

## **LADBROKES LIMITED**

### **DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 1999**

Directors: C Bell (Resigned 20/03/00)  
R Carter  
CG Miles  
JP O'Reilly (Resigned 25/08/99)  
AS Ross  
PW Usher (Resigned 19/09/00)  
RM Wilson-Barker (Resigned 20/03/00)  
ME Smith (Resigned 31/03/99)

Secretary : MJ Noble

Registered Office : Maple Court, Central Park, Reeds Crescent  
Watford, WD1 1HZ.

Company Number: 775667

---

The directors have pleasure in presenting their report and the company's accounts for the year ended 31st December 1999.

#### **ACCOUNTS AND DIVIDENDS**

The accounts for the year show a profit of £45,628,053 which must be added to the credit balance brought forward from the previous year of £676,058,352. A profit of £721,686,405 remains to be carried forward.

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

During 1998 the Company purchased licences and other assets from other group undertakings enabling it to operate in the business of bookmaking in its own right throughout 1999. Dividend income of £227,000 was received from the subsidiary companies in the year. Turnover for the year was £1,809,577,512 and the profit before taxation was £45,628,053. On 30th July 1999 the company changed its name from Ladbroke Racing Limited. On 1st January 1999 the company purchased the Telephone Betting business and the hospitality business from Ladbroke & Co. Limited and the business of Midland Greyhound Racing Company Limited. On 31st December 1999 the company purchased the business of Crayford and Bexley Heath Stadium Limited.

#### **SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS**

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

#### **YEAR 2000**

The group's year 2000 programme, of which this company was a part, was successfully completed well in advance of the new millennium.



## LADBROKES LIMITED

### DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 1999

#### **FIXED ASSETS**

The movements in respect of fixed assets during the year are set out on notes 9, 10 and 11 to the accounts.

#### **DIRECTORS**

The directors during the year ended 31st December 1999 are shown above.

#### **DIRECTORS' INTEREST**

According to the register kept by the company pursuant to section 325 of the Companies Act 1985 the directors at 31st December 1999 and their families:-

(a) had the following interests in shares of Hilton Group plc:-

|  | <u>1999</u> | <u>1998</u> |
|--|-------------|-------------|
| 10p Ordinary shares  |             |             |
| R Carter   | 618         | 618         |
| AS Ross  | 3,480       | 1,599       |
| PW Usher   | 6,325       | 6,325       |
| RM Wilson-Barker   | 10,000      | NIL         |
| Option to purchase 10p ordinary shares under the terms of the 1978 share option scheme ("1978 Scheme")                       |             |             |
| C Bell   | 84,600      | 84,600      |
| R Carter   | 65,650      | 91,661      |
| CG Miles   | 25,771      | 97,882      |
| AS Ross  | 9,311       | 11,170      |
| PW Usher   | 51,411      | 77,422      |
| RM Wilson-Barker   | 15,467      | 65,467      |
| Option to purchase 10p ordinary shares under the terms of the 1983 share option scheme ("1983 Scheme")                       |             |             |
| C Bell   | 20,036      | 15,525      |
| Option to purchase 10p ordinary shares under the terms of the international share option scheme ("The international scheme") |             |             |
| C Bell   | 278,825     | 207,168     |
| R Carter   | 106,285     | 65,000      |
| CG Miles   | 115,000     | 65,000      |
| AS Ross  | 192,716     | 136,185     |
| PW Usher   | 110,000     | 65,000      |
| RM Wilson-Barker   | 176,533     | 116,533     |
| Conditional right to receive shares under the terms of the Performance Share Plan ("Performance Share Plan")                 |             |             |
| C Bell   | 85,856      | NIL         |

**LADBROKES LIMITED****DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 1999****DIRECTORS' INTEREST (continued)**

(b) were granted or exercised, during the year, options for the following shares of Hilton Group plc:-

| Name             | 1978 Scheme |           | Shares under the terms of |           | 1983 Scheme | Exercised |
|------------------|-------------|-----------|---------------------------|-----------|-------------|-----------|
|                  | Granted     | Exercised | Granted                   | Exercised |             |           |
| C Bell           | NIL         | NIL       | 4,511                     |           |             | NIL       |
| R Carter         | NIL         | NIL       | NIL                       |           |             | NIL       |
| CG Miles         | NIL         | 72,111    | NIL                       |           |             | NIL       |
| AS Ross          | 3,041       | 4,900     | NIL                       |           |             | NIL       |
| PW Usher         | NIL         | NIL       | NIL                       |           |             | NIL       |
| RM Wilson-Barker | NIL         | 50,000    | NIL                       |           |             | NIL       |

| Name             | Shares under the terms of International Scheme |           | Performance Share Plan |           | Exercised |
|------------------|--|-----------|------------------------|-----------|-----------|
|                  | Granted  | Exercised | Granted                | Exercised |           |
| C Bell           | 71,657   | NIL       | 85,856                 |           | NIL       |
| R Carter         | 41,285   | NIL       | NIL                    |           | NIL       |
| CG Miles         | 50,000   | NIL       | NIL                    |           | NIL       |
| AS Ross          | 69,016   | NIL       | NIL                    |           | NIL       |
| PW Usher         | 45,000   | NIL       | NIL                    |           | NIL       |
| RM Wilson-Barker | 60,000   | NIL       | NIL                    |           | NIL       |

