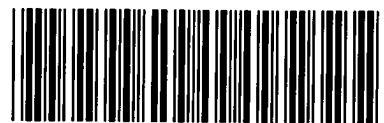


Annual Report and Financial Statements

Ladbrokes Betting & Gaming Limited

For the year ended 31 December 2018

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LADBROKES BETTING & GAMING LIMITED

STRATEGIC REPORT – FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company operates licensed betting offices and receives some financing facilities from other group companies.

Overall revenue was 4.4% behind last year, due mostly to reductions in the number of shops as a consequence of the triennial announcement.

Over The Counter wagers were 8% behind last year, in line with longer term trends, with the positive impacts of the World Cup and a full year of horse racing content offset by the negative impact of the prior year comparative period benefiting from wager-enhancing best-price guarantee offers. Self Service Betting Terminals (SSBTs) wagers continue to grow and now represent over 50% of football wagers.

Machines Net Gaming Reveue (NGR) was 1% behind on a total basis. Customer demand was undoubtedly adversely impacted by the negative coverage of Fixed Odds Betting Terminals (FOBTs) in the first half of the year. During the second half, new Equinox cabinets were rolled out across the estate. The new cabinets helped drive Machines NGR in the final quarter. Importantly, the majority of this growth was driven by the B3 machines content, which will not be impacted by the impending Triennial measures following the government announce of the stakes restriction to £2 for FOBTs.

Operating costs were 5% lower, driven by tight cost control, on-going shop closures and the delivery of synergies arising from the Ladbrokes Coral merger.

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

	2018	2017
	£'000	£'000
Revenue	732,366	766,519
Loss for the financial year	(34,234)	(128,429)
Net Assets	779,747	813,981
Average monthly number of employees		
(including executive directors)	10,417	10,882
Number of shops	1,858	1,928

FUTURE DEVELOPMENTS

During the year we invested over £20,000,000 in our new shop till system "EPOS2" across Ladbrokes and Coral estates. The benefits of this new system are wide ranging, including a more efficient and easier to use back-office process, consistency across the Ladbrokes and Coral estates, and the capability to implement some powerful responsible gambling measures, such as facial recognition, that will make tracking player behaviour and identifying excluded players much easier. At the end of December the EPOS2 systems was live in over 80 shops, with the full roll out due to complete during 2019.

Following the conclusion of the Triennial Review into gaming machines stakes and prizes, the maximum stake on B2 content was reduced to £2 on 1 April 2019. We anticipate that this will result in the closure of a significant number of shops. Investment in new machines, new SSBTs and a new shop till system "EPOS2", combined with the competitive advantage of our unique multi-channel offer, means the UK Retail business is in very good shape as it faces into the post Triennial world, and we are confident that both Ladbrokes and Coral will be market share winners.

On 5 April 2019 another GVC Holdings PLC Group company, Coral Racing Limited, transferred its trade and assets to the Company at book value. This transaction had no impact on the profit or loss. From this date, all of the income and expenditure previously attributable to Coral Racing Limited will be received through Ladbrokes Betting and Gaming Limited.

LADBROKES BETTING & GAMING LIMITED

STRATEGIC REPORT – FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

PRINCIPAL RISK AND UNCERTAINTIES

GVC Holdings PLC reviews and evaluates key risks and uncertainties faced by the group as part of the 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**
Revenue and operating results may vary significantly from year to year. 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.
- **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 GVC Holdings PLC. The significant risks or uncertainties, including the Company's exposure to financial risk management and those arising from Brexit are dealt with on pages 57 to 62 presented in the Annual Report 2018 of GVC Holdings PLC.

FINANCIAL POSITION

As at 31 December 2018 the company had net assets of £779,747,000 (31 December 2017: £813,981,000).

MODERN SLAVERY

GVC Holdings PLC and its global subsidiaries ("The Group") recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free. The Group's full modern slavery statement can be found at <https://gvc-plc.com/corporate-responsibility/modern-slavery-statement/>.

On behalf of the board

J Kerr
Director

19 December 2019

LADBROKES BETTING & GAMING LIMITED

DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

The directors present their Directors' Report and the Company's audited financial statements for the year ended 31 December 2018. Comparative information is presented for the year ended 31 December 2017.

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Directors:	R Wood	
	M R Chambers	
	J D Kerr	
	J P M Bowtell	Resigned 8 March 2019
Secretary :	C Cammidge	Resigned 28 June 2018
	S Hoskin	Appointed 18 July 2018
	F Perez	Appointed 18 July 2018
Registered Office :	3 rd Floor One New Change, London, EC4M 9AF	
Company Number:	00775667	

RESULTS AND DIVIDENDS

The financial statements for the year show a loss for the financial year of £34,234,000 (2017: £128,429,000). The company has paid no dividends during the year (2017: £nil). The directors do not recommend payment of a further dividend for the year (2017: £nil).

A consideration of future developments can be found within the strategic report to these financial statements.

FINANCIAL RISK MANAGEMENT

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

GOING CONCERN

Notwithstanding net current liabilities of £1,022,384,000 as at 31 December 2018 and a loss for the year then ended of £34,234,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company will have sufficient funds, through funding from its ultimate parent company, to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

This funding is dependent on GVC Holdings PLC not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £1,208,628,000 and providing additional financial support during that period. GVC Holdings PLC has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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) The financial and economic factors affecting the Company are brought to the attention of our staff through the GVC Holdings PLC Group Annual Report and through information given via the intranet and other multimedia formats and through the publication of "The Score".

