

LADBROKE RACING LIMITED



DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 1997

Directors: C Bell
R Carter
CG Miles
JP O'Reilly
AS Ross
PW Usher
RM Wilson-Barker
ME Smith
BJ Daver
(Resigned 30/06/97)

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 1997.

ACCOUNTS AND DIVIDENDS

The accounts for the year show a profit of £33,965,590 which must be added to the credit balance brought forward from the previous year of £32,364,672, to give a surplus of £66,330,262 . The profit of £66,330,262 remains to be carried forward.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

During the year the company continued to act as a holding and management company for various other companies principally engaged in the business of bookmaking. Turnover for the year was £266,444,203 and the profit before taxation was £35,245,792. The company also entered into a conditional agreement for the sale of 51 shops from the enlarged portfolio to Tote Bookmakers Ltd in order to meet established UK criteria for the maintenance of effective competition in local markets.

During the year the company acquired all the share capital in Ladbroke Sporting Spreads Limited for the consideration of £1,500,000 and all the share capital in Sabrinet Limited for the consideration of £2. It also acquired all the allocated share capital in Jean Cowan (Holdings) Limited for £999,600.

On 10th June 1997, Ladbrokes Limited acquired all the shares in the company for the consideration of £312,000,000

SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS

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

LADBROKE RACING LIMITED

DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 1997

FIXED ASSETS

The movements in respect of fixed assets during the year are set out on note 9 to the accounts.

DIRECTORS

The directors during the year ended 31st December 1997 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 1997 and their families:-

(a) had the following interests in shares of Ladbroke Group PLC:-

	<u>1997</u>	<u>1996</u>
10p Ordinary shares		
R Carter	610	610
AS Ross	6,514	5,660
PW Usher	1,713	1,713
Option to purchase 10p ordinary shares under the terms of the 1978 share option scheme ("1978 Scheme")		
C Bell	184,600	184,600
R Carter	91,661	146,322
CG Miles	97,882	150,967
JP O'Reilly	40,000	59,000
AS Ross	4,900	59,561
PW Usher	77,422	139,873
RM Wilson-Barker	65,467	65,467
Option to purchase 10p ordinary shares under the terms of the 1983 share option scheme ("1983 Scheme")		
C Bell	15,525	15,525
PW Usher	4,612	4,612
Option to purchase 10p ordinary shares under the terms of the international share option scheme ("The international scheme")		
C Bell	137,168	67,168
R Carter	20,000	NIL
CG Miles	20,000	NIL
JP O'Reilly	87,000	40,000
AS Ross	97,455	89,455
PW Usher	20,000	NIL
RM Wilson-Barker	71,533	24,533

LADBROKE RACING LIMITED

DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 1997

DIRECTORS' INTEREST (continued)

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

<u>Name</u>	Shares under the terms of			
	1978 Scheme		1983 Scheme	
	<u>Granted</u>	<u>Exercised</u>	<u>Granted</u>	<u>Exercised</u>
R Carter	NIL	54,661	NIL	NIL
CG Miles	NIL	53,085	NIL	NIL
JP O'Reilly	NIL	19,000	NIL	NIL
AS Ross	NIL	54,661	NIL	NIL
PW Usher	NIL	62,451	NIL	NIL

<u>Name</u>	Shares under the terms of International Scheme	
	<u>Granted</u>	<u>Exercised</u>
C Bell	70,000	NIL
R Carter	20,000	NIL
CG Miles	20,000	NIL
JP O'Reilly	47,000	NIL
AS Ross	20,000	12,000
PW Usher	20,000	NIL
RM Wilson-Barker	47,000	NIL

Except as shown above and excluding the director who was also a director of Ladbroke Group PLC who were not required to notify the company of any interests in shares or debentures, no director at 31st December 1997 held at that date, or at 31st December 1996 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 Ladbroke 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 four 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 Ladbroke 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.

LADBROKE RACING LIMITED

DIRECTORS' REPORT - FOR THE YEAR ENDED 31ST DECEMBER 1997

DISABLED PERSONS

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

- i) Full and fair consideration were 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.

