

Report and Accounts
Distinctive Clubs Limited

31 December 1997



Distinctive Clubs Limited

Registered No. 730625

DIRECTORS

T R Lloyd
P T Nunn
J Griffiths
J L Davey

SECRETARY

M J Noble

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

REGISTERED OFFICE

Maple Court
Central Park
Reeds Crescent
Watford
Herts WD1 1HZ

Distinctive Clubs Limited

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the company's accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The accounts for the year show a loss of £5,235 (1996 – profit of £250,491).

No dividend is recommended by the directors.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

During the year the company continued to act as a casino operator. Turnover for the year was £4,191,031 and the loss before taxation for the year was £5,235.

FUTURE DEVELOPMENTS

The company plans to continue its existing activities in forthcoming years.

FIXED ASSETS

The movements in respect of fixed assets during the year are set out in note 9 to the accounts.

SUPPLIER PAYMENT POLICY

The company agrees payment terms for its business transactions when goods and services are ordered. It ensures that suppliers are aware of the terms of payment and the relevant terms are included in contracts where appropriate. Subject to satisfactory performance by the supplier, arrangements are adhered to when making payments.

DIRECTORS AND THEIR INTERESTS

The current directors and those who served during the year ended 31 December 1997 are shown below:

| | |
|-------------|------------------------------|
| A M Love | (resigned 31 July 1998) |
| M D Bennett | (resigned 2 January 1998) |
| T R Lloyd | |
| P T Nunn | |
| J Griffiths | (appointed 6 May 1997) |
| J L Davey | (appointed 19 February 1998) |

According to the register kept by the company pursuant to section 325 of the Companies Act 1985 (excluding those directors who were also directors of Ladbroke Casinos Limited who were not required to notify the company of any interests in any shares or debentures) the directors at 31 December 1997 and their families:

(a) Had the following interests in the shares and debentures of Ladbroke Group PLC:

| | <i>31 December 1997</i> | <i>31 December 1996 or at date of appointment</i> |
|---|-----------------------------|---|
| | <i>No.</i> | <i>No.</i> |
| Options to purchase shares under the terms of the 1978 share option scheme ("1978 Scheme") | | |
| P T Nunn | 12,109 | 13,000 |
| Options to purchase shares under the terms of the International share option scheme ("International Scheme") | | |
| P T Nunn | 5,391 | – |

Distinctive Clubs Limited

DIRECTORS' REPORT

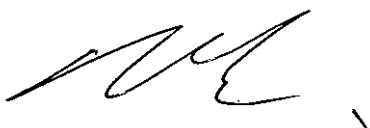
DIRECTORS AND THEIR INTERESTS (continued)

- (b) Were granted or exercised, during the year or period since appointment, options for the following shares of Ladbroke Group PLC:

| | <i>Shares under the terms of the</i> | | <i>International Scheme</i> | |
|----------|--------------------------------------|------------------|-----------------------------|------------------|
| | <i>1978 Scheme</i> | | | |
| | <i>Granted</i> | <i>Exercised</i> | <i>Granted</i> | <i>Exercised</i> |
| P T Nunn | 2,609 | 3,500 | 5,391 | — |

Except as shown above and excluding those directors who were also directors of Ladbroke Casinos Limited who were not required to notify the company of any interests in any shares or debentures, no director at 31 December 1997 held at that date or at 31 December 1996 or on appointment, any interest in, or during the year or period since appointment was granted or exercised a right to subscribe for, the shares or debentures of this company or of Ladbroke Group PLC or its subsidiaries.

By order of the board



Secretary

6 OCT 1998

Distinctive Clubs Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out on page 5 is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the financial year.

The directors consider that in preparing the accounts on pages 6 to 13 the company 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, subject to any explanations and any material departures disclosed in the notes to the accounts.

The accounts have been prepared on a going concern basis as the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

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

The directors have general responsibility for taking such steps as are reasonably open to them and which they deem appropriate to safeguard the assets of the company and to seek to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of Distinctive Clubs Limited

We have audited the accounts on pages 6 to 13, which have been prepared under the historical cost convention and on the basis of accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young.

