

Directors' report for the year ended 31 December 2006

Directors	R D Ballingall	(Resigned 23 February 2006)
	B G Barker	(Resigned 31 August 2007)
	J C Baty	
	M J Noble	
	V Parmar	(Appointed 31 August 2007)
Secretary	Ladbroke Corporate Secretaries Limited	
Registered Office	Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex, HA2 7JW	

The directors present their report and the company's financial statements for the year ended 31 December 2006

Results and dividends

The financial statements show a profit after taxation of £579,120,000 (2005 £705,693,000)

A special dividend of £1,687,779,000 was declared and paid on 17 March 2006 following the disposal of Ladbroke plc investments in HIC Group International Luxembourg SA (formerly Ladbroke Group International Luxembourg SA), an indirect subsidiary of the company

A dividend of £84,675,000 (2005 £330,000,000) was paid on 29 December 2006

Principal activity and review of business

The principal activity of the company is to act as an investment holding company

On 23 February 2006 Ladbroke Group and Ladbroke Group International, the immediate parent companies of HIC Group International Luxembourg SA and indirect subsidiaries of the company, disposed of their entire share holding in HIC Group International Luxembourg SA, an indirect subsidiary of the company, for a consideration of £3,200 million

As a result of these transactions, the company received special dividends totaling £1,687,779,000 on 17 March 2006. The company declared and paid a special dividend of £1,687,779,000 to its immediate parent on the same day

Following the above transactions the company undertook a review of the carrying value of its remaining investments resulting in a provision of £1,135,814,000

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

	2006	2005
	£'000	£'000
Profit after tax	579,120	705,693
Investments	1,874,079	3,009,829
Intercompany debtors	44,859	28,897
Intercompany creditors	(1,322,924)	(1,249,378)
Shareholders' funds	596,115	1,789,449



Directors' report for the year ended 31 December 2006

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 company's principal risks arise from the balances owed to it by fellow group companies, from any changes in interest rates in relation to its liabilities and any devaluation of its subsidiary undertakings.

Future developments

The company does not anticipate any changes in its activities in the current 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 a director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Events after the balance sheet date

On the 31 May 2007 the Company disposed of its entire share holdings in Cayman Investments Number 1, International Finance Investments Limited, Maple Court Investments Limited and Maple Court Investments (Jersey) Limited to a fellow group company for a combined consideration of £1,901,300,000.

By order of the Board



Secretary
Ladbroke Corporate Secretaries Limited

25/10/07

Statement of directors' responsibilities in relation to the financial statements

The following statement, which should be read in conjunction with the statement of auditor's responsibilities set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements

The directors are required by the Companies Act 1985 to prepare financial statements 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 financial statements on pages 5 to 12 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 financial statements

The financial statements 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 financial statements 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

Independent auditor's report to the members of Ladbroke US Investments Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19. 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 Annual Report and 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 2006 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

25 OCTOBER 2007

Profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Profit on foreign exchange		-	9,251
Income from shares in group companies	4	1,786,822	344,791
Provision against investment in subsidiary	10	(1,135,814)	-
Profit on disposal of investment in subsidiary company		-	400,025
Operating profit		651,008	754,067
Interest receivable and similar income	5	1,706	1,064
Interest payable	6	(73,594)	(35,228)
Profit on ordinary activities before taxation		579,120	719,903
Taxation	9	-	(14,210)
Profit on ordinary activities after taxation		579,120	705,693

All of the company's activities are continuing. The company had no other recognised gains or losses during the year.

