

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 2005**

Directors: D M Bowen  
C D Evans  
C I Lindsey  
D G Matthews  
M P O'Kane  
A S Ross  
R P Thorne (Appointed 16 January 2006)  
M Sayers (Resigned 31 December 2005)

Secretary: M J Noble

Registered Office: Imperial House, Imperial Drive, Rayners Lane,  
Harrow, Middlesex, HA2 7JW

Company Number: 775667

The directors present their report and the company's accounts for the year ended 31st December 2005.

**RESULTS AND DIVIDENDS**

The accounts for the year show a retained loss of £78,691,231 (2004 loss: £48,537,319) after a payment of a dividend of £294,000,000 (2004: £240,000,000). A retained profit of £686,683,700 (2004: £768,291,181) remains to be carried forward.

**PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS**

During the year, Ladbrokes Betting & Gaming Limited (formerly Ladbrokes Limited) continued its bookmaking & betting and gaming operations.

The company continued to invest in the shop estate with the acquisition of 47 shops and the opening of 23 new locations less six disposals and closures. In addition, 73 shops were relocated, 11 shops were extended and 172 shops refurbished. Both shop opening hours and the number of betting events were increased during the year.

Telephone betting and internet activities have continued to grow reflecting the company's investment in technology and broader development of the business.

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

**SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS**

On 23rd February 2006 the company changed its name from Ladbrokes Limited to Ladbrokes Betting & Gaming Limited, along with the ultimate parent company Hilton Group Plc, which is now known as Ladbrokes PLC.



**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 2005**

**FIXED ASSETS**

The movements in respect of fixed assets during the year are set out on notes 8, 9 and 10 to the accounts.

**DIRECTORS**

The current directors and those who served during the year ended 31st December 2005 are shown above.

**DIRECTORS' INTEREST**

According to the register kept by the company pursuant to section 325 of the Companies Act 1985 the directors at 31st December 2005 and their families:-

(a) had the following interests in shares of Ladbrokes PLC:-

	<u>2005</u>	<u>2004</u>
10p Ordinary shares		
C D Evans	14,735	7,334
C I Lindsey	13,460	-
M P O'Kane	33,806	21,493
A S Ross	27,446	3,480
Option to purchase 10p ordinary shares under the terms of the 1978 share option scheme ("1978 Scheme")		
D M Bowen	11,874	11,874
C D Evans	12,508	12,648
C I Lindsey	11,100	11,100
D G Matthews	13,990	15,281
M P O'Kane	11,257	13,990
A S Ross	9,311	9,311
M Sayers	-	12,131
Option to purchase 10p ordinary shares under the terms of the 1983 savings related share option scheme ("1983 Scheme")		
C D Evans	2,466	2,466
D G Matthews	2,466	2,466
M P O'Kane	4,336	3,082
A S Ross	10,613	10,613
Option to purchase 10p ordinary shares under the terms of the international share option scheme ("The international scheme")		
D M Bowen	151,126	213,126
C D Evans	73,537	53,814
C I Lindsey	207,221	188,388
D G Matthews	24,172	7,181
M P O'Kane	169,243	239,040
A S Ross	497,060	676,470
M Sayers	109,500	166,369
Own Share Plan		
D M Bowen	2,888	2,361
C D Evans	2,888	2,361
C I Lindsey	2,888	2,361
D G Matthews	1,925	1,574
M P O'Kane	2,888	2,361
Performance Share Plan		
AS Ross	311,996	229,530
Conditional shares under the Executive Deferred Bonus Plan ("DBS")		
DM Bowen	35,776	40,093
CD Evans	20,864	23,001
CI Lindsey	33,993	41,831
DG Matthews	19,043	10,171
MP O'Kane	35,776	40,878
AS Ross	79,439	44,311
M Sayers	32,077	17,892
Nil priced options awarded under the Executive Deferred Bonus Plan ("DBS")		
AS Ross	-	40,721
M Sayers	-	21,132
Share awarded under the Matching Shares Plan		
DM Bowen	11,329	-
CD Evans	7,474	-
CI Lindsey	10,764	-
DG Matthews	6,353	-
MP O'Kane	11,329	-
AS Ross	25,155	-
M Sayers	10,157	-

