

## **LADBROKES E-GAMING LIMITED**

### **STRATEGIC REPORT - FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present their Strategic Report for the year ended 31 December 2013.

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

During the year the Company provided consultancy services to other group companies engaged in internet operations.

A management fee was charged to Ladbrokes International Plc of £17,131,798 (2012: £11,361,701) and Ladbrokes Sportsbook LP of £13,900,145 (2012: £12,461,130) for services rendered by the Company.

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

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Management fee receivable	<b>31,031,943</b>	23,822,831
(Loss)/profit for the financial year	<b>(4,116,499)</b>	5,283,514
Interest received	<b>1,903,286</b>	678,506
Amounts owed by group companies	<b>83,770,863</b>	83,165,840


Due to the limited activities undertaken by this company no other key performance indicators are relevant.

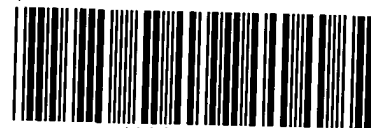
#### **PRINCIPAL RISK AND UNCERTAINTIES**

Ladbrokes 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 has an exposure to changes in interest rates, which affect the balances with other group companies and the interest due on those balances. The Company has no other significant risks or uncertainties other than those that arise from its membership of the Ladbrokes group which are dealt with in the Business Review presented in the consolidated financial statements of Ladbrokes plc on pages 22 to 24.

By order of the Board

  
A J Bushnell  
Secretary  
Date: 10/9/14



## **LADBROKES E-GAMING LIMITED**

### **DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2013**

Directors:	A B Greenblatt	
	M A Fowler	
	J C Baty	(Resigned 26 April 2013)
	J Bunn	(Appointed 26 April 2013)
	S R Priday	(Resigned 15 November 2013)
Secretary :	J Adelman	(Resigned 18 April 2014)
	A J Bushnell	(Appointed 18 April 2014)
Registered Office :	Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex, HA2 7JW	
Company Number:	03962991	

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The directors present their report and the Company's financial statements for the year ended 31 December 2013.

#### **RESULTS AND DIVIDENDS**

The financial statements for the year show a loss after taxation of £4,116,499 (2012: profit of £5,283,514). The directors do not recommend the payment of a dividend (2012: £Nil).

#### **FINANCIAL RISK MANAGEMENT**

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

#### **GOING CONCERN**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

#### **FUTURE DEVELOPMENTS**

The Company does not anticipate any changes in its activity in the forthcoming year.

#### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

During the year Ladbrokes plc purchased and maintained on behalf of the company liability insurance for its directors and officers as permitted by section 233 of the Companies Act 2006.

#### **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.

**LADBROKES E-GAMING LIMITED**

**DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)**

**AUDITOR'S APPOINTMENT**

In October 2013 the Competition Commission announced measures requiring all FTSE 350 companies to conduct a tender for external audit services every 10 years. In advance of this, Ladbrokes plc reported last year that it anticipated that its external audit services would be put out to tender during 2013. Ernst & Young LLP (and its predecessor partnerships) were appointed prior to flotation and no tender process had been conducted prior to 2013.

A rigorous tender process was conducted during the year which resulted in the Ladbrokes plc Audit Committee recommending to the Board that PricewaterhouseCoopers LLP is appointed auditor with effect from the 2014 financial year subject to shareholder approval being obtained at the Ladbrokes plc 2014 Annual General Meeting. This appointment will also apply to the Company for the 2014 financial year.

By order of the Board



A J Bushnell  
Secretary

Date: 10/9/14

## **LADBROKES E-GAMING LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained by the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 LADBROKES E-GAMING LIMITED**

We have audited the financial statements of Ladbrokes E-Gaming Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report, the Directors' report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

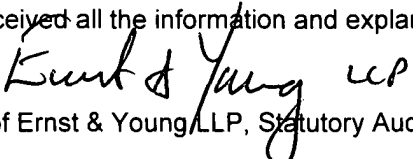
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard Wilson   
for and behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 12 September 2014

**LADBROKES E-GAMING LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013**

	<u>Notes</u>	<u>2013</u> £	<u>2012</u> £
<b>TURNOVER</b>	<b>2.</b>	<b>31,031,943</b>	23,822,831
Operating Expenses		(27,549,286)	(19,217,823)
Operating exceptional items	<b>4.</b>	<b>(9,468,353)</b>	-
<b>OPERATING (LOSS)/PROFIT</b>	<b>3.</b>	<b>(5,985,696)</b>	4,605,008
Interest receivable	<b>6.</b>	<b>1,903,286</b>	678,506
Interest paid	<b>7.</b>	<b>(34,089)</b>	-
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(4,116,499)</b>	5,283,514
Taxation		-	-
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	<b>15.</b>	<b>(4,116,499)</b>	5,283,514

All of the Company's activities are from continuing operations.

The Company has no other recognised gains or losses for the year ended 31 December 2013 (2012: none).

**LADBROKES E-GAMING LIMITED****BALANCE SHEET AT 31 DECEMBER 2013**

	<u>Notes</u>	<u>2013</u> £	<u>2012</u> £
<b>FIXED ASSETS</b>			
Tangible fixed assets	9.	353,046	187,662
<b>CURRENT ASSETS</b>			
Debtors	10.	85,742,769	83,408,787
Cash at bank and in hand		-	28
		<u>85,742,769</u>	<u>83,408,815</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft	11.	(55)	-
Trade and other payables	11.	(5,759,501)	(1,486,598)
Provisions	12.	<u>(2,342,879)</u>	<u>-</u>
		(8,102,435)	(1,486,598)
<b>NET CURRENT ASSETS</b>		<u>77,640,334</u>	<u>81,922,217</u>
<b>NET ASSETS</b>		<u>77,993,380</u>	<u>82,109,879</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14.	2	2
Profit and loss account	15.	77,993,378	82,109,877
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>77,993,380</u>	<u>82,109,879</u>

A B Greenblatt  
Director



Date: 10/9/14

## **LADBROKES E-GAMING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2013**

#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation**

The financial statements have been prepared under the historical cost convention, except where indicated below. They have been drawn up to comply 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.

The Financial Reporting Council issued changes to the UK financial reporting framework, which will result in companies reporting either under the principles of EU-adopted IFRS or a new set of UK financial reporting standards. In certain cases companies will be able to report reduced disclosures.

This new financial reporting framework is effective for the year ending 31 December 2015, and is required to be applied retrospectively. The Company has taken the decision not to adopt the new requirements for the year ended 31 December 2013.

##### **1.2 Going concern**

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

#### **2. TURNOVER**

The company's turnover arises from management consultancy services provided to other group companies engaged in internet operations.

All turnover is derived from Europe.

#### **3. OPERATING (LOSS)/PROFIT**

Audit fees for the audit of the financial statements of £3,500 have been borne by another group company (2012: £4,000).

#### **4. EXCEPTIONAL ITEMS**

	<u>2013</u> £	<u>2012</u> £
Business restructuring and integration costs (a)	9,182,524	-
Impairment (b)	246,529	-
Corporate transaction costs (c)	39,300	-
	<u>9,468,353</u>	<u>-</u>

(a) Business restructuring and integration costs have incurred as a result of operation reorganisation following the Playtech deal.

(b) The impairment loss is primarily as a result of changes in strategy for software development following the Playtech deal.

(c) The loss relates to the transaction costs incurred as a result of the Playtech deal.



**LADBROKES E-GAMING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2013**

**5. DIRECTORS AND EMPLOYEES**

The directors' emoluments are borne entirely by the group companies and it is not practicable to estimate what portion of their emoluments is attributable to this subsidiary. The directors, all of whom are members of a Ladbrokes plc defined benefit pension scheme, received total remuneration during their directorship of £965,846 (2012: £862,530).

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.

<b>6. INTEREST RECEIVABLE</b>	<b><u>2013</u></b> <b>£</b>	<b><u>2012</u></b> <b>£</b>
From group companies	<u><b>1,903,286</b></u>	<u><b>678,506</b></u>
<b>7. INTEREST PAYABLE</b>	<b><u>2013</u></b> <b>£</b>	<b><u>2012</u></b> <b>£</b>
To group companies	<u><b>34,089</b></u>	<u><b>-</b></u>

**8. TAXATION**

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

There are no amounts of deferred tax required to be indemnified in respect of any material timing differences for 2013 or 2012.

**LADBROKES E-GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2013****9. TANGIBLE FIXED ASSETS**

	Fixtures & Fittings £
<b>Cost:</b>	
At 1 January 2013	282,486
Additions	318,290
Disposals	-
<b>At 31 December 2013</b>	<u><u>600,776</u></u>
<b>Depreciation:</b>	
At 1 January 2013	94,824
Charge for the year	80,735
Write-offs	72,171
<b>At 31 December 2013</b>	<u><u>247,730</u></u>
<b>Net book value:</b>	
<b>At 31 December 2013</b>	<u><u>353,046</u></u>
At 31 December 2012	<u><u>187,662</u></u>

**10. DEBTORS**

	<u>2013</u> £	<u>2012</u> £
Amounts owed by group companies	83,770,863	83,165,840
Prepayments	1,836,940	242,947
Other Debtors	<u>134,966</u>	<u>-</u>
	<u><u>85,742,769</u></u>	<u><u>83,408,787</u></u>

**11. CREDITORS: amounts falling due within one year**

	<u>2013</u> £	<u>2012</u> £
Bank loans and overdrafts	55	-
Amounts owed to group companies	1,866,255	9,904
Accruals	3,259,878	1,224,597
Other creditors	<u>633,368</u>	<u>252,097</u>
	<u><u>5,759,556</u></u>	<u><u>1,486,598</u></u>

**LADBROKES E-GAMING LIMITED****NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2013****12. PROVISIONS**

	<b><u>Other provisions</u></b>
	<b>£</b>
At 1 January 2013	-
Provided during the year	<u>2,342,879</u>
<b>At 31 December 2013</b>	<b><u>2,342,879</u></b>

**13. CONTINGENT LIABILITY**

The Company has jointly and severally guaranteed the value added tax liability of Ladbrokes plc companies within the group registration, which amounted to approximately £Nil as at 31 December 2013 (2012: £5.9m).

Under the terms of a cross guarantee agreement, the company has jointly and severally guaranteed the liabilities of certain other Ladbrokes plc 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 2013, the aggregate amount of such balances was £Nil (2012: £28).

**14. SHARE CAPITAL**

	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b>£</b>	<b>£</b>
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

**15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES**

	<b><u>Share capital</u></b>	<b><u>Profit and loss account</u></b>	<b><u>Total</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 31 December 2011	2	76,826,363	76,826,365
Profit for the year	-	5,283,514	5,283,514
At 31 December 2012	2	82,109,877	82,109,879
Loss for the year	-	(4,116,499)	(4,116,499)
<b>At 31 December 2013</b>	<b><u>2</u></b>	<b><u>77,993,378</u></b>	<b><u>77,993,380</u></b>

**16. CASH FLOW STATEMENT**

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

## **LADBROKES E-GAMING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2013**

#### **17. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the provisions of FRS 8, which exempt subsidiary undertakings, 100% of whose voting rights are controlled within the group, from disclosing transactions with other entities within the group. The ultimate parent company, Ladbrokes plc, has included the required related party disclosures within its consolidated financial statements.

#### **18. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING**

The immediate and ultimate parent undertaking of the company is Ladbrokes plc, a company registered in England and Wales. The largest and smallest group preparing consolidated group accounts which include the company is Ladbrokes plc for the year ended 31 December 2013.

Copies of the accounts of Ladbrokes plc can be obtained from the registered office of that company at Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex, HA2 7JW.