At the year end, the company had an average of 5 days purchases outstanding in trade creditors.

By Order of the Board



MJ Noble
Secretary

211 SEP 1998

LADBROKE RACING 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 it appropriate to prepare accounts on the going concern basis and that in preparing the accounts on pages 7 to 19 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 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

LADBROKE RACING LIMITED

We have audited the accounts on pages 7 to 19, 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. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st December 1997 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

ERNST & YOUNG
Registered Auditor

London

21 SEP 1998

LADBROKE RACING LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST DECEMBER 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
TURNOVER	2.	266,444,203	237,694,326
COST OF SALES		<u>192,558,260</u>	<u>172,867,913</u>
GROSS PROFIT		73,885,943	64,826,413
Administrative expenses		41,801,192	38,580,822
		<u>32,084,751</u>	<u>26,245,591</u>
Other operating income		<u>4,480,775</u>	<u>3,961,019</u>
OPERATING PROFIT	3.	36,565,526	30,206,610
Income from shares in subsidiaries		13,035,000	21,500,000
Interest receivable	4.	1,757,712	2,277,922
Interest payable	5.	(15,632,892)	(19,212,200)
Loss on disposal of fixed assets		(479,554)	(419,836)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>35,245,792</u>	<u>34,352,496</u>
Tax (charge)/credit on profit for the year	7.	(1,280,202)	1,280,202
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>33,965,590</u>	<u>35,632,698</u>
Dividends	8.	-	35,000,000
RETAINED PROFIT FOR THE YEAR		<u>33,965,590</u>	<u>632,698</u>
Retained profit brought forward		<u>32,364,672</u>	<u>31,731,974</u>
RETAINED PROFIT FOR THE YEAR		<u><u>66,330,262</u></u>	<u><u>32,364,672</u></u>

Turnover and the operating profit derive entirely from continuing operations. No recognised gains or losses other than the profit for the year arose during the year.

LADBROKE RACING LIMITED**BALANCE SHEET****AS AT 31ST DECEMBER 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
FIXED ASSETS			
Tangible assets	9.	50,993,763	51,592,279
Investments	11.	79,641,238	77,141,636
		<u>130,635,001</u>	<u>128,733,915</u>
CURRENT ASSETS			
Assets held for resale	10.	940,906	-
Stocks	12.	2,839,637	2,145,639
Debtors	13.	124,959,948	140,390,385
Cash at bank and in hand		6,653,742	7,919,343
		<u>135,394,233</u>	<u>150,455,367</u>
CREDITORS: amounts falling due within one year			
Bank loans and overdrafts		1,931,757	1,634,938
Other creditors	14.	191,205,965	186,934,617
		<u>193,137,722</u>	<u>188,569,555</u>
NET CURRENT LIABILITIES			
		<u>(57,743,489)</u>	<u>(38,114,188)</u>
TOTAL ASSETS LESS TOTAL CURRENT LIABILITIES			
		72,891,512	90,619,727
CREDITORS: amounts falling due after more than one year			
	15.	3,305,947	54,999,752
		<u>69,585,565</u>	<u>35,619,975</u>
CAPITAL AND RESERVES			
Called up share capital	17.	3,255,303	3,255,303
Profit and loss account	18.	66,330,262	32,364,672
Equity Shareholders' funds		<u>69,585,565</u>	<u>35,619,975</u>


R Carter

Director

Dated :

21 SEP 1998

LADBROKE RACING LIMITED

NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The accounts are prepared under the historical cost convention and all applicable UK Accounting Standards have been complied with.

1.2 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, in accordance with the company's normal accounting policies. 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.

1.3 Depreciation

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.

Tangible assets

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.

LADBROKE RACING LIMITED

NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997

1.4 Stock

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

1.5 Taxation

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

1.6 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.

1.7 Pension Fund

Contributions to Ladbroke Group PLC's pension scheme are based on triennial actuarial valuations and are charged against profits as payments are made. The pension schemes are funded in accordance with actuarial advice and contributions by both the company and employees are held in trust administered funds independent of the group's finances.