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 2005**

**DIRECTORS' INTEREST (continued)**

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

Shares under the terms of						
Name	Granted	1978 Scheme Exercised	Disposed	Granted	1983 Scheme Exercised	Disposed
DM Bowen	-	-	-	-	-	-
CD Evans	277	-	417	-	-	-
CI Lindsey	-	-	-	-	-	-
DG Matthews	3,009	4,133	167	-	-	-
MP O'Kane	4,297	7,000	-	1,254	-	-
AS Ross	-	-	-	-	-	-
M Sayers	-	12,131	-	-	-	-

Shares under the terms of						
Name	International Scheme Granted	Exercised	Disposed	Granted	Performance Share Plan Exercised	Disposed
DM Bowen	20,000	80,833	1,167	-	-	-
CD Evans	19,723	-	-	-	-	-
CI Lindsey	20,000	-	1,167	-	-	-
DG Matthews	16,991	-	-	-	-	-
MP O'Kane	15,703	84,333	1,167	-	-	-
AS Ross	74,000	230,719	22,691	82,466	-	-
M Sayers	20,000	75,702	1,167	-	-	-

Shares under the terms of						
Name	DBS Granted	Exercised	Disposed	Granted	Matching Share Plan Exercised	Disposed
DM Bowen	15,820	-	20,137	11,329	-	-
CD Evans	10,438	-	12,575	7,474	-	-
CI Lindsey	15,032	-	22,870	10,764	-	-
DG Matthews	8,872	-	-	6,353	-	-
MP O'Kane	15,820	-	20,922	11,329	-	-
AS Ross	35,128	-	-	25,155	-	-
M Sayers	14,185	-	-	10,157	-	-

Shares under the terms of						
Name	DBS - Nil Priced Options Acquired	Disposed	Own Share Plan Acquired	Disposed	10p Ordinary shares Acquired	Disposed
DM Bowen	-	-	527	-	92,684	92,684
CD Evans	-	-	527	-	7,544	143
CI Lindsey	-	-	527	-	13,460	-
DG Matthews	-	-	351	-	4,133	4,133
MP O'Kane	-	-	527	-	103,646	91,333
AS Ross	-	40,721	-	-	254,685	230,719
M Sayers	-	21,132	-	-	100,270	100,270

Except as shown above no director at 31st December 2005 held at that date, or at 31st December 2004 or on appointment, any interest in, or during the year or the period since appointment, was granted or exercised a right to subscribe for the shares or debentures of this company or of Ladbrokes PLC or its subsidiaries.

**EMPLOYEE INVOLVEMENT**

- The provision of information to employees is provided through quarterly Staff Council meetings and through the publication of Ladbrokes Today which is issued to all staff bi-monthly, regular management meetings, staff notice boards and through regional initiatives with their own staff newspapers and circulars. A Speak Up Campaign has also been set up for all employees which is an ongoing feedback channel covering a whole range of issues.
- Consultation with employees takes place through regular departmental meetings, and for the field staff, the briefing cycle, manager meetings and cashier meetings, with views and feedback being obtained either direct or via the regional team meetings.
- Three different forms of share schemes are in operation, which are administered by Ladbrokes PLC.
- The financial and economic factors affecting the company are brought to the attention of our staff through the Annual Report of the ultimate holding company and through information given in the weekly Sales Brief, the Intranet and in the publication of Ladbrokes Today.

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 2005**

**DISABLED PERSONS**

The policies that the company applied during the year were as follows:

- i) Full and fair consideration was given to disabled applicants for employment, having regard to their particular aptitudes and abilities.
- ii) Where an employee became disabled, the objective was to continue the provision of suitable employment either in the same or an alternative position and appropriate training was given where necessary.
- iii) Disabled employees were to share in the opportunities for training, career development and promotion.

**CHARITABLE DONATIONS**

During 2005, the company donated £49,000 to UK charitable organisations.

**POLITICAL DONATIONS**

During 2005, the company donated £8,395 to the Industry and Parliament Trust.

**SUPPLIER PAYMENT POLICIES**

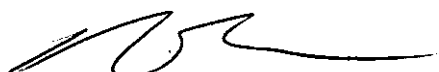
The company agrees payment terms when goods and services are ordered. It ensures that suppliers are aware of the terms of payment and the relevant terms are included in contracts where appropriate. Subject to satisfactory performance by the supplier, arrangements are adhered to when making payments. Additionally trade creditors includes amounts owed on winning bets. These are settled immediately against proof of entitlement.

At the year end, the company had an average of 1 day of purchases outstanding in trade creditors.

**AUDITORS**

A resolution to reappoint Ernst and Young LLP as auditors will be put to the members at the Annual General Meeting.

