

## **LADBROKES BETTING & GAMING LIMITED**

### **STRATEGIC REPORT – FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their strategic report for the year ended 31 December 2014.

#### **PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

During the year the Company continued its bookmaking, betting and gaming operations. The company had a strong World Cup performance with staking growth which helped offset the continuing decline in horses with a reduction in customer interest.

Machine growth in the first half of the year was impacted by the implementation of the ABB code for responsible gambling but accelerated in the latter part of the year reflecting the success of new machines.

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:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Turnover	<b>824,322,403</b>	818,577,960
Operating profit	<b>50,781,167</b>	73,026,712
Profit for the financial year	<b>57,140,725</b>	87,693,325
Average weekly number of employees (including executive directors)	<b>12,308</b>	12,920
Number of shops	<b>2,202</b>	2,248

#### **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:

- **Marketplace**

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**

### **STRATEGIC REPORT – FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

#### ***PRINCIPAL RISK AND UNCERTAINTIES (continued)***

- **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.

- **Financial Risk**

The Company has an exposure to changes in interest rates, which affect the balances with other group companies and the interest due on those balances.

The Company has no other significant risks or uncertainties other than those that arise from being a part of the Ladbrokes group which are dealt with in the Strategic Report presented in the Annual Report and Accounts 2014 of Ladbrokes plc on pages 34 to 37.

By order of the Board



A J Bushnell  
Secretary

Date: 30/09/15

## **LADBROKES BETTING & GAMING LIMITED**

### **DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2014**

Directors:	J R Bunn	(resigned on 2 April 2015)
	L S Drabwell	
	C D Evans	(resigned on 27 February 2015)
	A K Harley	(resigned on 30 June 2015)
	D Matthews	
	S C Matthews	
	M P O'Kane	
	C M Robson	
	N J Rust	(resigned on 31 December 2014)
	S B Harley	(resigned on 6 April 2014)
	M A Grimes	(appointed 17 March 2015)
	R M Sandbach	(appointed 17 March 2015)
	M D Coshott	(appointed 17 March 2015)
Secretary :	A J Bushnell	(appointed 18 April 2014)
	J M Adelman	(resigned 18 April 2014)
Registered Office :	Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex, HA2 7JW	
Company Number:	775667	

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The directors present their Directors' Report and the audited Company's financial statements for the year ended 31 December 2014.

#### **RESULTS AND DIVIDENDS**

The financial statements for the year show a profit for the financial year of £57,140,725 (2013: £87,693,325). The directors do not recommend the payment of a dividend (2013: £99,823,793).

#### **PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

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

#### **FINANCIAL RISK MANAGEMENT**

The company's exposure to financial risk management is outlined in the Strategic Report.

#### **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.

#### **FUTURE DEVELOPMENTS**

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

**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 "The Score".

**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.

**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.

## **LADBROKES BETTING & GAMING LIMITED**

### **DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, 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 prepared 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

#### **DISCLOSURE OF INFORMATION TO THE AUDITORS**

Each of the persons who are directors at the date of approval of this report confirms that:

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

#### **INDEPENDENT AUDITORS**

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

On behalf of the board

By order of the Board



M D Coshott  
Director

Date: 30/07/15

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Our opinion**

In our opinion, Ladbrokes Betting & Gaming Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

### **WHAT WE HAVE AUDITED**

Ladbrokes Betting & Gaming Limited's financial statements comprise:

- Balance Sheet as at 31 December 2014;
- Profit and Loss Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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

### **OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

### **DIRECTORS' REMUNERATION**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LADBROKES BETTING & GAMING LIMITED**  
**(continued)**

**RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT**

**Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**WHAT AN AUDIT OF FINANCIAL STATEMENT INVOLVES**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Mark Jordan (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

