

Registered number: 4726917

50 ST JAMES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

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DIRECTORS' REPORT

The directors present the report and audited financial statements of 50 St James Limited ('the Company') for the year ended 31 March 2006

PRINCIPAL ACTIVITY

The Company's principal activity during the year was the operation of a casino. The Company is a joint venture in which Celebrity Gaming Limited and London Clubs Management Limited each have a 50% share. London Clubs Management Limited is part of the London Clubs International group ('the Group').

RESULTS AND DIVIDENDS

The result for year ended 31 March 2006 is shown in the profit and loss account on page 5. No dividend is proposed for the year (2005: £nil). The retained loss transferred from reserves was £1,531,000 (2005: loss £5,067,000).

The balance sheet shows net current liabilities of £9,160,000 (2005: £7,626,000). The financial statements have been prepared on a going concern basis as Harrah's Entertainment Inc, which owns 50% of the issued share capital of the Company, intends to support the operations of the Company.

FINANCIAL YEAR END

The Company has changed its policy regarding the timing of financial year ends. Previously, financial years comprised 52 rolling weeks. Under the new policy the financial year will begin on 1 April and end on 31 March. As a consequence, the current financial year runs for 369 days ending on 31 March 2006.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks, primarily credit risk and interest rate risk.

Credit risk is the financial exposure generated by the potential default of third parties in fulfilling their obligations. Credit risk arises for the Company if it is unable to recover sums due from customers and it is mitigated by setting maximum levels of play for more significant customers. In addition, the Company has implemented policies that require appropriate credit checks on potential customers.

Interest rate financial risk exists to the extent that a change in the underlying base rate of interest will affect the level of income received or paid on cash balances or overdrafts. This risk is not considered material and thus the company does not employ the use of hedging instruments.

DIRECTORS

The directors who have served since 27 March 2005 are as follows:

R I Earl
L M Lillis (resigned 6 April 2006)
D D Liambias
R A C Ramm (appointed 19 June 2006)
D J Rosenberg

The interests of the directors are set out in note 5 to the financial statements.

SUPPLIER PAYMENT TERMS

It is the Company's policy and practice to agree appropriate payment terms and conditions individually with its suppliers having regard to the spirit of the CBI's Prompt Payers Code. The average number of days outstanding for trade creditors at 31 March 2006 was 27 (2005: 51).

EMPLOYEE INVOLVEMENT

The Company recognises its obligations towards disabled persons and endeavours to provide as much employment as the demands of the Company's operations and the abilities of disabled persons allow.

Applications for employment from disabled persons are studied with care and every effort is made to find them, and any existing employees who become disabled, appropriate work and training where it is

needed The Company is committed wherever possible to employee consultation and, thereby, to their involvement in the development of the Company's operations

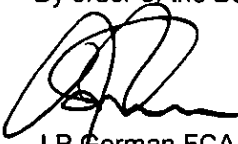
POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

During the year the Company made no political contributions (2005 £nil) and charitable donations of £9,000 (2005 £12,000)

AUDITORS

The London Clubs International group, which has a 50% share in the Company, was acquired by Harrah's Entertainment Inc in November 2006 The auditors of Harrah's Entertainment Inc are Deloitte and Touche LLP A resolution concerning the appointment of Deloitte and Touche LLP as auditors of the Company will be proposed at the Annual General Meeting, at a level of remuneration to be agreed by the directors PricewaterhouseCoopers LLP will not be standing for re-election

By order of the Board

A handwritten signature in black ink, appearing to be 'J P Gorman', written over a horizontal line.

