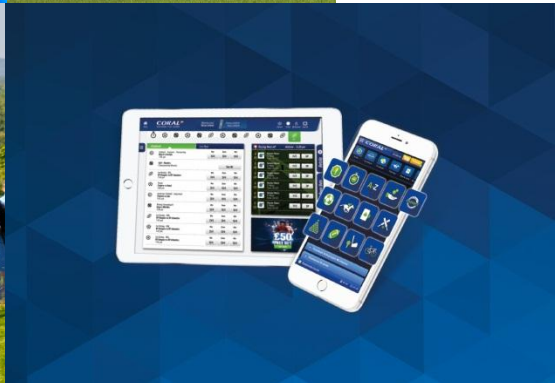


GALA CORAL GROUP



Gala Coral Group Limited

Interim results for the
forty week period ended 2 July 2016

Registered Number: 07254686

Gala Coral Group Limited

Management report

OPERATIONAL HIGHLIGHTS – QUARTER 3

- **Coral Group** Net revenue⁽¹⁾ of £264.0 million: +£23.0 million (+10%)
- **Coral Group** EBITDA^(2/3) of £57.7 million: +£6.5 million (+13%). Regulatory impacts have now annualised
- **Coral Retail** EBITDA⁽²⁾ of £31.9 million: -£0.5 million (-2%). OTC GW% up 1.3pp and machines net revenue +10%
- **Coral Connect:** Another strong quarter with 74k sign ups
- **Eurobet Retail** EBITDA⁽²⁾ of £5.3 million: +£1.7 million (+47%). Sports stakes +38%
- **Online** EBITDA⁽²⁾ of £21.6 million: +£4.5 million (+26%). Online net revenue +19%: Coral.co.uk net revenue +26%, Eurobet.it net revenue +25%

OPERATIONAL HIGHLIGHTS – YEAR TO DATE

- **Coral Group** Net revenue⁽¹⁾ of £868.9 million: +£93.5 million (+12%)
- **Coral Group** EBITDA^(2/3) of £182.3 million: +£23.7 million (+15%)
- **Online** EBITDA⁽²⁾ of £58.7 million: +£19.0 million (+48%). Online net revenue +30%: Coral.co.uk net revenue +46%, Eurobet.it +34%, both websites benefitting from the reversal of poor results in the first half of the prior year

Carl Leaver, Group CEO, commented:

“EBITDA for the quarter was 13% ahead of last year, driven by continued strong growth in Coral.co.uk and Eurobet.it, a good machines performance in Coral Retail and a positive Euro 2016 football championship. Year- to-date, EBITDA was up 15%, or 32% ahead on an underlying basis (adjusting for incremental regulatory costs).

Online customer acquisition volumes during the Euro 2016 football championships were encouraging. As in the 2014 World Cup, Coral did not advertise on TV, instead focussing marketing investment on channels where we see a positive return. Our predictive models indicate that the value of customers acquired during the Euros is around double the levels achieved in the 2014 World Cup. Combined with very competitive costs of acquisition, this will drive impressive returns on our marketing investment.

Whilst we were pleased with our ongoing online net revenue growth of 19%, it is worth noting, as highlighted at our H1 results, this growth rate was held back by new regulatory requirements, including teething problems around the introduction of new player protection measures. We estimate that net revenue would have grown by 28% absent these factors. OTC staking in Coral Retail was also impacted by these new requirements.

Coral Connect continues to go from strength to strength, with 74k new sign-ups during the quarter. Connect customers contributed 48% of Coral.co.uk net revenue, while use of Connect in our shops has also increased in both machines and OTC.

Current trading in the 8 weeks post the quarter end has been positive, with continued machines growth in Coral Retail, and strong volume growth in Online. Sports gross win margins are, however, behind last year’s levels primarily due to very poor UK horse racing results in the week commencing 15th August.