Except as shown above no director at 31st December 1999 held at that date, or at 31st December 1998 or on appointment, any interest in, or during the year or the period since appointment, was granted or exercised a right to subscribe for the shares or debentures of this company or of Hilton Group plc or its subsidiaries.

**EMPLOYEE INVOLVEMENT**

- i) The provision of information to employees is provided through a formalised five week briefing cycle of meetings, ten times a year, the publication of the Ladbroke Leader issued to all staff eight times a year, 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, the briefing cycle, manager meetings and cashier meetings, with views and feedback being obtained either direct or via the regional team meetings.
- iii) Three different forms of share schemes are in operation, which are administered by Hilton Group plc.
- iv) The financial and economic factors affecting the company are brought to the attention of our staff through the Annual Report of the ultimate holding company and through information given in the weekly Sales Brief and Ladbroke Leader.

**LADBROKES LIMITED**

**DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 1999**

**DISABLED PERSONS**

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

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

**SUPPLIER PAYMENT POLICIES**

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

At the year end, the company had an average of 1.1 days of purchases outstanding in trade creditors.

By Order of the Board



MJ Noble  
Secretary

26 OCT 2000

**LADBROKES LIMITED**

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

The following statement, which should be read in conjunction with the statement of the auditors' responsibilities set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the accounts.

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

The directors consider that in preparing the accounts on pages 7 to 18 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the accounts.

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

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

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

## **REPORT OF THE AUDITORS TO THE MEMBERS OF**

### **LADBROKES LIMITED**

We have audited the accounts on pages 7 to 18, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

#### **Respective responsibilities of the directors and auditors**

As described on page 5, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

#### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

#### **Opinion**

As explained in Note 2, the company has not prepared group accounts, contrary to the provisions of Financial Reporting Standard No. 2 and of the Companies Act 1985. In view of this matter, in our opinion the accounts do not give a true and fair view of the state of affairs of the group at 31st December 1999 and of its profit for the year then ended.

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st December 1999 and of the profit of the company for the year then ended.

Except for the failure to prepare group accounts, in our opinion the accounts have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*

ERNST & YOUNG  
Registered Auditor

London

26 OCT 2000

**LADBROKES LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 1999**

|  | Notes | 1999<br>£            | 1998<br>£          |
|--|-------|----------------------|--------------------|
| <b>TURNOVER</b>                                      |       |                      |                    |
| Continuing operations                                | 3.    | 1,673,830,567        | 231,889,338        |
| Acquisitions   |       | 135,746,945          | 83,363,099         |
|  |       | <u>1,809,577,512</u> | <u>315,252,437</u> |
| <b>COST OF SALES</b>                                 |       |                      |                    |
| Continuing operations                                |       | 1,584,612,059        | 189,921,123        |
| Acquisitions   |       | 132,384,340          | 69,902,758         |
| Operating exceptional item                           | 4.    | 7,797,218            | -                  |
|  |       | <u>1,724,793,617</u> | <u>259,823,881</u> |
| <b>GROSS PROFIT</b>                                  |       |                      |                    |
| Continuing operations                                |       | 81,421,290           | 41,968,215         |
| Acquisitions   |       | 3,362,605            | 13,460,341         |
|  |       | <u>84,783,895</u>    | <u>55,428,556</u>  |
| Administrative expenses - continuing operations      |       | 38,896,598           | 40,145,516         |
| Administrative expenses - acquisitions               |       | 543,921              | -                  |
| Other operating income -continuing operations        |       | 6,315,394            | 4,732,950          |
| Other operating income -acquisitions                 |       | 506,226              | -                  |
| <b>OPERATING PROFIT</b>                              |       |                      |                    |
| Continuing operations                                |       | 48,840,086           | 6,555,649          |
| Acquisitions   |       | 3,324,910            | 13,460,341         |
|  | 4.    | <u>52,164,996</u>    | <u>20,015,990</u>  |
| Income from shares in subsidiaries                   | 4.    | 227,000              | 670,809,559        |
| Interest receivable                                  | 5.    | 576,561              | 118,947            |
| Interest payable                                     | 6.    | (6,167,691)          | (9,117,752)        |
| Permanent diminution in Investment                   | 4.    | (1,172,813)          | (71,321,367)       |
| Loss on disposal of Fixed Assets                     |       | -                    | (777,287)          |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |       |                      |                    |
|  |       | 45,628,053           | 609,728,090        |
| Taxation   | 8.    | -                    | -                  |
| <b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>  |       |                      |                    |
|  |       | <u>45,628,053</u>    | <u>609,728,090</u> |
| Dividends  |       | -                    | -                  |
| <b>RETAINED PROFIT FOR THE YEAR</b>                  |       |                      |                    |
|  |       | <u>45,628,053</u>    | <u>609,728,090</u> |