By Order of the Board



MJ Noble  
Secretary

09 OCT 2006

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ACCOUNTS**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

The following statement, which should be read in conjunction with the statement of the auditors' responsibilities set out on page 6, 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 7 to 16 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LADBROKES BETTING & GAMING LIMITED  
(FORMERLY LADBROKES LIMITED)**

We have audited the company's financial statements for the year ended 31 December 2005, which comprise Profit and Loss Account, Balance Sheet, and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.


**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young  
Registered Auditor  
1 More London Place  
London  
SE1 2AF

09 OCT 2006

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2005**

	Notes	2005 £	2004 £
TURNOVER	2.	10,682,723,918	9,562,724,511
COST OF SALES		(10,442,287,227)	(9,307,726,588)
GROSS PROFIT		<u>240,436,691</u>	<u>254,997,923</u>
Administrative expenses		(75,933,697)	(61,077,391)
Other operating income		12,347,835	8,746,566
Operating exceptional item	3b.	(1,105,006)	(11,846,900)
OPERATING PROFIT	3a.	<u>175,745,824</u>	<u>190,820,198</u>
(Loss)/profit on disposal of fixed assets	3b.	(415,853)	691,377
Dividends received		44,160,603	4,226,176
Interest receivable	4.	6,672,278	13,116,342
Interest payable	5.	(11,054,082)	(17,391,412)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		215,308,769	191,462,681
Taxation	7.	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>215,308,769</u>	<u>191,462,681</u>
Dividends payable		(294,000,000)	(240,000,000)
RETAINED LOSS FOR THE YEAR		<u>(78,691,231)</u>	<u>(48,537,319)</u>

Operating profit derives entirely from continuing operations.

No recognised gains or losses other than the profit of £215,308,769 for the year arose during the year (2004 profit £191,462,681).

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**BALANCE SHEET  
AS AT 31ST DECEMBER 2005**

	Notes	2005 £	2004 (as restated) £
<b>FIXED ASSETS</b>			
Intangible assets	8.	788,708,440	752,059,357
Tangible assets	9.	157,443,407	131,342,094
Investments	10.	110,103,087	107,295,917
		<u>1,056,254,934</u>	<u>990,697,368</u>
<b>CURRENT ASSETS</b>			
Debtors	11.	325,487,067	272,519,472
Cash at bank and in hand		30,800,597	11,359,062
		<u>356,287,664</u>	<u>283,878,534</u>
<b>CREDITORS: amounts falling due within one year</b>			
Bank loans and overdrafts		3,657,268	2,020,840
Other creditors	12.	174,627,034	459,603,303
		<u>178,284,303</u>	<u>461,624,143</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>178,003,361</u>	<u>(177,745,609)</u>
<b>TOTAL ASSETS LESS TOTAL CURRENT LIABILITIES</b>		1,234,258,295	812,951,759
<b>CREDITORS: amounts falling due after more than one year</b>			
	13.	38,547,776	37,865,302
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14.	5,771,516	6,456,223
<b>NET ASSETS</b>		<u>1,189,939,003</u>	<u>768,630,234</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	16.	503,255,303	3,255,303
Profit and loss account	17.	686,683,700	765,374,931
Equity Shareholders' funds		<u>1,189,939,003</u>	<u>768,630,234</u>

CD Evans  
Director

Dated :



**09 OCT 2006**



**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 2005**

**1. ACCOUNTING POLICIES**

**1.1 Adoption of new UK GAAP Financial Reporting Standards**

The accounting policies adopted by the company are set out below and are consistent with those of the previous financial year, except for the adoption of FRS 21 'Events after balance sheet date', and the presentation requirements of FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 28 'Corresponding Amounts'.

No restatements have resulted from these changes in accounting policies.

**1.2 Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

**1.3 Licences**

The Company capitalises acquired intangible assets (Betting office licences) and reviews their carrying value annually with a view to write down if an impairment arises. Betting offices licences are held at their historical cost to the Company at their date of purchase, less any amount written off for impairment. The costs taken into account include the costs of acquiring or obtaining the licence.

**1.4 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 less depreciation. The finance charge element of rentals payable is charged to the profit and loss account in proportion to the future obligations outstanding. Operating lease rental payments and receipts are charged and credited to the profit and loss account on a straight line basis over the term of the lease.

**1.5 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

**1.6 Depreciation**

Intangible assets comprising betting office licences are not amortised as they are considered to have an indefinite life for a combination of reasons:

- Ladbrokes Betting & Gaming Limited is a leading operator in a well established market;
- There is a proven, sustained demand for bookmaking services and greyhound racing; and
- Existing law acts as a barrier to new entrants.

