taxation (note 16)	167	325
	8,139	8,359
Foreign tax:		
Non-U.K. corporation tax payable at various rates	841	540
Non-U.K. deferred taxation	–	9
	8,980	8,908

The effective tax rate is commented upon in the Finance Director's Review on page 15.

	2001 £'000	2000 £'000
6 Dividends		
Interim dividend of 1.9p per share paid on 28 February 2001 (2000 – 1.75p)	2,136	1,972
Proposed final dividend of 4.1p per share payable on 17 September 2001 (2000 – 3.8p)	4,612	4,270
	6,748	6,242

The proposed final dividend of £4,612,000 is calculated on 112,489,833 Ordinary Shares in issue at 11 July 2001 and ranking for dividend.

7 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of £15,913,000 (2000 – £19,334,000) by the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the financial year of £15,913,000 (2000 – £19,334,000) and the weighted average number of shares in issue are adjusted to assume the exercise of options over shares.

	2001 '000	2000 '000
Weighted average number of shares:		
Basic	112,430	112,022
Dilution adjustment for share options	362	279
	112,792	112,301

8 Intangible assets – Goodwill

	£'000
Cost	
At 30 April 2000	25,851
Additions	70
	25,921
At 29 April 2001	25,921
Amortisation	
At 30 April 2000	(958)
Charge for the year	(1,759)
	(2,717)
At 29 April 2001	(2,717)
Net book amount	
At 29 April 2001	23,204
At 30 April 2000	24,893

Intangible assets consist of goodwill arising on acquisitions since 2 May 1999. Goodwill is being amortised over periods of 10-20 years, being the Directors' estimate of their useful economic lives.

Notes to the Financial Statements (continued)

9 Tangible assets	Properties			Leasehold improvements	Fixtures, fittings and equipment	Motor vehicles	Total
	Freehold	Long lease	Short lease				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group							
Cost or valuation							
At 30 April 2000	192,651	20,836	173,950	8,229	63,921	2,148	461,735
Additions	1,934	2,668	196	419	16,650	743	22,610
Acquisitions	1,465	–	8,052	–	365	23	9,905
Disposals	(119)	–	(55)	(64)	(6,448)	(549)	(7,235)
Currency translation	109	56	300	43	143	5	656
Reclassifications	(524)	871	(359)	12	–	–	–
At 29 April 2001	195,516	24,431	182,084	8,639	74,631	2,370	487,671
At cost	86,832	4,090	66,872	8,639	74,631	2,370	243,434
At valuation	108,684	20,341	115,212	–	–	–	244,237
Depreciation							
At 30 April 2000	1,506	41	158	3,088	30,126	683	35,602
Charge for the year	558	44	163	389	6,230	604	7,988
Disposals	(1)	–	(1)	(33)	(5,346)	(291)	(5,672)
Currency translation	1	–	1	9	65	2	78
At 29 April 2001	2,064	85	321	3,453	31,075	998	37,996
Net book amount							
At 29 April 2001	193,452	24,346	181,763	5,186	43,556	1,372	449,675
At 30 April 2000	191,145	20,795	173,792	5,141	33,795	1,465	426,133

Amounts in respect of motor vehicles include assets at a cost of £1,951,000 (2000 – £1,778,000) and accumulated depreciation of £803,000 (2000 – £502,000) for vehicles held under finance lease agreements.

Additions include interest of £390,000 (2000 – £72,000) capitalised on the construction of properties.

The Group's properties were revalued by Dunlop Heywood, Consultant Surveyors, at 3 May 1998, in accordance with the RICS Appraisal and Valuation Manual, on an open market and fully operational basis for their existing use, including the benefit of casino and betting office licences. An interim valuation was performed as at 29 April 2001 by Dunlop Heywood and no adjustment to the 3 May 1998 valuation was considered necessary.

2001	2000
£'000	£'000

If stated under historical cost principles, the comparable amounts would be as follows:

Cost of properties and associated licences	305,849	291,255
Aggregate depreciation	(2,170)	(1,555)
	303,679	289,700