On July 26th, the Competition and Markets Authority released its final report into the proposed merger between the Coral Group and Ladbrokes PLC, approving the merger subject to the sale of between 350 and 400 shops. A number of parties have expressed interest in purchasing these shops, and the disposal process is well under way. As previously guided, we expect to complete the merger during the Autumn.”

{1} Net revenue is calculated as gross win less free bets and customer bonuses

{2} EBITDA is stated pre-exceptional items

{3} EBITDA includes all revenue and expenses for the Coral Group and excludes Gala Retail (Q3 FY16: £0.0 million and Q3 FY15: £11.9 million, Q3 YTD FY16: £9.9 million and Q3 YTD FY15: £38.1 million), High Rollers (Q3 FY16: £0.0 million and Q3 FY15: -£8.5 million, Q3 YTD FY16: £0.0 million and Q3 YTD FY15: -£7.6 million) and Propco rental income (Q3 FY16: £0.0 million and Q3 FY15: £0.0 million, Q3 YTD FY16: £0.0 million and Q3 YTD FY15: £5.8 million)

{4} FY15 YTD EBITDA (pre-exceptionals) has been rebased for the estimated impact of Point of Consumption Tax (-£5.8 million, of which Online -£5.6 million) and the increase in rate of MGD to 25% and DCMS FOBT higher staking restrictions (Coral Retail -£14.5 million), calculated as if all changes had been in existence for the corresponding periods in FY15

{5} All numbers are now stated under IFRS for FY16 and FY15

Gala Coral Group Limited

Management report (continued)

FINANCIAL RESULTS

Total Coral Group ⁽³⁾ Q3 (£m)	FY16			FY15		
	Before Exceptional Items	Exceptional Items	Total	Before Exceptional Items	Exceptional Items	Total
Net Revenue ⁽¹⁾	264.0	-	264.0	241.0	-	241.0
EBITDA	57.7	(5.6)	52.1	51.2	(4.7)	46.5
EBIT	48.3	(26.2)	22.1	37.5	(6.1)	104.3
Profit / (loss) <u>before</u> non cash interest on shareholder loans and before tax	33.8	(26.2)	7.6	14.4	(6.1)	8.3
Profit / (loss) <u>after</u> non cash interest on shareholder loans and before tax	0.6	(26.2)	(25.6)	(14.4)	(6.1)	(20.5)

Total Coral Group ⁽³⁾ Q3 Year-to-date (£m)	FY16			FY15		
	Before Exceptional Items	Exceptional Items	Total	Before Exceptional Items	Exceptional Items	Total
Net Revenue ⁽¹⁾	868.9	-	868.9	775.4	-	775.4
EBITDA	182.3	(7.3)	175.0	158.6	(10.7)	147.9
EBIT	144.3	(27.9)	116.4	116.4	78.8	195.2
Profit / (loss) <u>before</u> non cash interest on shareholder loans and before tax	83.7	(50.2)	33.5	26.2	151.4	177.6
Profit / (loss) <u>after</u> non cash interest on shareholder loans and before tax	(25.2)	(50.2)	(75.4)	(68.5)	151.4	82.9

- Year-to-date pre-exceptional Group profit before non-cash interest on shareholder loans and before tax was £83.7 million, an increase of £57.5 million from the prior year, driven by improvements in EBITDA and external interest costs.
- Non cash interest on shareholder loans was a cost of £108.9 million compared to a cost of £94.7 million in the prior year. As this cost reflects a non-cash charge relating to loans from shareholders, the Group deems PBT before this cost as a more relevant measure of profitability (enabling comparison with industry peers) than PBT after this cost.
- Exceptional costs were £50.2 million, compared to a £151.4 million credit last year as the prior year included a £159.5 million credit reflecting one-off profits associated with the disposal of the Gala Bingo Propoco business. The current year charge reflects non-cash impairment charges and merger related deal costs.
- The post-exceptional loss after non-cash interest on shareholder loans and before tax was £75.4 million, a reduction of £158.3 million from the £82.9 million profit in the prior year. This variance is more than accounted for by the one-off profit on the disposal of the Gala Bingo Propoco business last year.