LADBROKES BETTING & GAMING LIMITED

DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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.

POLITICAL DONATIONS

Neither the Company nor any of its subsidiaries made any disclosable political donations or incurred any disclosable political expenditure during the year.

DIRECTORS' INDEMNITIES AND INSURANCE

GVC Holdings PLC maintains a qualifying (as defined by law) directors' and officers' liability insurance. The above named directors, (except for the corporate directors) have received an indemnity from the group to the extent permitted by law throughout the period and up to the date of signing this report. Neither the indemnity nor the insurance will provide cover in situations where a director has acted fraudulently or dishonestly.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

For all the directors at the time this report was approved, the following applies:

- a) so far as each director is aware, there is no relevant audit information of which the company's Auditor is unaware; and
- b) each director has taken all the steps that they ought to have taken as director in order to make themselves aware of any relevant audit information and to establish that the company's Auditor is aware of that information

INDEPENDENT AUDITOR

KPMG LLP was appointed as auditor during the year. Pursuant to Section 487 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed and will therefore continue in office.

LADBROKES BETTING & GAMING LIMITED

DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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:

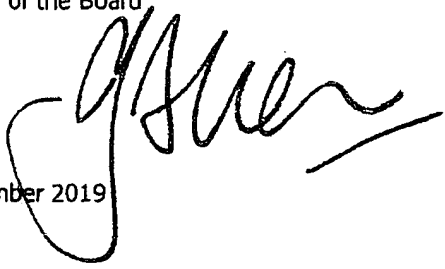
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board

J Kerr
Director

19 December 2019

A handwritten signature in black ink, appearing to read 'J Kerr', with a long horizontal stroke extending to the right.

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

Opinion

We have audited the financial statements of Ladbrokes Betting & Gaming Limited ("the company") for the year ended 31 December 2018 which comprise the Balance Sheet, the Income Statement, the Statement of Changes in Equity and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of assets, and related disclosures, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Strategic report and directors' report (continued)

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Richard Johnson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP

Chartered Accountants and Statutory Auditor

15 Canada Square

London

E14 5GL

19 December 2019

LADBROKES BETTING & GAMING LIMITED**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

	<u>Note</u>	<u>2018</u> <u>£'000</u>	<u>2017</u> <u>£'000</u>
Revenue	4.12	732,366	766,519
Cost of sales		(207,810)	(209,744)
Operating expenses before separately disclosed items		(441,529)	(479,929)
Operating profit before separately disclosed items		83,027	76,846
Separately disclosed items	5b	(100,917)	(216,872)
Other operating income		8,583	8,318
Income from investments	13	14,092	-
Impairment of investments	13	(11,912)	-
Loss before tax and finance income	5a	(7,127)	(131,708)
Interest receivable and similar income	6	524	544
Interest payable and similar expenses	7	(37,191)	(35,319)
Loss before taxation		(43,794)	(166,483)
Tax on loss	9	9,560	38,054
Loss and total comprehensive expense for the financial year		(34,234)	(128,429)
Attributable to: Equity holders of the parent		(34,234)	(128,429)

All items dealt with in arriving at the loss before taxation relate to continuing operations.

There are no items of other comprehensive expense in the year presented. Therefore, no separate statement of comprehensive income has been prepared.

The notes on pages 11 to 28 form an integral part of these financial statements.

LADBROKES BETTING & GAMING LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2018**

Company number: 00775667

		<u>2018</u>	<u>2017</u>
	<u>Note</u>	<u>£'000</u>	<u>£'000</u>
NON CURRENT ASSETS			
Intangible assets	10	49,462	52,231
Property, plant and equipment	11	103,483	48,644
Investment in joint venture	12	29,291	25,810
Investments in subsidiaries	13	1,597,536	1,609,448
Trade and other receivables	14b	1,765	1,648
Deferred tax asset	9d	22,885	13,382
		<u>1,804,422</u>	<u>1,751,163</u>
CURRENT ASSETS			
Trade and other receivables	14a	297,127	98,803
Corporation tax recoverable		28,834	26,795
Cash at bank and in hand		13,255	12,447
		<u>339,216</u>	<u>138,045</u>
CURRENT LIABILITIES			
Trade and other payables	15	(1,355,018)	(1,065,444)
Provisions for liabilities and charges	16	(6,265)	(6,511)
Lease liabilities	17	(101)	(1,721)
		<u>(1,361,384)</u>	<u>(1,073,676)</u>
NET CURRENT LIABILITIES			
		<u>(1,022,168)</u>	<u>(935,631)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>782,254</u>	<u>815,532</u>
NON-CURRENT LIABILITIES			
Provisions for liabilities and charges	16	(2,507)	(1,551)
		<u>(2,507)</u>	<u>(1,551)</u>
NET ASSETS			
		<u>779,747</u>	<u>813,981</u>
EQUITY			
Issued share capital	18	503,759	503,759
Retained Earnings		275,988	310,222
TOTAL SHAREHOLDERS' EQUITY			
		<u>779,747</u>	<u>813,981</u>

The financial statements on pages 8 to 28 were approved by the board of directors on 19 December 2019 and were signed on its behalf by:

J Kerr
Director

19 December 2019

LADBROKES BETTING & GAMING LIMITED**STATEMENT OF CHANGES IN EQUITY – FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
At 31 December 2016	503,759	438,651	942,410
Loss and total comprehensive expense for the year	-	(128,429)	(128,429)
At 31 December 2017	503,759	310,222	813,981
Loss and total comprehensive expense for the year	-	(34,234)	(34,234)
At 31 December 2018	503,759	275,988	779,747

The notes on pages 11 to 28 form an integral part of these financial statements.