Although licences are required to be renewed every three years, this is a formality for regulatory purposes and Ladbrokes Betting & Gaming Limited has a very strong track record of renewing all its betting permits and licences at minimal cost.

Tangible assets which include short leasehold properties, equipment and other miscellaneous assets are depreciated on a straight line basis at the following rates:-

Short leasehold property	Over 10 years or the life of the lease if shorter
Plant	7.5%
Furniture, fixtures & fittings	10%
Signs	20%
Equipment	12.5% - 33.3%
Consumable equipment & computers	20%
Mobile Betting Units	10%
Motor Vehicles	25%

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

Freehold land is not depreciated

Freehold buildings are written off over a period of 50 years or the estimated life of the building, whichever is less.

Leasehold properties are written off on a straight line basis over the remaining life of the lease.

**1.7 Investments**

Investments are stated at cost less any impairment. Impairment tests are carried out as and when required by FRS 11.

**1.8 Deferred Taxation**

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

**1.9 Foreign Currencies**

Day to day transactions in foreign currencies are recorded in sterling at the transaction date rates and monetary assets and liabilities at the balance sheet date are translated at year end rates of exchange. Exchange gains or losses arising on the translation are reported as part of the operating profit of the year.

**1.10 Pension Costs**

Accounting policies for pension costs are explained in Note 21.

**1.11 Pension Fund**

Contributions to Ladbrokes PLC's pension scheme are based on triennial actuarial valuations and are charged to the Ladbrokes PLC consolidated profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The Ladbrokes PLC pension schemes are funded in accordance with actuarial advice and contributions by both the Group and employees are held in trust administered funds independent of the group's finances.

Ladbrokes Betting & Gaming Limited are advised by Ladbrokes PLC of the amounts payable, if any, and account for their pension costs as employers on the basis of the amount so advised.

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 2005**

**2. TURNOVER**

Turnover represents gross stakes less void bets and management charges receivable from subsidiaries and other group companies.

**3. 3a. OPERATING PROFIT**

is stated after charging :

	<u>2005</u>	<u>2004</u>
	£	£
Management charges payable to group companies	28,111,455	12,410,000
Depreciation of tangible assets		
Leased	5,415,639	7,482,273
Other	24,632,827	24,491,176
Auditors' remuneration - audit services	211,000	211,401
Auditors' remuneration - other	116,913	122,792
Hire of plant and equipment	1,729,214	9,744,235
Financial commitments - land and buildings	13,046,061	9,537,577
Financial commitments - other	7,040,819	8,139,776
and crediting:		
Rents receivable	3,756,552	3,773,383
Vending income	1,824,378	1,704,264

**3b. OPERATING EXCEPTIONAL ITEM**

	<u>2005</u>	<u>2004</u>
	£	£
Recognised in arriving at operating profit:		
Write down of Intangible Fixed Assets on closure (a)	-	(1,401)
Provision for onerous lease commitments (b)	(1,516,671)	(1,207,069)
Amount released for onerous lease commitments (b)	711,210	2,240,113
Amounts written off to investments (c)	(125,000)	(4)
Amounts written back to investments (c)	17,103	86,397
Provision for impairment of Intangible Fixed Assets (d)	-	(11,734,125)
Provision for impairment of Tangible Fixed Assets (d)	-	(1,230,811)
Rationalisation (e)	(191,648)	-
	<u>(1,105,006)</u>	<u>(11,846,900)</u>

Recognised below operating profit:

Profit/(Loss) on disposal of Tangible Fixed assets	<u>(415,853)</u>	<u>691,377</u>
--	------------------	----------------

- (a) The above costs are due to the write-down in carrying value of intangible fixed assets for shops closed during the financial year.
- (b) The charges are due to the increase in the provision of future lease commitments in relation to the closure of licenced betting offices, which have not been disposed. The credits are due to the part release of a provision for the future lease commitments in relation to the closure of licenced betting offices where the relevant leases have been re-assigned.
- (c) Amounts written back/(off) to investments comprise adjustments to the carrying value of investments in subsidiary companies which are carried at the lower of costs and their net asset value as shown in the subsidiary balance sheets.
- (d) Charges in respect to the impairment of intangible and tangible fixed assets following the completion of the company's impairment analysis.
- (e) The charges are due to the disposal of licences relating to the reorganisation of companies in 1999.