Ernst & Young
Registered Auditor
London

6 OCT 1998

Distinctive Clubs Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

| | Notes | 1997 £ | 1996 £ |
|---|-------|-----------|-----------|
| TURNOVER | 2 | 4,191,031 | 4,095,075 |
| Cost of sales | | 3,542,648 | 3,186,139 |
| GROSS PROFIT | | 648,383 | 908,936 |
| Net operating expenses | | 714,291 | 698,824 |
| OPERATING (LOSS)/PROFIT | 3 | (65,908) | 210,112 |
| Interest receivable | 6 | 66,673 | 40,755 |
| Interest payable | 7 | (6,000) | (376) |
| | | 60,673 | 40,379 |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (5,235) | 250,491 |
| Tax on profit/(loss) on ordinary activities | 8 | — | — |
| RETAINED (LOSS)/PROFIT FOR THE YEAR | | (5,235) | 250,491 |
| Retained loss brought forward | | (253,959) | (504,450) |
| RETAINED LOSS CARRIED FORWARD | | (259,194) | (253,959) |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Turnover and the operating loss (1996 – profit) derive entirely from continuing operations. No recognised gains or losses other than the loss (1996 – profit) arose during the year.

Distinctive Clubs Limited

BALANCE SHEET

at 31 December 1997

| | | 1997 £ | 1996 £ |
|--|----|-----------|-----------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 378,417 | 545,890 |
| CURRENT ASSETS | | | |
| Stocks | 10 | 36,672 | 27,018 |
| Debtors | 11 | 1,388,113 | 1,053,469 |
| Cash at bank and in hand | | 1,168,672 | 738,761 |
| | | 2,593,457 | 1,819,248 |
| CREDITORS: amounts falling due within one year | 12 | 2,791,279 | 2,186,538 |
| NET CURRENT LIABILITIES | | (197,822) | (367,290) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 180,595 | 178,600 |
| CREDITORS: amounts falling due after more than one year | 13 | 22,000 | 14,770 |
| | | 158,595 | 163,830 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 417,789 | 417,789 |
| Profit and loss account | 16 | (259,194) | (253,959) |
| Equity Shareholders' Funds | | 158,595 | 163,830 |


Director

- 6 OCT 1998

Distinctive Clubs Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Leased assets

Where assets are held under finance leases, the capital element of the rental obligations is included in creditors and assets are held in the balance sheet at cost, being the capital element of rental obligations as at the inception of the lease, less depreciation in accordance with the company's normal accounting policies. The finance charge element of rentals payable is charged to the profit and loss account in proportion to the future obligations outstanding.

Depreciation

Tangible assets which include motor vehicles, equipment and other miscellaneous assets are depreciated on a straight line basis at the following rates:

| | | |
|---------------------|---|-----------|
| Plant and equipment | — | 2–8 years |
| Refurbishment | — | 10 years |
| Motor vehicles | — | 4 years |

These rates are considered appropriate to write down costs to a residual value on a straight line basis over the term of their estimated useful lives.

Stock

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

Taxation

Deferred taxation is provided using the liability method in respect of taxation liabilities deferred for any reason to the extent that it is probable such liabilities will crystallise.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains or losses arising on translation are reported as part of the operating result of the year.

Pension fund

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the fund and amounted to £10,942 (1996 – £13,360). Contributions amounting to £2,093 were payable to the fund at the end of the year and are included in creditors (1996 – £5,171).

2. TURNOVER

Turnover represents membership subscriptions, gaming wins and catering receipts net of Value Added Tax and before deduction of Gaming Duty. All turnover is derived within the United Kingdom.