2. TURNOVER

Turnover represents management charges receivable from subsidiaries and other group companies and relates to one geographical region, the United Kingdom.

3. OPERATING PROFIT

is stated after charging :

	<u>1997</u>	<u>1996</u>
	£	£
Management charges payable to group companies	43,895,808	40,921,741
Depreciation of tangible assets		
Leased	29,925	2,525,319
Other	10,455,491	8,717,569
Auditors' remuneration - audit services	116,174	122,500
Hire of plant and equipment	8,150,835	5,333,022
Loss on disposal of fixed assets	479,554	419,836
and crediting:		
Rents receivable	3,457,573	2,987,251
Vending income	<u>797,144</u>	<u>522,657</u>

LADBROKE RACING LIMITED**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997**

4. INTEREST RECEIVABLE	<u>1997</u>	<u>1996</u>
	£	£
From group companies	1,714,481	2,244,144
Other interest	43,231	33,778
	<u>1,757,712</u>	<u>2,277,922</u>
5. INTEREST PAYABLE	<u>1997</u>	<u>1996</u>
	£	£
To group companies:-		
lease interest	43,250	667,404
other interest	15,518,296	18,420,208
Loan notes	65,131	120,554
Other interest	6,215	4,034
	<u>15,632,892</u>	<u>19,212,200</u>
6. DIRECTORS AND EMPLOYEES		
6.1 Directors emoluments	<u>1997</u>	<u>1996</u>
	£	£
Emoluments	<u>1,058,705</u>	<u>1,091,153</u>
Members of defined benefit pension scheme	7	8
The amounts in respect of the highest paid director are as follows :	<u>1997</u>	<u>1996</u>
	£	£
Emoluments	<u>231,761</u>	<u>196,306</u>
Compensation for loss of office	<u>157,950</u>	<u>-</u>
6.2 Employee staff costs	<u>1997</u>	<u>1996</u>
	£	£
Wages and salaries	86,346,801	79,064,440
Employer's social security costs	5,989,061	5,870,878
Employer's pension costs	238,747	147,279
	<u>92,574,609</u>	<u>85,082,597</u>
6.3 The average number of persons employed by the company, including directors, during the year was as follows:-	<u>1997</u>	<u>1996</u>
	£	£
Full-time	6,999	6,756
Part-time	4,236	4,225
	<u>11,235</u>	<u>10,981</u>

LADBROKE RACING LIMITED**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997**

7. TAXATION	<u>1997</u> £	<u>1996</u> £
Prior year adjustment	<u>(1,280,202)</u>	<u>1,280,202</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 parent undertaking, Ladbroke Group PLC, that the latter will assume all liability for any such taxation which may include covering such tax liabilities with surrenders of group relief or ACT free of charge.

8. DIVIDENDS	<u>1997</u> £	<u>1996</u> £
Equity dividends on ordinary shares:		
Final paid	<u>-</u>	<u>35,000,000</u>

LADBROKE RACING LIMITED

NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997

9. TANGIBLE FIXED ASSETS

	<u>Furniture Fixtures & Fittings</u> £	<u>Leased Assets</u> £	<u>Motor Vehicles</u> £	<u>Freehold Property</u> £	<u>Long Leasehold Property</u> £	<u>Short Leasehold Property</u> £	<u>Total</u> £
Cost:							
At 1st January 1997	122,843,512	114,357	40,433		14,463	1,148,765	124,161,530
Additions	11,274,508	713,759				256,015	12,244,282
Disposals	(4,624,492)	(5,580)				(27,202)	(4,657,274)
Transfers from other group companies						3,150	3,150
Transfers to other group companies				(17,254)		(592,388)	(609,642)
Reclassification Assets	(623,340)			17,254		606,086	-
transferred to current assets for resale	(2,610,678)					(75,338)	(2,686,016)
At 31st December 1997	<u>126,259,510</u>	<u>822,536</u>	<u>40,433</u>	<u>-</u>	<u>14,463</u>	<u>1,319,088</u>	<u>128,456,030</u>
Depreciation:							
At 1st January 1997	72,039,034	8,778	40,432		651	480,356	72,569,251
Depreciation charge for the year	10,381,398	29,925			289	73,804	10,485,416
Disposals	(3,825,004)	(558)				(21,728)	(3,847,290)
Assets transferred to current assets for resale	(1,707,656)					(37,454)	(1,745,110)
At 31st December 1997	<u>76,887,772</u>	<u>38,145</u>	<u>40,432</u>	<u>-</u>	<u>940</u>	<u>494,978</u>	<u>77,462,267</u>
Net book value at 31 December 1997	<u>49,371,738</u>	<u>784,391</u>	<u>1</u>	<u>-</u>	<u>13,523</u>	<u>824,110</u>	<u>50,993,763</u>
Net book value at 31 December 1996	<u>50,804,478</u>	<u>105,579</u>	<u>1</u>	<u>-</u>	<u>13,812</u>	<u>668,409</u>	<u>51,592,279</u>

LADBROKE RACING LIMITED

NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997

10. ASSETS HELD FOR RESALE

Assets held for resale include £940,906 relating to assets to be sold as part of a conditional agreement entered into with the Tote Bookmakers Ltd.

11. INVESTMENTS

	Shares in subsidiary companies £
Cost :	
1st January 1997	77,141,636
Additions	2,499,602
31st December 1997	<u>79,641,238</u>
Net book value at 31st December 1997	<u>79,641,238</u>
Net book value at 31st December 1996	<u>77,141,636</u>

Shares in subsidiary companies

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

	<u>% Issued Share Capital held by company and/or by subsidiary</u>		
	<u>Ordinary</u>	<u>Preference</u>	<u>Unclassified</u>
Margolis and Ridley Limited	100.0		
Hector Macdonald Limited	100.0		
The Demmy Leisure Group Limited	100.0		
Henry Jones (Neston) Limited	100.0		
Bernard Murphy & Son Limited	100.0	100.0	
Oxlow Bookmakers Limited	100.0		
W.H. Jerram Limited	100.0		
Ron Hooper & Son (Bookmakers) Limited	100.0		
John Sampson (Bookmakers) Limited	100.0		
Caledonian Racing (1984) Limited	100.0		
George (Commission Agents) Limited			100.0
Ray Strong (Sports Services) Limited	100.0		
W.S. Murphy Limited	100.0	100.0	
Ladbroke (Turf Accountants) Limited		100.0	100.0
Rowland Clark Limited	100.0		
Hayling Racing (Successors) Limited	100.0		
Multisport Bookmakers Limited	100.0		
James London (Telford) Limited	100.0		
Ganton House Investments Limited	100.0		
Birchgree Limited	100.0		
Nelson Bookmakers (London) Limited	100.0		
Ladbroke's Sporting Spreads Limited	100.0		
Jean Cowan (Holdings) Limited	100.0	100.0	
Sabrinet Limited	100.0		

LADBROKE RACING LIMITED

NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997

11. INVESTMENTS (cont).

All the companies above are registered in England and Wales and act as cash bookmaking companies, with the exception of Ganton House Investments Limited, which acts as a property and investment holding company.

Consolidated accounts have not been prepared in accordance with section 228 Companies Act 1989 as the company is a wholly owned subsidiary of a parent undertaking incorporated in England and Wales. In the opinion of the directors, the value of these subsidiaries is not less than the amount at which they are stated in the accounts.

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.

12. STOCKS	<u>1997</u> £	<u>1996</u> £
Trading Stocks	1,012,463	489,798
Stationery	1,740,387	1,555,320
Vending	86,787	100,521
	<u>2,839,637</u>	<u>2,145,639</u>

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

13. DEBTORS	<u>1997</u> £	<u>1996</u> £
Amounts owed by group undertakings		
Fellow subsidiary companies	6,214,673	3,876,224
Subsidiary companies	106,603,177	123,828,487
Other debtors	935,114	767,746
Prepayments	11,206,984	11,917,928
	<u>124,959,948</u>	<u>140,390,385</u>

LADBROKE RACING LIMITED**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997****14. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

		<u>1997</u>	<u>1996</u>
		£	£
Unsecured loan notes	(a)	1,040,000	1,090,000
Trade creditors		862,103	908,704
Amounts due to group undertakings			
Holding company	(b)	115,284,089	143,879,165
Fellow subsidiary companies		13,690,327	6,910,034
Subsidiary companies		4,509,931	6,803
Other taxes and social security costs		2,864,014	2,455,336
Other creditors		8,772,988	5,608,573
Accruals		34,688,565	18,045,063
Duty		7,359,001	7,327,262
Levy		2,134,947	703,677
		<u>191,205,965</u>	<u>186,934,617</u>

(a) Loan notes are issued by the company in connection with the acquisition of certain businesses and are repayable within one to five years after issue at the request of the holder.

(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 are 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

	<u>1997</u>	<u>1996</u>
	£	£
Amounts due to group undertakings		
Fellow subsidiary companies	2,181,447	54,893,357
Subsidiary companies	1,124,500	106,395
	<u>3,305,947</u>	<u>54,999,752</u>
Amounts repayable		
Between one and two years	2,317,025	54,999,752
Between two and five years	406,735	-
	<u>2,723,760</u>	<u>54,999,752</u>
In five years or more	582,187	-
	<u>3,305,947</u>	<u>54,999,752</u>

LADBROKE RACING LIMITED**NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997****16. OBLIGATIONS UNDER FINANCE LEASES**

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

	<u>1997</u>	<u>1996</u>
	£	£
Leases expiring		
within one year	55,689	18,492
two to five years	287,027	73,967
over five years	462,047	87,207
	<u>804,763</u>	<u>179,666</u>

17. SHARE CAPITAL

Authorised:	<u>1997</u>	<u>1996</u>
	£	£
'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.

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Share Capital</u>	<u>Profit and Loss Account</u>	<u>Total</u>
	£	£	£
At 1st January 1996	3,255,303	31,731,974	34,987,277
Profit for the year		35,632,698	35,632,698
Interim dividend proposed		<u>(35,000,000)</u>	<u>(35,000,000)</u>
At 1st January 1997	3,255,303	32,364,672	35,619,975
Profit for the year		33,965,590	33,965,590
At 31st December 1997	<u>3,255,303</u>	<u>66,330,262</u>	<u>69,585,565</u>

LADBROKE RACING LIMITED

NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997

19. PENSIONS

The company is a subsidiary of Ladbrokes Limited which is a wholly owned subsidiary of Ladbroke 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 scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of valuations, the latest of which were in 1995.

Full details of the pension schemes are given in the accounts of Ladbroke group PLC.

20. FINANCIAL COMMITMENTS

The annual commitment under non-cancellable operating leases at 31st December 1997 was as follows:-

	<u>1997</u>	<u>1996</u>
	£	£
Cars and other equipment		
Operating leases which expire:		
within one year	368,000	346,000
within one to five years	484,000	456,000
in over five years	47,000	47,000
	<u>899,000</u>	<u>849,000</u>

21. CAPITAL COMMITMENTS

	<u>1997</u>	<u>1996</u>
	£	£
Authorised by the board but not contracted for	1,901,000	2,890,000
Contracted to third parties	4,032,000	1,402,000
	<u>5,933,000</u>	<u>4,292,000</u>

22. CONTINGENT LIABILITY

The company has jointly and severally guaranteed the Value Added Tax liability of other Ladbroke group companies within the group registration, amounting to approximately £6,458,000 at 31st December 1997 (£5,456,000 in 1996)

Under the terms of cross guarantee agreements, the company has jointly and severally guaranteed the liabilities of certain Ladbroke 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 1997, the aggregate amount of such credit balances was £408,264.01 (1996 £490,875.05)

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 Ladbroke Group PLC has included the required consolidated cash flow statement within its consolidated financial statements.

LADBROKE RACING LIMITED

NOTES TO THE ACCOUNTS - FOR THE YEAR ENDED 31ST DECEMBER 1997

24. 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.

25. ULTIMATE HOLDING COMPANY

These accounts are consolidated in the group accounts of the ultimate holding company which is Ladbroke 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.