Thursday 19 February 2009

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

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Ladbrokes plc ("the Group") today announces its results for the year ended 31 December 2008 ("the period").

Financial Highlights

- Excluding High Rollers, gross win increased by 11.1% to £1,143.9 million (2007: £1,029.4 million).

- A good UK Retail performance saw gross win increase by 4.7% to £773.9 million (2007: £739.3 million).

- eGaming net gaming revenue increased by 20.0% to £172.2 million (2007: £143.5 million).

- Operating profit[(1)], excluding High Rollers, increased by 0.9% to £243.8 million (2007: £241.7 million).

- High Rollers contributed £80.1 million of operating profit[(1)] to the Group during the period (2007: £179.0 million).

- Cash generated by operations was £414.7 million.

- At 31 December 2008 Group net debt was £987.1 million; undrawn committed bank facilities totalled £510.4 million.

- Final dividend maintained at 9.05 pence per share, giving a total dividend of 14.15 pence per share.

- Effective tax rate[(2)] of 15.4% down from 15.6% in 2007.

(1) Profit before tax, finance costs and non-trading items for continuing operations
(2) Before non-trading items for continuing operations

Ladbrokes Chief Executive, Christopher Bell, commented:

"Notwithstanding the challenging economic background, Ladbrokes has continued to grow during 2008 with Group gross win, excluding High Rollers, increasing 11.1% and Group operating profit, excluding Higher Rollers, up 0.9% – slightly ahead of market expectations.

"Our UK shop estate performed well, with gross win growing by 4.7%. Excluding the additional costs of winter evening opening in the first quarter and Turf TV, other costs rose only 0.5% reflecting extremely tight cost control. Ladbrokes customers benefited from OddsOn!, the first high street bookmaking loyalty card.

"Our eGaming business increased net gaming revenues by 20.0% reflecting the success of our new customer acquisition initiatives announced this time last year.

"Our organic international growth has continued, and we have invested to grow our shop estate in Ireland and Belgium, and establish our presence in Italy and Spain.

Our High Rollers business generated £80.1 million worth of operating profit – an invaluable source of cash in today's challenging environment.

"Early in 2008 we proactively signed an additional £185 million of committed bank facilities and extended £400 million of debt maturities from 2011 to 2013, putting the Group in a stronger financial position.

"Despite the unusually high levels of UK and Irish horserace abandonments so far in 2009 (58 versus 33 in the same period in 2008) our performance in the first six weeks of the year shows Group gross win growth of 1%, excluding High Rollers. Since the start of the year the High Rollers business has contributed a further £24 million of operating profit."

Dividend

The Board has recommended a final dividend of 9.05 pence (2007: 9.05 pence) per share payable on 1 June 2009 to shareholders on the register on 27 February 2009. This final dividend, together with the interim dividend of 5.10 pence (2007: 4.85 pence) per share, gives a total dividend of 14.15 pence (2007: 13.90 pence) per share.

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Notes to editors:

The company will be hosting an analyst presentation at the RBS Auditorium (280 Bishopsgate, EC2M 4RB) at 9am this morning. This will be available to listen into by dialing +44 (0)203 037 9093 and asking for the 'Ladbrokes plc Preliminary Results.' Alternatively a live webcast of the presentation, with slides, will be available at the 'Investor Centre' on www.ladbrokesplc.com.

A recording of the webcast will be available, at the same location, from 12pm (UK time) the same day.

For further information on Ladbrokes plc, please visit our corporate website at www.ladbrokesplc.com. High-resolution images are available to download from the media centre section under the heading 'image library'. Executive images are also available at www.vismedia.co.uk in the Ladbrokes section.

Preliminary statement of results for the year ended 31 December 2008

	Year ended 31 December 2008 £m	Year ended 31 December 2007[1] £m
Continuing operations		
Gross win (excluding High Rollers)	**1,143.9**	**1,029.4**
Gross win from High Rollers	**98.3**	**249.6**
Gross win	**1,242.2**	**1,279.0**
Revenue	1,172.1	1,227.8
Operating profit (excluding High Rollers)	**243.8**	**241.7**
Operating profit from High Rollers	**80.1**	**179.0**
Operating profit[(2)]	**323.9**	**420.7**
Net finance costs[(2)]	(65.2)	(67.7)
Profit before tax and non-trading items[(2)]	**258.7**	**353.0**
Non-trading items before tax	(8.5)	(7.8)
Profit before tax	**250.2**	**345.2**
Tax	(38.8)	(53.1)
Profit after tax – continuing operations	**211.4**	**292.1**

EBITDA[(2)] – continuing	378.2	470.8
Earnings per share[(2)] – continuing	36.4p	47.6p
Proposed dividend per share[(3)]	9.05p	9.05p

1) *Restated – details of restatement explained in notes 2(b) and 15 to the financial statements.*
2) *Before non-trading items and discontinued operations. Non-trading items are profits/losses on disposal and impairment of non-current assets, unrealised gains and losses on derivative financial instruments arising from hedging interest rate and currency exposure, litigation and transaction costs, derecognition of deferred consideration on acquisitions and profits/losses on disposal of businesses and investments. Details of the non-trading items are given in note 4 and on discontinued operations in note 6 to the financial statements.*
3) *A final dividend of 9.05 pence (2007: 9.05 pence) per share, amounting to £54.4 million (2007: £54.4 million) was declared by the directors on 19 February 2009. These financial statements do not reflect the dividend payable. The 2007 final dividend of 9.05 pence per share (£54.4 million) and the 2008 interim dividend of 5.10 pence per share (£30.6 million) were paid in 2008.*

Chief Executive's Statement

Profit from continuing operations by business[(1)]	Year ended 31 December 2008 £m	Year ended 31 December 2007[(2)] £m	*Year on year Change %*
UK Retail	187.9	187.8	*0.1*
Other European Retail	20.6	21.7	*(5.1)*
eGaming	55.1	55.0	*0.2*
Telephone Betting (excluding High Rollers)	3.1	4.6	*(32.6)*
Other[(3)]	(8.0)	(6.3)	*(27.0)*
Corporate costs	(14.9)	(21.1)	*29.4*
Total excluding High Rollers	243.8	241.7	*0.9*
High Rollers	80.1	179.0	*(55.3)*
Total	323.9	420.7	*(23.0)*

(1) Before finance costs, tax, non-trading items and discontinued operations
(2) Restated – details of restatement explained in notes 2b and 15 to the financial statements
(3) Other includes international development costs and the start up of our Spanish joint venture

2008 has been a busy year for the Group. eGaming has launched a range of initiatives which have led to an increase of 20.0% in net gaming revenues whilst, in UK Retail, the OddsOn! customer loyalty card was launched and strong control was exercised over costs. Outside the UK we are building businesses in Spain and Italy, and continue to explore opportunities in China.

Retail Betting

In spite of the challenging economic environment, our UK Retail business has seen gross win growth of 4.7% over the period, an improvement from last year's 3.3% increase. This rise was driven by our 8,044 machines which delivered gross win growth of 15.2%. The implementation of the 2005 Gambling Act has allowed us to operate extended winter evening opening and introduce B3 (£1 stake:£500 jackpot) content onto our terminals. During the year we have introduced five new B3 slot games.

Over the Counter ("OTC") gross win benefited from extended winter evening opening in the first three months plus the incremental activity of the European Football Championships. However, a lower margin contributed to OTC gross win declining by 0.6%.

Cost control has remained a key area of focus for the UK business. After allowing for the 4.3% increase associated with extended winter evening openings and the introduction of Turf TV, other costs grew by just 0.5%. This mainly reflects the introduction of voluntary single opening, improved staff scheduling, the closure of unprofitable shops and the further reduction of Sky coverage in the shop estate.

In Ireland, we added a net 71 shops to the estate, the majority of which were in Northern Ireland. While the like for like Northern Ireland performance showed good gross win growth of 21.3%, the shops in the Republic of Ireland suffered an 8.8% like for like constant currency gross win decline. This reflected the more challenging economic environment and, with no machines, a greater reliance on Irish horseracing which experienced an unusually high number of abandonments. The underlying gross win performance for Ireland was down 6.6% during the year.