{1} Net revenue is calculated as gross win less free bets and customer bonuses

{2} EBITDA is stated pre-exceptional items

{3} EBITDA includes all revenue and expenses for the Coral Group and excludes Gala Retail (Q3 FY16: £0.0 million and Q3 FY15: £11.9 million, Q3 YTD FY16: £9.9 million and Q3 YTD FY15: £38.1 million), High Rollers (Q3 FY16: £0.0 million and Q3 FY15: -£8.5 million, Q3 YTD FY16: £0.0 million and Q3 YTD FY15: -£7.6 million) and Propoco rental income (Q3 FY16: £0.0 million and Q3 FY15: £0.0 million, Q3 YTD FY16: £0.0 million and Q3 YTD FY15: £5.8 million)

{4} FY15 YTD EBITDA (pre-exceptionals) has been rebased for the estimated impact of Point of Consumption Tax (-£5.8 million, of which Online -£5.6 million) and the increase in rate of MGD to 25% and DCMS FOBT higher staking restrictions (Coral Retail -£14.5 million), calculated as if all changes had been in existence for the corresponding periods in FY15

{5} All numbers are now stated under IFRS for FY16 and FY15

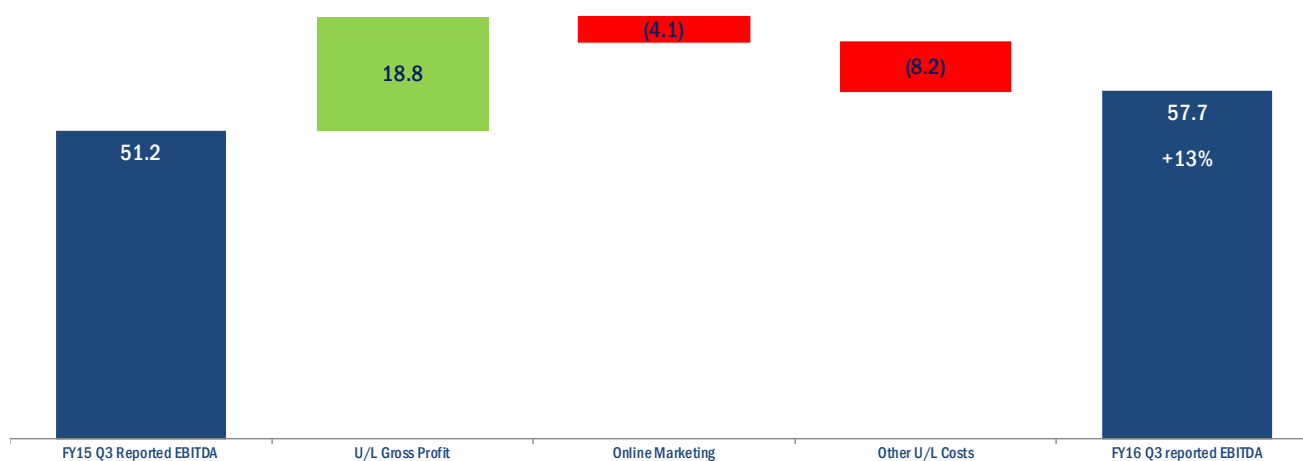
Gala Coral Group Limited

Management report (continued)