**4. INTEREST RECEIVABLE**

	<u>2005</u>	<u>2004</u>
	£	£
From group companies	6,813,782	13,109,279
Other interest	58,496	7,063
	<u>6,872,278</u>	<u>13,116,342</u>

**5. INTEREST PAYABLE**

	<u>2005</u>	<u>2004</u>
	£	£
To group companies:-		
Intercompany loan interest	9,685,036	16,077,538
Lease interest	1,235,321	1,231,107
Loan notes	87,275	61,975
Other interest	46,451	20,792
	<u>11,054,082</u>	<u>17,391,412</u>

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 2005**

**6. DIRECTORS AND EMPLOYEES**

6.1	Directors emoluments	<u>2005</u>	<u>2004</u>
		£	£
	Emoluments	<u>1,079,819</u>	<u>1,397,636</u>
		No.	No.
	Members of defined benefit pension scheme	6	9
	The amounts in respect of the highest paid director are as follows :	<u>2005</u>	<u>2004</u>
		£	£
	Emoluments	<u>208,934</u>	<u>293,062</u>
6.2	Employee staff costs	<u>2005</u>	<u>2004</u>
		£	£
	Wages and salaries	170,445,152	149,437,169
	Employer's social security costs	13,941,388	11,757,651
	Employer's pension costs	<u>5,866,590</u>	<u>5,546,959</u>
		<u>190,253,130</u>	<u>166,741,779</u>
6.3	The average number of persons employed by the company, including directors, during the year was as follows:-	<u>2005</u>	<u>2004</u>
	Full-time	9,828	8,535
	Part-time	<u>2,221</u>	<u>3,656</u>
		<u>12,049</u>	<u>12,191</u>

**7. TAXATION**

No provision has been made in these accounts for UK corporation tax, as an undertaking has been received from its ultimate holding company, Ladbrokes PLC, that the latter will assume all liabilities for any such taxation.

No liability for current taxation arises in the year, as group relief has been surrendered from fellow subsidiaries free of charge.

Ladbrokes PLC has indemnified the company in respect of all tax liabilities and assets and as a result a deferred tax credit of £5,343,000 (2004: £3,013,000) has not been recorded in the current year resulting from accelerated capital allowances.

**8. INTANGIBLE FIXED ASSETS**

	<u>Licences</u>	<u>Licences</u>
	<u>2005</u>	<u>2004</u>
	£	£
At 1st January 2005	752,059,357	741,995,073
Additions	36,505,731	21,799,810
Disposals	(191,648)	-
Reclassification	335,000	-
Provision for impairment	-	(11,734,125)
Written off	-	(1,401)
At 31st December 2005	<u>788,708,440</u>	<u>752,059,357</u>

Amounts written off Cost of Licences relate to the write-down of licence carrying values due to the closure of licensed betting offices.

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 2005**

**10. INVESTMENTS**

Shares in  
subsidiary  
companies  
£

1st January 2005	107,295,917
Additions (a)	2,915,067
Amounts written back to cost of investments previously impaired (b)	17,205
Write down of investment (c)	(125,102)
Net book value at 31st December 2005	<u>110,103,087</u>

- (a) On 5th November 2004 Ladbrokes Betting & Gaming Limited acquired all the shares in Ladbrokes (CLJEA) Limited, Ladbrokes (CLJSW) Limited, Ladbrokes (CLJSE) and Ladbrokes (CLJHC) Limited for a total of £222,905. On 28th January 2005 Ladbrokes Betting & Gaming Limited acquired all the shares in P J Russell Bookmakers Limited for £159,848. On 24th April 2005 Ladbrokes Betting & Gaming Limited acquired all the shares in Brackley Racing Limited for £138. On 5th May 2005 Ladbrokes Betting & Gaming Limited acquired all the shares in Knurlind Limited for £1,823,175. On 6th May 2005 Ladbrokes Betting & Gaming Limited acquired all the shares in Ladbrokes Inveness Limited for £421,722. On 6th June 2005 Ladbrokes Betting & Gaming Limited acquired all the shares in E F Politt & Son for £287,279. All the companies listed above are registered at Imperial House, Imperial Drive, Rayners Lane, Harrow, HA2 7JW.
- (b) Additionally, there has been a write back of cost of investment for Ladbroke Racing (North East & Tyne Tees) Limited of £14,849, MM Buckley £1,818 and SP Sports of £538.
- (c) There has been a writedown of cost of investment £125,102 of which £125,000 relates to an investment in Tote, £100 relates to an investment in Birchgree and £2 relates to an investment in Ladbroke Racing Bournemouth Limited.