J P Gorman FCA
Secretary
4 April 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report including, as described below, the financial statements

Company law requires the directors 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 that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed,
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records which 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 AUDITORS' REPORT TO THE MEMBERS OF 50 ST JAMES LIMITED

We have audited the financial statements of 50 St James Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 March 2006 and of its loss for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
4 April 2007

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006**

		Year ended 31 March 2006	Year ended 27 March 2005
	<i>Notes</i>	£'000	£'000
Turnover		15,503	8,319
Operating costs			
- Gaming taxation		(2,210)	(1,360)
- Other		(14,898)	(12,156)
		<u>(17,108)</u>	<u>(13,516)</u>
Operating loss	2	(1,605)	(5,197)
Interest receivable	6	<u>80</u>	<u>126</u>
Loss on ordinary activities before taxation		(1,525)	(5,071)
Tax on loss on ordinary activities	7	(6)	4
Loss on ordinary activities after tax retained for the financial year		<u>(1,531)</u>	<u>(5,067)</u>

The Company had no recognised gains or losses other than its result for the period as stated above

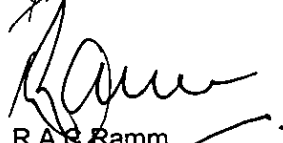
All the above items relate to continuing activities

The notes on pages 7 to 13 form part of these financial statements

BALANCE SHEET AS AT 31 MARCH 2006

		31 March 2006	27 March 2005
	Notes		£'000
Fixed assets			
Tangible assets	8	41	36
Current assets			
Stocks		333	206
Debtors	9	961	2,075
Cash at bank and in hand		3,755	2,497
		5,049	4,778
Creditors amounts falling due within one year	10	(14,209)	(12,404)
Net current liabilities		(9,160)	(7,626)
Total assets less current liabilities		(9,119)	(7,590)
Provisions for liabilities and charges	11	(2)	-
Net liabilities		(9,121)	(7,590)
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	(9,122)	(7,591)
Equity shareholders' deficit	14	(9,121)	(7,590)

Approved on behalf of the Board on 4 April 2007


R A G Ramm
Director

The notes on pages 7 to 13 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements of the Company are prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985

The balance sheet shows net current liabilities of £9,160,000 (2005 £7,626,000) The financial statements have been prepared on a going concern basis as Harrah's Entertainment Inc, which owns 50% of the issued share capital of the Company, intends to support the operations of the Company

(b) Turnover

Turnover comprises gaming income (being net winnings from customers), membership subscriptions and catering revenues

(c) Fixed assets and depreciation

Fixed assets are stated at cost

The directors review the carrying value of the short leasehold property, from which the Company conducts its casino operations, each year, and if, in their opinion, there is any impairment in value, it is charged to the profit and loss account In their opinion, on the basis of this review, the residual disposal value of the property is at least equal to its book value

The lease has an unexpired term of less than thirty years and the value of the leasehold, together with any related improvements, is depreciated over the remaining term of the lease Other assets are depreciated over their estimated useful lives on the following bases

Fixtures and fittings - 10% to 20% straight line

Motor vehicles - 25% reducing balance

(d) Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

(e) Stocks

Stocks, which comprise consumables, are stated at the lower of cost and estimated net realisable value

(f) Trade debtors

Full provision is charged to the profit and loss account for all unpaid gaming cheques, net of any amounts recovered up to the date of approval of the financial statements

(g) Exchange gains and losses

Transactions in foreign currencies are translated into sterling at the rates ruling at the date of the transaction and exchange differences are taken to the profit and loss account

(h) Leases

The rental charges in respect of operating leases are taken to the profit and loss account on a straight line basis over the life of the lease

(i) Pension costs

The London Clubs International ('LCI') group ('the Group'), which is a 50% shareholder in the Company, operates a defined benefit pension scheme ('the Scheme') covering the majority of the employees in the Group The Scheme is funded by payments to trustee administered funds completely independent of the Group's finances Contributions to the Scheme are assessed by an independent qualified actuary on the cost of providing pensions across all participating LCI companies The pension scheme is treated as a multi-employer scheme and contributions are charged to the profit and loss account of the Company in the period in respect of which they

become payable Details of the Scheme are shown in the accounts of London Clubs International Limited (formerly London Clubs International plc)

(j) Cash flow statement

The Company's results are consolidated within London Clubs International Limited (formerly London Clubs International plc), which has adopted the provisions of Financial Reporting Standard 1 (Revised), 'Cash Flow Statements' Accordingly, the Company has elected to utilise the exemption provided by FRS1 (Revised) and has not provided a cash flow statement

(k) Financial instruments

The directors consider that the company's key financial instrument is cash Financial exposures exist to the extent that a change in the underlying base rate of interest will affect the level of income received or paid on cash balances or overdrafts This risk is not considered material and thus the company does not employ the use of hedging instruments

2. OPERATING LOSS

Operating loss is stated after charging / (crediting)

	Year ended 31 March 2006	Year ended 27 March 2005
	£'000	£'000
Employee costs (see note 3)	6,633	5,004
Operating lease rentals on property	2,545	1,934
Operating lease rentals on equipment	-	78
Depreciation	8	5
Auditors' remuneration		
– audit services	5	5
Exchange gains	(7)	(3)

All of the Company's turnover, loss on ordinary activities and net liabilities derive from the operation of a UK casino

3. EMPLOYEE INFORMATION

	Year ended 31 March 2006	Year ended 27 March 2005
	£'000	£'000
Employee costs (including directors)		
Wages and salaries	5,811	4,381
Social security costs	576	409
Other pension costs	246	214
	<u>6,633</u>	<u>5,004</u>
	No	No
Average number of employees	<u>232</u>	<u>189</u>

The costs relate to amounts recharged by London Clubs Management Limited ("LCM"), which is a member of the London Clubs International group) for employees assigned to the Company, but employed by either LCM or the Company

4 DIRECTORS' EMOLUMENTS

	Year ended 31 March 2006	Year ended 27 March 2005
	£'000	£'000
Emoluments	107	106

The above emoluments were paid to one director (2005 one), with the other directors, who were employed by the Group, being paid by other Group companies. None of these latter amounts were in respect of services to the Company. During the year, retirement benefits accrued to one director (2005 one) under a defined benefit scheme.

5. DIRECTORS' INTERESTS

None of the directors held any interest in the share capital of the Company. The interests of directors who were also directors of London Clubs International Limited (formerly London Clubs International plc), in the share capital of London Clubs International Limited (formerly London Clubs International plc), appear in the financial statements of that company. Celebrity Gaming Limited, which has a 50% interest in the Company, is 100% owned by R I Earl.

The other director, who held office at 31 March 2006, had the following interests in the share capital of London Clubs International Limited (formerly London Clubs International plc)

	31 March 2006			27 March 2005		
	Long term incentive plan awards No	Executive Share Options No	Savings related options No	Long term incentive plan awards No	Executive share options No	Savings related options No
DD Llambias	57,067	14,583	16,361	57,067	14,583	16,361

The interests represent ordinary shares of 5 pence each and options and awards over ordinary shares.

6. INTEREST RECEIVABLE

	Year ended 31 March 2006	Year ended 27 March 2005
	£'000	£'000
Interest on bank deposits	80	126

7 TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of tax (charge) / credit in the year	Year ended 31 March 2006	Year ended 27 March 2005
	£'000	£'000
Deferred taxation (see note 11)	(6)	4

(b) Factors affecting current tax charge	Year ended 31 March 2006	Year ended 27 March 2005
	£'000	£'000
Loss on ordinary activities before tax	<u>(1,525)</u>	<u>(5,071)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	(458)	(1,521)
<i>Tax effects of</i>		
Expenses not deducted for tax purposes	16	37
Accelerated capital allowances and other timing differences	(6)	4
Surrender of tax losses	448	1,480
Current tax for the year	<u>-</u>	<u>-</u>

The comparative 2005 figures in the above tax reconciliation have been restated and no significant difference has arisen

(c) Factors that may affect future tax charges

The future tax charges of the Company are likely to be affected by the utilisation of losses from prior years

8 TANGIBLE FIXED ASSETS

	Short leasehold properties	Fixtures, fittings and motor vehicles	Total
	£'000	£'000	£'000
Cost			
At 27 March 2005	-	44	44
Additions	-	13	13
Transfers	5	(5)	-
At 31 March 2006	5	52	57
Depreciation			
At 27 March 2005	-	8	8
Charge for year	2	6	8
Transfers	1	(1)	-
At 31 March 2006	3	13	16
Net book value			
At 31 March 2006	2	39	41
At 27 March 2005	-	36	36

9. DEBTORS

	31 March 2006	27 March 2005
	£'000	£'000
Trade debtors	174	78
Other debtors	36	1,220
Interest receivable	40	39
Prepayments and accrued income	711	734
Deferred taxation (see note 11)	-	4
	<u>961</u>	<u>2,075</u>

10 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2006	27 March 2005
		£'000
Trade creditors	289	246
Gaming taxation payable	423	353
Other taxation and social security	389	252
Accruals and deferred income	327	405
Amounts owed to LCI group undertakings	10,809	10,002
Other creditors	1,972	1,146
	<u>14,209</u>	<u>12,404</u>

No interest is charged on amounts owed to LCI group undertakings

11. PROVISIONS FOR LIABILITIES AND CHARGES

The amount of deferred taxation which has been provided in the financial statements is as follows

	£'000
Opening deferred tax asset	4
Charge for the year	(6)
Closing deferred tax liability	<u>(2)</u>

Deferred tax balances relate to timing differences in respect of capital allowances

12. CALLED UP SHARE CAPITAL

At 31 March 2006 and 27 March 2005

£'000

Authorised

100,000 ordinary shares of 1p each

1**Allotted, called up and fully paid**

100,000 ordinary shares of 1p each

1**13 RESERVES**Profit and loss
account

£'000

At 27 March 2005

(7,591)

Retained loss for the financial year

(1,531)

At 31 March 2006

(9,122)**14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT**Year ended
31 March 2006Year ended
27 March 2005

£'000

£'000

Opening equity shareholders' funds

(7,590)

(2,523)

Loss on ordinary activities after
taxation

(1,531)

(5,067)

Closing equity shareholders' deficit

(9,121)(7,590)**15 OPERATING LEASE COMMITMENTS**31 March 2006
Land and
buildings Motor
vehicles27 March 2005
Land and
buildings Motor
vehicles

£'000

£'000

£'000

£'000

**Non-cancellable operating
lease commitments payable
within one year for leases
expiring.**

- between two and five years

-

42

-

-

- after five years

2,648

-

2,545

-

2,648422,545-

16. PENSIONS

The Company and its employees participate in the London Clubs International Pension Scheme ("the Scheme"), which is a funded defined benefit scheme. Details of the Scheme, including particulars of the most recent actuarial valuation as at 31 March 2004, for the purposes of the Group's accounts, can be found in the Report and Accounts of London Clubs International Limited (formerly London Clubs International plc) for the year ended 31 March 2006. The pension costs relating to this Scheme are assessed in accordance with the advice of an independent qualified actuary.

The valuation of the Scheme as at 31 March 2006, under FRS 17, shows a deficit of £12.5m (2005: £17.3m). This valuation is included within the accounts of London Clubs Management Limited, which is the sponsoring company of the Scheme.

Although the Scheme is a defined benefit scheme, the Company accounts for the Scheme under FRS17 as if it were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities of the Scheme. Details of the last funding valuation of the Scheme are as follows:

Date of valuation	31 March 2004
Funding level	86%
Deficit	£8.5m

17. RELATED PARTIES

Throughout the year, 50% of the issued share capital of the Company was held by the London Clubs International group ("the Group"). At 31 March 2006, amounts owed by the Company to the Group were £10.8 million (2005: £10.0 million) arising from funding of operations and charges for the provision of gaming staff (see note 3), management expertise and Head Office support costs.

The casino licence for the gaming operations of the Company is held by the Group.

18. OWNERSHIP STRUCTURE

The Company is a joint venture in which Celebrity Gaming Limited and London Clubs Management Limited each have a 50% share. London Clubs Management Limited is part of the London Clubs International group.

19. SUBSEQUENT EVENT

In November 2006, the entire share capital of London Clubs International Limited (formerly London Clubs International plc), and its subsidiaries, was acquired by Harrah's Entertainment Inc. which is registered in the U S A.