30 September 2015

**LADBROKES BETTING & GAMING LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>Notes</u>	<u>2014</u> £	<u>2013</u> £
<b>TURNOVER</b>	1	<b>824,322,403</b>	818,577,960
Operating expenses before exceptional items		<b>(734,890,589)</b>	(715,707,720)
Operating exceptional items	2b	<b>(48,254,587)</b>	(34,800,953)
Other operating income		<b>9,603,940</b>	4,957,425
<b>TOTAL OPERATING EXPENSES</b>		<b>773,541,236</b>	745,551,248
<b>OPERATING PROFIT</b>	2a	<b>50,781,167</b>	73,026,712
Income from shares in group undertakings	3	<b>1,052,473</b>	2,016,480
Interest receivable and similar income	4	<b>22,791,406</b>	21,130,559
Interest payable and similar charges	5	<b>(5,023,095)</b>	(4,524,363)
Loss on disposal of fixed assets	2b	<b>(12,461,226)</b>	(2,778,895)
Amounts written off investments	2b	-	(1,177,168)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>57,140,725</b>	87,693,325
Tax on profit on ordinary activities	7	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>	19	<b>57,140,725</b>	87,693,325

All items dealt with in arriving at the profit on ordinary activities before taxation relate to continuing operations.

There are no material differences between the profit on ordinary activities before taxation and profit for the year stated above, and their historical cost equivalents.

The company has no recognised gains or losses other than those shown in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.



**BALANCE SHEET AT 31 DECEMBER 2014**

		<b><u>2014</u></b>	<b><u>Restated <sup>(1)</sup></u></b>
	<b><u>Notes</u></b>	<b><u>£</u></b>	<b><u>2013</u></b>
			<b><u>£</u></b>
<b>FIXED ASSETS</b>			
Intangible assets	8	<b>772,967,535</b>	817,774,748
Tangible assets	9	<b>129,576,847</b>	157,675,776
Investment in joint venture	10	<b>17,806,634</b>	14,175,748
Investments	11	<b>140,445,641</b>	111,561,778
		<b>1,060,796,657</b>	1,101,188,050
<b>NON CURRENT ASSETS</b>			
Debtors: amounts falling due after one year	12	<b>1,110,405,710</b>	965,473,622
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	12	<b>79,584,681</b>	83,474,418
Cash at bank and in hand		<b>12,004,923</b>	14,449,529
		<b>91,589,604</b>	97,923,947
<b>CREDITORS: amounts falling due within one year</b>	13	<b>(377,940,910)</b>	(338,592,275)
Provisions	15	<b>(5,189,194)</b>	(3,174,807)
		<b>(383,130,104)</b>	(341,767,082)
<b>NET CURRENT (LIABILITIES)</b>		<b>(291,540,500)</b>	(243,843,135)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,879,661,867</b>	1,822,818,537
<b>CREDITORS: amounts falling due after more than one year</b>	14	<b>(3,053,054)</b>	(4,219,014)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<b>(7,072,924)</b>	(6,204,359)
<b>NET ASSETS</b>		<b>1,869,535,889</b>	1,812,395,164
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	<b>503,758,558</b>	503,758,558
Profit and loss account	19	<b>1,365,777,331</b>	1,308,636,606
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>1,869,535,889</b>	1,812,395,164

<sup>(1)</sup> See note 1 – basis of accounting

The financial statements on pages 8 to 24 were approved by the board of directors on 30 September 2015 and were signed on its behalf by:



M D Coshott  
Director

Date: 30/09/15

**BALANCE SHEET AT 31 DECEMBER 2014****1. ACCOUNTING POLICIES****1.1 Basis of accounting**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The Financial Reporting Council issued changes to the UK financial reporting framework, which will result in companies reporting either under the principles of EU-adopted IFRS or a new set of UK financial reporting standards. In certain cases companies will be able to report reduced disclosures.

This new financial reporting framework is effective for the year ending 31 December 2015, and is required to be applied retrospectively. The Company has taken the decision not to adopt the new requirements for the year ended 31 December 2014.

**Restatement of 2013 balances**

A prior year balance disclosed as 'amounts due from group undertakings' and 'amounts due to group undertakings' and provisions have been reclassified from falling due in less than one year to falling due after more than one year to reflect the long term nature of the balances.

There is no impact on the Profit for the year ended 31 Dec 2013 from these restatements.

**1.2 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.

**1.3 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.

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.

# **LADBROKES BETTING & GAMING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014**

### **1 ACCOUNTING POLICIES** *(continued)*

#### **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:

Short leasehold properties	over 10 years or the life of the lease if shorter
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.