Consolidated financial statements have not been prepared in accordance with Section 228 of the Companies Act, as the companies are wholly owned subsidiaries of another body corporate incorporated in Great Britain, which prepared consolidated financial statements. In the opinion of the directors, the value of the subsidiary undertakings are not less than the amount at which they are stated in the financial statements.

Shares in subsidiary companies

This represents the company's investment in the following principal subsidiary companies at 31st December 2005 and 2004.

	% Issued Share Capital held by company and/or by subsidiary			Share capital and Reserves
	Ordinary	Preference	Unclassified	
Ganton House Investments Limited	100.0			7,898,658
Ladbrokes Sporting Spreads Limited	100.0			1,670,265
Jean Cowan (Holdings) Limited	100.0	100.0		86,004,424
Sabrinet Limited	100.0			1,346,381
Ladbroke (Channel Islands) Limited	100.0			17,467,443
Ladbroke Leasing (South East) Limited	100.0			1,740,303
Ladbrokes Egaming Limited	100.0			13,213,322
Ladbrokes International Limited	99.90			107,229,931

The above subsidiaries have neither a profit nor a loss in the year apart from the following:

	<u>Profit / (Loss)</u> £
Ganton House Investments Limited	(16,711,309)
Ladbrokes Sporting Spreads Limited	73,738
Jean Cowan (Holdings) Limited	(15,679,845)
Sabrinet Limited	2,599,025
Ladbroke (Channel Islands) Limited	409,970
Ladbroke Leasing (South East) Limited	(1,108,726)
Ladbrokes Egaming Limited	13,132,313
Ladbrokes International Limited	30,201,732

All the companies above are registered in England and Wales with the exception of Ladbroke (Channel Islands) Limited which is registered in Jersey. All the companies act as bookmaking companies, with the exception of Ganton House Investments Limited, which acts as a property and investment holding company, Jean Cowan Holdings Limited, which acts as an investment holding company and Sabrinet Limited and Ladbroke Leasing (South East) Limited which act as leasing companies. Some of these companies will be wound up in the near future.

The companies listed above include all those which principally affected the amount of profit and assets of the company. A full list of subsidiary and other related companies will be annexed to the next annual return of the company to be filed with the Registrar of Companies.

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 2005**

11. DEBTORS	2005	2004 (as restated)
	£	£
Amounts owed by group companies	280,950,171	231,528,883
Other debtors	20,843,858	18,059,407
Prepayments	23,693,038	22,931,182
	<u>325,487,067</u>	<u>272,519,472</u>

**12. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2005	2004 (as restated)
	£	£
Trade creditors	20,650,434	9,701,441
Amounts due to group companies (a)	96,285,567	392,806,665
Finance leases payable within one year (b)	4,878,554	3,607,486
Other taxes and social security costs	6,006,547	4,663,611
Other creditors	7,522,585	3,985,370
Unsecured loan notes (c)	1,631,631	1,911,131
Accruals	31,362,102	32,767,466
Duty payable	6,289,615	6,836,299
Levy payable	-	3,303,834
	<u>174,627,034</u>	<u>459,603,303</u>

- (a) Amounts due to group companies are included under amounts falling due within one year where there are no specified terms as to their repayment. While amounts due to group companies 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.
- (b) Finance leases payable to subsidiary companies within one year is £4,842,762 and after one year is £38,404,609.
- (c) Loan notes were issued by the company in connection with the acquisition of certain companies and are repayable within one to ten years after issue at the request of the holder. Interest is paid twice yearly and is based on the Bank of Scotland and Nat West deposit rates and Nat West base rates. The average deposit rate for Bank of Scotland is 4.625%, Nat West is 4.005% and Nat West base rate 4.5%. Both these loan notes are repayable on demand.

**13. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2005	2004
	£	£
Finance leases:		
Payable within two to five years	38,547,776	37,865,302
Payable after 5 years	-	-
	<u>38,547,776</u>	<u>37,865,302</u>

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	Onerous Lease Commitments for discontinued premises	Dilapidations Provision	Total
	£	£	£
Provision at 31/12/2004	5,664,723	791,500	6,456,223
Provided during the year	1,516,671	142,500	1,659,171
Utilised	(1,563,668)	(69,000)	(1,632,668)
Released during the year on leases re-assigned	(711,210)	-	(711,210)
Provision at 31/12/2005	<u>4,906,516</u>	<u>865,000</u>	<u>5,771,516</u>

The onerous lease provisions are expected to be fully utilised when the relevant leases expire. This is expected to be within a range of 1 to 20 years from the balance sheet date. The dilapidations provision relates to costs of meeting obligations under the terms of the leases.