Our Belgian business reported £3.1 million of profit and is expected to benefit in 2009 from the recent closure of our two largest competitors. In Italy, the roll-out of our licences has been completed and the clear priority in 2009 is to grow revenues across the estate.

Remote Betting and Gaming
In February 2008 we announced our eGaming strategy of enhanced investment into new customer acquisition to drive profit growth in future years. The main initiatives announced included: television advertising for Ladbrokesbingo.com and Ladbrokescasino.com in the UK; tailoring regional content to more effectively satisfy the customer base (for example in the Nordics) and content innovation (for example increased opportunities for betting-in-play). On the back of these initiatives we have seen net gaming revenue increase by 20.0% over the year, with new customer sign ups growing by 21.5% to 373,000 and the number of unique active players using Ladbrokes.com also increasing by 20.8% to 726,000. The competitive environment for Poker remains extremely challenging and, in the second week of February, we joined the Microgaming network to improve the liquidity on higher staking tables.

We have always been clear that the frequency of High Rollers activity is unpredictable and although not as active as 2007, High Rollers contributed £80.1 million of profit during 2008, a very material source of cash flow.

International development
In Spain, following the grant of our Madrid licence in April, our Sportium joint venture has now opened 45 outlets. The full potential of Spain remains dependent on the pace of regulation in other regions.

Our international team continues to pursue a number of opportunities around the world, with a particular focus currently on China.

Regulatory environment

2008 saw the first full year of implementation of the 2005 UK Gambling Act. In response to the changes, we have had 82% of our estate open until 9.30pm throughout the year and have improved our machine content. eGaming meanwhile has seen the benefits of television advertising with campaigns for both Ladbrokesbingo.com and Ladbrokescasino.com.

On 31 October 2008, The Horserace Betting Levy was agreed with a roll-over at the previous levy rate of 10% of UK horseracing gross win. In addition The British Horseracing Association and The Racecourse Association agreed to stage an additional 102 races in 2009.

In July 2008 the Gambling Commission outlined its plans for additional research into high-stake, high-prize gaming machines. The research is aimed at increasing understanding of what impact these machines may have on problem gambling. The Gambling Commission agreed to report back to the Minister for Sport by the end of June 2009.

In Spain the regulation of retail betting by the Comunidad de Madrid and the issuance of licences enabled us to launch our Sportium joint venture. In Italy we have rolled out the new licences we were awarded following further market regulation in 2006.

Consistent with EU single market law, we continue to strive for the removal of restrictions on the freedom of establishment and the free movement of services across borders. The European Commission has brought ongoing infringement procedures against a number of Member States, primarily in relation to national measures that effectively prohibit the activities of private remote gambling operators. A number of Member States are currently considering changes in legislation varying from those seeking to legalise, regulate and tax to those seeking restrictions which further protect state controlled monopoly operators and their revenues. We actively lobby individual Member States and challenge restrictions through complaints to the Commission and legal challenges in the national courts. In 2008 our long-running case in the Dutch national courts was referred to the European Court of Justice, from which a ruling is expected in late 2009/early 2010.

Dividends and capital structure

The Board has recommended a final dividend of 9.05 pence (2007: 9.05 pence) per share, payable on 1 June 2009 to shareholders on the register on 27 February 2009. This final dividend, together with the interim dividend of 5.10 pence per share, gives a total dividend of 14.15 pence per share.

During 2008, the Group successfully took a proactive stance in managing its debt facilities. We signed an additional £185 million of committed bank facilities and extended £400 million of maturities from 2011 to 2013. During the year we also repaid our £175 million 7.25% bond on maturity, and in December took the opportunity to repurchase €35.5 million of our 2009 6.5% Eurobond. At 31 December 2008 the Group had undrawn committed facilities of £510.4 million, well in excess of our 2009 Eurobond maturity of £351 million.

Current Trading and Outlook

In the first six weeks of 2009 the UK and Irish Retail estates have inevitably been affected by the unusually high number of horserace abandonments. In addition the OTC margin was one percentage point lower than 2008. eGaming has made a good start to the year with continuing growth in net gaming revenue and the successful migration onto the Microgaming poker network last week. Overall Group gross win, excluding High Rollers, has risen 1% in the first six weeks. High Rollers have also contributed £24 million of operating profit in the year to date.

The prevailing economic conditions are expected to remain challenging throughout 2009 and the Board remains vigilant for signs of any impact.

Business Review

UK Retail

UK	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m	*Year on year Change* %
Amounts staked	12,203.1	11,151.7	*9.4*
Gross win	773.9	739.3	*4.7*
- OTC GW	487.8	490.9	*(0.6)*
- Machine GW	286.1	248.4	*15.2*
Net revenue	723.1	701.8	*3.0*
Profit from operations*	187.9	187.8	*0.1*

** Before non-trading items*

UK Retail gross win increased by 4.7% over the period to £773.9 million, with the amounts staked increasing by 9.4%.

OTC gross win for the year fell 0.6% to £487.8 million (down 2.3% after free bets) with a lower OTC margin of 16.9% (2007: 17.1%). The product mix for the business has changed during the year, with growth in the amounts staked on horses and football more than offset by declines in greyhounds and virtual racing. This, combined with the lower margin, resulted in the gross win decline.

Machine gross win grew 15.2% during the year to £286.1 million, benefiting from the completion of the rollout of our dual screen machines in March 2007, additional evening hours in the first three months of the period and the addition of new B3 content. This content now accounts for in excess of 15% of machine gross win and has resulted in margin enhancement of 0.3 percentage points. Average gross win per gaming machine per week was up 16.6% to £682.

Total costs rose 4.8% in the period to £467.3 million (2007: £445.9 million). Of this increase, 2.1% was associated with extended evening opening and 2.2% for Turf TV, both of which were one-off step changes in costs. As regards to other costs we have benefited from voluntary single opening, a new staff scheduling system, 61 unprofitable shop closures and further reducing Sky coverage in our estate to just 400 shops. Costs are, and will remain, a key focal area for the business.

We have implemented a number of further initiatives to improve Ladbrokes' market positioning during 2008. The most notable is the introduction of our OddsOn! loyalty card scheme. Launched in June and rolled out across our entire estate, it offers odds enhancements, win bonuses and free bets for various levels of points awarded on OTC spend. Our emphasis thus far has been on getting the card into circulation and we are pleased to report that more than 300,000 cards are being regularly used with over 445,000 free bets and bonuses, worth £8.6 million, enjoyed by customers through points redemption. With the enhanced level of customer data now available to us we can begin to provide appropriate offers and promotions to specific customer groupings during 2009.

At 31 December 2008 we had 2,091 shops and 52 on-site outlets in Great Britain. During 2008, 19 new licences were opened, 61 shops were closed, 46 shops were relocated, seven shops were extended and 68 were refurbished.

Other European Retail

Amounts staked grew by 65.7% during the period. Total gross win increased by 47.5% to £152.1 million (2007: £103.1 million). Operating profit fell 5.1% to £20.6 million (2007: £21.7 million) with the start up losses in Italy outweighing the increase in Ireland.

Other European Retail – Ireland

Ireland	Year ended 31 December 2008	Year ended 31 December 2007	*Year on year Change*
	£m	£m	%
Gross win	91.5	61.8	*48.1*
Profit from operations*	24.4	20.1	*21.4*
** Before non-trading items*			

In Ireland, following the acquisition of the 54 shop Eastwood chain in February, six McCartan shops in April and two new licences, we are the largest operator in Northern Ireland with 78 shops as at 31 December 2008. We have also added a further 12 shops in the Republic of Ireland which, following three shop closures, brings our total there to 208 shops at the year end.

Overall gross win in Ireland increased by 48.1% to £91.5 million reflecting the benefit of the acquisitions and favourable exchange rates. Like for like constant currency gross win declined by 6.6%. In the Republic of Ireland like for like constant currency gross win fell 8.8% reflecting the weak economic conditions and, with no machines, a greater reliance on Irish horseracing which experienced 44 Irish horserace meeting abandonments compared to just 13 in 2007. In Northern Ireland like for like gross win grew 21.3%.

Operating costs in Ireland rose by 59.3% to £58.8 million (2007: £36.9 million) principally due to the increase in shop numbers and currency appreciation, with like for like costs at constant currency, excluding Turf TV, up by 3%.

