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LADBROKE (RENTALS) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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DIRECTORS' REPORT THE YEAR ENDED 31 DECEMBER 2007

Directors	J C Baty M J Noble A R Wyatt V Parmar	(resigned 29 February 2008) (appointed 30 July 2008)
Secretary	Ladbroke Corporate Secretaries Limited	
Registered Office	Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex HA2 7JW	
Company No	408492	

The directors present their report and the company's financial statements for the year ended 31 December 2007

RESULTS AND DIVIDENDS

The financial statements for the year show a profit after taxation of £595,495 (2006 loss of £405,252)

The directors do not recommend payment of a dividend (2006 nil)

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company during the year continued to be property investment

The company holds leases on 6 properties, which are sublet. The remaining leases expire between 2008 and 2022.

Ladbroke plc has accounted for its property division as a discontinued business since 1996 and the company therefore provides for all residual lease liabilities in full.

Rental turnover and cost of sales decreased as a direct result of the expiry and sublet of 2 leases.

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

	2007	2006
	£	£
Rental turnover	1,090,047	1,628,748
Property provision expense	(1,142,528)	(1,784,590)
Profit/(loss) after tax	595,495	(405,252)
Intercompany debtors	33,597,715	32,082,161
Shareholders' funds	26,831,640	26,236,145

DIRECTORS' REPORT THE YEAR ENDED 31 DECEMBER 2007**PRINCIPAL RISKS AND UNCERTAINTIES**

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

The 2007 provision review was based on the market situation at the year end and void periods are provided for accordingly. A decline in market conditions would lead to additional void periods, which could result in the need for further provisions.

FUTURE DEVELOPMENTS

The company does not anticipate any change in its activities in the forthcoming year.

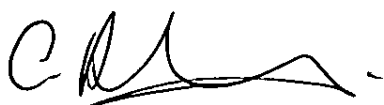
DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year Ladbroke plc purchased and maintained on behalf of the company liability insurance for its directors and officers as permitted by section 310 (3) of the Companies Act 1985.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

By Order of the Board



Ladbroke Corporate Secretaries Limited
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

The financial statements are required by law to 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 judgments 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LADBROKE (RENTALS) LIMITED

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

17 OCTOBER 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
TURNOVER	2	1,090,047	1,628,748
Cost of sales		(1,090,047)	(1,649,537)
Gross loss		-	(20,789)
Administrative expenses		(227,544)	(254,075)
Impairment charge	8	-	(1,000)
Increase in property provision	4	(1,142,528)	(1,784,590)
OPERATING LOSS		(1,370,072)	(2,060,454)
Interest receivable	5	1,965,567	1,655,202
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		595,495	(405,252)
Taxation	7	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE YEAR	12	595,495	(405,252)

Turnover and operating loss derive entirely from continuing operations

There are no recognised gains or losses for the year

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Investments	8	-	-
CURRENT ASSETS			
Debtors	9	34,576,835	33,038,172
Cash at bank and in hand		181,545	397,492
		34,758,380	33,435,664
CREDITORS - amounts falling due within one year	10	(1,490,469)	(775,685)
NET CURRENT ASSETS		33,267,911	32,659,979
TOTAL ASSETS LESS CURRENT LIABILITIES		33,267,911	32,659,979
Provision for liabilities and charges	4	(6,436,271)	(6,423,834)
		26,831,640	26,236,145
CAPITAL AND RESERVES			
Called up share capital	11	1,000	1,000
Profit and loss account	12	26,830,640	26,235,145
Equity shareholders' funds	12	26,831,640	26,236,145



J C Baty
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. ACCOUNTING POLICIES**(a) Basis of accounting**

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

(b) Taxation

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

(c) Leases

Rental income and expenditure under operating leases are charged, on a straight line basis, to the profit and loss account over the lease term

(d) Investments

Investments are held at cost. Impairment tests are carried out as and when required by Financial Reporting Standard (FRS) 11

2. TURNOVER

Turnover which represents the value, excluding value added tax, of rental income arose wholly in the United Kingdom

3. OPERATING LOSS IS STATED AFTER:

	2007	2006
	£	£
Charging		
Leasehold property rents	1,090,047	1,986,058
Management fee to fellow subsidiary	227,475	254,040
	<u> </u>	<u> </u>

The audit fee for 2007 of £1,300 (2006 £1,300) has been borne by another group company

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

4. PROPERTY PROVISION

In 1996 Ladbroke plc, the company's parent company, accounted for its property division as a discontinued activity. Accordingly provisions were made in the 1996 financial statements for the anticipated costs, net of income, of all residual lease liabilities up to the lease expiry date.

A review of these provisions is carried out each year and adjusted for any anticipated addition or reduction in cost, and the provision is adjusted as required. The additional provision following the 2007 review is mainly due to empty units and properties which have an impact on rental income and additional void costs. The net increase in the provision has been included in the profit and loss account.

The movements on the property provision are as follows

	£
At 1 January 2007	6,423,834
Utilisation of provision	(1,367,763)
Provided in the year	1,142,528
Transferred from Ladbroke Retail Parks Limited	237,672
At 31 December 2007	<u>6,436,271</u>

5. INTEREST RECEIVABLE

	2007 £	2006 £
From group undertakings	1,965,567	1,644,560
From third parties	<u>-</u>	<u>10,642</u>
	<u>1,965,567</u>	<u>1,655,202</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

6. DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

The directors' emoluments are borne entirely by other group undertakings and it is not practicable to estimate what portion of their emoluments are attributable to this subsidiary. The directors, three of whom were members of the Ladbroke's Pension Plan, a defined benefit scheme, received total remuneration for the year of £541,817 (2006 £433,558)

(b) Staff costs and numbers

All operations of the company are undertaken by employees of other group undertakings and their respective staff costs have not been included in these financial statements

7. TAXATION

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

There are no amounts of deferred tax required to be indemnified in respect of any material timing differences for 2007 or 2006

8. INVESTMENTS

	Shares in group undertakings £
Cost:	
At 1 January 2007 and 31 December 2007	<u>1,000</u>
Provision:	
At 1 January 2007 and 31 December 2007	<u>(1,000)</u>
Net book value:	
31 December 2007	<u>-</u>
31 December 2006	<u>-</u>

At 31 December 2007 and 31 December 2006, the company held 1,000 11% redeemable non-cumulative participating preference shares of £1 each in Hindwain Limited, a company incorporated in England and Wales

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

9. DEBTORS

	2007 £	2006 £
Trade debtors	175,498	217,338
Amounts due from group companies	33,597,715	32,082,161
Other debtors	272,358	177,920
Prepayments and accrued income	531,264	560,753
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	34,576,835	33,038,172
	<hr/>	<hr/>

10. CREDITORS – amounts falling due within one year

	2007 £	2006 £
Trade creditors	454,099	136,011
Amounts due to group companies	627,187	10,444
Other creditors	153,091	241,114
Accruals and deferred income	247,636	346,106
Other taxation	8,456	42,010
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	1,490,469	775,685
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11. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised, allotted, called up and fully paid 1,000 ordinary shares of £1 each	1,000	1,000
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 2006	1,000	26,640,397	26,641,397
Loss for the year	-	(405,252)	(405,252)
At 1 January 2007	1,000	26,235,145	26,236,145
Profit for the year	-	595,495	595,495
At 31 December 2007	<u>1,000</u>	<u>26,830,640</u>	<u>26,831,640</u>

13. FINANCIAL COMMITMENTS

The annual commitment under non-cancellable operating leases for land and buildings at 31 December was as follows

	2007 £	2006 £
Leases expiring		
Within one year	115,000	74,771
Within two to five years	83,393	324,000
Thereafter	1,459,525	1,446,295
	<u>1,657,918</u>	<u>1,845,066</u>

14. CONTINGENT LIABILITIES

The company has jointly and severally guaranteed the value added tax liability of Ladbroke plc group companies within the group registration, amounting to £6.1 million at 31 December 2007 (2006 £4.8 million)

Under the terms of cross guarantees agreements, the company has jointly and severally guaranteed the liabilities of certain other Ladbroke plc 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 31 December 2007 the aggregate amount of such credit bank balances was £29,294 (2006 £111,378)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**15. CASH FLOW STATEMENT**

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

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the provision of FRS 8, which exempts subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, from disclosing transactions with other entities within the group.

The ultimate parent undertaking, Ladbroke plc, has included the required related party disclosures within its group financial statements.

17. ULTIMATE PARENT UNDERTAKING

The ultimate parent company is Ladbroke plc, a company registered in England and Wales, the financial statements of which are available from the registered office of that company at Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex HA2 7JW. Ladbroke plc is the parent undertaking of the only group of undertakings for which group financial statements are prepared and of which the company is a member.

The company's immediate parent is Ladbroke Group Properties Limited, a company registered in England and Wales.