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

Ladbrokes Betting & Gaming Limited ('the Company') is a private company limited by shares incorporated and domiciled in England and Wales within the United Kingdom. The address of its registered office and principal place of business is disclosed in the Directors' Report.

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 19 December 2019.

These financial statements were prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of GVC Holdings PLC.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. The Company's financial statements are individual entity financial statements.

2. BASIS OF PREPARATION

These financial statements were prepared in accordance with FRS 101 and Companies Act 2006. The financial statements are prepared on a going concern basis under the historical cost convention.

The accounting policies which follow in note 4 set out those policies which apply in preparing the financial statements for the year ended 31 December 2018. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) IFRS 7 Financial Instruments: Disclosures;
- b) IFRS 13 Fair Value Measurement
- c) IAS 1 Presentation of Financial Statements
- d) the requirements of IAS 7 Statement of Cash Flows;
- e) the requirements of IAS16.73 (e) comparative information
- f) IAS 8.30-31 Accounting Policies, Changes In Accounting Estimates and Errors;
- g) IAS 24 Related Party Disclosures
- h) the requirements of paragraph 17 of IAS 24;
- i) IAS 36 Impairment of Assets.

New standards and IFRIC interpretations

From 1 January 2018 the Group has applied, for the first time, certain standards, interpretations and amendments being;

IFRS 9, 'Financial instruments', which addresses the classification, measurement and recognition of financial assets and liabilities was issued in July 2015. IFRS 9 retains and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit and Loss. The basis of the classification depends on the business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss or with an Irrevocable option at inception to present changes in fair value in OCI. Fair value changes recorded through OCI are not subsequently recycled.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement.

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (continued)

New standards and IFRIC interpretations (continued)

The adoption of the following amendments did not have any impact on the current period or any prior period and are not likely to affect future periods:

- IFRS 15 'Revenue from Contracts with Customers'
- Amendments to IFRS2 'Share based payments' amendments to clarify the classification and measurement of share-based payment transactions

3. KEY JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make assumptions, estimates and judgements that affect the amounts reported as assets and liabilities as at the balance sheet date and the amounts reported as revenues and expenses during the year. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the accounting policies where judgement is necessarily applied are those set out below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

Indefinite life intangible assets

The Company determines whether indefinite life assets are impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash generating units to which the licences are allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Investment in subsidiaries

Investment in subsidiaries are reviewed annually for impairment when indicators for impairment are identified, using a value in use calculation where the investment is considered a single cash generating unit. In determining value in use for the investment, future discounted cash flows from both possible and expected dividends are considered.

Financial assets

Financial assets are recognised when the Company becomes party to the contracts that give rise to them. The Company classifies financial assets at inception as loans and receivables, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income. At 31 December 2018, the Company had only financial assets classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value plus directly attributable transaction costs. Subsequently, such assets are measured at amortised cost, using the effective interest rate (EIR) method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable in the income statement. Expected credit losses are recognised for financial assets recorded at amortised cost, including trade receivables. Expected credit losses are calculated by using an appropriate probability of default, taking accounts of a range of possible future scenarios and applying this to the estimated exposure of the Group at the point of default.

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

(continued)

3. KEY JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of financial liabilities at initial recognition. Financial liabilities comprise of interest-bearing loans.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Going concern

Notwithstanding net current liabilities of £1,022,384,000 as at 31 December 2018 and a loss for the year then ended of £34,234,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company will have sufficient funds, through funding from its ultimate parent company, to meet its liabilities as they fall due for that period.

This funding is dependent on GVC Holdings PLC not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £1,208,628,000 and providing additional financial support during that period. GVC Holdings PLC has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

4.2 Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are held at historical cost less any provision for impairment.

4.3 Property, plant and equipment and software

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to 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:

Leasehold properties	over 50 years or the life of the lease if shorter
Leased assets	Over the life of the lease
Fixtures, fittings, & equipment	over a period of 4 – 10 years
Freehold buildings	over a period of 50 years
Software	Over a period of 2 – 15 years

4.4 Intangible fixed assets

Betting office licences

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

Licences are amortised over 15 years.

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

(continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease – lessee

Operating lease payments, other than contingent rentals, are recognised as an expense in the income statement on a straight line basis over the lease term, including the effect of lease incentives.

4.6 Recoverable amount of non-current assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

4.7 Financial assets

Financial assets are recognised when the Company becomes party to the contracts that give rise to them. The Company classifies financial assets at inception as loans and receivables, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income. At 31 December 2018, the Company had only financial assets classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value plus directly attributable transaction costs. Subsequently, such assets are measured at amortised cost, using the effective interest (EIR) method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

The Company's financial assets include cash and short-term deposits and trade and other receivables.

Trade receivables are generally accounted for at amortised cost. Expected credit losses are recognised for financial assets recorded at amortised cost, including trade receivables. Expected credit losses are calculated by using an appropriate probability of default, taking accounts of a range of possible future scenarios and applying this to the estimated exposure of the Group at the point of default.

