

# VERNONS FINANCIAL SERVICES LIMITED

Company Number: 2122895

## DIRECTORS' REPORT – YEAR ENDED 31 DECEMBER 2005

DIRECTORS: S H Roberts  
P Ammundsen  
C Bell

SECRETARY: M J Noble

REGISTERED OFFICE: Imperial House  
Imperial Drive  
Rayners Lane  
Harrow  
Middlesex  
HA2 7JW

The directors have pleasure in presenting their report and the Company's accounts for the year ended 31 December 2005.

### ACCOUNTS AND DIVIDEND

The profit for the year attributable to shareholders amounts to £108,732 (2004: £59,957).

No dividend is recommended by the directors (2004: £Nil).

### PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The Company markets a range of financial services products. Vernons Financial Services Limited is an appointed introducer of a number of financial services suppliers, including AXA Sunlife and UNAT, and has a credit brokerage licence from the Office of Fair Trading.

### FUTURE DEVELOPMENTS

The Company will continue to develop its relationship with the financial services suppliers, and look for opportunities for marketing other products from third parties, including credit cards and personal loans.



# VERNONS FINANCIAL SERVICES LIMITED

## DIRECTORS' REPORT – YEAR ENDED 31 DECEMBER 2005 (continued)

### AUDITORS

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

### DIRECTORS

The directors during the year ended 31 December 2005 are shown above.

### DIRECTORS' INTERESTS

According to the register kept by the Company pursuant to Section 325 of the Companies Act 1985 (excluding C Bell who was also a director of Ladbroke's plc and was not required to notify the Company of any interest in any shares or debentures), the directors at 31 December 2005 and their families:

- a) had the following interests in the shares of Ladbroke's plc;

	31 Dec 2005	31 Dec 2004
<b><u>S H Roberts</u></b>		
10p Ordinary Shares	20,568	7,859
OWN Share Plan	2,888	2,361
1978 Share Option Scheme	10,080	10,319
1983 Savings Related Scheme	7,638	7,638
International Share Option Scheme	173,670	303,431
Deferred Bonus Plan Shares	28,326	17,007
Deferred Bonus Plan Options	-	21,594
Matching Shares Plan	7,876	-
<b><u>P Ammundsen</u></b>		
10p Ordinary Shares	5,642	5,642
OWN Share Plan	2,888	2,361
1978 Share Option Scheme	13,717	13,717
1983 Savings Related Scheme	10,613	10,613
International Share Option Scheme	60,266	57,933
Deferred Bonus Plan Shares	20,606	26,885
Matching Shares Plan	6,167	-

# VERNONS FINANCIAL SERVICES LIMITED

## DIRECTORS' REPORT – YEAR ENDED 31 DECEMBER 2005 (continued)

### DIRECTORS' INTERESTS (continued)

- b) were granted or exercised during the year options for the following shares of Ladbroke plc;

#### SHARES UNDER THE TERMS OF THE:-

	<u>Ordinary Shares</u>		<u>Own Plan Shares</u>		<u>1978 Share Option Scheme</u>	
	<u>Acquired</u>	<u>Disposed</u>	<u>Acquired</u>	<u>Disposed</u>	<u>Granted</u>	<u>Exercised</u>
S H Roberts	163,905	151,196	527	-	10,080	10,319
P Ammundsen	8,764	8,764	527	-	-	-

	<u>1983 Sharesave Scheme</u>		<u>International Share Option Scheme</u>		
	<u>Granted</u>	<u>Exercised</u>	<u>Granted</u>	<u>Exercised</u>	<u>Disposed</u>
S H Roberts	-	-	9,920	133,014	6,667
P Ammundsen	-	-	3,500	-	1,167

	<u>Deferred Bonus Plan Shares</u>		<u>Deferred Bonus Plan Options</u>		<u>Matching Shares Plan</u>	
	<u>Granted</u>	<u>Disposed</u>	<u>Granted</u>	<u>Disposed</u>	<u>Granted</u>	<u>Exercised</u>
S H Roberts	11,319	-	-	21,594	7,876	-
P Ammundsen	8,612	14,891	-	-	6,167	-

Except as shown above, no director at 31 December 2005 held at that date or at 31 December 2004 any interests in, or during the year was granted or exercised a right to subscribe for, the shares or debentures of this Company or Ladbroke plc or its subsidiaries.

# VERNONS FINANCIAL SERVICES LIMITED

## DIRECTORS' REPORT – YEAR ENDED 31 DECEMBER 2005 (*continued*)

### TREASURY POLICY

The objectives of the Company are to manage the Company's financial risk; secure cost effective funding for the Company's operations, and to minimise the adverse effects of fluctuations in the financial markets on the Company's financial assets and liabilities, on reported profitability and on the cash flows of the Company.

The Company finances its activities with a combination of finance leases, hire purchase contracts and cash deposits. Overdrafts are used to satisfy short-term cash flow requirements. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The purpose is to manage the currency risks arising from the Company's operations. The Company does not trade in financial instruments and has no other form of derivatives.

By order of the Board on



M J Noble  
Secretary

02 OCT 2006

# **VERNONS FINANCIAL SERVICES LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

### **In relation to the accounts**

The following statement, which should be read in conjunction with the statement of auditor's 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.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The directors consider that in preparing the accounts on pages 7 to 12 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the accounts.

The directors have general 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF VERNONS FINANCIAL SERVICES LIMITED**

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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.