Balance sheet at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investments in group companies	10	1,874,079	3,009,829
Other investments	11	<u>101</u>	<u>101</u>
		1,874,180	3,009,930
Current assets			
Debtors amounts due from fellow subsidiaries	12	44,859	28,897
Creditors amounts falling due within one year	13	<u>(1,322,924)</u>	<u>(1,249,378)</u>
Net current liabilities		<u>(1,278,065)</u>	<u>(1,220,481)</u>
Total assets less current liabilities		<u>596,115</u>	<u>1,789,449</u>
Capital and reserves			
Called up share capital	14	115	115
Profit and loss account	15	<u>596,000</u>	<u>1,789,334</u>
Equity shareholder's funds	15	<u>596,115</u>	<u>1,789,449</u>



Director

25/10/07

Notes to the financial statements for the year ended 31 December 2006

1 Fundamental accounting concept

The financial statements have been prepared under the going concern concept because the ultimate parent company has agreed to meet any liabilities of the company as they fall due should the company's income not be sufficient

2. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The accounting policies adopted by the company are set out below and are consistent with those of the previous financial year

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at year end rates of exchange. Exchange gains or losses arising are taken to the profit and loss account

Deferred taxation

Deferred taxation is recognised as an asset or liability, at appropriate rates, in respect of transactions and events recognised in the financial statements of the current and previous periods which give the company a right to pay less, or an obligation to pay more taxation in future periods. Deferred tax assets are only recognised to the extent it is more likely than not that there will be suitable taxable profits from which they can be recovered

Investments

Investments are held at cost less any provision for impairment

3 Audit fee

Audit fees for 2006 of £1,300 have been borne by another group company

4 Income from shares in group companies

	2006 £'000	2005 £'000
Preference dividends receivable from fellow subsidiary	14,365	14,148
Special dividend received from fellow subsidiaries	1,687,779	-
Dividend received from fellow subsidiary	84,678	330,643
	<u>1,786,822</u>	<u>344,791</u>

Notes to the financial statements for the year ended 31 December 2006

5. Interest receivable

	2006 £'000	2005 £'000
Bank interest	4	4
Interest receivable from group companies	1,702	1,060
	<u>1,706</u>	<u>1,064</u>

6 Interest payable

	2006 £'000	2005 £'000
Interest payable to group companies	<u>73,594</u>	<u>35,228</u>

7. Directors and employees

The directors' emoluments are borne entirely by other group companies, and it is not practicable to estimate what portion of their emoluments are attributable to this company. The directors, all of whom were members of a Ladbrokes plc defined benefit pension scheme, received total remuneration for the year of £654,114 (2005 £676,897)

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

8. Dividends paid

	2006 £'000	2005 £'000
Special dividend paid	1,687,779	-
Dividend paid	<u>84,675</u>	<u>330,000</u>
	<u>1,772,454</u>	<u>330,000</u>

On 23 February 2006 Ladbrokes plc disposed of its entire share holding in Ladbroke Group International Luxembourg SA (LGIL SA), an indirect subsidiary of the company, for a consideration of £3,200,000,000. As a result of the transaction, the company received a special dividend totaling £1,687,779,000 on 17 March 2006 (see note 4). On the same day, the company declared and paid a special dividend of £1,687,779,000 to its immediate parent

Notes to the financial statements for the year ended 31 December 2006

9 Taxation

Current tax

	2006 £'000	2005 £'000
Adjustments in respect of prior periods	-	(14,210)
	<u>-</u>	<u>(14,210)</u>

Factors affecting the tax charge for the period

The current tax charge shown for the period is different from the standard rate of corporation tax in the UK of 30%

This difference is explained below

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	<u>579,120</u>	<u>719,903</u>
Charge in respect of profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	173,736	215,971
Non-taxable items	(195,302)	(223,445)
Group relief surrendered to fellow subsidiaries free of charge	21,566	7,474
Adjustments in respect of prior periods	<u>-</u>	<u>(14,210)</u>
Total current tax credit	<u>-</u>	<u>(14,210)</u>

Deferred tax assets of £51,300,000 (2005 £27,600,000) have not been recognised, as there is insufficient certainty that there will be suitable taxable profits from which future reversal of timing differences can be deducted