4.8 Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from the assets has expired or when the Company has transferred its contractual right to receive the cash flows from the financial assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party, and either:

- substantially all the risks and rewards of ownership have been transferred; or
- substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

(continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Pension costs

Certain employees of the Company are members of the Ladbrokes Pension Plan which is a defined benefit pension scheme that shares risks between entities that are under common control. Management has determined that no contractual agreement or stated policy exists for charging to individual group entities the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 *Employee Benefits* (IAS 19). As a result, the net defined benefit cost is recognised in the individual financial statements of the group entity that is legally the sponsoring employer for the plan, being Ladbrokes Coral Group Limited.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

4.11 Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense within interest payable and similar charges.

4.12 Revenue

The Company reports the gains and losses on all betting and gaming activities as revenue, which is measured at the fair value of the consideration received or receivable from customers less free bets, promotions, bonuses and other fair value adjustments.

For licensed betting offices (LBOs), On Course Betting, Core Telephone Betting, Mobile Betting, Digital Businesses, revenue represents gains and losses, being the amounts staked and fees received, less total payouts. Open betting positions are carried at fair value and gains and losses arising on these positions are recognised in revenue. Vending income is also included within revenue.

All revenue is generated within the United Kingdom.

4.13 Separately disclosed items

To assist in understanding its underlying performance, the Company has defined the following items of pre-tax income and expense which are separately disclosed as they either reflect items which are exceptional in nature or size or are associated with the amortization of acquired intangibles. Items treated as separately disclosed include:

- profits or losses on disposal, closure or impairment of assets or businesses;
- corporate transaction and restructuring costs; and
- amortization of acquired intangibles.

The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Company. Further details are given in note 5b.

4.14 Finance expense and income

Finance expense and income arising on interest bearing financial instruments carried at amortised cost are recognised in the income statement using the effective interest rate method. Finance income represents income arising principally from loans to fellow group companies.

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018**
(continued)**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.15 Income tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- Deferred income tax assets are recognised only to the extent that it is probably that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment. Income tax is charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

5a. LOSS BEFORE TAX AND FINANCE INCOME

This is stated after (charging)/crediting:	2018	2017
	£'000	£'000
Management charges payable to group companies	(11,172)	(11,558)
Depreciation of tangible assets	(15,841)	(20,372)
Auditor's remuneration - audit of the financial statements	(22)	(22)
Operating leases:		
Minimum lease payment	(42,661)	(45,150)
Rent receivables	1,370	1,404
Royalties received from group companies	7,213	6,913

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****(continued)****5b. SEPARATELY DISCLOSED ITEMS**

	2018	2017
	£'000	£'000
Shop asset impairment loss ^(a)	(65,300)	(170,133)
Loss on closure of divested shops ^(b)	-	(4,092)
Amortisation of licences ^(c)	(1,959)	(13,339)
Integration costs ^(d)	(16,658)	(25,183)
Corporate transaction cost ^(e)	(3,791)	(293)
Legal and onerous contract provision ^(f)	(10,875)	(3,832)
Redundancy costs	(2,119)	-
Loss on disposal of property, plant and equipment	(215)	-
	(100,917)	(216,872)

- (a) The Company has recognised an impairment charge during the year of £65,300,000 (2017: £170,133,000), of which £29,671,000 has been recorded against licenses (2017: £149,612,000), £nil has been recorded against software (2017: £123,000) and £35,629,000 against plant, property and equipment (2017: £20,398,000). The impairment charge recognised in UK Retail in the current year is a consequence of the acceleration of the impact of stakes restrictions on FOBT machines in LBOs to £2.
- (b) The approval of the merger with the Coral Group by the Competition and Markets Authority ('CMA') was subject to the divestment of 360 shops in the combined UK Retail estate of which 167 shops related to Ladbrokes Betting & Gaming Limited. A total of 0 (2017: 76) shops were divested in 2018 incurring a loss of £nil (2017: £4,092,000).
- (c) The economic life of licences are amortised over 15 years. The change was effective from 1 November 2016 and affected periods from this date onwards, therefore the company has incurred a charge of £1,959,000 (2017: £13,339,000) during the year.
- (d) The company incurred costs of £16,658,000 (2017: £25,183,000) in relation to the integration of the GVC Holdings, Ladbrokes and Coral businesses.
- (e) The company incurred £3,791,000 (2017: £293,000) of corporate transaction costs in relation to the acquisition in the year by GVC Holdings PLC, and the merger in November 2016.
- (f) Legal and onerous provisions include onerous contracts that have arisen as a result of closure of shops and other legal provisions outside the ordinary course of the business.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£'000	£'000
From group undertakings	524	544
	524	544

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	£'000	£'000
To group companies:-		
Loan interest	37,191	35,136
Lease interest	-	99
	37,191	35,235

SEPARATELY DISCLOSED INTEREST

	2018	2017
	£'000	£'000
Ticker fee	-	84

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****(continued)****8. DIRECTORS AND EMPLOYEES**

The directors who have served during the period are also directors of other undertakings within the group and their remuneration is paid by various subsidiaries of GVC Holdings PLC. It is not practicable to identify the emoluments related solely to the Company and accordingly the aggregate amounts for remuneration for the directors of the Company paid across the entire Group are included below.

8.1 Directors' emoluments	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Emoluments	2,968	2,094

Directors received £nil compensation for loss of office during the year ended 31 December 2018 (2017: £515,575).