#### **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.

**LADBROKES BETTING & GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014****2a. OPERATING PROFIT****Stated after (charging)/crediting:**

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
Management charges payable to group companies	<b>(37,056,435)</b>	(40,596,928)
Depreciation of tangible assets:		
- leased	<b>(1,023,800)</b>	(200,088)
- other	<b>(32,934,688)</b>	(33,125,021)
Auditor's remuneration - audit of the financial statements	<b>(32,000)</b>	(150,000)
Hire of plant and equipment	<b>(1,084,213)</b>	(1,256,180)
Operating leases - land and buildings	<b>(40,196,628)</b>	(38,398,522)
Royalties received from group companies	<b>7,104,344</b>	2,662,030
Rents receivable	<b>1,956,434</b>	1,898,588
Vending income	<b>414,862</b>	349,195

**2b. EXCEPTIONAL ITEMS**

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
Recognised in arriving at operating profit:		
Shop asset impairment loss (a)	<b>(35,213,017)</b>	(24,998,704)
Other asset impairment loss (b)	<b>(860,336)</b>	(1,610,267)
Business restructuring and integration costs	-	(5,105,022)
Profit on sale and leaseback	-	5,907,971
Loss on closure of shops (c)	<b>(12,181,234)</b>	(2,828,466)
Contract Renewal Fee	-	(6,166,465)
Recognised below operating profit:		
Loss on disposal of fixed assets	<b>(12,461,226)</b>	(2,778,895)
Amounts written off investments	-	(1,177,168)

- (a) The impairment loss relates to impairment loss of intangible assets of £33,894,571 and an impairment loss of tangible assets of £1,318,446.
- (b) This relates to the write off of IT assets no longer in use.
- (c) The company incurred costs in relation to the closure of 88 shops.

**LADBROKES BETTING & GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014****3. INCOME RECEIVED FROM SHARES IN GROUP UNDERTAKINGS**

	<u>2014</u>	<u>2013</u>
	£	£
Dividends received from group companies	1,052,473	2,016,480

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>2014</u>	<u>2013</u>
	£	£
From group companies	22,740,408	21,055,431
Loan note interest	50,239	69,734
Other interest received	759	5,394
	<u>22,791,406</u>	<u>21,130,559</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2014</u>	<u>2013</u>
To group companies:-		
Loan interest	4,204,687	4,076,226
Lease interest	420,975	447,962
Loan notes	-	149
Bank loans and overdrafts	-	26
Other interest	397,433	-
	<u>5,023,095</u>	<u>4,524,363</u>

**6. DIRECTORS AND EMPLOYEES**

6.1 <i>Directors emoluments</i>	<u>2014</u>	<u>2013</u>
Emoluments	<u>3,410,894</u>	<u>2,479,110</u>
	<b>No.</b>	<b>No.</b>
Members of Ladbrokes plc pension scheme	<u>7</u>	<u>8</u>

**LADBROKES BETTING & GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014****DIRECTORS AND EMPLOYEES (continued)**

The amounts in respect of the highest paid director are as follows:

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
Emoluments	<b><u>1,104,278</u></b>	<b><u>561,352</u></b>

**6.2 *Employee staff costs***

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>188,402,795</b>	187,205,716
Social security costs	<b>12,929,514</b>	13,259,279
Pension costs	<b><u>2,344,693</u></b>	<u>2,583,979</u>
	<b><u>203,677,002</u></b>	<b><u>203,048,974</u></b>

**6.3 *Employee staff numbers***

	<b><u>2014</u></b>	<b><u>2013</u></b>
The average weekly numbers of employees (including executive directors) was:	<b><u>12,308</u></b>	<b><u>12,920</u></b>

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

No provision (2013: none) 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 2014 or 2013.

Ladbrokes plc has indemnified the Company in respect of all tax liabilities and assets and as a result a deferred tax asset of £4,523,713 (2013: £919,312) resulting from accelerated capital allowances has not been recorded in the current year.

**LADBROKES BETTING & GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014****8. INTANGIBLE ASSETS**

	<u>Licences</u>
	£
<b>Cost</b>	
At 1 January 2014	873,688,386
Additions	94,957
Disposals	(11,657,600)
Transfer from other group companies	650,001
<b>At 31 December 2014</b>	<b><u>862,775,744</u></b>
<b>Impairment</b>	
At 1 January 2014	55,913,638
Provided in the year	33,894,571
<b>At 31 December 2014</b>	<b><u>89,808,209</u></b>
<b>NET BOOK VALUE:</b>	
<b>At 31 December 2014</b>	<b><u>772,967,535</u></b>
At 31 December 2013	<b><u>817,774,748</u></b>

# **LADBROKES BETTING & GAMING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014**

### **9. TANGIBLE FIXED ASSETS**

	Fixtures, Fittings & Equipment	Leased Assets	Freehold Property	Long Leasehold Property	Short Leasehold Property	Total
	£	£	£	£	£	£
<i>Cost:</i>						
At 1 January 2014	349,447,726	6,205,289	7,212,656	1,191,342	68,552,278	432,609,291
Additions	9,289,843	53,540	177,515	166,814	1,876,067	11,563,779
Disposals	(6,243,447)	(112,423)	(93,888)	-	(1,778,464)	(8,228,222)
Reclassification	(2,429,145)	-	-	-	2,429,145	-
Revaluation	(29)	-	-	-	-	(29)
Transfer to other group companies	(1,177,481)	-	-	-	-	(1,177,481)
<b>At 31 December 2014</b>	<b>348,887,467</b>	<b>6,146,406</b>	<b>7,296,283</b>	<b>1,358,156</b>	<b>71,079,026</b>	<b>434,767,338</b>

#### *Depreciation:*

At 1 January 2014	233,467,419	199,559	1,874,671	710,336	38,681,530	274,933,515
Charge for the year	24,213,558	1,023,800	187,927	40,877	8,492,326	33,958,488
Shop asset impairment loss/(reversal)	498,189	(26,397)	(355,650)	-	1,202,304	1,318,446
Other asset impairment	441,262	-	2,160	-	61,114	504,536
Disposals	(4,653,751)	(31,770)	(34,254)	-	(1,000,393)	(5,720,168)
Transfer from other group companies	195,674	-	-	-	-	195,674
<b>At 31 December 2014</b>	<b>254,162,351</b>	<b>1,165,192</b>	<b>1,674,854</b>	<b>751,213</b>	<b>47,436,881</b>	<b>305,190,491</b>

#### *Net book value*

<b>At 31 December 2014</b>	<b>94,725,116</b>	<b>4,981,214</b>	<b>5,621,429</b>	<b>606,943</b>	<b>23,642,145</b>	<b>129,576,847</b>
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#### *Net book value*

At 31 December 2013	115,980,307	6,005,730	5,337,985	481,006	29,870,748	157,675,776
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The net book value of assets held under finance leases was £5,065,823 as at 31 December 2014 (2013: £6,116,556).

### **10. INVESTMENT IN JOINT VENTURE**

	£
At 1 January 2014	14,175,748
Additions (a)	3,630,886
<b>At 31 December 2014</b>	<b>17,806,634</b>

- (a) During the year the Company made a further investment in the 50:50 Spanish joint venture, Sportium Apuestas Deportivas SA.



**LADBROKES BETTING & GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014****11. INVESTMENTS IN SUBSIDIARIES**

	Shares in subsidiary companies £
Net book value at 31 December 2013	111,561,778
Additions (a)	28,883,863

**Net book value at 31 December 2014****140,445,641**

- (a) During the year the Company subscribed to 100 ordinary shares in Exchange Platform Solutions Limited for a consideration of £28,883,863.

Consolidated financial statements 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 financial statements. 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 financial statements.

**Shares in subsidiary companies**

This represents the Company's investment in the following subsidiary companies at 31 December 2014.

<u>Name of Company</u>	<u>% of shares held</u>	<u>Place of incorporation</u>	<u>Nature of business</u>
Exchange Platform Solutions Limited	100.00	Alderney	Bookmaking company
Margolis & Ridley Limited	100.00	England and Wales	Investment holding company
Ganton House Investments Limited	100.00	England and Wales	Property holding company
Sabrinet Limited	100.00	England and Wales	Leasing company
Ladbroke (Channel Islands) Limited	100.00	Jersey	Bookmaking company
Ladbrokes International Plc	99.90	Gibraltar	Internet-based gaming company
Ladbroke (Course) Limited	100.00	England and Wales	Bookmaking company
Ladbroke (Ireland) Limited	100.00	Ireland	Bookmaking company
Bartletts Limited	100.00	England and Wales	Dormant company
Chequered Racing Limited	100.00	England and Wales	Dormant company
E.F.Politt & Son & Son Limited	100.00	England and Wales	Dormant company
Krullind Limited	100.00	England and Wales	Dormant company
Greatmark Limited	100.00	England and Wales	Dormant company
Ladbrokes PT Limited	100.00	England and Wales	Dormant company
Ladbrokes (CJLEA) Limited	100.00	England and Wales	Dormant company
Ladbrokes (CJLHC) Limited	100.00	England and Wales	Dormant company
Ladbrokes (CJLSW) Limited	100.00	England and Wales	Dormant company
Ladbrokes CPCB Limited	100.00	England and Wales	Dormant company
Ladbroke Leasing (South East) Limited	100.00	England and Wales	Dormant company
Ladbrokes APS	100.00	Denmark	Financial services company
Ladbrokes Betting & Gaming Spain S.A.	100.00	Spain	Bookmaking company
Ladbroke Racing (South East) Limited	100.00	England and Wales	Bookmaking company