No recognised gains or losses other than the profit for the year arose during the year.

**BALANCE SHEET**  
**AS AT 31ST DECEMBER 1999**

|  | Notes | 1999<br>£           | 1998<br>£            |
|--|-------|---------------------|----------------------|
| <b>FIXED ASSETS</b>  |       |                     |                      |
| Intangible assets  | 9.    | 724,158,821         | 725,417,745          |
| Tangible assets  | 10.   | 71,777,243          | 61,635,097           |
| Investments  | 11.   | 21,679,556          | 22,391,166           |
|  |       | <u>817,615,620</u>  | <u>809,444,008</u>   |
| <b>CURRENT ASSETS</b>  |       |                     |                      |
| Stocks   | 12.   | 1,542,778           | 2,244,494            |
| Debtors  | 13.   | 36,165,346          | 63,508,647           |
| Cash at bank and in hand                                       |       | 10,089,584          | 7,961,824            |
|  |       | <u>47,797,708</u>   | <u>73,714,965</u>    |
| <b>CREDITORS: amounts falling due within one year</b>          |       |                     |                      |
| Bank loans and overdrafts                                      |       | 1,088,017           | 3,211,136            |
| Other creditors  | 14.   | 131,245,350         | 194,456,351          |
|  |       | <u>132,333,367</u>  | <u>197,667,487</u>   |
| <b>NET CURRENT LIABILITIES</b>                                 |       |                     |                      |
|  |       | <u>(84,535,659)</u> | <u>(123,952,522)</u> |
| <b>TOTAL ASSETS LESS TOTAL CURRENT LIABILITIES</b>             |       |                     |                      |
|  |       | 733,079,961         | 685,491,486          |
| <b>CREDITORS: amounts falling due after more than one year</b> |       |                     |                      |
|  | 15.   | 740,016             | 2,229,729            |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                  |       |                     |                      |
|  | 16.   | 7,398,237           | 3,948,102            |
|  |       | <u>724,941,708</u>  | <u>679,313,655</u>   |
| <b>CAPITAL AND RESERVES</b>                                    |       |                     |                      |
| Called up share capital  | 18.   | 3,255,303           | 3,255,303            |
| Profit and loss account  | 19.   | 721,686,405         | 676,058,352          |
| Equity Shareholders' funds                                     |       | <u>724,941,708</u>  | <u>679,313,655</u>   |

C Miles

Director

*CGML*

Dated :

26 OCT 2000

## **LADBROKES LIMITED**

### **NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1999**

#### **1. FUNDAMENTAL ACCOUNTING CONCEPT**

The accounts have been prepared on a going concern basis because the directors of Hilton Group PLC have agreed to defer settlement, for the foreseeable future, of any amounts payable by Ladbrokes Limited to Hilton Group companies, if such repayment would result in the inability of the Company to meet any other debts as and when they might fall due.

#### **2. ACCOUNTING POLICIES**

##### **2.1 Basis of Accounting**

The accounts are prepared under the historical cost convention and all applicable UK Accounting Standards have been complied with, except that group accounts which are required by Financial Reporting Standard No 2 and the Companies Act 1985, as a consequence of the company's immediate parent undertaking not being an EC registered company, have not been prepared.

##### **2.2 Leased assets**

Where assets are held under finance leases, the capital element of the rental obligations is included in creditors and assets are held in the balance sheet at cost less depreciation. The finance charge element of rentals payable is charged to the profit and loss account in proportion to the future obligations outstanding. Rentals in respect of operating leases are charged to the profit and loss account as incurred.

##### **2.3 Licences**

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

##### **2.4 Depreciation**

###### **Betting office licences**

Betting office licences are not depreciated as they are regarded as having indefinite lives.

###### **Tangible assets**

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

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

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

Freehold land is not depreciated

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

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

## **LADBROKES LIMITED**

### **NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1999**

#### **2.5 Stock**

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

#### **2.6 Taxation**

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

#### **2.7 Foreign Currencies**

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

#### **2.8 Pension Fund**

Contributions to Hilton Group plc's pension scheme are based on triennial actuarial valuations and are charged to the Hilton Group's consolidated profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The Hilton Group's 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.

Ladbroke's Limited are advised by the Hilton Group of the amounts payable, if any, and account for their pension costs as employers on the basis of the amount so advised.

### **3. TURNOVER**

Turnover represents management charges receivable from subsidiaries and other group companies and gross stakes less void bets. It is attributable to one geographical region, the United Kingdom.

**LADBROKES LIMITED****NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1999****4. 4a. OPERATING PROFIT**

is stated after charging :

|   | 1999       | 1998       |
|---|------------|------------|
|   | £          | £          |
| Management charges payable to group companies | 41,000,189 | 38,635,916 |
| Goodwill Written off (Note 9)                 | 4,094,909  | -          |
| Depreciation of tangible assets               |            |            |
| Leased  | 296,403    | 124,803    |
| Other   | 12,520,051 | 9,972,975  |
| Auditors' remuneration - audit services       | 115,000    | 123,000    |
| Auditors' remuneration - other                | 154,219    | -          |
| Hire of plant and equipment                   | 9,155,870  | 9,094,563  |
| and crediting:                                |            |            |
| Rents receivable                              | 3,678,529  | 3,526,585  |
| Vending income                                | 1,143,071  | 952,284    |

Included in the 1999 figure for other auditors' remuneration is £77,550 in relation to the Coral completion accounts audit

**4b. OPERATING EXCEPTIONAL ITEM**

|   | 1999             | 1998     |
|---|------------------|----------|
|   | £                | £        |
| Write down of Intangible Fixed Assets         | 3,196,538        | -        |
| Write down of Tangible Fixed Assets           | 752,680          | -        |
| Amount provided for onerous lease commitments | 3,848,000        | -        |
|   | <u>7,797,218</u> | <u>-</u> |

These costs are due to the write-down in carrying value of Tangible and Intangible Fixed Assets and the provision for future lease commitments, in relation to the closure of licensed betting offices.

**4c. INCOME FROM SHARES AND SUBSIDIARIES**

|                                    | 1999    | 1998        |
|------------------------------------|---------|-------------|
|                                    | £       | £           |
| Income from shares in subsidiaries | 227,000 | 670,809,559 |

The income from shares in subsidiaries is a non recurring item as the assets and the liabilities of the subsidiaries have been transferred to Ladbrokes Limited, and as the majority of these subsidiaries are going to be struck off in the near future. In 1998, the subsidiaries distributed their distributable profits to Ladbrokes Limited, prior to being struck off.

**4d. PERMANENT DIMINUTION IN INVESTMENT**

|                                    | 1999      | 1998       |
|------------------------------------|-----------|------------|
|                                    | £         | £          |
| Permanent Diminution in Investment | 1,172,813 | 71,321,367 |

Permanent diminution in value of Investments has arisen due to the process of subsidiaries transferring their distributable profits to Ladbrokes Ltd. (as noted in Note 4c). The carrying value of Investments in these subsidiaries has been written-down to reflect the reduced net asset values in the respective subsidiary balance sheets.

**5. INTEREST RECEIVABLE**

|                      | 1999           | 1998           |
|----------------------|----------------|----------------|
|                      | £              | £              |
| From group companies | 495,988        | 35,558         |
| Other interest       | 80,573         | 83,389         |
|                      | <u>576,561</u> | <u>118,947</u> |

**6. INTEREST PAYABLE**

|                      | 1999             | 1998             |
|----------------------|------------------|------------------|
|                      | £                | £                |
| To group companies:- |                  |                  |
| lease interest       | 304,006          | 146,414          |
| other interest       | 5,801,558        | 8,893,332        |
| Loan notes           | 46,018           | 70,867           |
| Other interest       | 16,109           | 7,139            |
|                      | <u>6,167,691</u> | <u>9,117,752</u> |

**LADBROKES LIMITED****NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1999****7. DIRECTORS AND EMPLOYEES**

|                          |             |             |
|--------------------------|-------------|-------------|
| 7.1 Directors emoluments | <u>1999</u> | <u>1998</u> |
|                          | £           | £           |

|            |                |                  |
|------------|----------------|------------------|
| Emoluments | <u>952,918</u> | <u>1,086,855</u> |
|------------|----------------|------------------|

|     |     |
|-----|-----|
| No. | No. |
|-----|-----|

|   |   |   |
|---|---|---|
| Members of defined benefit pension scheme | 7 | 7 |
|---|---|---|

|  |             |             |
|--|-------------|-------------|
| The amounts in respect of the highest paid director are as follows | <u>1999</u> | <u>1998</u> |
|  | £           | £           |

|            |                |                |
|------------|----------------|----------------|
| Emoluments | <u>216,826</u> | <u>240,351</u> |
|------------|----------------|----------------|

**7.2 Employee staff costs**

|             |             |
|-------------|-------------|
| <u>1999</u> | <u>1998</u> |
| £           | £           |

|                                  |                    |                   |
|----------------------------------|--------------------|-------------------|
| Wages and salaries               | 94,824,971         | 89,205,492        |
| Employer's social security costs | 6,541,898          | 6,532,813         |
| Employer's pension costs         | -                  | 249,847           |
|                                  | <u>101,366,869</u> | <u>95,988,152</u> |

7.3 The average number of persons employed by the company, including directors, during the year was as follows:-

|             |             |
|-------------|-------------|
| <u>1999</u> | <u>1998</u> |
|-------------|-------------|

|           |               |               |
|-----------|---------------|---------------|
| Full-time | 6,965         | 7,015         |
| Part-time | 3,839         | 3,997         |
|           | <u>10,804</u> | <u>11,012</u> |

**8. TAXATION**

|             |             |
|-------------|-------------|
| <u>1999</u> | <u>1998</u> |
| £           | £           |

-

No provision for taxation has been made in these accounts for U.K. corporation tax, as an undertaking has been received from the company's ultimate holding company, Hilton Group plc, that the latter will assume all liabilities for any such taxation which may include covering such tax liabilities for surrender of group relief and ACT free of charge.

**9. INTANGIBLE FIXED ASSETS**

|                       | <u>Goodwill</u> | <u>Licences</u>    | <u>Total</u>       |
|-----------------------|-----------------|--------------------|--------------------|
|                       | £               | £                  | £                  |
| Cost:                 |                 |                    |                    |
| At 1st January 1999   | -               | 725,417,745        | 725,417,745        |
| Additions             | 4,094,909       | 1,937,614          | 6,032,523          |
| Written off           | (4,094,909)     | (3,196,538)        | (7,291,447)        |
| At 31st December 1999 | -               | <u>724,158,821</u> | <u>724,158,821</u> |

Goodwill relates to the amounts paid in excess of the net book value of assets acquired for the Telephone Betting and hospitality business from Ladbroke and Co. Limited, the business of Crayford and Bexley Heath Greyhound Stadium Limited and the business of The Midland Greyhound Racing Company Limited. Goodwill has been written off in these accounts.

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

**LADBROKES LIMITED**

**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1999**

**10. TANGIBLE FIXED ASSETS**

|                                      | Furniture<br>Fixtures &<br>Fittings<br>£ | Leased<br>Assets<br>£ | Motor<br>Vehicles<br>£ | Freehold<br>Property<br>£ | Long<br>Leasehold<br>Property<br>£ | Short<br>Leasehold<br>Property<br>£ | Total<br>£         |
|--------------------------------------|--|-----------------------|------------------------|---------------------------|------------------------------------|-------------------------------------|--------------------|
| Cost:                                |  |                       |                        |                           |                                    |                                     |                    |
| At 1st January 1999                  | 141,540,112                              | 1,733,877             | 40,433                 | 4,908,393                 | 503,887                            | 1,508,821                           | 150,235,523        |
| Additions                            | 17,449,791                               | 2,322,218             |                        | 640,517                   | 92,467                             | 159,039                             | 20,664,032         |
| Disposals                            | (2,480,130)                              | (41,932)              |                        | (315,358)                 |                                    | (196,798)                           | (3,034,218)        |
| Transfers from other group companies | 1,293,346                                |                       |                        | 4,383,896                 |                                    |                                     | 5,677,242          |
| Transfers to other group companies   | (2,650,887)                              |                       |                        |                           |                                    |                                     | (2,650,887)        |
| Reclassification                     | (241,489)                                |                       |                        | 38,310                    | 11,562                             | 191,617                             | -                  |
| At 31st December 1999                | <u>154,910,743</u>                       | <u>4,014,163</u>      | <u>40,433</u>          | <u>9,655,758</u>          | <u>607,916</u>                     | <u>1,662,679</u>                    | <u>170,891,692</u> |
| Depreciation:                        |  |                       |                        |                           |                                    |                                     |                    |
| At 1st January 1999                  | 86,859,938                               | 158,978               | 40,432                 | 718,951                   | 201,689                            | 620,438                             | 88,600,426         |
| Charge for the Year                  | 11,672,644                               | 296,403               |                        | 135,225                   | 7,424                              | 704,758                             | 12,816,454         |
| Disposals                            | (2,075,636)                              | (7,226)               |                        | (55,304)                  |                                    | (164,265)                           | (2,302,431)        |
| At 31st December 1999                | <u>96,456,946</u>                        | <u>448,155</u>        | <u>40,432</u>          | <u>798,872</u>            | <u>209,113</u>                     | <u>1,160,931</u>                    | <u>99,114,449</u>  |
| Net book value at 31 December 1999   | <u>58,453,797</u>                        | <u>3,566,008</u>      | <u>1</u>               | <u>8,856,886</u>          | <u>398,803</u>                     | <u>501,748</u>                      | <u>71,777,243</u>  |
| Net book value at 31 December 1998   | <u>54,680,174</u>                        | <u>1,574,899</u>      | <u>1</u>               | <u>4,189,442</u>          | <u>302,198</u>                     | <u>888,383</u>                      | <u>61,635,097</u>  |