	<u>No.</u>	<u>No.</u>
Members of Ladbrokes plc (2017: Ladbrokes plc) pension scheme	2	3

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

	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Aggregate emoluments	983	743

8.2 Employee staff costs

	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	186,573	171,694
Social security costs	13,089	11,922
Other pension costs	4,319	2,458
	203,981	186,074

8.3 Employee staff numbers

	<u>2018</u>	<u>2017</u>
	<u>No.</u>	<u>No.</u>
The average monthly numbers of employees was:		
Administrative staff (including directors)	700	100
Betting shop staff	9,717	10,782
	10,417	10,882

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

(continued)

9. TAX ON LOSS

(a) Tax on loss in the income statement

	2018	2017
	£'000	£'000
Current tax		
UK corporation tax – current year	279	-
UK corporation tax – prior year	(3,792)	(8,702)
Total current tax	(3,513)	(8,702)
Deferred tax		
Origination and reversal of timing differences	(4,733)	(28,786)
Adjustment in respect of prior years	(1,314)	(566)
Total deferred tax	(6,047)	(29,352)
Tax on loss in the income statement	(9,560)	(38,054)

(b) Reconciliation of the total income tax credit

	2018	2017
	£'000	£'000
Loss before taxation	(43,794)	(166,483)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	(8,321)	(32,048)
Adjusted for the effects of:		
Difference between taxable profit and accounting profit on disposals	-	(1,626)
Difference between current and deferred tax rates	557	3,950
Non-taxable income	(2,747)	-
Non-deductible expenses	7,089	2,387
Group relief claimed for nil consideration	(911)	(1,436)
Transfer pricing adjustments	(121)	(13)
Adjustment in respect of prior years – current tax	(3,792)	(8,702)
Adjustment in respect of prior years – deferred tax	(1,314)	(566)
Total tax on loss reported in the income statement	(9,560)	(38,054)

(c) Change in corporation tax rate

In the Budget on 16 March 2016, the Chancellor announced that the standard rate of UK Corporation Tax will be reduced from 1 April 2020 to 17%. In addition, he announced that the planned reductions in rates would be delayed and amended so that the standard rate of UK Corporation Tax will be reduced from 20% to 19% from 1 April 2017, with a further reduction to 17% from 1 April 2020.

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 17%. Although the reduction to 17% is effective from 1 April 2020, this was substantively enacted on 6 September 2016.

(d) Deferred tax

Movements in the deferred tax asset during the period were as follows:

	£'000
At 1 January 2018	13,382
Origination and reversal of timing differences	4,733
Adjustment in respect of prior years	1,314
Transfer from other Group company	3,456
At 31 December 2018	22,885

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****(continued)****9. TAX ON LOSS (continued)**

The deferred tax asset included in the Company balance sheet consists of

	2018	2017
	£'000	£'000
Fixed asset timing differences	22,885	13,290
Other timing differences	-	92
Deferred tax asset	22,885	13,382

As at 31 December 2018 the company has an unrecognised deferred tax asset of £4,611,000 (2017: £4,600,000) in respect of capital losses carried forward.

10. INTANGIBLE ASSETS

	<u>Software</u>	<u>Licenses</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost			
At 1 January 2018	64,129	821,338	885,467
Additions	16,327	17	16,344
Transfer from other group companies	14,865	5,123	19,988
Disposals	(23,401)	(275)	(23,676)
Transfer to other group companies	(2,146)	-	(2,146)
At 31 December 2018	69,774	826,203	895,977
Accumulated amortization and impairment			
At 1 January 2018	48,970	784,266	833,236
Provided during the year	4,907	1,959	6,866
Disposals	(23,063)	(195)	(23,258)
Impairment loss during the year	-	29,671	29,671
At 31 December 2018	30,814	815,701	846,515
NET BOOK VALUE:			
At 31 December 2018	38,960	10,502	49,462
At 31 December 2017	15,159	37,072	52,231

On 31 October 2018 the Company acquired certain intangible assets from other group companies for book value. The net book value acquired was accordingly included as the deemed cost of asset transferred from other group companies.

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018
(continued)

11. PROPERTY PLANT AND EQUIPMENT

	Fixtures, Fittings & <u>Equipment</u>	Leased <u>Assets</u>	Freehold <u>Property</u>	Long Leasehold <u>Property</u>	Short Leasehold <u>Property</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2018	300,093	4,796	7,853	549	66,643	379,934
Additions	30,699	-	-	-	4,131	34,830
Disposals	(11,672)	-	(110)	(6)	(3,721)	(15,509)
Transfers from other group company	39,018	-	2,767	297	29,774	71,856
At 31 December 2018	358,138	4,796	10,510	840	96,827	471,111
Accumulated Depreciation						
At 1 January 2018	258,346	3,003	3,551	443	65,947	331,290
Charge for the year	8,264	-	196	19	7,362	15,841
Disposals	(11,373)	-	(40)	(6)	(3,713)	(15,132)
Impairment loss during the year	24,200	-	-	-	11,429	35,629
At 31 December 2018	279,437	3,003	3,707	456	81,025	367,628
Net book value						
At 31 December 2018	78,701	1,793	6,803	384	15,802	103,483
At 31 December 2017	41,747	1,793	4,302	106	696	48,644

At 31 December 2018, the Company had not entered into contractual commitments for the acquisition of any property, plant and equipment (2017: £nil).

On 31 October 2018 the Company acquired certain property plant and equipment from other group companies for book value. The net book value acquired was accordingly included as the deemed cost of asset transferred from other group companies.

12. INVESTMENT IN JOINT VENTURE

	£'000
At 1 January 2018	25,810
Additions	3,481
At 31 December 2018	29,291

Investment in joint ventures represents the Company's investment in the following entities as at 31 December 2018.