The directors believe that the carrying value of the investments is supported by the underlying assets.

**LADBROKES BETTING & GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014****12. DEBTORS:**

		Restated <sup>(a)</sup>
<b>(a) amounts falling due within one year</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
Amounts due from group undertakings	<b>37,234,719</b>	48,734,130
Other debtors	<b>9,560,784</b>	7,762,019
Prepayments and accrued income	<b>32,789,178</b>	26,978,269
	<b><u>79,584,681</u></b>	<b><u>83,474,418</u></b>

		Restated <sup>(a)</sup>
<b>(b) amounts falling due after more than one year</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
Amounts due from group undertakings	<b>1,109,947,377</b>	963,416,111
Amounts owed by joint venture partner	-	1,599,178
Amounts owed by joint venture	<b>458,333</b>	458,333
	<b><u>1,110,405,710</u></b>	<b><u>965,473,622</u></b>

<sup>(a)</sup> See note 1 – basis of accounting

Amounts due from other group undertakings are included under amounts falling due within one year where there are no specified terms as to their repayment.

**13. CREDITORS: Amounts falling due within one year**

		Restated <sup>(a)</sup>
	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	<b>8,567</b>	133,333
Finance leases payable within one year (note 16)	<b>1,213,450</b>	1,104,441
Trade creditors	<b>23,157,557</b>	24,372,448
Customer balances	<b>16,034,943</b>	17,212,085
Amounts owed to group undertakings (a)	<b>276,233,026</b>	227,607,010
Taxation and social security	<b>4,962,939</b>	3,998,573
Other creditors	<b>29,689,225</b>	33,825,568
Accruals and deferred income	<b>26,641,203</b>	30,338,817
	<b><u>377,940,910</u></b>	<b><u>338,592,275</u></b>

<sup>(a)</sup> See note 1 – basis of accounting

Amounts due to other group undertakings are included under amounts falling due within one year where there are no specified terms as to their repayment.

**LADBROKES BETTING & GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014****14. CREDITORS: Amounts falling due after one year**

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
Amount payable:		
Amounts due under finance leases and hire purchase contracts (note 16)	<b><u>3,053,054</u></b>	<u>4,219,014</u>

**15. PROVISIONS FOR LIABILITIES**

<b>Provisions</b>	<b><u>Vacant property</u></b>	<b><u>Other</u></b>	<b><u>Total</u></b>
	<b><u>provision <sup>(1)</sup></u></b>	<b><u>provision</u></b>	<b><u></u></b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2014	7,245,001	2,134,165	9,379,166
Provided in the year	7,623,221	526,000	8,149,221
Utilised	(1,311,135)	(284,094)	(1,595,229)
Released	(2,554,076)	(1,116,964)	(3,671,040)
<b>At 31 December 2014</b>	<b><u>11,003,011</u></b>	<b><u>1,259,107</u></b>	<b><u>12,262,118</u></b>

<sup>(1)</sup>The periods of vacant property commitments range from one to twelve years (2013: one to twelve years).

Of the total provisions as at 31 December 2014, £5,189,194 (2013: £3,174,807) is current and £7,072,924 (2013: £6,204,359) is non-current.

**LADBROKES BETTING & GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014****16. OBLIGATIONS UNDER FINANCE LEASES**

Amounts due under finance leases and hire purchase contracts:

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
<i>Amounts payable:</i>		
Within one year	<b>1,535,172</b>	1,521,850
In two to five years	<b>3,368,157</b>	4,846,337
Less: finance charges allocated to future periods	<b>(636,825)</b>	(1,044,732)
	<b><u>4,266,504</u></b>	<b><u>5,323,455</u></b>

Finance leases are analysed as follows

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
<i>Amounts payable:</i>		
Current obligations (note 13)	<b>1,213,450</b>	1,104,441
Non current obligations (note 14)	<b>3,053,054</b>	4,219,014
	<b><u>4,266,504</u></b>	<b><u>5,323,455</u></b>

**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 £Nil as at 31 December 2014 (2013: £Nil).

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 2014, the credit balance on such accounts amounted to £132,238 (2013: ££56,994).

**LADBROKES BETTING & GAMING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014**

**18. CALLED UP SHARE CAPITAL**

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£</b>	<b>£</b>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	<b>503,155,303</b>	503,155,303
Class 'A' shares of £1 each	<b>100,000</b>	100,000
Class 'B' shares of £1 each	<b>503,255</b>	503,255
	<b><u>503,758,558</u></b>	<b><u>503,758,558</u></b>

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.

The share capital of Ladbrokes Betting & Gaming Limited was changed on 7 August 2015 so that the A Shares of £1 each and B Shares of £1 each were re-classified as ordinary shares of £1 each.

**LADBROKES BETTING & GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014****19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES**

	<u>Called up share capital</u>	<u>Profit and loss account</u>	<u>Total shareholders' funds</u>
	£	£	£
At 1 January 2013	503,758,558	1,320,767,074	1,824,525,632
Profit for the financial year	-	87,693,325	87,693,325
Dividend paid in the year	-	(99,823,793)	(99,823,793)
At 31 December 2013	503,758,558	1,308,636,606	1,812,395,164
Profit for the financial year	-	57,140,725	57,140,725
<b>At 31 December 2014</b>	<b>503,758,558</b>	<b>1,365,777,331</b>	<b>1,869,535,889</b>

**20. 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 2014.

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.

**LADBROKES BETTING & GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2014****21. FINANCIAL COMMITMENTS**

The annual commitment under operating leases at 31 December 2014 was as follows:-

	<b>Land &amp; Buildings</b>		<b>Other</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire:				
within one year	<b>2,998,872</b>	2,328,918	<b>241,390</b>	176,942
within one to five years	<b>24,979,894</b>	23,945,533	<b>480,325</b>	318,203
in over five years	<b>17,521,727</b>	18,179,943	-	-
	<b>45,500,493</b>	44,454,394	<b>721,715</b>	495,145

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

**22. 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.

**23. 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.

**24. 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 2014.

Copies of the Annual Report and 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.

**25. POST BALANCE SHEET EVENTS**

On 24 July 2015 the ultimate parent company, Ladbrokes plc, announced the following:

- Ladbrokes plc and Gala Coral Group Limited have agreed terms of a recommended merger (the 'Merger') of Ladbrokes plc with certain businesses of Gala Coral, including Coral Retail, Eurobet Retail and Gala Coral's online businesses to create a leading European betting and gaming group that is better positioned to compete more effectively (the 'Combined Entity').
- A successful completion of the placing of a total of 92,378,680 new ordinary shares of 28 1/3 pence each in the Company representing approximately 9.99 per cent. of the Company's existing issued ordinary share capital (excluding treasury shares) have been placed at a price of 125 pence per placing share raising proceeds of £115.5 million (before expenses). As part of the placing, 22.9% of the placing shares have been placed with Playtech plc.
- A three year strategy which incorporates an aggressive three year investment programme to build Ladbrokes plc's UK Retail, Digital and Australian recreational customer base and a plan to restore Ladbrokes plc's passion and pride of being at the heart of sportsbetting in its culture and all that it does.
- Completion of the Merger is conditional upon, inter alia, the approval of Ladbrokes plc's existing shareholders and clearance from the Competition and Markets Authority ('CMA'). Ladbrokes plc are confident that the Merger is deliverable and are committed to working closely with Gala Coral and the CMA in its review.

Details of all of the above are contained within the press releases dated 24 July 2015, which can also be found on the Ladbrokes plc website at [www.ladbrokesplc.com](http://www.ladbrokesplc.com). None of the above announcements or the details contained within it amount to an adjusting balance sheet event.

On 24 July 2015 the ultimate parent company, Ladbrokes plc, announced the following: