

LADBROKES BETTING & GAMING LIMITED

DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2010

Directors	C D Evans	
	C I Lindsey	
	D Matthews	
	M P O'Kane	
	R J Ames	
	S R Priday	
	J C Baty	
	N J Rust	(appointed 8 April 2011)
	G W McIlraith	(appointed 5 November 2010, resigned 30 June 2011)
	M P d'Ancona	(resigned 31 May 2011)
	E H D Andrewes	(resigned 5 November 2010)
	J P O'Reilly	(resigned 5 November 2010)
	D M Bowen	(resigned 8 April 2011)
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 financial statements for the year ended 31 December 2010

RESULTS AND DIVIDENDS

The financial statements for the year show a profit after taxation of £67,274,009 (2009 £238,010,556) The directors do not recommend the payment of a dividend (2009 nil)

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

During the year the company continued its bookmaking, betting and gaming operations, however the economic environment continues to remain a challenge

The company has continued to focus on promoting brand loyalty amongst customers, expanding and improving betting opportunities available to customers and on cost saving initiatives

The company's key financial performance indicators during the year were as follows



LADBROKES BETTING & GAMING LIMITED

DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2010

The company's key financial performance indicators during the year were as follows

	2010	2009	change
	£	£	%
Revenue	683,635,700	790,369,059	(14)
Gross profit	192,903,351	246,431,345	(22)
Profit after tax	67,274,009	238,010,556	(72)
Average weekly number of employees (including executive directors)	13,677	13,714	-
Number of shops	2,098	2,080	1

Revenue and gross profit have decreased during the year due to the challenging economic environment and the sale of the online Sportsbook business to another group undertaking in November 2009

PRINCIPAL RISK AND UNCERTAINTIES

Ladbrokes plc reviews and evaluates key risks and uncertainties faced by the group as part of the divisional reviews undertaken at its regular board meetings. The impact of risks and uncertainties of the company is considered as part of this review process

The principal risks and uncertainties facing the company are broadly grouped as

- **Market place**

Economic, consumer and environmental factors within the key markets could reduce customers' disposable income

Changing consumer trends and opportunities for betting and gaming, and competition from existing competitors or new entrants could have an adverse effect on the results of the company

- **Betting and gaming industry**

Regulatory, legislative and fiscal regimes for betting and gaming in key markets can change, sometimes at short notice. Such changes could benefit or have an adverse effect on the company's results and additional costs might be incurred in order to comply with any new laws or regulations

Changes in costs in relation to the financing of the UK horseracing industry could also affect the company's results

LADBROKES BETTING & GAMING LIMITED

DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2010

- **Operational and bookmaking**

Revenue and operating results may vary significantly from period to period. Customer betting patterns, particularly with regard to those who bet large stakes, the outcome of individual events or a prolonged period of good or bad results could have a material effect on results.

Cancellation or curtailment of high profile sporting events due to adverse weather conditions can impact the company's results.

- **Information technology and communications**

A failure in the infrastructure and operation of core systems could have an adverse impact on operations and financial results. The integrity and availability of systems is vital to deliver a high quality service to customers.

FUTURE DEVELOPMENTS

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

FIXED ASSETS

The movements in respect of fixed assets during the year are set out in notes 8, 9, 10 and 11 of the financial statements.

EMPLOYEE INVOLVEMENT

- i) The provision of information to employees is facilitated through quarterly Staff Council meetings, via the intranet and other multimedia formats, regular management meetings, staff notice boards and through regional initiatives with their own staff newspapers and circulars.
- ii) Consultation with employees takes place through regular departmental meetings, and for the field staff, manager meetings and cashier meetings, with views and feedback being obtained either direct or via the regional team meetings.
- iii) Nine different forms of share schemes for employees are in operation, which are administered by Ladbrokes plc.
- iv) The financial and economic factors affecting the company are brought to the attention of our staff through the Ladbrokes plc Group Annual Report and through information given via the intranet and other multimedia formats and through the publication of Ladbrokes Today (renamed "The Score" in 2011).

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) If an employee becomes disabled, the objective is to continue the provision of suitable employment either in the same or an alternative position, with appropriate adjustments being made if necessary.
- iii) Disabled employees were to share equally in the opportunities for training, career development and promotion.