9 Tangible assets (continued)

9 Tangible assets (continued)	Fixtures, fittings and equipment			Motor vehicles	Total
	Freehold property	£'000	£'000		
	£'000	£'000	£'000	£'000	£'000
Company					
Cost or valuation					
At 30 April 2000	3,548	17,446	449	21,443	
Additions	162	8,528	365	9,055	
Disposals	–	(6,296)	(334)	(6,630)	
At 29 April 2001	3,710	19,678	480	23,868	
At cost	3,189	19,678	480	23,347	
At valuation	521	–	–	521	
Depreciation					
At 30 April 2000	63	8,715	193	8,971	
Charge for the year	70	1,955	116	2,141	
Disposals	–	(5,268)	(160)	(5,428)	
At 29 April 2001	133	5,402	149	5,684	
Net book amount					
At 29 April 2001	3,577	14,276	331	18,184	
At 30 April 2000	3,485	8,731	256	12,472	
Amounts in respect of motor vehicles include assets at a cost of £353,000 (2000 – £322,000) and accumulated depreciation of £129,000 (2000 – £119,000) for vehicles held under finance lease agreements.					
			2001	2000	
			£'000	£'000	

If stated under historical cost principles, the comparable amounts would be as follows:

Cost of properties	3,699	3,537
Aggregate depreciation	(133)	(63)
	3,566	3,474

Notes to the Financial Statements (continued)

	Group		Company			
	Associated undertakings	Listed investments – current	Associated undertakings	Shares in subsidiary undertakings	Total	Listed investments – current
	£'000	£'000	£'000	£'000	£'000	£'000
At 30 April 2000	71	7	71	152,564	152,635	5
Dividends received	(35)	–	–	–	–	–
Retained profit for the year	35	–	–	–	–	–
At 29 April 2001	71	7	71	152,564	152,635	5

The Company holds 35% of the issued share capital of L Stanley (Bermuda) Limited, a company engaged in the running of a weekly fixed odds coupon, incorporated in Bermuda. The interest in this undertaking comprises 4,200 shares of \$1 at cost plus the share of undistributed profits since incorporation.

Shares in subsidiary undertakings

The following principal trading subsidiaries were wholly owned either directly or indirectly by the Company at 29 April 2001 and are included within the consolidated Financial Statements for the year then ended.

Directly owned	Activity	Country of incorporation and operation
Stanley Racing Limited	Licensed betting offices	England
L Stanley Limited	Licensed betting offices	Northern Ireland
B J O'Connor Limited	Licensed betting offices	Jersey
Indirectly owned	Activity	Country of incorporation and operation
Stanley Casinos Limited	Casino operator	England
Crockfords Club Limited	Casino operator	England
The Colony Club Limited	Casino operator	England
Cromwell Sporting Enterprises Limited	Casino operator	England
L Stanley (IoM) Limited	Licensed betting offices	Isle of Man
Stanley Racing (Ireland) Limited	Licensed betting offices	Republic of Ireland
Stanley Leisure Trading (Malta) Limited	Internet sports betting	Malta
Advanced Technologies Ltd	Online gaming	Dominica

The Company has a 50% holding in the ordinary share capital of Stanley International Betting Limited, a U.K. company engaged in the acceptance of bets from Europe, principally Italy. Stanley International Betting Limited is accounted for as a subsidiary because of the dominant influence of the Company over the management of its operation.

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000

11 Stocks				
Consumables	767	768	22	13
Goods for resale	718	744	–	–
	1,485	1,512	22	13

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000

12 Debtors				
Trade debtors	533	484	–	–
Amounts due from subsidiary undertakings	–	–	135,949	104,572
Other debtors	2,179	606	–	–
Prepayments and accrued income	3,224	2,652	1,341	948
	5,936	3,742	137,290	105,520

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000

13 Creditors – amounts falling due within one year				
Bank overdrafts	1,746	6,415	7,852	175
Bank loans	15,453	11,425	15,188	10,688
Trade creditors	12,677	3,900	7,671	1,880
Amounts due to subsidiary undertakings	–	–	10,568	10,268
Finance lease creditors	490	481	79	81
Taxation and social security	18,542	13,575	83	64
Other creditors – loan notes (note 22)	2,129	–	–	–
Accruals and deferred income	12,344	9,829	2,133	1,065
Proposed dividend	4,612	4,270	4,612	4,270
	67,993	49,895	48,186	28,491

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000

14 Creditors – amounts falling due after more than one year				
Bank loans repayable in between one and two years	17,703	15,187	17,438	15,187
Bank loans repayable in between two and five years	154,937	147,375	154,937	147,375
Finance lease creditors repayable in between one and two years	486	383	74	35
Finance lease creditors repayable in between two and five years	99	328	68	93
Taxation	393	270	–	–
Other creditors	–	100	–	–
	173,618	163,643	172,517	162,690

Notes to the Financial Statements (continued)

15 Financial Instruments

Financial assets	Financial assets on		Total £'000	
	Floating rate financial assets £'000	which no interest is received £'000		
2001				
Currency				
Sterling	9,717	10,559	20,276	
US dollar	–	1,089	1,089	
Euro currencies	585	71	656	
	10,302	11,719	22,021	
2000				
Currency				
Sterling	2,753	4,313	7,066	
US dollar	–	–	–	
Euro currencies	640	121	761	
	3,393	4,434	7,827	
Financial liabilities	Fixed rate financial liabilities		Floating rate	Total £'000
	Weighted average interest rate %	Number of years for which rate is fixed	Amount £'000	
2001				
Currency				
Sterling	5.7	2.2	75,137	119,046
Euro currencies	5.5	0.3	17	530
			75,154	119,576
2000				
Currency				
Sterling	5.9	3.1	74,160	108,915
Euro currencies	10.0	1.5	32	737
			74,192	109,652

Short term debtors and creditors are excluded from the above. Floating rate financial assets and liabilities are at interest rates determined in advance for periods of up to one month based on LIBOR equivalents. There are no fixed rate financial assets. Financial assets on which no interest is received are available immediately.

15 Financial Instruments (continued)

Maturity profile	Within	Between	Between	Total £'000
	one year £'000	one and two years £'000	two and five years £'000	
2001				
Sterling overdrafts	1,746	–	–	1,746
Sterling bank loans	15,750	18,000	155,500	189,250
Sterling loan notes (note 22)	2,129	–	–	2,129
Euro currency bank loans	265	265	–	530
Sterling finance lease	473	486	99	1,058
Euro currency finance lease	17	–	–	17
	20,380	18,751	155,599	194,730
Debt finance costs	(562)	(562)	(563)	(1,687)
	19,818	18,189	155,036	193,043
2000				
Sterling overdrafts	6,415	–	–	6,415
Sterling bank loans	11,250	15,750	148,500	175,500
Euro currency bank loans	737	–	–	737
Sterling hire purchase	459	373	328	1,160
Euro currency hire purchase	22	10	–	32
	18,883	16,133	148,828	183,844
Debt finance costs	(562)	(563)	(1,125)	(2,250)
	18,321	15,570	147,703	181,594

Unsecured borrowing facilities

The Group has £6,350,000 (2000 – £6,234,000) committed borrowing facilities which are subject to annual renewal and bear interest at floating rates.

The Group has a five year revolving credit and term loan facility dated 30 March 1999. This facility comprises a revolving credit facility of £125,000,000 and a term loan of £90,000,000 both of which bear interest at floating rates of between 0.7% and 1.5% above LIBOR.

The Group has a three year loan facility of IRE£1,000,000 repayable in three annual instalments, which bears interest at floating rates.

The loan notes are described in note 22.

A description of the Group's treasury policy is given within the Finance Director's Review on page 14. Also included in this review are details of the interest rate instruments in place at 29 April 2001.

Fair values

There were no significant differences between book amounts and fair market values of any of the Group's financial assets and liabilities except for interest rate swaps, the fair value of which was a liability of £805,000 (2000 – asset £578,000).

Notes to the Financial Statements (continued)

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000

Deferred taxation liability:

Accelerated capital allowances	2,789	2,605	619	496
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The full potential liability to deferred taxation in respect of accelerated capital allowances for the Group is £3,495,000 (2000 – £2,929,000) and for the Company £710,000 (2000 – £535,000).

No provision is made for taxation in respect of liabilities which might arise on the distribution of earnings retained overseas, because the availability of double tax relief will ensure that no significant U.K. tax will be payable on any earnings intended to be remitted to the U.K. in the foreseeable future. No provision has been made for potential Group capital gains tax payable of £19,000,000 (2000 – £19,000,000) if properties were to be sold at their revalued amounts as there is no intention to dispose of the properties in the foreseeable future.

	Group	Company
	£'000	£'000

The movements on the deferred taxation provision during the year were as follows:

At 30 April 2000	2,605	496
Charge for the year	167	123
Acquisitions	12	–
Currency translation	5	–

At 29 April 2001	2,789	619
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17 Share capital

Authorised:

160 million (2000 – 160 million) ordinary shares of 25p each	40,000	40,000
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Allotted, issued and fully paid:

At 30 April 2000 – 112,418,794 shares of 25p each	28,105	27,851
Issues in respect of acquisitions	–	37
Savings Related and Executive share options (37,180)	9	217

At 29 April 2001 – 112,455,974 shares of 25p each	28,114	28,105
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£70,000 of cash consideration was received in respect of the shares issued in the year. The associated premiums on the share issues in the year have been taken to the share premium account (note 18).

At the end of the year, there remained in force a shareholders' authority for the Company to make purchases of its own shares. No such purchases were made either during the year, or subsequently to the date of this report.

17 Share capital (continued)

Share Options

At 29 April 2001, options were held by employees in respect of 4,085,316 ordinary shares of 25p (2000 – 4,768,784) analysed as follows:

	Number of shares	Option price per share p	Exercisable
The Stanley Leisure plc 1986 Inland Revenue Approved Executive Share Option Scheme	7,182	95.05	25.02.1996 – 25.02.2003
	371,000	190.50	27.02.1998 – 27.02.2005
The Stanley Leisure plc 1996 Inland Revenue Approved Executive Share Option Scheme	629,300	257.50	19.02.2001 – 19.02.2008
	17,000	295.00	03.06.2001 – 03.06.2008
	9,850	303.50	15.09.2001 – 15.09.2008
	11,800	252.50	04.05.2002 – 04.05.2009
	2,150	270.00	14.07.2002 – 14.07.2009
	7,150	271.00	16.09.2002 – 16.09.2009
	25,694	233.50	04.11.2002 – 04.11.2009
	50,926	194.00	17.07.2003 – 17.07.2010
The Stanley Leisure plc 1999 Executive Share Option Scheme	88,200	252.50	04.05.2002 – 04.05.2009
	57,456	233.50	04.11.2002 – 04.11.2009
	109,074	194.00	17.07.2003 – 17.07.2010
The Stanley Leisure plc 1996 Inland Revenue Approved Savings Related Share Option Scheme	264,727	239.00	21.02.2002 – 21.08.2002
	944,042	164.00	01.05.2003 – 31.10.2003
	1,421,706	164.00	01.05.2005 – 31.10.2005
The Stanley Leisure plc 1996 Overseas Savings Related Share Option Scheme	23,345	239.00	21.02.2002 – 21.08.2002
	15,747	164.00	01.05.2003 – 31.10.2003
	28,967	164.00	01.05.2005 – 31.10.2005
Total options held	4,085,316		

Notes to the Financial Statements (continued)

18 Reserves	Share premium	Revaluation	Capital	Other	Profit and
	account	reserve	reserve	reserves	loss account
	£'000	£'000	£'000	£'000	£'000
Group					
At 30 April 2000	16,126	96,032	5,304	23,922	78,398
Transfer of depreciation on Revaluation reserve	-	(150)	-	-	150
Savings Related and Executive share options	61	-	-	-	-
Currency translation	-	-	-	-	611
Retained profit	-	-	-	-	9,165
At 29 April 2001	16,187	95,882	5,304	23,922	88,324
Company					
At 30 April 2000	16,126	11	-	23,668	11,061
Savings Related and Executive share options	61	-	-	-	-
Retained profit	-	-	-	-	8,714
At 29 April 2001	16,187	11	-	23,668	19,775

Goodwill in aggregate of £625,000 (2000 – £625,000) has been charged against other reserves in respect of years prior to 2 May 1999. £316,000 of translation differences on foreign currency loans (2000 – £595,000) have been offset against the translation differences on the net investment in overseas undertakings.

The Company has not disclosed details of transactions with other Group companies as permitted by FRS 8.

19 Capital commitments

Capital expenditure contracted for but not provided in the accounts at 29 April 2001 amounted to £5,098,000 (2000 – £9,715,000).

20 Operating lease commitments

The Group has short term operating lease commitments in respect of plant and machinery all of which terminate within one year. The rentals payable under the leases in the next year are £2,298,000 (2000 – £2,275,000).

The Group has operating lease commitments in respect of certain land and buildings on short and long term leases. The rentals payable under the leases in the next year are as follows:-

	2001	2000
	£'000	£'000
On leases terminating:		
Within one year	388	386
Between two and five years	670	783
After five years	5,144	4,801
	6,202	5,970

21 Pension commitments

The Group currently operates three principal pension schemes; two defined contribution schemes and one defined benefit scheme. The assets of all three schemes are held separately from those of the Group. In respect of the defined contribution schemes, the pension cost charge represents contributions payable by the Group to the schemes and amounted to £829,000 (2000 – £778,000).

The defined benefit scheme provides benefits based on final pensionable earnings. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Group. The pension charge for the year in respect of the Group for the defined benefit scheme was £543,000 (2000 – £447,000).