Name of Company	Registered office	% Ordinary Issued Share Capital held by the Company	Nature of business
Sportium Apuestas Deportivas	Santa Maria, Magdalena 10-12, 28016, Madrid, Spain	50	Bookmaking company
Cirsa Digital, S.A.U.	298 Castellar Road, 08226, Terrassa (Barcelona)	50	Bookmaking company
Sportium Apuestas Catalunya S.A.U.	c/Sena 2, 08174 Sant Cugat del Valles, Barcelona, Spain	50	Bookmaking company
Sportium Apuestas Aragon, S.L.U.	Calle Jaime Ferran Numero 5, Enstresuelo Derecha,	50	Bookmaking company
Sportium Apuestas Asturias S.A.U.	Poligono Industrial ASIPO, Calle B, Parcela 45 B, Cayes- Llanera, Asturias, Spain	50	Bookmaking company
Sportium Apuestas Canarias S.L.U.	c/Garcia Morato, number 1, 35212 Telde, Las Palmas De Gran Canaria, Spain	50	Bookmaking company

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018**
(continued)**12. INVESTMENT IN JOINT VENTURE (continued)**

Name of Company	Registered office	% Ordinary Issued Share Capital held by the Company	Nature of business
Sportium Apuestas Castilla La Mancha S.L.U.	c/Santa Maria 10-12, 28016, Madrid, Spain	50	Bookmaking company
Sportium Apuestas Galicia, S.L.U.	c/ Don Pedro s.n, 36980 El Grove, Isla de la Toja, Pontevedra, Spain	50	Bookmaking company
Sportium Apuestas Levante, S.A.U.	c/ Ronda Guglielmo Marconi, num.11, Edificio B, Local B2-2, Parque Tecnológico de Paterna, Paterna, Valencia	50	Bookmaking company
Sportium Apuestas Melilla S.L.U.	Avda. Candido Lobera 5, Atico 3a, Melilla, Spain,	50	Bookmaking company
Sportium Apuestas Navarra S.A.U.	Avenida Barañain Nº 27 - 1º A,31008 Pamplona, Navarra Spain	50	Bookmaking company
Sportium Apuestas Oeste S.A.U.	Pol. Ind. El Nevero, c/ Nevero Doce, parcela 21 06006, Badajoz, Spain	50	Bookmaking company
Sportium Zona Norte S.A.U.	Polígono Ind. Cantabria, c/ Las Balsas 20 Nave 49, 26009 Logroño, La Rioja, Spain	50	Bookmaking company
Sportium Apuestas Panama	Corregimiento de San Francisco , Calle 50 y 73, Este Ciudad de Panama	50	Bookmaking company
Digital Gaming Mexico S.A.P.I.	Boulevard Luis Donaldo Colosio SA-1 , Mineral de la Reforma, Hidalgo Mexico	50	Bookmaking company

On 18 July 2019 GVC Holdings PLC announced that it had reached an agreement to dispose of the 50% interest in Sportium Apuestas Deportivas S.A. ("Sportium") held by the Company to joint venture partner Cirsa S.A. The consideration is €70m payable in cash plus repayment of loans and distribution of excess cash. The deal is conditional on regulatory approval. Accordingly the associated assets of Sportium have been included in the balance sheet as assets classified as held for sale.

13. INVESTMENTS IN SUBSIDIARIES

	Shares in subsidiary companies £'000
Cost:	
At 1 January and 31 December 2018	1,630,180
Impairment Provisions:	
At 1 January 2018	20,732
Amounts provided in the year	11,912
At 31 December 2018	32,644
Net book value:	
At 31 December 2018	1,597,536
At 31 December 2017	1,609,448

During the year the Company received dividends totaling £14,092,000 from a number of its investments; £10,331,000 from Sabrinet Limited, £89,000 from Ladbrokes (CLJEA) Limited, £285,000 from E.F.Politt & Son Limited, £1,823,000 from Krullind Limited, £1,457,000 from Ladbrokes CPCB Limited and £107,000 from Ladbrokes (CLJHC) Limited.

Subsequently the Company undertook a review of the carrying value of its investments and identified £11,912,000 (2017: £nil) of required impairments in Ladbrokes (CLJEA) Limited, E.F. Politt & Son Limited, Krullind Limited, Ladbrokes CPCB Limited, Ladbrokes (CLJHC) Limited and Exchange Platform Solutions Limited.

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****(continued)****13. INVESTMENTS IN SUBSIDIARIES**

An impairment loss is recognized for any amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use where the investment is considered a single cash generating unit.

The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associate with the group of assets.

The pre-tax discount rate applied to cash flow projections for the investments held was 9.5%. The discount rate calculation is based on the specific circumstances with reference to the WACC expected in the industry for which the Company operates.

This below represents the Company's investment in the following subsidiary companies at 31 December 2018.

Related Undertakings – (Direct)

Country of Incorporation	Registered office	Company	Holding	Proportion of voting rights and shares held	Nature of business
United Kingdom	3rd Floor One New Change, London, United Kingdom, EC4M 9AF	Ganton House Investments Limited	Ordinary shares	100.0	Property holding company
		Margolis & Ridley Limited	Ordinary shares	100.0	Investment holding company
		Sabrinet Limited	Ordinary shares	100.0	Dormant company
		Ladbroke (Course) Limited	Ordinary shares	100.0	Dormant company
		Bartletts Limited	Ordinary shares	100.0	Dormant company
		Chequered Racing Limited	Ordinary shares	100.0	Dormant company
		E.F.Politt & Son Limited	Ordinary shares	100.0	Dormant company
		Krullind Limited	Ordinary shares	100.0	Dormant company
		Greatmark Limited	Ordinary shares	100.0	Dormant company
		Ladbrokes PT Limited	Ordinary shares	100.0	Dormant company
		Ladbrokes (CJLEA) Limited	Ordinary shares	100.0	Dormant company
		Ladbrokes (CJLHC) Limited	Ordinary shares	100.0	Dormant company
		Ladbrokes (CJLSW) Limited	Ordinary shares	100.0	Dormant company
		Ladbrokes CPCB Limited	Ordinary shares	100.0	Dormant company
		Ladbroke Leasing (South East) Limited	Ordinary shares	100.0	Dormant company
		Ladbroke Racing (South East) Limited	Ordinary shares	100.0	Inactive
		CE Acquisition 1 Limited	Ordinary shares	100.0	Investments holding company
United Kingdom	Dudley House, 169 Piccadilly, London, W1J 9EH	Lucky Choice Limited	Ordinary shares	66.66	Dormant company
		49'S Limited	Ordinary shares	66.66	Bookmaking company

LADBROKES BETTING & GAMING LIMITED

NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018

(continued)

13. INVESTMENT IN SUBSIDIARIES (continued)

Related Undertakings – (Direct)

Country of incorporation	Registered office	Company	Holding	Proportion of voting rights and shares held	Nature of business
Jersey	1 st Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 1GL	Ladbroke (Channel Islands) Limited	Ordinary shares	100.0	Bookmaking company
Alderney	Inchalla, Alderney, Guernsey, GY9 3UL,	Exchange Platform Solutions Limited	Ordinary shares	100.0	Bookmaking company
Gibraltar	57/63 Line Wall Road, Gibraltar	LC International Limited	Ordinary shares	100.0	Internet-based company
Ireland	1 st Floor, Otter House, Naas Road. Dublin, 22, Ireland	Ladbroke (Ireland) Limited	Ordinary Shares	100.0	Bookmaking company
Spain	Castello 82 4 IZQ, 28806, Madrid, Spain	Ladbrokes Betting & Gaming Spain S.A.	Ordinary shares	100.0	Bookmaking company
	Santa Maria, Magdalena 10-12, 28016, Madrid, Spain	Sportium Apuestas Deportivas, S.A	Ordinary Shares	50.0	Bookmaking company
Denmark	Holbergsgade 14 2TV, DK-1057, Copenhagen K, Denmark	Ladbrokes APS	Ordinary shares	100.0	Financial services company

Related Undertakings – (Indirect)

United Kingdom	3rd Floor One New Change, London, United Kingdom, EC4M 9AF	Coral (Holdings) Limited	Ordinary shares	100.0	Investments holding company
		Coral Eurobet Limited	Ordinary shares	100.0	Inactive
		Coral Eurobet Holdings Limited	Ordinary shares	100.0	Investments holding company
		Coral Group Limited	Ordinary shares	100.0	Investments holding company
		Coral Limited	Ordinary shares	100.0	Investments holding company
		Coral Group Trading Limited	Ordinary shares	100.0	Investments holding company
		Brickagent Limited	Ordinary shares	100.0	Investments holding company
		Coral Racing Limited	Ordinary shares	100.0	Bookmaking company
		Coral Estates Limited	Ordinary shares	100.0	Bookmaking company
		Coral Stadia Limited	Ordinary shares	100.0	Bookmaking company
Gibraltar	57/63 Line Wall Road, Gibraltar	Romford Stadium Limited	Ordinary shares	100.0	Bookmaking company
		Balitree (International) Limited	Ordinary shares	100.0	Bookmaking company
		Ladbrokes Sportsbook Limited Partnership	Ordinary shares	100.0	Bookmaking company
		Gala Coral Interactive (Gibraltar) Limited	Ordinary shares	100.0	Bookmaking company
		Gala Interactive (Gibraltar) Limited	Ordinary shares	100.0	Bookmaking company
		Coral interactive (Gibraltar) Limited	Ordinary shares	100.0	Bookmaking company

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****(continued)****13. INVESTMENT IN SUBSIDIARIES (continued)**

Related Undertakings – (Indirect)					
Country of incorporation	Registered office	Company	Holding	Proportion of voting rights and shares held	Nature of business
Ireland	1 st Floor, Otter House, Naas Road. Dublin, 22, Ireland	Ace Racing Limited	Ordinary Shares	100.0	Dormant
		Dara Properties Limited	Ordinary Shares	100.0	Property leasing company
		Gossamer Limited	Ordinary Shares	100.0	Dormant
		Harney Bookmakers Limited	Ordinary Shares	100.0	Dormant
	4th Floor, IFSC House, Custom House Quay, Dublin 1, Ireland	Keenan Sports & Leisure Limited	Ordinary Shares	100.0	Dormant
		Ladbroke Leisure (Ireland) Limited	Ordinary Shares	100.0	Bookmaking company
		M D Betting Limited	Ordinary Shares	100.0	Dormant
		Ladbrokes Payments (Ireland) Limited	Ordinary shares	100.0	Bookmaking company
		Ladbroke Services (Ireland) Limited	Ordinary Shares	100.0	Bookmaking company

14. TRADE AND OTHER RECEIVABLES

(a) amounts falling due within one year	31 December 2018 £'000	31 December 2017 £'000
Amounts owed by group companies	262,989	76,995
Other debtors	7,125	2,572
Prepayments and accrued income	27,013	19,236
	297,127	98,803
(b) amounts falling due after more than one year	31 December 2018 £'000	31 December 2017 £'000
Other debtors - Amounts owed by joint venture partner	1,765	1,498
Amounts owed by companies in which the company has a participating interest - Amounts owed by joint venture	-	150
	1,765	1,648

Amounts owed by other group undertakings are included under amounts falling due within one year as they are repayable on demand.