Distinctive Clubs Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

3. OPERATING PROFIT/(LOSS)

This is stated after charging:

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| Depreciation of tangible fixed asset — owned | 170,206 | 171,185 |
| — leased | 7,532 | 2,591 |
| Auditors' remuneration | — | 8,500 |
| Directors' emoluments (note 4) | 108,119 | 98,865 |
| Leasehold property rents | 179,374 | 150,000 |
| Management charge payable to fellow subsidiary | 299,952 | 219,477 |

4. DIRECTORS' EMOLUMENTS

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| Emoluments | 108,119 | 98,865 |
| Company contributions paid to money purchase schemes | 3,135 | 2,745 |

| | 1997 No. | 1996 No. |
|---|-------------|-------------|
| Members of money purchase pension schemes | 3 | 3 |

5. STAFF COSTS

| | 1997 £ | 1996 £ |
|----------------------------------|-----------|-----------|
| Wages and salaries | 2,172,272 | 1,984,311 |
| Employer's social security costs | 209,271 | 190,908 |
| Employer's pension costs | 10,942 | 13,360 |
| | 2,392,485 | 2,188,579 |

The average number of employees during the year was as follows:

| | No. | No. |
|-----------|-----|-----|
| Full time | 106 | 121 |
| Part time | 3 | 4 |
| | 109 | 125 |

Distinctive Clubs Limited

NOTES TO THE ACCOUNTS at 31 December 1997

6. INTEREST RECEIVABLE

| | 1997 £ | 1996 £ |
|-----------------------|-----------|-----------|
| Intercompany interest | 66,673 | 40,755 |

7. INTEREST PAYABLE

| | 1997 £ | 1996 £ |
|------------------------|-----------|-----------|
| Lease finance interest | 6,000 | 376 |

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

No provision has been made in these accounts for UK Corporation tax, as an undertaking has been received from its ultimate parent undertaking, Ladbroke Group PLC, that the latter will assume all liability for any such taxation which may include covering such tax liabilities with surrenders of group relief of ACT free of charge.

9. TANGIBLE FIXED ASSETS

| | <i>Furniture, fixtures, fittings & equipment</i> £ | <i>Motor vehicles</i> £ | <i>Total</i> £ |
|--------------------------|---|--------------------------------|-------------------|
| Cost or Valuation: | | | |
| At 31 December 1996 | 1,301,935 | 24,869 | 1,326,804 |
| Additions | 12,060 | 15,790 | 27,850 |
| Disposals | (17,585) | — | (17,585) |
| At 31 December 1997 | 1,296,410 | 40,659 | 1,337,069 |
| Depreciation: | | | |
| At 31 December 1996 | 778,323 | 2,591 | 780,914 |
| Provided during the year | 170,206 | 7,532 | 177,738 |
| At 31 December 1997 | 948,529 | 10,123 | 958,652 |
| Net book value: | | | |
| At 31 December 1997 | 347,881 | 30,536 | 378,417 |
| At 31 December 1996 | 523,612 | 22,278 | 545,890 |

Assets held under finance leases had a net book value of £22,278 (1996 – £nil).

Distinctive Clubs Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

10. STOCKS

| | 1997 £ | 1996 £ |
|----------------|-----------|-----------|
| Trading stocks | 36,672 | 27,018 |

The directors are of the opinion that the replacement value of these stocks is not significantly different from the values stated in the accounts.

11. DEBTORS: amounts falling due within one year

| | 1997 £ | 1996 £ |
|-------------------------------------|------------------|------------------|
| Trade debtors | 71 | 587 |
| Amounts due from group undertakings | 1,060,052 | 1,000,388 |
| Other debtors | 1,016 | 7,618 |
| Prepayments | 51,499 | 44,876 |
| Deferred revenue expenditure | 275,475 | — |
| | <u>1,388,113</u> | <u>1,053,469</u> |

12. CREDITORS: amounts falling due within one year

| | 1997 £ | 1996 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 87,594 | 63,608 |
| Amounts owed to group undertakings | 2,479,590 | 1,841,049 |
| Taxation and social security | 68,195 | 64,648 |
| Duty | 107,882 | 102,625 |
| Obligations under finance leases | 5,803 | 7,138 |
| Other creditors | 18,768 | 8,099 |
| Accruals | 23,447 | 99,371 |
| | <u>2,791,279</u> | <u>2,186,538</u> |

Amounts due to group undertakings are included under amounts falling due within one year where there are no specified terms as to their repayment and recoverability. While amounts due to group undertakings are technically repayable on demand and hence are included in creditors falling due within one year, the directors are of the opinion that, in the ordinary course of business, repayment within such a time scale would not be required.

13. CREDITORS: amounts falling due after more than one year

The capital amounts due under finance leases obligations are as follows:

| | 1997 £ | 1996 £ |
|--------------------------|---------------|---------------|
| Leases expiring: | | |
| Within one year | 5,803 | 7,138 |
| Within two to five years | 22,000 | 14,770 |
| | <u>27,803</u> | <u>21,908</u> |

Distinctive Clubs Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

14. DEFERRED TAXATION

No provision for deferred taxation has been made, as an undertaking has been received from the company's ultimate parent undertaking, Ladbroke Group PLC, that the latter will assume all liabilities for taxation, including those amounts arising as a result of the reversal of timing differences.

15. SHARE CAPITAL

| | <i>Authorised</i> | | <i>Allotted, called up and fully paid</i> | |
|-----------------------------|-------------------|-------------|---|-------------|
| | <i>1997</i> | <i>1996</i> | <i>1997</i> | <i>1996</i> |
| | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> |
| Equity (£1 ordinary shares) | 420,000 | 420,000 | 417,789 | 417,789 |

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

| | <i>Called up share capital</i> | <i>Profit and loss account</i> | <i>Total equity interest</i> |
|------------------------------|------------------------------------|------------------------------------|----------------------------------|
| | <i>£</i> | <i>£</i> | <i>£</i> |
| At 31 December 1995 | 417,789 | (504,450) | (86,661) |
| Retained profit for the year | — | 250,491 | 250,491 |
| At 31 December 1996 | 417,789 | (253,959) | 163,830 |
| Retained loss for the year | — | (5,235) | (5,235) |
| At 31 December 1997 | 417,789 | 259,194 | 158,595 |

17. CAPITAL COMMITMENTS

| | <i>1997</i> | <i>1996</i> |
|------------|-------------|-------------|
| | <i>£</i> | <i>£</i> |
| Authorised | 4,276,535 | — |

18. OBLIGATIONS UNDER OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

| | <i>1997</i> | <i>1996</i> |
|--------------------------------|-------------|-------------|
| | <i>£</i> | <i>£</i> |
| Operating leases which expire: | | |
| In over 5 years | 150,000 | 150,000 |

Distinctive Clubs Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

19. CONTINGENT LIABILITY

The company has jointly and severally guaranteed the Value Added Tax liability of other Ladbroke Group undertakings within the group registration, amounting to approximately £6,458,000 as at 31 December 1997 (1996 – £5,456,000).

Under the terms of a cross guarantee agreement, the company has jointly and severally guaranteed the liabilities of certain other Ladbroke Group undertakings in respect of their current accounts held with a UK clearing bank. The amount under the guarantee is limited to any credit balances on current accounts held by the company with these banks. At 31 December 1997 the aggregate amount of such credit balances was £1,069,644 (1996 – £620,827).

20. CASH FLOW STATEMENT

The company has taken advantage of FRS1 which exempts subsidiaries from preparing a cash flow statement where 90% or more of the voting rights are controlled within the group. The ultimate parent undertaking, Ladbroke Group PLC, has included the required consolidated cash flow statement within its consolidated financial statements.

21. RELATED PARTIES

The company has taken advantage of FRS 8, which exempts subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties. The accounts of the ultimate parent undertaking Ladbroke Group PLC are publicly available.

22. ULTIMATE PARENT UNDERTAKING

These accounts are consolidated in the group accounts of the ultimate parent undertaking which is Ladbroke Group PLC, a company registered in England and Wales, the accounts of which are available from the registered office of that company at Maple Court, Central Park, Reeds Crescent, Watford, Herts WD1 1HZ.

Ladbroke Group PLC is the parent undertaking of the only group of undertakings for which group accounts are prepared and of which the company is a member.

The company's immediate parent is Ladbroke Casinos Limited, a company registered in England and Wales.