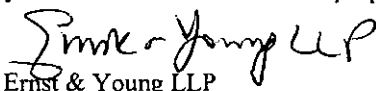
**Basis of audit opinion**

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 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered auditor  
Manchester

6 October 2006

# VERNONS FINANCIAL SERVICES LIMITED

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £	2004 £
Turnover	2	86,778	50,641
Operating charges		(9)	(275)
<b>Operating profit</b>		86,769	50,366
Interest receivable		21,963	9,591
<b>Profit on ordinary activities before taxation</b>		108,732	59,957
Taxation	4	-	-
<b>Retained profit for the financial year</b>	8	<u>108,732</u>	<u>59,957</u>

All turnover and profit on ordinary activities is derived from continuing operations.

### STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses in the Company in either year, other than the profit for the year.

# VERNONS FINANCIAL SERVICES LIMITED

## BALANCE SHEET AT 31 DECEMBER 2005

	Note	2005 £	2004 £
<b>Current assets</b>			
Debtors	5	545,715	428,752
Cash at bank and in hand		-	8,551
		<u>545,715</u>	<u>437,303</u>
<b>Creditors: amounts falling due within one year</b>	6	<u>(960)</u>	<u>(1,280)</u>
<b>Net current assets</b>		<u>544,755</u>	<u>436,023</u>
 <b>Capital and reserves</b>			
Called up share capital	7	2	2
Profit and loss account	8	<u>544,753</u>	<u>436,021</u>
<b>Equity shareholders' funds</b>		<u>544,755</u>	<u>436,023</u>

Approved by the Board on



**S H Roberts**  
Director

**02 OCT 2006**



# VERNONS FINANCIAL SERVICES LIMITED

## NOTES TO THE ACCOUNTS AT 31 DECEMBER 2005

### 1 **Accounting Policies**

#### *Accounting Convention*

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

### 2 **Turnover**

Turnover, all of which arises in the United Kingdom, represents the invoiced value of financial services provided, exclusive of Value Added Tax.

### 3 **Staff Costs**

All operations of the Company are undertaken by employees of other Group undertakings and their respective emoluments have been included in the accounts of those undertakings.

### 4 **Taxation**

No liability to current taxation arises in the year, as group relief has been surrendered from fellow subsidiaries free of charge.

#### *Factors affecting the tax charge for the period*

The current tax charge shown for the period is different from the standard rate of corporation tax in the UK of 30%. The differences are explained overleaf:-

# VERNONS FINANCIAL SERVICES LIMITED

## NOTES TO THE ACCOUNTS AT 31 DECEMBER 2005 (continued)

### 4 Taxation (continued)

	2005 £	2004 £
Profit on ordinary activities before tax	<u>108,732</u>	<u>59,957</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	32,620	17,987
Group relief surrendered from fellow subsidiaries free of charge	(32,620)	(17,987)
Adjustments in respect of previous periods	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

### 5 Debtors – amounts falling due within one year

	2005 £	2004 £
Amounts owed by fellow subsidiary undertakings	<u>545,715</u>	<u>428,752</u>

### 6 Creditors – amounts falling due within one year

	2005 £	2004 £
Bank Overdraft	30	-
Other Taxes and Social Security	930	1,280
	<u>960</u>	<u>1,280</u>

# VERNONS FINANCIAL SERVICES LIMITED

## NOTES TO THE ACCOUNTS AT 31 DECEMBER 2005 (continued)

### 7 Called Up Share Capital

The share capital at 31 December 2005 and 31 December 2004 was as follows:-

	2005 £	2004 £
<u>Authorised</u>		
1,000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
<u>Allotted, Issued and Fully Paid</u>		
2 Ordinary Shares of £1 each	<u>2</u>	<u>2</u>

### 8 Reconciliation of Shareholders' Funds and Movements on Reserves

	Share Capital £	Profit and Loss Account £	Total £
At 1 January 2004	2	376,064	376,066
Profit for the year		59,957	59,957
At 1 January 2005	2	436,021	436,023
Profit for the year		108,732	108,732
At 31 December 2005	<u>2</u>	<u>544,753</u>	<u>544,755</u>

### 9 Directors' Emoluments

No emoluments were paid to the directors of the Company during the year (2004: £Nil).

# **VERNONS FINANCIAL SERVICES LIMITED**

## **NOTES TO THE ACCOUNTS AT 31 DECEMBER 2005 (continued)**

### **10 Cash Flow Statement**

The Company has taken advantage of FRS1, which exempts wholly owned subsidiaries from preparing a cash flow statement where 90% or more of the voting rights are controlled within the Group. The ultimate parent company, Ladbroke plc, has included the required cash flow statement in its consolidated financial statements.

### **11 Contingent Liabilities**

Under the terms of a cross guarantee agreement, the Company has jointly and severally guaranteed the liabilities of certain other Ladbroke Group companies in respect of their current accounts held with a UK Clearing Bank. The amount under the guarantee is limited to any credit balances on current accounts held by the Company with that bank. At 31 December 2005 the aggregate amount of such credit balances was £Nil (2004: £8,826).

The Company has jointly and severally guaranteed the value added tax liability of certain other Ladbroke Group companies, within a group registration, amounting to approximately £7.9 million at 31 December 2005 (2004: £12.1 million).

### **12 Ultimate Holding Company and Controlling Party**

The Company's immediate parent company is Vernons Group Limited.

The ultimate holding company and controlling party is Ladbroke plc, a company registered in England and Wales, the accounts of which are available from the registered office of that company at Imperial House, Imperial Drive, Rayners Lane, Harrow, Middlesex HA2 7JW. Ladbroke plc is the parent undertaking of the smallest and largest group in which the company is consolidated.

### **13 Related Party Transactions**

The Company has taken advantage of the provisions in FRS8, which exempts subsidiary undertakings, where 90% or more of the voting rights are controlled within the Group, from disclosing transactions with other entities within the Group. The ultimate parent undertaking, Ladbroke plc, has included the required related party disclosure within its Group accounts.