In 2009 management continues to focus on cost saving initiatives and plan to introduce the OddsOn! loyalty card scheme in the first half of the year.

Other European Retail – Belgium

Belgium	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m	*Year on year Change* %
Gross win	39.7	34.8	*14.1*
Profit from operations*	3.1	3.2	*(3.1)*

Constant currency gross win in Belgium was flat with growth in turnover offset by a lower margin (down 0.4 percentage points). Operating profit fell by £0.1 million to £3.1 million.

Our closest competitors Tiercé Franco Belge (TFB) and Dumoulin closed their operations and we have since added 35 of the most profitable shops to our estate. At 31 December 2008 we had 308 outlets in Belgium.

Other European Retail - Italy

Italy	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m	*Year on year Change* *%*
Gross win	20.9	6.5	*221.5*
Loss from operations*	(6.9)	(1.6)	*(331.3)*
** Before non-trading items*			

In 2008, the Italian business has been mainly focused on establishing the estate of 86 shops and 51 corners. The gross win rose to £20.9 million over the period with losses of £6.9 million reflecting the start up phase which the business is in.

eGaming

eGaming	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m	*Year on year Change* *%*
Net gaming revenue	172.2	143.5	*20.0*
- Sportsbook	61.7	52.2	*18.2*
- Casino	53.1	43.1	*23.2*
- Poker	29.0	31.0	*(6.5)*
- Games	28.4	17.2	*65.1*
Profit from operations*	55.1	55.0	*0.2*
** Before non-trading items*			

eGaming continues to grow in line with our expectations with net revenue increasing by 20.0% to £172.2 million, unique active players up 20.8% to 726,000 and new customer sign-ups growing by 21.5% in the year.

The new Sportsbook was launched in the second half of the year, together with significant additional live streaming of events to our UK, Irish and Nordic customers. Sportsbook net revenue rose by 18.2% to £61.7 million with a gross win margin of 7.8%, 0.6 percentage points ahead of last year. Supported by our additional live streaming, betting-in-play continues to be a key growth area for the Sportsbook business with amounts staked up more than 37% compared to 2007. Sportsbook active customers have grown 15.2% to 485,000 with the yield per unique active player up 2.4% to £127. Our Polish language and currency site was launched in December 2008, with further new languages to be launched during 2009.

On the back of successful television advertising campaigns, Casino net revenue increased 23.2% to £53.1 million with active customers growing by 63.8% to 172,000. As anticipated, the yield per unique active player fell to £308 (2007: £411) due to the flow of new players. The roll-out of high quality slot content, both on the download and flash platforms, continued to support the development of the Casino business. Particular highlights in the second half of the year included the launch of ‘Tomb Raider Secret of the Sword’ and the unique 'My Slot' where Ladbrokes’ customers can use their chosen image and sound files to build their own slot games.

Poker net revenue fell 6.5% to £29.0 million with the competitive environment continuing to affect both player numbers and yield. Active customers fell by 3.3% to 146,000 and yield per unique active player fell 3.4% to £198, though as poker is currently played in US dollars, this was helped by the US dollar strengthening over the period. Following our announcement at the half year, we have now merged our player liquidity into the Microgaming network.

Supported by our latest ‘Go Bingo!’ TV advertising campaign in the UK, we saw good growth in Bingo with overall Games net revenue of £28.4 million, a 65.1% increase compared to 2007, active customers up 38.5% to 205,000 and yield improving 19.8% to £139. In the second half of the year, significant product developments in Bingo included new mini games, an enhanced lobby and website as well as linked jackpots and 'Laddies Lucky Loft' (a room exclusive to Ladbrokes customers that rewards players who come within one number of winning the full house prize). In addition, within Games we launched a ‘Who Wants to be a Millionaire?’ quiz and scratchcard, virtual football and a Nordic specific scratchcard.

Operating costs of £107.7 million increased by £27.1 million (33.6%), with net revenue growth driving levy and software costs, increased staff costs to support business expansion and, most significantly, increased investment in player acquisition. Advertising and promotional costs were up £15.9 million to 20.9% of net revenue, with new customer sign ups growing 21.5% to 373,000 and adjusted customer acquisition costs of £101 (2007: £86).

Operating profit of £55.1 million was in line with our expectations, with the conversion rate of 32.0% reflecting the increased pace of customer acquisition.

Telephone Betting

Telephone	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m	*Year on year Change* %
Net revenue			
- High Rollers	98.3	249.6	*(60.6)*
- Excluding High Rollers	27.3	30.2	*(9.6)*
- Total	125.6	279.8	*(55.1)*
Profit from operations			
- High Rollers	80.1	179.0	*(55.3)*
- Excluding High Rollers	3.1	4.6	*(32.6)*
- Total	83.2	183.6	*(54.7)*

Profit from High Rollers was £80.1 million. Whilst down from last year’s exceptional level, the contribution from this business segment remains very significant and is testament to the Group’s capability in servicing these customers.

Excluding Telephone High Rollers activity, the core telephone business remains difficult, particularly impacted by competition from businesses operating offshore which benefit from significantly more favourable tax regimes.

Excluding Telephone High Rollers, net revenue was down 9.6% to £27.3 million, with gross win margins of 7.6% compared to 7.1% in 2007. Unique active customers numbered 108,400 (2007: 115,000), with average monthly active player days down 8.8% and call volumes down 10.9%.

Excluding Telephone High Rollers, operating costs of £20.2 million decreased 4.3% with agent cost per call of 57 pence, down 6.6% reflecting efficiencies achieved despite reduced call volumes.

Other – International development operations

In April, Sportium, the Spanish joint venture with Cirsa, was awarded its licence to operate in the Madrid region and at 31 December 2008, 38 outlets had been opened.

Our international team continue to explore a number of growth opportunities around the world, with a particular focus currently on China.

Corporate Costs*

Corporate costs fell by £6.2 million to £14.9 million, mainly reflecting lower generic TV advertising costs.

**Before non-trading items*

Financial Review

Revenue and profit before tax	Year ended 31 December 2008		Restated year ended 31 December 2007[1]	
	Revenue	Profit	Revenue	Profit
Continuing operations:	£m	£m	£m	£m
UK Retail	723.1	187.9	701.8	187.8
Other European Retail	151.2	20.6	102.7	21.7
eGaming	172.2	55.1	143.5	55.0
Telephone Betting	125.6	83.2	279.8	183.6
Other[2]	-	(8.0)	-	(6.3)
Corporate costs	-	(14.9)	-	(21.1)
	1,172.1	323.9	1,227.8	420.7
Net finance costs	-	(65.2)	-	(67.7)
Revenue and profit before tax	1,172.1	258.7	1,227.8	353.0
Discontinued operations:				
Casino	6.6	(1.1)	7.2	(0.7)
Vernons	-	-	16.8	6.0
	6.6	(1.1)	24.0	5.3
Net finance costs	-	(0.6)	-	(1.5)
Revenue and profit before tax	6.6	(1.7)	24.0	3.8
Group revenue and profit before tax	1,178.7	257.0	1,251.8	356.8

(1) Refer to notes 2(b) and 15 of the financial statements for details of the restatement

(2) Other includes international development costs and the start up of our Spanish joint venture

Profit is before non-trading items.

Trading summary – Continuing operations

Revenue

Revenue for continuing operations decreased by £55.7 million (4.5%) to £1,172.1 million. Excluding High Rollers activity in Telephone Betting, revenue increased by £95.6 million (9.8%) to £1,073.8 million, mainly as a result of improved machine performance in the UK Retail estate, the net addition of 71 Irish shops in 2008 and growth in eGaming.

Profit before finance costs, tax and non-trading items

Profit before finance costs, tax and non-trading items decreased by £96.8 million (23.0%) to £323.9 million. Excluding High Rollers activity, profit before finance costs, tax and non-trading items increased 0.9% to £243.8 million (2007: £241.7 million) reflecting marginally higher profits in UK Retail and eGaming plus reduced corporate costs due to lower generic television advertising costs in 2008 compared to 2007.

Finance costs
The net finance costs of £65.2 million were £2.5 million lower than last year (2007: £67.7 million) and benefited from a lower overall weighted average interest rate. The 2009 blended interest rate is currently estimated to be approximately 6%.