LADBROKES BETTING & GAMING LIMITED

DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2010

CHARITABLE DONATIONS

During 2010, the company donated £922,557 to UK charitable organisations (2009 £820,100), principally to organisations that have a responsibility for gambling awareness

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 include amounts owed on winning bets. These are settled immediately against proof of entitlement. At the year end the company had an average of 15 days of purchases outstanding in trade creditors.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year Ladbrokes plc purchased and maintained on behalf of the company liability insurance for its directors and officers as permitted by section 233 of the Companies Act 2006.

DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the directors in office as of the date of approving this report confirm that so far as they are aware, there is no relevant audit information (being information needed by the auditor in connection with preparing its report) of which the auditor is unaware and that they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board



M J Noble
Secretary

Date 15/09/11

LADBROKES BETTING & GAMING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgements and accounting estimates that are reasonable and prudent,

state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained by the financial statements, and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LADBROKES BETTING & GAMING LIMITED

We have audited the financial statements of Ladbrokes Betting & Gaming Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 directors and auditor

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- Give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LADBROKES BETTING & GAMING LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

J I Gordon (Senior statutory auditor)

for and behalf of Ernst & Young LLP, Statutory Auditor

London

Date *15 SEPTEMBER 2011*

LADBROKES BETTING & GAMING LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>Notes</u>	<u>2010</u> £	<u>2009</u> £ (restated)
Amounts staked ⁽¹⁾		<u>12,254,079,968</u>	<u>13,096,851,597</u>
REVENUE	1.3.	683,635,700	790,369,059
COST OF SALES		(490,732,349)	(543,937,714)
GROSS PROFIT		<u>192,903,351</u>	<u>246,431,345</u>
Administrative expenses		(86,505,820)	(87,387,345)
Other operating income		5,061,104	5,498,894
Operating exceptional items	2b.	(28,511,811)	(5,167,116)
OPERATING PROFIT	2a.	<u>82,946,824</u>	<u>159,375,778</u>
Loss on disposal of fixed assets	2b.	(4,304,617)	(8,120,924)
Amounts written off investments	2b.	-	(100,983)
Profit on disposal of investment	2b.	-	89,925,654
Income received from shares in group undertakings	3.	-	100,983
Interest receivable	4.	1,258,370	2,395,214
Interest payable	5.	<u>(12,626,568)</u>	<u>(5,565,166)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		67,274,009	238,010,556
TAXATION		-	-
PROFIT FOR THE FINANCIAL YEAR	19	<u>67,274,009</u>	<u>238,010,556</u>

⁽¹⁾ Amounts staked does not represent the statutory revenue and comprises the total amounts staked by customers on betting and gaming activities

All of the company's activities are from continuing operations

The company has no other recognised gains or losses for the year ended 31 December 2010 (2009 none)

LADBROKES BETTING & GAMING LIMITED**BALANCE SHEET AT 31 DECEMBER 2010**

	<u>Notes</u>	<u>2010</u> £	<u>2009</u> £
FIXED ASSETS			
Intangible fixed assets	8.	840,764,068	854,041,809
Tangible fixed assets	9.	152,347,657	173,069,777
Investment in joint venture	10.	7,456,897	6,875,000
Investments in subsidiaries	11.	206,983,502	206,747,717
		<u>1,207,552,124</u>	<u>1,240,734,303</u>
CURRENT ASSETS			
Debtors	12.	855,414,840	744,779,405
Cash at bank and in hand		25,234,960	23,649,186
		<u>880,649,800</u>	<u>768,428,591</u>
CREDITORS: amounts falling due within one year	13.	<u>(462,424,733)</u>	<u>(444,060,747)</u>
NET CURRENT ASSETS		<u>418,225,067</u>	<u>324,367,844</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,625,777,191	1,565,102,147
CREDITORS: amounts falling due after more than one year	14.	(4,854,745)	(10,999,111)
PROVISIONS FOR LIABILITIES AND CHARGES	15.	(5,268,237)	(5,722,836)
NET ASSETS		<u>1,615,654,209</u>	<u>1,548,380,200</u>
CAPITAL AND RESERVES			
Called up share capital	18.	503,758,558	503,758,558
Profit and loss account	19.	1,111,895,651	1,044,621,642
EQUITY SHAREHOLDERS' FUNDS		<u>1,615,654,209</u>	<u>1,548,380,200</u>

C D Evans
Director



Date 15/09/11

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES

1 1 Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

1 2 Basis of preparation

The financial statements have been prepared under the historical cost convention. They have been drawn up to comply with applicable UK accounting standards.

The accounting policies adopted by the company are set out below and are consistent with those of the previous financial year.

The profit and loss account for the year ended 31 December 2009 has been restated to reclassify £1,122,584 of non-operating exceptional costs to operating exceptional costs. There was no impact on the company's profit on ordinary activities before taxation.

1 3 Revenue

Revenue represents gains and losses, being the amounts staked and fees received, less total payouts and the fair value of reward points issued from betting activity in the period. Open betting positions are carried at fair market value and gains and losses arising on these positions are recognised in revenue.

1 4 Leased assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the assets' useful lives. The capital element of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest element of rental obligations is charged in the profit and loss account over the periods of the leases and hire purchase contracts, and represents a constant proportion of capital repayments outstanding. Rental payments under operating leases are charged in the profit and loss account on a straight line basis.

1 5 Intangible fixed assets

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 historical cost less any amount written off for impairment. The costs taken into account include the costs of acquiring or obtaining the licence.

1 6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Such cost includes making the asset capable of operating as intended. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Furniture, fixtures & fittings	10% - 25% straight line
Freehold properties	over a period of 50 years
Leasehold properties	over 10 years or the life of the lease if shorter

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010****1. ACCOUNTING POLICIES (continued)****1 7 Investments**

Investments are held at cost less any provision for impairment

1 8 Foreign currencies

Transactions in foreign currencies are recorded in sterling at the rate ruling at 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. All differences are taken to the profit and loss account and are reported as part of the operating profit for the year.

1 9 Pension costs

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.

1 10 Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

2a. OPERATING PROFIT

is stated after (charging)/crediting:

	<u>2010</u>	<u>2009</u>
	£	£
Management charges payable to group companies	(49,002,353)	(52,754,812)
Depreciation of tangible assets		
leased	(11,709,858)	(4,822,800)
other	(38,667,828)	(41,565,279)
Auditor's remuneration - audit of the financial statements	(200,000)	(200,000)
Hire of plant and equipment	(969,975)	(953,167)
Operating leases - land and buildings	(35,932,399)	(32,021,290)
Operating leases - other	(18,196)	(179,956)
Rents receivable	2,216,391	2,355,090
Vending income	<u>767,275</u>	<u>969,359</u>

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010****2b. EXCEPTIONAL ITEMS**

	<u>2010</u> £	<u>2009</u> £
Recognised in arriving at operating profit		(restated)
Restructuring costs (a)	(1,311,135)	(2,014,533)
Loss from French JV withdrawal (b)	(465,555)	-
Loss on disposal of business/assets (c)	(6,792,434)	-
Termination of machines contract (d)	(8,089,417)	-
Impairment loss (e)	(11,853,270)	(3,152,583)
	<u>(28,511,811)</u>	<u>(5,167,116)</u>
Recognised below operating profit		
Amounts written off investments	-	(100,983)
Profit on disposal of investments	-	89,925,654
Loss on disposal of fixed assets	<u>(4,304,617)</u>	<u>(8,120,924)</u>

- (a) Restructuring costs of £1,311,135 relate to changes in the management structure and head office refurbishment
- (b) The impairment loss of £465,555 relates to the withdrawal from the French joint venture with Groupe Canal +
- (c) The loss of £6,792,434 relates to the cost incurred by the company in the Ladbrokes plc group's disposal of its Italy Retail operation
- (d) The £8,089,417 termination of machines contract cost includes accelerated depreciation of £7,062,599 and related contract costs of £1,062,818
- (e) The impairment loss includes an impairment of intangible assets of £12,383,025 and a reversal of impairment of tangible fixed assets of £529,755

3. INCOME RECEIVED FROM SHARES IN GROUP UNDERTAKINGS

	<u>2010</u> £	<u>2009</u> £
Dividends received from group companies	<u>-</u>	<u>100,983</u>

4 INTEREST RECEIVABLE

	<u>2010</u> £	<u>2009</u> £
From group companies	1,027,137	2,022,972
Loan note interest	222,269	353,462
Bank interest	8,964	18,780
	<u>1,258,370</u>	<u>2,395,214</u>

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010****5. INTEREST PAYABLE**

	<u>2010</u>	<u>2009</u>
	£	£
To group companies -		
Loan interest	11,556,662	4,522,469
Lease interest	939,980	714,608
Other	-	300,000
Loan notes	715	5,282
Bank loans and overdrafts	129,211	22,807
	<u>12,626,568</u>	<u>5,565,166</u>