10. Investments in group companies

	£'000
Cost	
At 1 January 2006	3,009,829
Additions	<u>64</u>
At 31 December 2006	<u>3,009,893</u>
Amounts provided	
At 1 January 2006	-
Provided in the year	<u>(1,135,814)</u>
At 31 December 2006	<u>(1,135,814)</u>
Net Book value at 31 December 2006	<u>1,874,079</u>
Net Book value at 31 December 2005	<u>3,009,829</u>

On 23 February 2006 Ladbroke Group and Ladbroke Group International, the immediate parent companies of HIC Group International Luxembourg SA and indirect subsidiaries of the company, disposed of their entire share holding in HIC Group International Luxembourg SA, an indirect subsidiary of the company, for a consideration of £3,200 million. As a result of these transactions, the company received special dividends totaling £1,687,779,000 on 17 March 2006. The company declared and paid a special dividend of £1,687,779,000 to its immediate parent on the same day. Following the above transactions the company undertook a review of the carrying value of its remaining investments resulting in a provision of £1,135,814,000.

Notes to the financial statements for the year ended 31 December 2006**10. Investments in Group companies (continued)**

Investments in group companies at 31 December 2006 are

	Holding Direct	Indirect	Incorporated in	Activities
Maple Court Investments Limited - Ordinary	100%	-	England	Holding company
Maple Court Investments Limited - Deferred	100%	-	England	Holding company
Maple Court Investments Limited - Preference	100%	-	England	Holding company
Maple Court Investments (Jersey) Limited	100%	-	Jersey	Dormant
International Finance Investments Limited	100%	-	Cayman Islands	Holding company
Cayman Investments No 1	22%	24%	Cayman Islands	Holding company

The company is exempt from preparing consolidated financial statements under section 228 of the Companies Act 1985. In the opinion of the directors the value of the shares in group companies is not less than the amounts at which they are stated in the financial statements

11. Other investments

	2006 £'000	2005 £'000
Listed investments, at cost	<u>101</u>	<u>101</u>

The market value of listed investments at 31 December 2006 was £242,000 (2005 £238,000)

12. Debtors

	2006 £'000	2005 £'000
Amounts due from group companies	<u>44,859</u>	<u>28,897</u>

13. Creditors, amounts falling due within one year

	2006 £'000	2005 £'000
Amounts due to group companies	<u>1,322,924</u>	<u>1,249,378</u>

14. Share capital

	0.01p ordinary shares	£'000
Authorised	<u>1,151,000,100</u>	<u>115</u>
Issued and fully paid up		
At 31 December 2005 and 31 December 2006	<u>1,150,925,600</u>	<u>115</u>

Notes to the financial statements for the year ended 31 December 2006**15. Reconciliation of shareholder's funds and movement in reserves**

	Share Capital £'000	Share Premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2005	115	2,300,000	(886,359)	1,413,756
Cancellation of share premium	-	(2,300,000)	2,300,000	-
Profit for the year	-	-	705,693	705,693
Dividend paid	-	-	(330,000)	(330,000)
At 31 December 2005	115	-	1,789,334	1,789,449
Profit for the year	-	-	579,120	579,120
Dividend paid	-	-	(1,772,454)	(1,772,454)
At 31 December 2006	115	-	596,000	596,115

16. Cash flow statement

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

17. Contingent liabilities

The company has jointly and severally guaranteed the value added tax liability of certain other Ladbroke Group companies within a group registration amounting to approximately £4,800,000 at 31 December 2006 (2005 £7,900,000).

18. Immediate and ultimate parent undertaking

The company's immediate holding company is Martia Limited and its ultimate holding 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.

The company has taken advantage of provisions in FRS 8 which exempt subsidiary companies, 90% or more of whose voting rights are controlled within the group, from disclosing transactions with other entities within the group. The ultimate parent company, Ladbroke plc (formerly Hilton Group plc), has included the required related party disclosures within its group financial statements.

19. Events after the balance sheet date

On the 31 May 2007 the Company disposed of its entire share holdings in Cayman Investments Number 1, International Finance Investments, Maple Court Investments Limited and Maple Court Investments (Jersey) Limited to a fellow group company for a combined consideration of £1,901,300,000.