Profit before tax
The decrease in trading profits partially offset by the lower finance costs in the year has resulted in a 26.7% decrease in profit for continuing operations before taxation and non-trading items to £258.7 million (2007: £353.0 million).

Non-trading items before tax
£8.5 million of non-trading losses before tax includes a £4.0 million profit arising on derecognition of deferred consideration originating from the Sponsio acquisition in 2007 and £0.1 million profit (2007: £6.7 million loss) relating to net unrealised gains on derivatives and on retranslation of foreign currency borrowings. This is offset by a £7.2 million loss on the closure of 61 UK Retail shops, a £1.1 million loss on closure of Other European Retail shops (Ireland) and £4.3 million of litigation and transaction costs.

Taxation
The Group taxation charge for continuing operations before non-trading items of £39.9 million represents an effective tax rate of 15.4% (2007: 15.6%).

Discontinued operations
The £1.1 million trading loss in discontinued operations relates to the loss before interest, tax and non-trading items of the Casino business in the year ended 31 December 2008 (2007: £0.7 million loss). A non-trading impairment charge of £7.5 million has been recognised against the carrying value of the Casino.

Earnings per share (EPS) – Continuing operations
EPS (before non-trading items) was 36.4 pence (2007: 47.6 pence) reflecting the decreased profit before tax partially offset by the reduced weighted average number of shares. EPS (including the impact of non-trading items) was 35.2 pence (2007: 46.7 pence). Fully diluted EPS was 35.0 pence (2007: 46.3 pence) after adjustment for outstanding share options.

Earnings per share (EPS) – Group
EPS (before non-trading items) decreased 24.6% to 36.2 pence (2007: 48.0 pence). EPS (including the impact of non-trading items) fell to 33.4 pence (2007: 54.4 pence), reflecting the decreased profit before tax partially offset by the reduced weighted average number of shares. Fully diluted EPS was 33.2 pence (2007: 54.0 pence) after adjustment for outstanding share options.

Dividend and capital structure
The Board has proposed a final dividend of 9.05 pence (2007: 9.05 pence) per share. The dividend will be payable on 1 June 2009 to shareholders on the register on 27 February 2009.

As previously stated, the Board's dividend target is about two times covered over the medium-term.

During the first quarter of 2008 the Group purchased 11.8 million shares at a cost of £34.8 million. Cumulatively, since the Board announced the start of the share buyback programme in August 2007, the Group has purchased 31.8 million shares at a cost of £105.2 million.

During 2008 the Group extended certain committed bank facilities and signed an additional £185 million of new committed bank facilities. The Group now has £410 million of committed bank facilities maturing in 2011 and £500 million maturing in 2013. Following the repayment of the £175 million 7.25% bond at the end of July, and having taken the opportunity in December to repurchase €35.5 million of our 2009 6.5% Eurobond the Group had undrawn committed facilities of £510.4 million at 31 December 2008.

As previously stated the Board have a medium-term target net debt to EBITDA range of 3.5 to 3.75 times (excluding Telephone High Rollers).

The bank facilities have a net debt/EBITDA financial covenant of 4.25 times and an EBITDA to net interest financial covenant of 3.0 times.

Restatement of income statement and segment information note

The Group has restated its comparative year ended 31 December 2007 income statement to reflect the casino as a discontinued operation and to reflect UK Retail and Other European Retail as separate segments, following the acquisitions in Ireland and Italy. Details of these restatements can be found in note 15 to the financial statements.

Revenue recognition – reconciliation to gross win

The Group reports the gains and losses on all betting and gaming activities as revenue in accordance with IAS 39, which is measured at the fair value of the consideration received or receivable from customers less fair value adjustment for free bets, promotions and bonuses. Gross win includes free bets, promotions and bonuses, as well as VAT payable on machine income. A reconciliation of gross win to revenue for continuing operations is shown below.

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Gross win	1,242.2	1,279.0
Free bets, promotions, bonuses	(27.4)	(14.4)
VAT	(42.7)	(36.8)
Revenue	1,172.1	1,227.8

Cash flow, capital expenditure and borrowings

Cash generated by operations was £414.7 million. After net finance costs and income taxes paid of £120.6 million and £213.0 million on capital expenditure, intangible additions and acquisitions, cash inflow was £81.1 million.

£85.0 million was paid out in dividends and £34.8 million was spent on the share buyback programme.

At 31 December 2008, gross borrowings of £1,117.5 million less cash and cash equivalents of £25.0 million and derivatives of £105.4 million have resulted in a total Group net debt of £987.1 million.

Consolidated income statement

	Year ended 31 December 2008		Restated year ended 31 December 2007[1]	
	Before non-trading items[2] £m	Total £m	Before non-trading items[2] £m	Total £m
Continuing operations				
Amounts staked[3]	16,647.7	16,647.7	14,879.5	14,879.5
Revenue	1,172.1	1,172.1	1,227.8	1,227.8
Cost of sales before depreciation and amortisation	(716.3)	(717.4)	(677.2)	(678.4)
Administrative expenses	(79.6)	(79.9)	(83.6)	(82.1)
Share of results from joint venture and associates	2.0	2.0	3.8	3.8
EBITDA	378.2	376.8	470.8	471.1
Depreciation and amounts written off non-current assets	(54.3)	(61.5)	(50.1)	(51.5)
Profit before tax and finance costs	323.9	315.3	420.7	419.6
Finance costs	(67.4)	(191.1)	(69.2)	(108.2)
Finance income	2.2	126.0	1.5	33.8
Profit before taxation	258.7	250.2	353.0	345.2
Income tax expense	(39.9)	(38.8)	(55.1)	(53.1)
Profit for the year – continuing operations	218.8	211.4	297.9	292.1
Discontinued operations				
(Loss)/profit for the year from discontinued operations	(1.2)	(10.7)	2.7	48.7
Profit for the year	217.6	200.7	300.6	340.8
Attributable to:				
Equity holders of the parent	217.6	200.7	300.6	340.8
Earnings per share from continuing operations:				
- basic	36.4p	35.2p	47.6p	46.7p
- diluted	36.2p	35.0p	47.2p	46.3p
Earnings per share on profit for the year:				
- basic	36.2p	33.4p	48.0p	54.4p
- diluted	36.0p	33.2p	47.6p	54.0p
Proposed dividends[4]	9.05p	9.05p	9.05p	9.05p

(1) Details of restatement explained in notes 2(b) and 15 in the financial statements

(2) Non-trading items are profits/losses on disposal and impairment of non-current assets, unrealised gains and losses on derivative financial instruments arising from hedging interest rate and currency exposure, litigation and transaction costs, derecognition of deferred consideration on acquisitions and profits/losses on disposal of businesses and investments. Details of the non-trading items are given in note 4 and on discontinued operations in note 6 to the financial statements.

(3) Amounts staked does not represent the Group's statutory revenue and comprises the total amount staked by customers on betting and gaming activities.

(4) A final dividend of 9.05 pence (2007: 9.05 pence) per share, amounting to £54.4 million (2007: £54.4 million) was declared by the directors on 19 February 2009. These financial statements do not reflect the dividend payable. The 2007 final dividend of 9.05 pence per share (£54.4 million) and the 2008 interim dividend of 5.10 pence per share (£30.6 million) were paid in 2008.