# LADBROKES LIMITED

## NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1999

### 11. INVESTMENTS

|                                      | Shares in<br>subsidiary<br>companies |
|--------------------------------------|--------------------------------------|
| Cost :                               |                                      |
| 1st January 1999                     | 22,391,166                           |
| Additions                            | 501,116                              |
| Disposals                            | (84,201)                             |
| Transfers in                         | 44,288                               |
| Permanent diminution in investment   | (1,172,813)                          |
| 31st December 1999                   | <u>21,679,556</u>                    |
| Net book value at 31st December 1999 | <u>21,679,556</u>                    |
| Net book value at 31st December 1998 | <u>22,391,166</u>                    |

### Shares in subsidiary companies

This represents the company's investment in the following principal subsidiary companies:-

|                                       | <u>% Issued Share Capital held by company<br/>and/or by subsidiary</u> |                   |                     | <u>Share Capital a<br/>Reserves</u> |
|---------------------------------------|--|-------------------|---------------------|-------------------------------------|
|                                       | <u>Ordinary</u>  | <u>Preference</u> | <u>Unclassified</u> |                                     |
| Margolis and Ridley Limited           | 100.0  |                   |                     | 21,000                              |
| Hector Macdonald Limited              | 100.0  |                   |                     | 3,539                               |
| The Demmy Leisure Group Limited       | 100.0  |                   |                     | 11,000                              |
| Henry Jones (Neston) Limited          | 100.0  |                   |                     | 150                                 |
| Bernard Murphy & Son Limited          | 100.0  | 100.0             |                     | 72,100                              |
| Oxlow Bookmakers Limited              | 100.0  |                   |                     | 2,000                               |
| W.H. Jerram Limited                   | 100.0  |                   |                     | 1,000                               |
| Ron Hooper & Son (Bookmakers) Limited | 100.0  |                   |                     | 250                                 |
| John Sampson ( Bookmakers) Limited    | 100.0  |                   |                     | 100                                 |
| Caledonian Racing (1984) Limited      | 100.0  |                   |                     | 250,000                             |
| Ray Strong (Sports Services) Limited  | 100.0  |                   |                     | 2,200                               |
| W.S. Murphy Limited                   | 100.0  | 100.0             |                     | 50,000                              |
| Ladbroke (Turf Accountants) Limited   |  | 100.0             | 100.0               | 220,260                             |
| Rowland Clark Limited                 | 100.0  |                   |                     | 600                                 |
| Hayling Racing (Successors) Limited   | 100.0  |                   |                     | 100                                 |
| Multisport Bookmakers Limited         | 100.0  |                   |                     | 6                                   |
| James London (Telford) Limited        | 100.0  |                   |                     | 100                                 |
| Nelson Bookmakers (London) Limited    | 100.0  |                   |                     | 100                                 |

**LADBROKES LIMITED****NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1999****11. INVESTMENTS (continued)**

|                                       | <u>% Issued Share Capital held by company<br/>and/or by subsidiary</u> |                   |                     | <u>Share Capital a<br/>Reserves</u> |
|---------------------------------------|--|-------------------|---------------------|-------------------------------------|
|                                       | <u>Ordinary</u>  | <u>Preference</u> | <u>Unclassified</u> |                                     |
| Ganton House Investments Limited      | 100.0  |                   |                     | 18,481,897                          |
| Birchgree Limited                     | 100.0  |                   |                     | 3,159,680                           |
| Ladbroke Sporting Spreads Limited     | 100.0  |                   |                     | 1,251,652                           |
| Jean Cowan (Holdings) Limited         | 100.0  | 100.0             |                     | 13,842,924                          |
| Sabrinet Limited                      | 100.0  |                   |                     | 44,826                              |
| Ladbroke (Channel Islands) Limited    | 100.0  |                   |                     | 11,264,704                          |
| Ladbroke Leasing (South East) Limited | 100.0  |                   |                     | 132,218                             |

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

|                                       | <u>Profit / (Loss)</u> |
|---------------------------------------|------------------------|
|                                       | <u>£</u>               |
| Ganton House Investments Limited      | 7,346,190              |
| Birchgree Limited                     | 161,094                |
| Ladbroke Sporting Spreads Limited     | 76,244                 |
| Jean Cowan (Holdings) Limited         | (2,693,916)            |
| Sabrinet Limited                      | 42,662                 |
| Ladbroke (Channel Islands) Limited    | 991,779                |
| Ladbroke Leasing (South East) Limited | (144,066)              |

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

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

| <b>12. STOCKS</b> | <u>1999</u>      | <u>1998</u>      |
|-------------------|------------------|------------------|
|                   | <u>£</u>         | <u>£</u>         |
| Trading Stocks    | 851,620          | 890,660          |
| Stationery        | 518,854          | 1,257,318        |
| Vending           | 172,304          | 96,516           |
|                   | <u>1,542,778</u> | <u>2,244,494</u> |

The directors are of the opinion that the replacement value of these stocks is not significantly different from the values shown above.

| <b>13. DEBTORS</b>                 | <u>1999</u>       | <u>1998</u>       |
|------------------------------------|-------------------|-------------------|
|                                    | <u>£</u>          | <u>£</u>          |
| Amounts owed by group undertakings |                   |                   |
| Fellow subsidiary companies        | 20,781,670        | 23,658,009        |
| Subsidiary companies               | 227,000           | 23,417,382        |
| Other debtors                      | 2,672,163         | 1,498,396         |
| Prepayments                        | 12,484,513        | 14,934,860        |
|                                    | <u>36,165,346</u> | <u>63,508,647</u> |

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

**LADBROKES LIMITED****NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1999****14. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                       | 1999               | 1998               |
|---------------------------------------|--------------------|--------------------|
|                                       | £                  | £                  |
| Unsecured loan notes (a)              | -                  | 970,000            |
| Trade creditors                       | 4,823,843          | 4,665,509          |
| Amounts due to group undertakings     |                    |                    |
| Holding company (b)                   | 40,405,677         | -                  |
| Fellow subsidiary companies           | 7,411,480          | 92,371,793         |
| Subsidiary companies                  | 42,101,210         | 56,640,252         |
| Other taxes and social security costs | 3,671,954          | 2,241,520          |
| Other creditors                       | 918,536            | 201,521            |
| Accruals                              | 23,636,413         | 28,720,161         |
| Duty                                  | 6,678,685          | 7,366,719          |
| Levy                                  | 1,597,552          | 1,278,876          |
|                                       | <u>131,245,350</u> | <u>194,456,351</u> |

(a) Loan notes were issued by the company in connection with the acquisition of certain businesses and are repayable with one to ten years after issue at the request of the holder. These have now been reclassified to more than one year (see Note 15).

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

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

|                                   | 1999           | 1998             |
|-----------------------------------|----------------|------------------|
|                                   | £              | £                |
| Amounts due to group undertakings |                |                  |
| Subsidiary companies              | 740,016        | 2,229,729        |
|                                   | <u>740,016</u> | <u>2,229,729</u> |
| Amounts repayable                 |                |                  |
| Between one and two years         | -              | 299,167          |
| Between two and five years        | -              | 891,595          |
|                                   |                | <u>1,190,762</u> |
| In five years or more             | 740,016        | 1,038,967        |
|                                   | <u>740,016</u> | <u>2,229,729</u> |

The balance shown in 1999 relates to the loan notes described above in Note 14a. These have been reclassified due to an extension to the repayment period.

**16. PROVISIONS FOR LIABILITIES AND CHARGES**

|                         | <u>Onerous Lease</u><br><u>Commitments for</u><br><u>discontinued premises</u> | <u>Dilapidations</u><br><u>Provision</u> | <u>Total</u>     |
|-------------------------|--|--|------------------|
|                         | £  | £  | £                |
| Provision at 31/12/1998 | 2,509,000  | 1,439,102                                | 3,948,102        |
| Profit and Loss Account | 3,848,000  | 371,044                                  | 4,219,044        |
| Utilised in Year        | <u>(760,000)</u>   | <u>(8,909)</u>                           | <u>(768,909)</u> |
| Provision at 31/12/1999 | 5,597,000  | 1,801,237                                | 7,398,237        |

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

**LADBROKES LIMITED****NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1999****17. OBLIGATIONS UNDER FINANCE LEASES**

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

|                   | 1999             | 1998             |
|-------------------|------------------|------------------|
|                   | £                | £                |
| Leases expiring   |                  |                  |
| within one year   | 296,397          | 132,071          |
| two to five years | 1,028,617        | 679,096          |
| over five years   | 2,453,143        | 842,920          |
|                   | <u>3,778,157</u> | <u>1,654,087</u> |