QUARTER 3 OVERVIEW

QUARTER 3	NET REVENUE ⁽¹⁾			GROSS PROFIT			EBITDA ⁽²⁾		
	FY16 £'m	FY15 £'m	+/- £'m	FY16 £'m	FY15 £'m	+/- £'m	FY16 £'m	FY15 £'m	+/- £'m
Coral Retail	165.0	157.6	7.4	122.8	115.9	6.9	31.9	32.4	(0.5)
Eurobet Retail	21.3	18.4	2.9	7.6	6.3	1.3	5.3	3.6	1.7
Online	76.3	63.9	12.4	53.1	42.6	10.5	21.6	17.1	4.5
Coral Telebet	1.4	1.1	0.3	1.1	1.0	0.1	0.6	0.3	0.3
Corporate Costs	-	-	-	-	-	-	(1.7)	(2.2)	0.5
Total Coral Group⁽³⁾	264.0	241.0	23.0	184.6	165.8	18.8	57.7	51.2	6.5

FY15 Q3 Reported EBITDA to FY16 Q3 EBITDA (£'m)^(2/3)



Net revenue⁽¹⁾ of £264.0 million was £23.0 million or 10% ahead of last year and EBITDA^(2/3) of £57.7 million was £6.5 million or 13% ahead. Regulatory impacts (MGD increase to 25%, DCMS high stakes FOBT restrictions and Point of Consumption Tax) had all annualised prior to Quarter 3.

EBITDA^(2/3) was ahead in all divisions with the exception of Coral Retail. Growth in Coral Retail and Online was dampened by new regulatory requirements implemented during Q2, including teething problems around the introduction of new player protection measures which are now fully resolved.

{1} Net revenue is calculated as gross win less free bets and customer bonuses

{2} EBITDA is stated pre-exceptional items

{3} The Coral Group excludes Gala Retail (Q3 FY16: £0.0 million and Q3 FY15: £11.9 million), High Rollers (Q3 FY16: £0.0 million and Q3 FY15: £8.5 million). Quarter 3 represents the 12 week periods ending 2 July 2016 and 4 July 2015

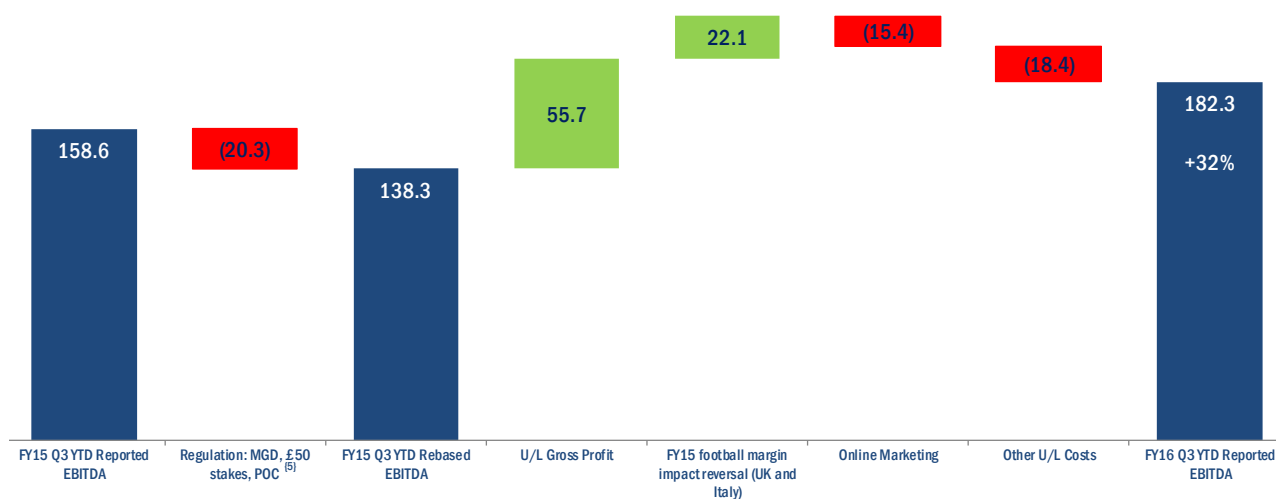
Gala Coral Group Limited

Management report (continued)