Consolidated balance sheet

	31 December 2008 £m	31 December 2007 £m
ASSETS		
Non-current assets		
Goodwill and intangible assets	693.5	525.9
Property, plant and equipment	275.2	263.8
Interest in joint venture	0.7	0.4
Interest in associates and other investments	10.3	10.0
Other financial assets	5.1	7.4
Deferred tax assets	27.1	28.1
Derivatives	1.5	4.5
Retirement benefit asset	20.8	33.6
	1,034.2	873.7
Current assets		
Trade and other receivables	109.8	138.5
Derivatives	115.1	29.0
Cash and short-term deposits	26.4	37.8
	251.3	205.3
Assets of disposal group classified as held for sale	9.4	-
Total assets	**1,294.9**	**1,079.0**
LIABILITIES		
Current liabilities		
Interest bearing loans and borrowings	(459.7)	(187.3)
Trade and other payables	(196.6)	(199.1)
Corporation tax liabilities	(156.8)	(142.4)
Other financial liabilities	(1.9)	(30.1)
Provisions	(3.3)	(2.6)
	(818.3)	(561.5)
Non-current liabilities		
Interest-bearing loans and borrowings	(659.8)	(800.0)
Derivatives	(11.2)	(1.0)
Other financial liabilities	(13.8)	(14.5)
Deferred tax liabilities	(107.7)	(142.3)
Provisions	(11.2)	(10.5)
	(803.7)	(968.3)
Liabilities of disposal group classified as held for sale	(0.9)	-
Total liabilities	**(1,622.9)**	**(1,529.8)**
Net liabilities	**(328.0)**	**(450.8)**
EQUITY		
Issued share capital	179.2	178.9
Share premium account	2,135.8	2,134.2
Treasury and own shares	(114.3)	(80.0)
Foreign currency translation reserve	35.6	9.4
Other reserves	-	(30.0)
Retained earnings	(2,564.3)	(2,663.3)
Equity shareholders' deficit	**(328.0)**	**(450.8)**

Consolidated cash flow statement

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m
Net cash flows from operating activities	292.8	285.5
Cash flows from investing activities		
Interest received	1.3	2.6
Dividends received from associate	3.5	2.3
Payments for intangible assets	(14.6)	(31.8)
Purchase of property, plant and equipment	(58.5)	(62.4)
Purchase of subsidiaries	(15.0)	(60.9)
Purchase of businesses	(124.9)	-
Proceeds from the sale of property, plant and equipment	1.6	3.2
Proceeds from disposal of discontinued operations	-	40.8
Costs of disposal of discontinued operations	-	(0.7)
Cash disposed of with discontinued operations	-	(1.4)
Cash obtained through acquisition of subsidiaries	1.7	3.7
Purchase of interest in joint venture	(1.8)	(0.6)
Purchase of interests in associates and other investments	-	(0.1)
Proceeds from disposal of interest in associates	-	2.2
	(206.7)	(103.1)
Cash flows from financing activities		
Proceeds from issue of shares	1.2	7.6
Proceeds from borrowings	239.8	-
Purchase of ESOP shares	(4.1)	(2.5)
Purchase of treasury shares	(34.8)	(70.4)
Repayment of borrowings	(207.0)	(40.4)
Decrease in deposits – maturity greater than three months	0.3	-
Dividends paid	(85.0)	(84.6)
	(89.6)	(190.3)
Net decrease in cash and cash equivalents	(3.5)	(7.9)
Net foreign exchange difference	2.6	0.4
Cash and cash equivalents at beginning of the year	25.9	33.4
Cash and cash equivalents at end of the year	**25.0**	**25.9**
Cash and cash equivalents comprise:		
Cash at bank and in hand and current asset investments	27.0	37.5
Bank overdraft	(2.0)	(11.6)
	25.0	25.9
Analysed as:		
Continuing operations	24.4	24.9
Discontinued operations	0.6	1.0
	25.0	25.9

Consolidated statement of recognised income and expense

	Year ended 31 December 2008		Year ended 31 December 2007	
	£m	£m	£m	£m
Currency translation differences	39.0		7.2	
Net investment hedges	(17.8)		-	
Tax on net investment hedges	5.0		-	
Total foreign currency translation income net of tax		26.2		7.2
Actuarial (losses)/gains on defined benefit pension scheme	(16.5)		5.1	
Tax on actuarial (losses)/gains on defined benefit pension scheme	4.6		(1.4)	
Total actuarial (losses)/gains on defined benefit pension scheme net of tax		(11.9)		3.7
Net losses on cash flow hedges	(10.2)		(0.5)	
Tax on net losses on cash flow hedges	2.9		0.1	
Total net losses on cash flow hedges net of tax		(7.3)		(0.4)
Total income and expense recognised directly in equity during the year		7.0		10.5
Profit for the year		200.7		340.8
Total recognised income and expense for the year		207.7		351.3
Attributable to:				
Equity holders of the parent		207.7		351.3

Notes to the financial statements

1. Corporate information

The consolidated financial statements of Ladbrokes plc for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 19 February 2009.

Ladbrokes plc is a limited company incorporated and domiciled in the United Kingdom whose shares are publicly traded. The principal activities of the company and its subsidiaries (‘the Group’) are described in note 3.

2. Basis of preparation

a) The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union. The financial statements have been prepared in accordance with the accounting policies followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2008.

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2008 or 31 December 2007. The annual report and financial statements for the year ended 31 December 2008 were approved by the Board of Directors on 19 February 2009 along with this preliminary announcement, but have not yet been delivered to the Registrar of Companies. The auditor’s report on the statutory accounts for the year ended 31 December 2008 was unqualified and did not contain a statement under section 237 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2007 have been delivered to the Registrar of Companies. The auditor’s report on the statutory accounts for the year ended 31 December 2007 was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

The 2008 annual report and financial statements, together with details of the dividend arrangements and the Annual General Meeting, will be despatched to shareholders on 11 March 2009. The Annual General Meeting will take place at the QE2 Conference Centre at 11am on 15 May 2009.

b) To assist in understanding its underlying performance, the Group has defined the following items of income and expense as non-trading in nature:

- profits/losses on disposal and impairment of non-current assets;
- profits/losses on disposal of businesses and investments;
- unrealised gains/losses on derivative financial instruments arising from hedging interest rate and currency exposures;
- litigation and transaction costs; and
- derecognition of deferred consideration on acquisitions.

The non-trading items have been included within the appropriate classifications in the consolidated income statement.

The Group has restated its comparative year ended 31 December 2007 income statement to reflect the casino business as a discontinued operation and to reflect UK Retail and Other European Retail as separate segments, following the acquisitions in Ireland and Italy. Refer to note 15 for further details on the restatements of the prior year.

c) Changes in accounting policies

The Group has adopted the guidance under IFRIC 11 IFRS 2 – Group and Treasury Share Transactions for the year ended 31 December 2008.

This interpretation provides guidance on applying IFRS 2 in three circumstances;

- share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share based payment obligation;
- where a parent grants rights to its equity instruments to employees of its subsidiary; and
- where a subsidiary grants rights to equity instruments of its parent to its employees.

The adoption had no effect on the financial position or performance of the Group.

3. Segment information

The Group's continuing operating businesses are organised and managed separately as five segments according to the nature of services provided as outlined below.

The UK Retail segment comprises betting activities in the shop estate in Great Britain.

The Other European Retail segment comprises all activities connected with Ireland, Belgium and Italy shop estates.

The eGaming segment comprises betting and gaming activities from online operations.

The Telephone Betting segment comprises activities relating to bets taken on the telephone.

The Other segment comprises international development operations and the start up of our Spanish joint venture.

3. Segment information (continued)

Year ended 31 December 2008	Revenue £m	Profit before taxation and non-trading items £m	Profit before taxation and after non-trading items £m
Continuing operations:			
UK Retail	723.1	187.9	177.7
Other European Retail	151.2	20.6	19.1
eGaming	172.2	55.1	59.1
Telephone Betting	125.6	83.2	83.2
Other(1)	-	(8.0)	(8.0)
Corporate costs	-	(14.9)	(15.8)
Total	1,172.1	323.9	315.3
Net finance costs	-	(65.2)	(65.1)
	1,172.1	258.7	250.2
Discontinued operations:			
Casino	6.6	(1.1)	(8.6)
Hotels	-	-	(2.0)
	6.6	(1.1)	(10.6)
Net finance costs	-	(0.6)	(0.6)
	6.6	(1.7)	(11.2)
Total Group	1,178.7	257.0	239.0

(1) Other includes international development costs and the start up of our Spanish joint venture

Year ended 31 December 2007 Restated(1)	Restated(1) Revenue £m	Restated(1) profit before taxation and non-trading items £m	Restated(1) profit before taxation and after non-trading items £m
Continuing operations:			
UK Retail(2)	701.8	187.8	186.7
Other European Retail(2)	102.7	21.7	21.7
eGaming	143.5	55.0	55.0
Telephone Betting	279.8	183.6	183.6
Other(3)	-	(6.3)	(6.3)
Corporate costs	-	(21.1)	(21.1)
Total	1,227.8	420.7	419.6
Net finance costs	-	(67.7)	(74.4)
	1,227.8	353.0	345.2
Discontinued operations:			
Casino	7.2	(0.7)	(0.7)
Vernons	16.8	6.0	52.0
Total	24.0	5.3	51.3
Net finance costs	-	(1.5)	(1.5)
	24.0	3.8	49.8
Total Group	1,251.8	356.8	395.0

(1) Refer to note 15 for details of the restatement
(2) Classified as European Retail in 2007
(3) Other includes international development costs and the start up of our Spanish joint venture

4. Non-trading items

	2008 £m	2007 £m
Continuing operations:		
Loss on closure of UK Retail shops[1]	(7.2)	(2.6)
Loss on closure of Other European Retail (Ireland) shops	(1.1)	-
Litigation and transaction costs	(4.3)	-
Derecognition of deferred consideration on acquisitions[2]	4.0	-
Net unrealised gains/(losses) and derivatives and (losses)/gains on retranslation of foreign currency borrowings	0.1	(6.7)
Profit on disposal of shares in associate	-	1.5
Total non-trading items	(8.5)	(7.8)
Non-trading tax credit	1.1	2.0
Non-trading items after taxation	(7.4)	(5.8)

(1) The £7.2 million (2007: £2.6 million) loss on closure of UK Retail shops consists of a loss on disposal of intangible assets of £3.9 million (2007: £0.6 million), loss on disposal of property, plant and equipment of £2.2 million (2007: £0.8 million) and £1.1 million (2007: £1.2 million) of cost accruals.

(2) Refer to business combinations note 13.

5. Taxation

The total tax charge on continuing operations was £38.8 million (2007: £53.1 million). The taxation charge relates to £35.0 million of UK tax and £3.8 million of overseas tax. The £38.8 million total tax charge on continuing operations, comprising £64.9 million (2007: £68.6 million) current income tax charge offset by £26.1 million (2007: £15.5million – tax credit) deferred income tax credit.

6. Discontinued operations

The Group is committed to sell the casino operation and is actively looking to identify a buyer. The casino operation has been treated as discontinued.

Profit for discontinued operations comprises the following:

	2008			2007		
	Casino	Hotels	**Total**	Casino £m	Vernons £m	**Total £m**
Revenue	6.6	-	**6.6**	7.2	16.8	**24.0**
Expenses	(7.7)	-	**(7.7)**	(7.9)	(10.8)	**(18.7)**
(Loss)/profit from discontinued operations	(1.1)	-	**(1.1)**	(0.7)	6.0	**5.3**
Net finance costs	(0.6)	-	**(0.6)**	(0.3)	(1.2)	**(1.5)**
(Loss)/profit from discontinued operations after finance costs before non-trading items	(1.7)	-	**(1.7)**	(1.0)	4.8	**3.8**
Impairment loss	(7.5)	-	**(7.5)**	-	-	**-**
Loss from financial guarantee contracts	-	(2.0)	**(2.0)**	-	-	**-**
Profit on disposal of Vernons to Sportech plc	-	-	**-**	-	46.0	**46.0**
(Loss)/profit before tax from discontinued operations	(9.2)	(2.0)	**(11.2)**	(1.0)	50.8	**49.8**
Taxation	0.5	-	**0.5**	0.3	(1.4)	**(1.1)**
(Loss)/profit for the year from discontinued operations	(8.7)	(2.0)	**(10.7)**	(0.7)	49.4	**48.7**
(Loss)/profit for the year from discontinued operations before non-trading items	(1.2)	-	**(1.2)**	(0.7)	3.4	**2.7**

An impairment charge of £7.5 million was recognised against goodwill in the casino operation reducing its carrying value to its value in use.

On 3 December 2007, the Group completed the sale of the Vernons pools business to Sportech plc.

The effect of the disposal is as follows:

	2007 £m
Sales proceeds – cash consideration	40.8
Sales proceeds – deferred consideration	6.2
Sales proceeds – total consideration	47.0
Total net liabilities/(assets) sold	3.6
Costs of disposal	(4.6)
Profit on disposal	46.0

6. Discontinued operations (continued)

The major classes of assets and liabilities of the casino business classified as held for sale and the assets and liabilities of the Vernons pools business as at the date of disposal were:

	31 December 2008 Casino £m	3 December 2007 Vernons £m
Assets		
Non-current assets		
Goodwill and intangible assets	3.7	-
Property, plant and equipment	4.7	0.4
	8.4	0.4
Current assets		
Trade and other receivables	0.4	0.4
Cash and short-term deposits	0.6	1.4
	1.0	1.8
Total assets held for sale	**9.4**	**2.2**
Liabilities		
Current liabilities		
Trade and other payables	(0.9)	(5.5)
Corporation tax liabilities	-	(0.3)
Total liabilities held for sale	**(0.9)**	**(5.8)**
Net assets/(liabilities) held for resale	8.5	(3.6)

7. Dividends paid and proposed

Proposed dividends	2008 Pence per share	2007 Pence per share
Interim	5.10	4.85
Final	9.05	9.05
	14.15	13.90

A final year end dividend of 9.05 pence (2007: 9.05 pence) per share amounting to £54.4 million (2007: £54.4 million) was declared by the directors on 19 February 2009. These financial statements do not reflect this dividend payable. The 2007 final dividend of 9.05 pence per share (£54.4 million) and the 2008 interim dividend of 5.10 pence per share (£30.6 million) were paid in 2008.

8. Earnings per share

The calculation of adjusted earnings per share before non-trading items is included as it provides a better understanding of the underlying performance of the Group.

Continuing operations

2008	Earnings £m	Diluted earnings £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	211.4	211.4	35.2p	35.0p
Non-trading items net of tax	7.4	7.4	1.2p	1.2p
Adjusted profit attributable to shareholders	218.8	218.8	36.4p	36.2p

2007	Earnings £m	Diluted earnings £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	292.1	292.1	46.7p	46.3p
Non-trading items net of tax	5.8	5.8	0.9p	0.9p
Adjusted profit attributable to shareholders	297.9	297.9	47.6p	47.2p

Total Group

2008	Earnings £m	Diluted earnings £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	200.7	200.7	33.4p	33.2p
Non-trading items net of tax	16.9	16.9	2.8p	2.8p
Adjusted profit attributable to shareholders	217.6	217.6	36.2p	36.0p

2007	Earnings £m	Diluted earnings £m	Basic EPS pence per Share	Diluted EPS pence per share
Profit attributable to shareholders	340.8	340.8	54.4p	54.0p
Non-trading items net of tax	(40.2)	(40.2)	(6.4)p	(6.4)p
Adjusted profit attributable to shareholders	300.6	300.6	48.0p	47.6p

8. Earnings per share (continued)

The number of shares used in the calculation is shown below:

	2008 Millions	2007 Millions
Weighted average number of ordinary shares for the purposes of basic earnings per share	601.3	626.5
Effect of dilutive potential ordinary shares:		
Share options	0.8	3.6
Issue of contingently issuable shares	1.6	1.4
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	603.7	631.5

At 31 December 2008, excluding Treasury shares, there were 600.6 million $28^1/_3$p ordinary shares in issue. Including Treasury shares, there were 632.4 million $28^1/_3$p ordinary shares in issue.

At 31 December 2007, excluding Treasury shares, there were 611.5 million $28^1/_3$p ordinary shares in issue. Including Treasury shares, there were 631.4 million $28^1/_3$p ordinary shares in issue.

9. Property, plant and equipment

During the year, the Group acquired assets with a cost of £58.0 million (2007: £63.6 million). In addition, the Group acquired assets from business combinations at a cost of £1.2 million (2007: £4.3 million).

Assets with a net book value of £6.6 million were disposed of by the Group during the year (2007: £5.9 million).