6. DIRECTORS AND EMPLOYEES

6 1	<i>Directors emoluments</i>	<u>2010</u>	<u>2009</u>
		£	£
	Emoluments	<u>4,324,814</u>	<u>1,352,999</u>
		No.	No
	Members of Ladbrokes plc pension scheme	<u>11</u>	<u>12</u>

All directors with the exception of G W McIlraith are members of the Ladbrokes plc pension scheme
The amounts in respect of the highest paid director are as follows

	<u>2010</u>	<u>2009</u>
	£	£
Emoluments	<u>1,084,886</u>	<u>246,975</u>

6 2 Employee staff costs

	<u>2010</u>	<u>2009</u>
	£	£
Wages and salaries	202,234,485	229,317,706
Employer's social security costs	15,394,168	18,720,343
Employer's pension costs	4,644,033	4,975,428
	<u>222,272,686</u>	<u>253,013,477</u>

6 3 Employee staff numbers

	<u>2010</u>	<u>2009</u>
The average weekly numbers of employees (including executive directors) was	<u>13,677</u>	<u>13,714</u>

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010

7. TAXATION

No provision has been made in these financial statements for UK corporation tax, as an undertaking has been received from the company's ultimate parent, Ladbrokes plc, that the latter will assume all liabilities for any such taxation

There are no amounts of deferred tax required to be indemnified in respect of any material timing differences for 2010 or 2009

Ladbrokes plc has indemnified the company in respect of all tax liabilities and assets and as a result a deferred tax asset of £181,332 (2009 provision of £3,768,000) resulting from accelerated capital allowances has not been recorded in the current year

8. INTANGIBLE FIXED ASSETS

	<u>Licences</u>
	£
Cost	
At 1 January 2010	872,117,111
Additions	1,726,356
Disposals	(2,621,072)
At 31 December 2010	<u>871,222,395</u>
Impairment	
At 1 January 2010	18,075,302
Provided in the year	12,383,025
At 31 December 2010	<u>30,458,327</u>
NET BOOK VALUE.	
At 31 December 2010	<u>840,764,068</u>
At 31 December 2009	<u>854,041,809</u>

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010

9. TANGIBLE FIXED ASSETS

	<u>Fixtures, fittings & equipment</u>	<u>Leased assets</u>	<u>Freehold property</u>	<u>Long leasehold property</u>	<u>Short leasehold property</u>	<u>Total</u>
	£	£	£	£	£	£
<i>Cost</i>						
At 1 January 2010	226,840,734	49,297,008	10,576,779	671,026	47,161,533	334,547,080
Additions	25,278,941	3,007,574	-	-	3,531,442	31,817,957
Disposals	(5,834,088)	(115,648)	(234,561)	-	(4,756,651)	(10,940,948)
Reclassification	5,218,460	(8,294,640)	3,950	-	3,072,230	-
At 31 December 2010	251,504,047	43,894,294	10,346,168	671,026	49,008,554	355,424,089
<i>Depreciation</i>						
At 1 January 2010	122,499,788	22,167,663	2,102,158	396,462	14,311,232	161,477,303
Charge for the year ^(a)	31,610,076	11,709,858	199,876	16,111	6,841,765	50,377,686
Impairment (reversal)/loss	(328,146)	26	54,743	-	(256,378)	(529,755)
Disposals	(3,307,771)	(122,609)	(281,247)	(17,468)	(4,519,707)	(8,248,802)
Reclassification	6,403,807	(6,403,807)	-	-	-	-
At 31 December 2010	156,877,754	27,351,131	2,075,530	395,105	16,376,912	203,076,432
Net book value At 31 December 2010	94,626,293	16,543,163	8,270,638	275,921	32,631,642	152,347,657
<i>Net book value At 31 December 2009</i>	<i>104,340,946</i>	<i>27,129,345</i>	<i>8,474,621</i>	<i>274,564</i>	<i>32,850,301</i>	<i>173,069,777</i>

- (a) The depreciation charge for the year includes accelerated depreciation of £7,062,599 recorded in operating exceptional items (note 2b). Included within fixtures, fittings and equipment are assets in the course of construction of £6,984,424 (2009 £4,079,206).

10. INVESTMENT IN JOINT VENTURE

	£
At 1 January 2010	6,875,000
Additions (a)	581,897
At 31 December 2010	7,456,897

- (a) During the year the company continued to invest in the 50/50 Spanish joint venture, Sportium with Cirsa Gaming Corporation.

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010****11. INVESTMENTS IN SUBSIDIARIES**

Shares in
Subsidiary
companies
£

Net book value at 31 December 2009 206,747,717

Additions (a) 235,785

Net book value at 31 December 2010 **206,983,502**

- (a) The company purchased 100% of the shares in Grosvenor Insurance Company Limited for £220,000 from a fellow group company, Dalraida Limited. The company also made other investment purchases from within the Ladbrokes plc group for £15,785.

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

Shares in subsidiary companies

This represents the company's investment in the following principal subsidiary companies at 31 December 2010

<u>Name of company</u>	% Ordinary issued share capital held by company and/or by <u>subsidiary</u>	<u>Place of incorporation</u>	<u>Nature of business</u>
Margolis and Ridley Limited	100	England and Wales	Investment holding company
Ganton House Investments Limited	100	England and Wales	Property holding company
Jean Cowan Holdings Limited	100	England and Wales	Investment holding company
Sabrinet Limited	100	England and Wales	Leasing company
Ladbroke (Channel Islands) Limited	100	Jersey	Bookmaking company
Ladbroke Leasing (South East) Limited	100	England and Wales	Leasing company
Ladbrokes International Limited	99.9	Gibraltar	Internet-based gaming company
Ladbroke (Course) Limited	100	England and Wales	Bookmaking company
Ladbroke (Ireland) Limited	99.99	Ireland	Bookmaking company

The companies listed above include all those which principally affected the amount of profit and assets of the company.

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010****12. DEBTORS**

	<u>2010</u>	<u>2009</u>
	£	£
Amounts owed by group companies	790,562,998	649,394,921
Other debtors	27,134,832	42,208,256
Prepayments	37,717,010	53,176,228
	<u>855,414,840</u>	<u>744,779,405</u>

13. CREDITORS: Amounts falling due within one year

	<u>2010</u>	<u>2009</u>
	£	£
Bank loans and overdrafts	5,237,306	3,433,527
Finance leases payable within one year (note 16)	2,130,662	9,945,616
Trade creditors	14,480,892	8,126,432
Customer balances	28,994,694	39,135,130
Amounts due to group companies	350,703,400	320,639,127
Other taxes and social security costs	13,481,708	15,133,376
Other creditors	17,674,461	21,665,203
Unsecured loan notes	80,000	150,600
Accruals	29,641,610	25,831,736
	<u>462,424,733</u>	<u>444,060,747</u>

- (a) Amounts due to other group companies are included under amounts falling due within one year where there are no specified terms as to their repayment
- (b) 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. All these loan notes are repayable on demand.

14. CREDITORS: Amounts falling due after more than one year

	<u>2010</u>	<u>2009</u>
	£	£
Amount payable		
Amounts due under finance leases and hire purchase contracts (note 16)	<u>4,854,745</u>	<u>10,999,111</u>

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010****15. PROVISIONS FOR LIABILITIES AND CHARGES**

Provisions	<u>Onerous lease</u> <u>commitments for</u> <u>discontinued premises</u>	<u>Dilapidations</u> <u>provision</u>	<u>Total</u>
	£	£	£
At 1 January 2010	4,110,336	1,612,500	5,722,836
Provided during the year	1,529,168	285,000	1,814,168
Utilised	(1,568,780)	(568,000)	(2,136,780)
Released during the year	(112,987)	(19,000)	(131,987)
At 31 December 2010	3,957,737	1,310,500	5,268,237

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 13 years from the balance sheet date. The dilapidations provision relates to costs of meeting obligations under the terms of the leases.

16. OBLIGATIONS UNDER FINANCE LEASES

Amounts due under finance leases and hire purchase contracts

	<u>2010</u>	<u>2009</u>
	£	£
<i>Amounts payable</i>		
Within one year	2,635,949	11,504,640
In two to five years	5,527,663	12,817,442
Less finance charges allocated to future periods	(1,178,205)	(3,377,355)
	6,985,407	20,944,727

Finance leases are analysed as follows

<i>Amounts payable</i>	<u>2010</u>	<u>2009</u>
	£	£
Current obligations (note 13)	2,130,662	9,945,616
Non current obligations (note 14)	4,854,745	10,999,111
	6,985,407	20,944,727

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010

17. CONTINGENT LIABILITY

The company has jointly and severally guaranteed the value added tax liability of Ladbrokes plc companies within the group registration, which amounted to approximately £4.5 million as at 31 December 2010 (2009 £2.7 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 December 2010, the credit balance on such accounts amounted to £449,292 (2009 £215,709)

18. SHARE CAPITAL

	<u>2010</u>	<u>2009</u>
	£	£
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	503,155,303	503,155,303
Class 'A' shares of £1 each	100,000	100,000
Class 'B' shares of £1 each	503,255	503,255
	<u>503,758,558</u>	<u>503,758,558</u>

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

Rights, privileges and restrictions attaching to the B shares

The holders of the B shares are not entitled to participate in any dividend paid to the holders of the ordinary shares or the A shares. Such a dividend may be declared and paid prior to any date on which the dividend on the B shares may become payable. Where such a dividend is declared or approved after any date on which any dividend on the B shares is payable it may not be paid before the dividend on the B shares has been paid.

On a return of capital the holders of the B shares shall be entitled to

- (i) a sum equal to any unpaid dividend due to the holders of the B shares, and
- (ii) pari passu with the holders of the A shares, and the ordinary shares, an amount equal to the amount paid up or deemed to be paid up on the shares, in the event of competition for available monies in a proportion to the amounts paid up or deemed to have been paid up on the shares,

Each holder of any B share shall have the right to receive notice of, attend, speak and vote at general meetings

The company shall not, for so long as any B shares are in issue, sell or pledge the deposit agreement or agree to do so

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010****19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES**

	Share capital £	Profit and loss account £	Total £
At 1 January 2009	503,255,303	937,884,197	1,441,139,500
Profit for the year	-	238,010,556	238,010,556
Issue of B shares	503,255	(503,255)	-
Derecognition of the fair value of the principal deposit amounts	-	(94,047,331)	(94,047,331)
Derecognition of the interest asset on the deposit account	-	(36,722,525)	(36,722,525)
At 31 December 2009	503,758,558	1,044,621,642	1,548,380,200
Profit for the year	-	67,274,009	67,274,009
At 31 December 2010	503,758,558	1,111,895,651	1,615,654,209

20. CAPITAL COMMITMENTS

	<u>2010</u> £	<u>2009</u> £
Capital commitments contracted with third parties	<u>924,417</u>	<u>1,004,497</u>

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010

21. PENSIONS

Certain employees of the company were members of the Ladbrokes plc pension plan. Details of the plan and particulars of the actuarial valuation are contained in the accounts of Ladbrokes plc for the financial year ended 31 December 2010.

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 contributions 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 it is not possible to identify the share of underlying assets and liabilities attributable to Ladbrokes Betting & Gaming Limited. A fixed surplus or deficit contribution was made to the scheme and any is accounted for in the ultimate parent company.

22. FINANCIAL COMMITMENTS

The annual commitment under operating leases at 31 December 2010 was as follows -

	Land & Buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Operating leases which expire				
within one year	1,720,344	1,239,292	638,104	584,432
within one to five years	17,596,805	15,860,271	444,732	514,489
in over five years	15,558,244	15,459,888	-	-
	34,875,393	32,559,451	1,082,836	1,098,921

The lease commitments relate to the future rent payable by the company under non-cancellable operating leases.

23. CASH FLOW STATEMENT

The company has taken advantage of the provisions of FRS 1, which exempt subsidiaries from preparing a cash flow statement where 90% or more of the voting rights are controlled within the group. The ultimate parent company, Ladbrokes plc, has included the required consolidated cash flow statement within its consolidated financial statements.

24. RELATED PARTY TRANSACTIONS

The company has taken advantage of the provisions of FRS 8, which exempt subsidiary undertakings, 100% of whose voting rights are controlled within the group, from disclosing transactions with other entities within the group. The ultimate parent company, Ladbrokes plc, has included the required related party disclosures within its consolidated financial statements.

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2010

25. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the company is Ladbroke & Co , Limited, a company registered in England and Wales, and the ultimate parent undertaking is Ladbrokes plc, a company registered in England and Wales. The largest and smallest group preparing consolidated group accounts which include the company is Ladbrokes plc for the year ended 31 December 2010.

Copies of the accounts of Ladbrokes plc can be obtained from the registered office of that company at Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex, HA2 7JW.