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 2005**

**15. OBLIGATIONS UNDER FINANCE LEASES**

The future minimum lease payments to which the company is committed under finance leases are:-

Amounts payable	2005 £	2004 £
within one year	4,842,762	3,607,486
two to five years	38,404,609	37,865,302
over five years	-	-
	<u>43,247,371</u>	<u>41,472,788</u>

**16. SHARE CAPITAL**

Authorised

	Class 'A' shares of £1 each £	Ordinary Share of £1 each £
At 1st January 2005	100,000	3,500,000
Issue of share capital	-	499,655,303
At 31st December 2005	<u>100,000</u>	<u>503,155,303</u>

The company's immediate parent undertaking, Cayman Investment No 1 Limited, sold its shares in Ladbrokes Betting & Gaming Limited on the 8th July 2005 to Ladbroke and Co Limited. This consisted of an authorised share capital of 100,000 Class 'A' shares of £1 each and 3,500,000 ordinary shares of £1 each. Additionally on the 11th August 2005, the authorised share capital of the company was increased by the creation of 499,655,303 ordinary shares of £1 each. All authorised share capital was issued at par and subscribed for by the parent for a total of £500,000,000.

Allotted, called up and fully paid:

	Class 'A' shares of £1 each £	Ordinary Share of £1 each £
At 1st January 2005	100,000	3,155,303
Issue of share capital	-	500,000,000
At 31st December 2005	<u>100,000</u>	<u>503,155,303</u>

The 'A' shareholders have equivalent rights to the ordinary shareholders.

**17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Share Capital £	Profit and Loss Account £	Total £
At 1st January 2004	3,255,303	816,828,500	820,083,803
Loss for the year	-	(48,537,319)	(48,537,319)
Prior year adjustment	-	(2,916,250)	(2,916,250)
At 1st January 2005	<u>3,255,303</u>	<u>765,374,931</u>	<u>768,630,234</u>
Issued in the year	500,000,000	-	500,000,000
Loss for the year	-	(78,691,231)	(78,691,231)
At 31st December 2005	<u>503,255,303</u>	<u>686,683,700</u>	<u>1,189,939,003</u>

The prior year adjustment reflects an adjustment made in respect of pensions.

**18. CASH FLOW STATEMENT**

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

**19. POST BALANCE SHEET EVENTS**

On 23rd February 2006 the company changed its name from Ladbrokes Limited to Ladbrokes Betting & Gaming Limited, along with the ultimate parent company Hilton Group Plc, which is now known as Ladbrokes PLC.

**20. CAPITAL COMMITMENTS**

	2005 £	2004 £
Capital commitments contracted with third parties	2,362,272	350,877
	<u>2,362,272</u>	<u>350,877</u>

**LADBROKES BETTING & GAMING LIMITED (FORMERLY LADBROKES LIMITED)****NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 2005****21. PENSIONS**

Certain employees of the company were members of Ladbrokes PLC pension plan. Details of the plan and particulars of the actuarial valuation are contained in the financial statements of Ladbrokes PLC for the financial year ended 31 December 2005.

Ladbrokes PLC operated a defined benefit scheme based on the final pensionable salary and the company was recharged for its proportion of the group contributions, which were determined by an independent qualified actuary. The company's contribution were the amounts advised by Ladbrokes PLC in order to meet regular costs of providing benefits to the company's employees. Although the plan was a multi-employer defined benefit scheme, it was accounted for in the books of the company as a defined contribution scheme as a fixed contribution was made to the scheme any surplus or deficit was accounted for in the ultimate parent company.

**22. FRS 17 "Retirement Benefits"**

Whilst the scheme to which the employees of Ladbrokes Betting & Gaming Limited belong is a defined benefit scheme, since it is run as a group scheme, it is not possible to identify the share of underlying assets and liabilities attributable to to Ladbrokes Betting & Gaming Limited for the purposes of disclosure in accordance with FRS 17. Disclosure on a group basis is given in the accounts of Ladbrokes PLC.

On the 23 February 2006 when the hotel division was sold the pension deficit in Ladbrokes PLC was cleared.

**23. FINANCIAL COMMITMENTS**

The annual commitment under non-cancellable operating leases at 31st December 2005 was as follows:-

	<u>Land and Buildings</u>		<u>Other</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Operating leases which expire:				
within one year	688,016	265,519	1,353,486	1,229,288
within one to five years	1,988,428	2,686,308	2,193,266	4,134,239
in over five years	10,820,907	7,722,098	3,320,460	3,320,460
	<u>13,497,351</u>	<u>10,673,925</u>	<u>6,867,212</u>	<u>8,683,987</u>

The leasing commitments relate to the future rental payments payable by the company under non-cancellable operating leases. These primarily relate to rents payable on land & buildings.

**24. CONTINGENT LIABILITY**

The company has jointly and severally guaranteed the Value Added Tax liability of Ladbrokes PLC Group companies within the group registration, which amounted to approximately £7.9 million as at 31 December 2005 (2004 - £12.1 million).

Under the terms of a cross guarantee agreement, the company has jointly and severally guaranteed the liabilities of certain other Ladbrokes PLC companies in respect of their current accounts held with UK clearing banks. The amounts under the guarantees are limited to any credit balances on current accounts held by the company with these banks. At 31st December 2005, the aggregate amount of such credit balances was £348,125 (2004 - £1,450,062).

**25. RELATED PARTY TRANSACTIONS**

The company has taken advantage of FRS8 which exempts subsidiary companies, 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.

**26. IMMEDIATE PARENT COMPANY AND ULTIMATE PARENT COMPANY**

The company's immediate parent undertaking is Ladbroke & Co Limited, a company registered at Imperial House, Imperial Drive, Rayners Lane, Harrow, HA2 7JW.

The largest and smallest group in which the results of the company are consolidated is Ladbrokes PLC, a company registered in England and Wales and the company's ultimate parent company. The accounts of Ladbrokes PLC are available from its registered office at Imperial House, Imperial Drive, Rayners Lane, Harrow, HA2 7JW.

Ladbrokes PLC has undertaken to provide financial support to the company, whilst it remains a subsidiary, to enable it to meet its liabilities as they fall due.

**LADBROKES BETTING AND GAMING LIMITED (FORMERLY LADBROKES LIMITED)**

**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 2005**

**9. TANGIBLE FIXED ASSETS**

	Furniture Fixtures & Fittings £	Software	Leased Assets £	Motor Vehicles £	Freehold Property £	Long Leasehold Property £	Short Leasehold Property £	Total £
Cost:								
At 1st January								
2005	259,748,993	2,753,093	33,221,943	47,168	10,087,107	807,476	18,195,308	324,861,088
Additions	36,744,135	3,930,630	5,421,390	-	335,195	17,494	10,238,051	56,686,895
Disposals	(2,856,657)	-	-	-	(208,860)	-	(166,004)	(3,231,521)
Intercompany Transfer	-	-	-	-	(1,612,506)	(4,837)	6,726,171	5,108,828
Reclassification	(210,786)	-	-	-	-	-	(335,000)	(545,786)
At 31st December								
2005	<u>293,425,685</u>	<u>6,683,723</u>	<u>38,643,333</u>	<u>47,168</u>	<u>8,600,936</u>	<u>820,133</u>	<u>34,658,526</u>	<u>382,879,504</u>
Depreciation:								
At 1st January								
2005	168,900,116	-	18,243,162	47,168	1,025,626	333,675	4,969,247	193,518,994
Charge for the Year	16,942,406	5,157,654	5,415,639	-	147,482	24,854	2,360,431	30,048,466
Disposals	(2,309,624)	-	-	-	(13,143)	-	(110,519)	(2,433,286)
Intercompany Transfer	-	-	-	-	(307,682)	42,334	4,567,271	4,301,923
At 31st December								
2005	<u>183,532,898</u>	<u>5,157,654</u>	<u>23,658,801</u>	<u>47,168</u>	<u>852,283</u>	<u>400,863</u>	<u>11,786,430</u>	<u>225,436,097</u>
Net book value								
at 31 December								
2005	<u>109,892,787</u>	<u>1,526,069</u>	<u>14,984,532</u>	<u>-</u>	<u>7,748,653</u>	<u>419,270</u>	<u>22,872,096</u>	<u>157,443,407</u>
Net book value								
at 31 December								
2004	<u>93,601,970</u>	<u>-</u>	<u>14,978,781</u>	<u>-</u>	<u>9,061,481</u>	<u>473,801</u>	<u>13,226,061</u>	<u>131,342,094</u>