10. Net debt

The Group's net debt structure is as follows:

		31 December 2008		31 December 2007
	Continuing operations £m	Discontinued operations £m	**Total £m**	Total £m
Non-current assets				
Derivatives	1.5	-	**1.5**	4.5
Current assets				
Derivatives	115.1	-	**115.1**	29.0
Cash and short-term deposits	26.4	0.6	**27.0**	37.8
Current liabilities				
Bank overdrafts	(2.0)	-	**(2.0)**	(11.6)
Interest bearing loans and borrowings	(457.7)	-	**(457.7)**	(175.7)
Non-current liabilities				
Interest bearing loans and borrowings	(659.8)	-	**(659.8)**	(800.0)
Derivatives	(11.2)	-	**(11.2)**	(1.0)
Net debt	(987.7)	0.6	**(987.1)**	(917.0)

11. Reconciliation of profit to net cash inflow from operating activities

	2008 £m	2007 £m
Profit before tax and finance costs – continuing[1]	323.9	420.7
Profit before tax and finance costs –discontinued[1]	(1.1)	5.3
Profit before tax and finance costs[1]	322.8	426.0
Depreciation	48.1	45.5
Amortisation of intangible assets	6.2	5.0
Costs of share-based payments	3.2	6.4
Increase in other financial assets	(3.6)	(0.2)
Decrease/(increase) in trade and other receivables	44.6	(63.2)
Increase/(decrease) in other financial liabilities	3.5	(1.7)
(Decrease)/increase in trade and other payables	(7.2)	15.7
Increase/(decrease) in provisions	1.5	(3.0)
Contribution to retirement benefit scheme	(6.0)	(6.1)
Share of results from joint ventures	1.7	0.2
Share of results from associates	(3.7)	(4.0)
Other items	3.6	0.5
Cash generated by operations	414.7	421.1
Income taxes paid	(49.9)	(65.8)
Finance costs paid	(72.0)	(69.8)
Net cash inflow from operating activities	**292.8**	**285.5**

(1) Before non-trading items

Cash and short-term deposits in the balance sheet comprises:

	2008 £m	2007 £m
Continuing operations		
Cash at bank and in hand	26.4	36.5
Deposits with maturity greater than three months	-	0.3
	26.4	36.8
Discontinued operations		
Cash at bank and in hand	0.6	1.0
Total Group		
Cash at bank and in hand	27.0	37.5
Deposits with maturity greater than three months	-	0.3
	27.0	37.8

Cash and cash equivalents in the cashflow statement comprises cash at bank and other short-term highly liquid investments with a maturity of three months or less and overdrafts:

	2008 £m	2007 £m
Continuing operations		
Cash at bank and in hand	26.4	36.5
Bank overdrafts (included in current liabilities)	(2.0)	(11.6)
	24.4	24.9
Discontinued operations		
Cash at bank and in hand	0.6	1.0
Total Group	25.0	25.9

12. Issued capital and reserves

	Share capital £m	Share premium £m	Other reserve £m	Treasury and own shares £m	Retained earnings £m	Foreign currency translation £m	**Total equity £m**
At 1 January 2007	**177.9**	**2,126.8**	**-**	**(5.4)**	**(2,928.4)**	**2.2**	**(626.9)**
Total recognised income and expense for the year	-	-	-	-	344.1	7.2	**351.3**
Issue of shares for cash	0.9	6.7	-	-	-	-	**7.6**
Share-based payment awards	0.1	0.7	-	-	(0.8)	-	**-**
Cost of share-based payments	-	-	-	-	6.4	-	**6.4**
Own shares purchased	-	-	-	(70.4)	-	-	**(70.4)**
Provision for share buybacks	-	-	(30.0)	-	-	-	**(30.0)**
Net increase in shares held in ESOP trusts	-	-	-	(4.2)	-	-	**(4.2)**
Equity dividends	-	-	-	-	(84.6)	-	**(84.6)**
At 31 December 2007	**178.9**	**2,134.2**	**(30.0)**	**(80.0)**	**(2,663.3)**	**9.4**	**(450.8)**
At 1 January 2008	**178.9**	**2,134.2**	**(30.0)**	**(80.0)**	**(2,663.3)**	**9.4**	**(450.8)**
Total recognised income and expense for the year	-	-	-	-	181.5	26.2	**207.7**
Issue of shares for cash	0.2	1.0	-	-	-	-	**1.2**
Share-based payment awards	0.1	0.6	-	-	(0.7)	-	**-**
Cost of share-based payments	-	-	-	-	3.2	-	**3.2**
Own shares purchased	-	-	-	(34.8)	-	-	**(34.8)**
Provision for share buybacks	-	-	30.0	-	-	-	**30.0**
Net decrease in shares held in ESOP trusts	-	-	-	0.5	-	-	**0.5**
Equity dividends	-	-	-	-	(85.0)	-	**(85.0)**
At 31 December 2008	**179.2**	**2,135.8**	**-**	**(114.3)**	**(2,564.3)**	**35.6**	**(328.0)**

13. Business combinations

Agenzie Scommesse SRL

On 4 February 2008, the Group acquired 100 per cent of the ordinary share capital of Agenzie Scommesse SRL, a betting company in Italy, for a cash consideration of £14.8 million, deferred consideration of £2.6 million and costs of acquisition of £0.2 million.

The acquisition and fair value balance sheet of Agenzie Scommesse SRL is as follows:

	Acquiree's carrying amount before combination £m	Fair Value adjustments £m	Total £m
Non-current assets			
Intangible assets - licences	5.5	12.0	17.5
Property, plant and equipment	0.7	-	0.7
Current assets			
Trade and other receivables	0.1	-	0.1
Cash and cash equivalents	1.7	-	1.7
Total assets	8.0	12.0	20.0
Current liabilities			
Trade and other payables	(2.4)	-	(2.4)
Deferred income tax liability	-	(4.9)	(4.9)
Total liabilities	(2.4)	(4.9)	(7.3)
Fair value of net assets acquired	5.6	7.1	12.7
Goodwill arising on acquisition			4.9
Consideration			
Cash consideration			14.8
Acquisition costs			0.2
Deferred consideration			2.6
Total consideration			17.6

The cash outflow on acquisition is as follows:

Net cash acquired with subsidiaries	(1.7)
Cash paid (including costs)	15.0
Net cash outflow	13.3

Goodwill of £4.9 million was recognised in respect of deferred tax liabilities relating to the statutory licences.

From the date of acquisition, Agenzie Scommesse SRL has contributed £6.9 million revenue and £1.7 million operating profit to the Group. If the acquisition of Agenzie Scommesse SRL had been completed on the first day of the financial year, Group revenues for the year ended 31 December 2008 would have been £0.7 million higher and Group profit attributable to equity holders of the parent Company would have been £0.2 million higher than disclosed in the income statement.

13. Business combinations (continued)

Eastwood Bookmakers

On 6 February 2008, the Group acquired the trade and assets of Eastwood Bookmakers, in Northern Ireland, for a cash consideration of £117.5 million and costs of acquisition of £0.6 million.

The acquisition and fair value balance sheet of Eastwood Bookmakers is as follows:

	Acquiree's carrying amount before combination £m	Fair Value adjustments £m	Total £m
Non-current assets			
Intangible assets - licences	-	117.6	117.6
Property, plant and equipment	2.2	(1.7)	0.5
Total assets	2.2	115.9	118.1
Fair value of net assets acquired	2.2	115.9	118.1

Consideration	
Cash consideration	117.5
Acquisition costs	0.6
Total consideration	118.1

The cash outflow on acquisition is as follows:

Net cash acquired	-
Cash paid (including costs)	118.1
Net cash outflow	118.1

From the date of acquisition, Eastwood Bookmakers has contributed £20.1 million revenue and £7.3 million operating profit to the Group. If the acquisition of Eastwood Bookmakers had been completed on the first day of the financial year, Group revenues for the year ended 31 December 2008 would have been £2.3 million higher and Group profit attributable to equity holders of the parent Company would have been £1.1 million higher than disclosed in the income statement.

13. Business combinations (continued)

McCartan Bookmakers

On 1 April 2008, the Group acquired the trade and assets of McCartan Bookmakers, in Northern Ireland, for a cash consideration of £6.7 million and costs of acquisition of £0.1 million.