The contributions are determined by a qualified independent actuary on the basis of triennial valuations using the attained age valuation method. The most recent formal valuation was at 1 May 1998. The valuation showed that the market value of the scheme's assets was £4,390,000 and the actuarial value of these assets represented 130% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

The main assumptions which affect the results of the valuation include an assumed rate of future investment returns of 9% per annum; an assumed rate of future salary growth of 7.5% per annum and for pensions in payment (which increase each year by 5% or the R.P.I. if less) an assumed rate of increase of 4.5% per annum.

Notes to the Financial Statements (continued)

	Book value on acquisition £'000	Fair value adjustments £'000	Provisional fair value to Group £'000
22 Acquisitions			
The Regency Bookmakers Group was acquired on 22 May 2000 by Stanley Racing Limited and accounted for as an acquisition in the following manner:			
Tangible fixed assets	1,359	5,704	7,063
Debtors	55	–	55
Cash at bank and in hand	644	–	644
Creditors	(279)	–	(279)
Corporation tax	(139)	–	(139)
	<u>1,640</u>	<u>5,704</u>	<u>7,344</u>
Cash			5,215
Deferred consideration – loan notes			<u>2,129</u>
Total consideration			7,344

The deferred consideration represents loan notes redeemable at par on or before 1 June 2005. Interest is payable twice yearly on the loan notes at an equivalent annual rate of 0.75% below the base lending rate.

Prior to acquisition, the profit after taxation of the Group for the eight months ended 22 May 2000 was £84,000 (profit of £211,000 for the year ended 30 September 1999).

	Book value on acquisition £'000	Fair value adjustments £'000	Provisional fair value to Group £'000
22 Acquisitions (continued)			
The Incomeactual Limited group of companies, which operated King's Casino in Great Yarmouth, was acquired on 30 June 2000 by Stanley Casinos Limited and accounted for as an acquisition in the following manner:			
Tangible fixed assets	50	2,792	2,842
Stocks	16	–	16
Debtors	120	–	120
Cash at bank and in hand	1,094	–	1,094
Creditors	(498)	–	(498)
Corporation tax	(62)	–	(62)
Deferred tax	(12)	–	(12)
	<u>708</u>	<u>2,792</u>	<u>3,500</u>
Cash consideration			<u>3,500</u>

Prior to acquisition, the profit after taxation of the Group for the eleven months ended 29 June 2000 was £372,000 (profit of £48,000 for the year ended 31 July 1999).

22 Acquisitions (continued)

The fair value adjustments arising on the above acquisitions principally comprise fair values provisionally attributed to licences. The businesses acquired during the year generated approximately £1,200,000 of the Group's net cash inflow from operating activities in the period since their acquisition.

	Regency £'000	King's £'000	Total £'000
The cash impact of acquisitions is as follows:			
Cash at bank and in hand	644	1,094	1,738
Cash consideration	5,215	3,500	8,715
Cash cost of acquisitions	<u>4,571</u>	<u>2,406</u>	<u>6,977</u>

Five Year Financial Summary

	1997	1998	1999	2000	2001
	£'000	£'000	£'000	£'000	£'000
Turnover	406,795	454,904	468,470	571,391	611,680
Operating profit before exceptional items and goodwill amortisation	22,066	26,401	25,842	43,103	40,019
Exceptional items	(661)	–	–	(1,607)	–
Goodwill amortisation	–	–	–	(958)	(1,759)
Profit on ordinary activities before interest	21,405	26,401	25,842	40,538	38,260
Interest	(1,963)	(2,466)	(2,356)	(12,015)	(13,206)
Profit on ordinary activities before taxation	19,442	23,935	23,486	28,523	25,054
Taxation	(6,651)	(7,531)	(7,223)	(8,908)	(8,980)
Profit after taxation	12,791	16,404	16,263	19,615	16,074
Minority interests	–	5	(59)	(281)	(161)
Dividends	(4,413)	(5,108)	(5,518)	(6,242)	(6,748)
Retained profit for the year	8,378	11,301	10,686	13,092	9,165
Basic earnings per share	11.7p	14.8p	14.6p	17.3p	14.2p

Financial Calendar

2001

Ex-dividend date	22 August
Record date (i.e. qualifying date) for final dividend	24 August
Annual General Meeting	12 September
Final dividend payment	17 September

2002

Interim Report	January
Interim dividend payment	February
Preliminary announcement of final results	July

Website

The Group's investor relations website can be found at www.stanleyleisure.com.

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Data Protection

The Company and its U.K. group companies are registered under the Data Protection Act 1998.

Company Secretary and Registered Office

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