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018**
(continued)**15. TRADE AND OTHER PAYABLES**

	<u>31 December</u> <u>2018</u> <u>£'000</u>	<u>31 December</u> <u>2017</u> <u>£'000</u>
Trade creditors	16,698	21,152
Amounts owed to group companies	1,208,628	949,095
Other taxes and social security costs	8,362	5,705
Other creditors	35,907	39,667
Accruals and deferred income	85,423	49,825
	<u>1,355,018</u>	<u>1,065,444</u>

Amounts owed to group undertakings are included under amounts falling due within one year where they are subject to repayment at any time by either the Lender or the Borrower giving written notice to the other.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Vacant property</u> <u>Provisions ⁽¹⁾</u> <u>£'000</u>	<u>Other</u> <u>Provisions ⁽²⁾</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 January 2018	4,956	3,106	8,062
Provided	3,019	4,506	7,525
Utilised during the year	(3,270)	(2,945)	(6,215)
Released during the year	(910)	(2)	(912)
Discount unwind	312	-	312
At 31 December 2018	<u>4,107</u>	<u>4,665</u>	<u>8,772</u>

⁽¹⁾The Company is party to a number of leasehold property contracts. Provisions has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provisions have been based on management's best estimate of the minimum future cash flows to settle the Company's obligations, taken into account the risks associated with each obligation, discounted at a risk free interest rate. The periods of vacant property commitments range from one to twelve years (2017: one to twelve years).

⁽²⁾ The other provisions include legal, insurance and regulatory provisions.

Of the total provisions as at 31 December 2018, £6,265,000 (2017: £6,511,000) is current and £2,507,000 (2017: £1,551,000) is non-current.

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018****(continued)****17. LEASE LIABILITIES**

Amounts due under finance leases and hire purchase contracts:	31 December	31 December
	<u>2018</u>	<u>2017</u>
	£'000	£'000
<i>Amounts payable:</i>		
Within one year	101	1,750
Less: finance charges allocated to future periods	-	(29)
Present value of minimum lease payments	101	1,721
	31 December	31 December
	<u>2018</u>	<u>2017</u>
	£'000	£'000
Present value of minimum lease payments are analysed as follows	101	1,721
Current obligations	101	1,721

18. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

At 31 December 2018 and at 31 December 2017

	Number '000	£'000
Ordinary shares of £1 each	503,759	503,759

The Company's share capital consists entirely of ordinary shares, accordingly all shares rank pari passu in all respects.

19. PENSIONS

Certain employees of the Company were members of the Ladbrokes Pension plan. Details of the plan and particulars of the actuarial valuation are contained in the financial statements of GVC Holdings PLC for the financial year ended 31 December 2018.

Ladbrokes Coral Group Limited 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 Coral Group Limited in order to meet regular costs of providing benefits to the Company's employees. Although the plan was a defined benefit scheme between entities under common control, it was accounted for in the books of the Company as a defined contribution scheme as detailed in the accounting policy note.

LADBROKES BETTING & GAMING LIMITED**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2018**
(continued)**20. OBLIGATIONS UNDER OPERATING LEASE ARRANGEMENTS****a) Operating lease arrangements where the Company acts as a lessee**

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and Buildings		Other	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	£'000	£'000	£'000	£'000
within one year	35,634	37,636	641	338
within one to five years	71,748	90,868	512	182
in over five years	9,736	14,741	-	-
	<u>117,118</u>	<u>143,245</u>	<u>1,153</u>	<u>520</u>

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

21. CASH FLOW STATEMENT

The Company has taken advantage of the exemption under paragraph 8(h) of FRS 101, which exempt qualifying entities from the requirements of IAS 7. The ultimate parent company, GVC Holdings PLC, has included the required consolidated cash flow statement within its consolidated financial statements.

22. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or the requirements of paragraph 17 of IAS 24 Key Management Compensation. There were no transactions with any other related parties in the year (2017: £nil).

23. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the Company as at 31 December 2018 is Birchgree Limited, a company with the registered address 3rd Floor, One New Change, London, EC4M 9AF and the ultimate parent undertaking at the year end was GVC Holdings PLC, a company registered in The Isle of Man. The only group preparing consolidated group financial statements which include the Company is GVC Holdings PLC for the year ended 31 December 2018.

Copies of the Annual Report and Financial Statements for GVC Holdings PLC can be obtained from the registered office of the company at 3rd Floor One New Change, London, United Kingdom, EC4M 9AF.

24. SUBSEQUENT EVENTS

On 5 April 2019 another GVC Holdings PLC Group company, Coral Racing Limited, transferred its trade and assets to the Company at book value. This transaction had no impact on the profit or loss. From this date, all of the income and expenditure previously attributable to Coral Racing Limited will be received through Ladbrokes Betting and Gaming Limited.

On 18 July 2019 GVC Holdings PLC announced that it had reached an agreement to dispose of the 50% interest in Sportium Apuestas Deportivas S.A. ("Sportium") held by the Company to joint venture partner Cirsa S.A. The consideration is €70m payable in cash plus repayment of loans and distribution of excess cash. The deal is conditional on regulatory approval.