The acquisition and fair value balance sheet of McCartan Bookmakers is as follows:

	Acquiree's carrying amount before combination £m	Fair Value adjustments £m	Total £m
Non-current assets			
Intangible assets – licences	-	6.8	6.8
Total assets	-	6.8	6.8
Fair value of net assets acquired	-	6.8	6.8
Consideration			
Cash consideration			6.7
Acquisition costs			0.1
Total consideration			6.8

The cash outflow on acquisition is as follows:

Net cash acquired	-
Cash paid (including costs)	6.8
Net cash outflow	6.8

From the date of acquisition, McCartan Bookmakers has contributed £1.6 million revenue and £0.6 million operating profit to the Group. If the acquisition of McCartan Bookmakers had been completed on the first day of the financial year, Group revenues for the year ended 31 December 2008 would have been £0.7 million higher and Group profit attributable to equity holders of the parent Company would have been £0.3 million higher than disclosed in the income statement.

In the year ended 31 December 2007, the Group acquired the following interests with net assets at fair value of £50.7 million (including customer relationships of £40.5 million), for a consideration of £64.9 million (cash paid of £60.9 million with a deferred consideration of £4.0 million), resulting in goodwill on acquisition of £14.2 million. The payment of the deferred consideration of £4.0 million is no longer probable and has been released to the income statement as a non-trading item.

	Consideration £m	Interest %	Date of acquisition
Paddington Casino Limited	10.7	65%*	3 January 2007
Sponsio Limited	41.8	100%	18 January 2007
Other European Retail acquisitions:			
Keenan Sports and Leisure Limited	3.1	100%	28 February 2007
Micheletto Agenzia Ippica Cuneo SRL	1.4	100%	27 June 2007
Parc Del Lido SRL	4.3	100%	7 August 2007
Montecarlo SRL	1.5	100%	10 August 2007
Laura Bassi SRL	1.5	100%	29 August 2007
Ace Racing Limited	0.6	100%	30 November 2007

* The acquisition of the 65% during 2007 took the Group's shareholding to 100%.

13. Business combinations (continued)

For the year ended 31 December 2007, from the date of acquisition, Sponsio Limited contributed £nil revenue and £2.3 million operating profit to the Group. Paddington Casino Limited contributed £7.2 million revenue and £0.7 million operating loss to the Group. The European Retail acquisitions contributed £2.5 million revenue and £0.6 million operating profit to the Group.

If the acquisitions had been completed on the first day of the financial year ended 31 December 2007, Group revenues for the year ended 31 December 2007 would have been £5.4 million higher and the Group profit attributable to the equity holders of the parent Company would have been £1.3 million higher than that disclosed in the income statement.

14. Financial guarantee contracts

The Group has given guarantees to third parties in respect of lease liabilities of former subsidiaries within the disposed hotels division. The Group received an indemnity from Hilton Hotels Corporation (HHC), at the time of the hotels disposal, in relation to any loss the Group may subsequently incur under these third party guarantees.

The maximum liability exposure in respect of the guarantees is £943.1 million (2007: £1,228.1 million), with a maximum indemnity receivable of the same amount. Included in the maximum liability exposure is £528.5 million (2007: £539.9 million) in relation to the turnover based element of the hotel rentals and £414.6 million (2007: £688.2 million) in relation to the minimum contractual based element. The maximum liability represents the total of all guaranteed rentals under the non-cancellable agreements into which the Group has entered.

These guarantees expire between 2009 and 2042 and the net present value of the maximum exposure at 31 December 2008 is £430.1 million (2007: £635.8 million). Included in the net present value of the maximum exposure is £219.1million (2007: £227.1 million) in relation to the turnover based element of the hotel rentals and £211.0 million (2007: £408.7 million) in relation to the minimum contractual based element.

The Group monitors its exposure under these guarantees on a regular basis and seeks, where appropriate, to novate its obligations.

The financial guarantees liability has been valued using a probability based model to estimate the net present value of the liabilities payable in the event of a default by the hotels covered by the guarantees, and the probability of such a default and new tenants being identified.

The financial guarantee asset has been valued on a similar basis to the liability, taking account of the credit profile of the counter party, HHC, to assess the likelihood of HHC continuing to be solvent at the time of any future potential claim under the indemnity. At 31 December 2008 the Group has recognised a financial liability of £9.0 million (2007: £10.0 million) in respect of these guarantees together with a financial asset of £nil (2007: £3.0 million) in relation to the indemnity.

Fair value of guarantees liability

	2008	2007
	£m	£m
At 1 January	10.0	14.0
Change in fair value attributable to hotels default risk	4.0	(3.0)
Guarantees expiring in the year	(5.0)	(1.0)
At 31 December	9.0	10.0

Fair value of guarantee asset

	2008	2007
	£m	£m
At 1 January	3.0	7.0
Change in fair value attributable to credit risk of counter party	(3.0)	(4.0)
At 31 December	-	3.0

14. Financial guarantee contracts (continued)

The change in the year in the fair value of the financial guarantee liability and asset have been recognised in the income statement and classified in discontinued operations.

The key assumption in the probability model is the hotel default rate. A rate of 2.0% has been used as at 31 December 2008 (2007: 1.2%). A 0.5 percentage point increase in the default rate would increase the financial liability by £1.0 million.

15. Restatement of income statement and segment information note for the year ended 31 December 2007

Year ended 31 December 2007	*Reported* Before non-trading items	*Adjustment* Discontinued operations – Casino	*Restated* Before non-trading items
	£m	£m	£m
Amounts staked[1]	14,908.5	(29.0)	14,879.5
Revenue	1,235.0	(7.2)	1,227.8
Cost of sales before depreciation	(684.5)	7.3	(677.2)
Administrative expenses	(83.9)	0.3	(83.6)
Share of results from joint ventures and associates	3.8	-	3.8
EBITDA	470.4	0.4	470.8
Depreciation and amounts written off non-current assets	(50.4)	0.3	(50.1)
Profit before tax and finance costs	420.0	0.7	420.7
Finance costs	(69.5)	0.3	(69.2)
Finance income	1.5	-	1.5
Profit before taxation	352.0	1.0	353.0
Income tax expense	(54.8)	(0.3)	(55.1)
Profit for the year – continuing operations	297.2	0.7	297.9
Discontinued operations			
Profit for the year from discontinued operations	3.4	(0.7)	2.7
Profit for the year	300.6	-	300.6
Attributable to:			
Equity holders of the parent	300.6	-	300.6
Earnings per share from continuing operations:			
- basic	47.4p	0.2p	47.6p
- diluted	47.0p	0.2p	47.2p
Earnings per share on profit for the year:			
- basic	48.0p	-	48.0p
- diluted	47.6p	-	47.6p

(1) Amounts staked does not represent the Group's statutory revenue and comprises the total amount staked by customers on betting activities and gaming

15. Restatement of income statement and segment information note for the year ended 31 December 2007 (continued)

	Reported Revenue £m	Casino £m	Restated Revenue £m
Continuing operations:			
UK Retail[(1)]	701.8	-	701.8
Other European Retail[(1)]	102.7	-	102.7
European Retail	804.5	-	804.5
eGaming	143.5	-	143.5
Telephone Betting	279.8	-	279.8
Other	7.2	(7.2)	-
Total	1,235.0	(7.2)	1,227.8
Discontinued operations:			
Casino	-	7.2	7.2
Vernons	16.8	-	16.8
Total	16.8	7.2	24.0
Total Group	1,251.8	-	1,251.8

	Reported profit before taxation and non-trading items £m	Casino £m	Reported profit before taxation and non-trading items £m
Continuing operations:			
UK Retail[(1)]	187.8	-	187.8
Other European Retail[(1)]	21.7	-	21.7
European Retail	209.5	-	209.5
eGaming	55.0	-	55.0
Telephone Betting	183.6	-	183.6
Other [(2)]	(7.0)	0.7	(6.3)
Corporate costs	(21.1)	-	(21.1)
Total	420.0	0.7	420.7
Net finance costs	(68.0)	0.3	(67.7)
	352.0	1.0	353.0
Discontinued operations:			
Casino	-	(0.7)	(0.7)
Vernons	6.0	-	6.0
Total	6.0	(0.7)	5.3
Net finance costs	(1.2)	(0.3)	(1.5)
	4.8	(1.0)	3.8
Total Group	356.8	-	356.8

(1) Classified as European Retail in 2007.

(2) Other includes international development costs and the start up of our Spanish joint venture