**18. SHARE CAPITAL**

| Authorised:                         | 1999             | 1998             |
|-------------------------------------|------------------|------------------|
|                                     | £                | £                |
| 'A' Shares of £1 each               | 100,000          | 100,000          |
| Ordinary shares of £1 each          | 3,500,000        | 3,500,000        |
|                                     | <u>3,600,000</u> | <u>3,600,000</u> |
| Allotted, called up and fully paid: |                  |                  |
| 'A' Shares of £1 each               | 100,000          | 100,000          |
| Ordinary shares of £1 each          | 3,155,303        | 3,155,303        |
|                                     | <u>3,255,303</u> | <u>3,255,303</u> |

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

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

|                       | Share Capital    | Profit and Loss Account | Total              |
|-----------------------|------------------|-------------------------|--------------------|
|                       | £                | £                       | £                  |
| At 1st January 1998   | 3,255,303        | 66,330,262              | 69,585,565         |
| Profit for the year   |                  | 609,728,090             | 609,728,090        |
| At 1st January 1999   | 3,255,303        | 676,058,352             | 679,313,655        |
| Profit for the year   |                  | 45,628,053              | 45,628,053         |
| At 31st December 1999 | <u>3,255,303</u> | <u>721,686,405</u>      | <u>724,941,708</u> |

The profit and loss account includes £670,809,559 arising from dividends received following a group re-organisation undertaken in the prior year.

**20. PENSIONS**

The company is a jointly owned subsidiary of Cayman Investments Number 1 and Town and County Factors Limited which are both wholly owned subsidiaries of Hilton Group plc which operates a number of schemes in the UK, almost entirely of the defined benefit type. The schemes are held in separate trustee administered funds.

Contributions to the Hilton Group scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of valuations, the latest of which were carried out between 1996 and 1999.

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

Full details of the pension schemes are given in the accounts of Hilton Group plc.

**LADBROKES LIMITED****NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1999****21. FINANCIAL COMMITMENTS**

The annual commitment under non-cancellable operating leases at 31st December 1999 was as follows:-

|                                | <u>Land and Buildings</u> |                  | <u>Other</u>     |                  |
|--------------------------------|---------------------------|------------------|------------------|------------------|
|                                | <u>1999</u>               | <u>1998</u>      | <u>1999</u>      | <u>1998</u>      |
|                                | £                         | £                | £                | £                |
| Operating leases which expire: |                           |                  |                  |                  |
| within one year                | 141,650                   | -                | 305,000          | 605,000          |
| within one to five years       | 63,450                    | 760,666          | 833,050          | 363,000          |
| in over five years             | 1,857,346                 | 1,252,475        | -                | 142,000          |
|                                | <u>2,062,446</u>          | <u>2,013,141</u> | <u>1,138,050</u> | <u>1,110,000</u> |

**22. CAPITAL COMMITMENTS**

|  | <u>1999</u>      | <u>1998</u>      |
|--|------------------|------------------|
|  | £                | £                |
| Authorised by the board but not contracted for | -                | 1,367,000        |
| Contracted to third parties                    | 2,321,000        | 3,848,000        |
|  | <u>2,321,000</u> | <u>5,215,000</u> |

**23. CASH FLOW STATEMENT**

The company has taken advantage of FRS1 which exempts wholly owned subsidiaries from preparing a cash flow statement. The ultimate parent company Hilton Group plc has included the required consolidated cash flow statement within its consolidated financial statements.

**24. CONTINGENT LIABILITY**

The company has jointly and severally guaranteed the Value Added Tax liability of other Hilton Group companies within the group registration, amounting to approximately £11,220,636 as at 31st December 1999 (1998 - NIL).

Under the terms of a cross guarantee agreement, the company has jointly and severally guaranteed the liabilities of certain other Hilton Group companies in respect of their current accounts held with UK clearing banks. The amounts under the guarantees are limited to any credit balances on current accounts held by the company with these banks. At 31st December 1999, the aggregate amount of such credit balances was £5,676 (1998, £27,447).

**25. HOLDING COMPANY AND ULTIMATE HOLDING COMPANY**

The company is a jointly owned subsidiary of Cayman Investments No 1 (96.93 % interest) and Town & County Factors Limited (3.87% interest). Both of these companies are wholly owned subsidiaries of Hilton Group PLC, the ultimate holding company of Ladbroke's Limited.

The Ladbroke's Limited accounts are consolidated in the group accounts of Hilton Group PLC, a company registered in England and Wales, the accounts of which are available from the registered office of that company at Maple Court, Central Park, Reeds Crescent, Watford. WD1 1HZ.

**26. RELATED PARTY TRANSACTIONS**

The company has taken advantage of FRS8 which exempts subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties.