LADBROKES IT & SHARED SERVICES LIMITED

Directors' report and financial statements

Registered number 6106936

31 December 2012

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

Principal activities

The principal activity of the Company is the provision of IT consultancy services to other group companies

There have been no changes in the Company's activities during the year

Business review

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

	2012	2011
	£	£
Revenue	28,003,138	20,246,435
Cost of sales	(22,801,511)	(18,808,055)
Profit for the financial year	1,540,396	545,726
Total equity	2,455,019	914,623

Proposed dividend

The directors do not recommend the payment of a dividend (2011 £nil)

Principal risks 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's principal risks arise from changes in interest rates, which affect the balances with other group companies and 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

Future development

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

Directors

The directors who held office during the year and subsequently were as follows

J M Adelman (appointed 1 June 2012)
J R Bunn (appointed 3 May 2013)
C D Evans (appointed 12 September 2012)
M Grimes (appointed 14 May 2012)
A K Harley
M J Noble (resigned 31 May 2012)
V Parmar (resigned 3 May 2013)
M Sridhara (resigned 31 May 2012)
S E Vowles (resigned 3 May 2013)
A J Wilson

Directors' report *(continued)*

Political and charitable contributions

The Company made no political or charitable donations during the year

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has 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 Company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young will therefore continue in office

By order of the board

Ladbroke Corporate Secretaries Limited
Secretary

Imperial House, Imperial Drive,
Rayners Lane, Harrow,
Middlesex,
HA2 7JW

16 December 2013

Statement of directors' responsibilities

The directors are responsible for preparing 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 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 estimates that are reasonable and prudent,
- state whether the applicable IFRSs as adopted by the European Union 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 IT & Shared Services Limited

We have audited the financial statements of Ladbrokes IT & Shared Services Limited for the year ended 31 December 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet the Statement of Changes in Equity and the related notes 1 to 17 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'

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 auditor
As explained more fully in the statement of directors' responsibilities set out on page 3, 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 directors' report to identify material inconsistencies with the audited financial statements 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly 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 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

Ernst & Young LLP

R W Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 16 December 2013

Income Statement

for the year ended 31 December 2012

	Notes	2012 £	Restated 2011 £
Revenue	2	**28,003,138**	20,246,435
Cost of sales		**(22,801,511)**	(18,808,055)
Gross profit		**5,201,627**	1,438,380
Administrative expenses		**(3,061,350)**	(879,400)
Operating profit	3	**2,140,277**	558,980
Interest payable	4	**(599,881)**	(2,098)
Profit on ordinary activities before taxation		**1,540,396**	556,882
Taxation	8	**-**	(11,156)
Profit for the financial year		**1,540,396**	545,726

All of the Company's activities are from continuing operations

Statement of Comprehensive Income

for the year ended 31 December 2012

	2012 £	Restated 2011 £
Profit for the year	**1,540,396**	545,726
Other comprehensive income	-	-
Total comprehensive income for the year	**1,540,396**	545,726

Balance Sheet
at 31 December 2012

	Notes	2012 £	Restated 2011 £
Fixed assets			
Intangible assets	9	**31,920,690**	15,248,235
Tangible fixed assets	10	**12,168,949**	4,782,764
		44,089,639	20,030,999
Current assets			
Debtors	11	**4,551,869**	2,508,518
Cash at bank		**42**	1
		4,551,911	2,508,519
Creditors: amounts falling due within one year	12	**(46,186,531)**	(21,624,895)
Net current liabilities		**(41,634,620)**	(19,116,376)
Net assets		**2,455,019**	914,623
Capital and reserves			
Equity share capital	14	**1**	1
Retained earnings		**2,455,018**	914,622
Total equity		**2,455,019**	914,623

These financial statements were approved by the board of directors on 16 December 2013 and were signed on its behalf by

A J Wilson
Director
Company registered number 6106936

Statement of Changes in Equity

	Equity share capital £	Retained earnings £	Total £
As at 1 January 2011	1	368,896	368,897
Profit for the year	-	545,726	545,726
As at 31 December 2011	1	914,622	914,623
Profit for the year	-	1,540,396	1,540,396
As at 31 December 2012	1	2,455,018	2,455,019

Notes to the financial statements

1 Accounting policies

Ladbrokes IT & Shared Services Limited is a company incorporated and domiciled in the UK

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")* and in accordance with applicable accounting standards The presentation currency of these financial statements is sterling

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken

In these financial statements, the Company has early-adopted FRS 101 for the first time In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101 An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 17 IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period However these exemptions were not applicable to the Company

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures

- a Cash Flow Statement and related notes,
- Comparative period reconciliations for equity share capital, tangible fixed assets and intangible assets,
- Disclosures in respect of transactions with wholly owned subsidiaries of the Ladbrokes plc group,
- Disclosures in respect of new but not yet effective IFRSs,
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy, and
- Disclosures in respect of the compensation of key management personnel

The Company's ultimate parent undertaking, Ladbrokes plc, includes the Company in its consolidated financial statements The consolidated financial statements of Ladbrokes plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex, HA2 7JW

As the consolidated financial statements of Ladbrokes plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures

- The disclosures required by IFRS 7 *Financial Instruments Disclosures*

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2011 for the purpose of the transition to FRS 101

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1 8

1 1 Measurement convention

The financial statements are prepared on the historical cost basis except where indicated below They have been drawn up to comply with applicable UK accounting standards

1 2 Going concern

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

1 3 Non-derivative financial instruments

Debtors

Trade receivables are non-interest bearing and are generally on 30-90 day terms Trade receivables are reviewed for impairment on an ongoing basis, taking account of the ageing of outstanding amounts and the credit profile of customers Impaired receivables, including all trade receivables that are a year old, are provided for in an allowance account Impaired receivables are derecognised when they are assessed as irrecoverable

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses

1.4 Intangible assets

Internally developed software

Development costs that are directly attributable to the design and testing of identifiable intangible assets are recognised as an intangible asset when the following criteria are met

- Completion of the software development is technically feasible,
- Management intends to complete and make use of the software,
- The Company has the ability to use or sell the software,
- It is probable that the software will generate future economic benefits.
- The Company has sufficient resources to complete the software, and
- The Company can measure reliably the directly attributable expenditure

Internally developed software is stated at cost less accumulated amortisation and accumulated impairment losses

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.4 Intangible assets (continued)

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets Intangible assets are amortised from the date they are available for use The estimated useful life of software assets is three to five years

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date

On adoption of FRS 101, the Company restated software from tangible fixed assets to intangible assets The Company has elected to use the previous carrying value as deemed cost Further explanation is provided in note 17

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses Such cost includes making the asset capable of operating as intended

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets Land is not depreciated The estimated useful life of computer hardware is five years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits

1.6 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees

1.7 Financial guarantee contracts

The Company has elected to account for financial guarantee contracts as insurance contracts Financial guarantee contracts entered into to guarantee the indebtedness of other companies within the group are treated as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

1.8 Key judgements

Management consider the key judgements in the application of the above accounting policies to be the extent and timing of capitalisation of intangible assets, and determining the subsequent period over which to amortise these intangible assets These policies and judgements are detailed in note 1 4

Notes to the financial statements *(continued)*

2 Revenue

The total revenue of the Company for the year has been derived from its principle activity of the provision of IT consultancy services wholly undertaken in the UK

3 Operating profit

	2012	Restated 2011
	£	£
Depreciation of property, plant and equipment (note 10)	**458,515**	50,100
Amortisation of intangible assets (note 9)	**3,207,285**	220,475

4 Auditor's remuneration

Audit fees for the audit of the Company's financial statements of £5,000 have been borne by another group company (2011 £6,000) There were no non-audit services fees in the year (2011 £nil)

5 Interest payable

	2012	Restated 2011
	£	£
Interest payable to group companies	**599,881**	2,098

6 Directors' remuneration

The directors' emoluments are borne entirely by the other group companies and it is not practicable to estimate what portion of their emoluments is attributable to this subsidiary The directors, three of which are members of a Ladbrokes plc defined pension scheme, received total remuneration during their directorship in the year of £1,469,707 (2011 £1,168,847)

7 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

	Number of employees 2012	2011
Full time	**174**	156
Part time	**1**	1
	175	157

The aggregate payroll costs of these persons were as follows

	2012	Restated 2011
	£	£
Wages and salaries	**8,541,021**	7,384,563
Social security costs	**974,231**	820,843
Pension costs	**383,300**	430,592
	9,898,552	8,635,998

Notes to the financial statements *(continued)*

8 Taxation

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

Notes to the financial statements *(continued)*

9 Intangible assets

	Internally developed software £
Cost	
Balance at 31 December 2011 (Restated)	15,468,710
Additions	19,879,740
Balance at 31 December 2012	35,348,450
Amortisation	
Balance at 31 December 2011 (Restated)	220,475
Amortisation for the year	3,207,285
Balance at 31 December 2012	3,427,760
Net book value	
At 31 December 2011 (Restated)	15,248,235
At 31 December 2012	**31,920,690**

10 Tangible fixed assets

	Hardware £
Cost	
Balance at 31 December 2011 (Restated)	4,832,864
Additions	7,844,699
Balance at 31 December 2012	12,677,564
Depreciation	
Balance at 31 December 2011 (Restated)	50,100
Depreciation charge for the year	458,515
Balance at 31 December 2012	508,615
Net book value	
At 31 December 2011 (Restated)	4,782,764
At 31 December 2012	**12,168,949**

Notes to the financial statements *(continued)*

11 Debtors

	2012	Restated 2011
	£	£
Amounts owed by group undertakings	**1,600,851**	1,156,612
Other debtors	**60,633**	21,655
Prepayments and accrued income	**2,890,385**	1,330,251
	4,551,869	2,508,518

All debtors are due within one year

12 Creditors: amounts falling due within one year

	2012	Restated 2011
	£	£
Trade creditors	**2,462,833**	800,022
Amounts owed to group undertakings	**40,877,216**	19,484,396
Accruals	**2,846,482**	1,340,477
	46,186,531	21,624,895

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 £5 9 million as at 32 December 2012 (2011 £8 0 million)

14 Equity share capital

	2012	Restated 2011
	£	£
Allotted, called up and fully paid		
1 ordinary shares of £1 each	**1**	1

Notes to the financial statements *(continued)*

15 Related parties

The Company has taken advantage of the provision of FRS 101 8(k) 1A 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

16 Ultimate parent company and parent company of larger group

The immediate and ultimate parent undertaking of the Company is Ladbrokes plc, which is also the ultimate controlling party

The largest and smallest group in which the results of the Company are consolidated is that headed by Ladbrokes plc incorporated in the UK The consolidated financial statements of these groups are available to the public and may be obtained from Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex, HA2 7JW

17 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101 Previously and for all periods up to and including the year ended 31 December 2011, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice ('UK GAAP')

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2012 and the comparative information presented in these financial statements for the year ended 31 December 2011

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP) An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables

Notes to the financial statements *(continued)*

17 Explanation of transition to FRS 101 *(continued)*

Reconciliation of equity

	1 January 2011			31 December 2011		
	UK GAAP	Effect of transition to FRS 101	FRS 101	UK GAAP	Effect of transition to FRS 101	FRS 101
	£	£	£	£	£	£
Fixed assets						
Intangible assets	-	259,743	259,743	-	15,248,235	15,248,235
Tangible fixed assets	371,453	(259,743)	111,710	20,030,999	(15,248,235)	4,782,764
	371,453	-	371,453	20,030,999	-	20,030,999
Current assets						
Debtors	5,427,726	-	5,427,726	2,508,518	-	2,508,518
Cash at bank	86	-	86	1	-	1
	5,427,812	-	5,427,812	2,508,519	-	2,508,519
Creditors: amounts due within one year	(5,430,368)	-	(5,430,368)	(21,624,895)	-	(21,624,895)
Net current liabilities	(2,556)	-	(2,556)	(19,116,376)	-	(19,116,376)
Net assets	368,897	-	368,897	914,623	-	914,623
Capital and reserves						
Equity share capital	1	-	1	1	-	1
Retained earnings	368,896	-	368,896	914,622	-	914,622
Total equity	368,897	-	368,897	914,623	-	914,623

Notes to the reconciliation of equity

On adoption of FRS 101, the Company restated software from tangible fixed assets to intangible assets The Company has elected to use the previous carrying value as deemed cost The software is not considered part of the tangible computer systems/hardware assets required to bring the computer hardware into working condition under FRS 101

There are no GAAP differences which impact profit and loss, therefore no reconciliation is prepared