QUARTER 3 YEAR TO DATE OVERVIEW

QUARTER 3 YTD	NET REVENUE ⁽¹⁾			GROSS PROFIT			EBITDA ⁽²⁾		
	FY16	FY15	+/-	FY16	FY15	+/-	FY16	FY15	+/-
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Coral Retail	547.2	523.9	23.3	402.5	391.0	11.5	111.2	111.3	(0.1)
Eurobet Retail	76.2	60.9	15.3	25.6	19.0	6.6	17.1	10.5	6.6
Online	242.5	186.8	55.7	167.1	126.9	40.2	58.7	39.7	19.0
Coral Teletbet	3.0	3.8	(0.8)	2.5	3.3	(0.8)	0.7	1.3	(0.6)
Corporate Costs	-	-	-	-	-	-	(5.4)	(4.2)	(1.2)
Total Coral Group⁽³⁾	868.9	775.4	93.5	597.7	540.2	57.5	182.3	158.6	23.7

FY15 Q3 YTD Reported EBITDA to FY16 Q3 YTD EBITDA (£'m)^(2/3)



Net revenue⁽¹⁾ of £868.9 million was £93.5 million or 12% ahead of last year and EBITDA^(2/3) of £182.3 million was £23.7 million or 15% ahead, with strong growth in both Eurobet Retail and Online. Adjusting FY15 for the impact of regulation⁽⁴⁾ underlying EBITDA^(2/3) increased by £44.0 million or 32% versus last year. UK football margins improved significantly year-on-year, having annualised against the exceptionally adverse football margins experienced on Boxing Day 2014 and the weekend of 17/18th January 2015 (estimated EBITDA impact of £17.0 million). Football margins in Italy were also ahead of last year (estimated EBITDA impact of £5.1 million), albeit still around 2.5pp behind expectations.

{1} Net revenue is calculated as gross win less free bets and customer bonuses

{2} EBITDA is stated pre-exceptional items

{3} The Coral Group excludes Gala Retail (Q3 YTD FY16: £9.9 million and Q3 YTD FY15: £38.1 million), High Rollers (Q3 FY16: £0.0 million and Q3 FY15: -£7.6 million) and Propco rental income (Q3 YTD FY16: £0.0 million and Q3 YTD FY15: £5.8 million). Quarter 3 YTD represents the 40 week periods ending 2 July 2016 and 4 July 2015

{4} FY15 YTD EBITDA (pre-exceptionals) has been rebased for the estimated impact of Point of Consumption Tax (-£5.8 million, of which Online -£5.6 million) and the increase in rate of MGD to 25% and DCMS FOBT higher staking restrictions (Coral Retail -£14.5 million), calculated as if all changes had been in existence for the corresponding periods in FY15

Gala Coral Group Limited

Management report (continued)

DIVISIONAL SUMMARY

CORAL RETAIL

£m	Quarter 3			Quarter 3 YTD		
	FY16	FY15	%	FY16	FY15	%
OTC stakes	379.7	405.9	(6%)	1,285.2	1,324.9	(3%)
OTC gross win margin %	18.8%	17.5%	1.3pp	18.6%	17.3%	1.3pp
OTC gross win	71.3	71.1	0%	238.5	229.7	4%
OTC net revenue	70.7	70.8	(0%)	236.4	228.5	3%
Machines net revenue	92.9	84.5	10%	302.2	287.2	5%
Stadia and other net revenue	1.4	2.3	(39%)	8.6	8.2	5%
Net revenue^{1}	165.0	157.6	5%	547.2	523.9	4%
Gross profit	122.8	115.9	6%	402.5	391.0	3%
EBITDA^{2}	31.9	32.4	(2%)	111.2	111.3	(0%)
EBIT^{2}	25.9	25.9	0%	90.1	90.5	(0%)

- OTC stakes were 6% behind last year driven by a smaller LBO estate (average of 1,819 LBOs in the quarter compared to 1,848 in the prior year – a 2% reduction), higher levels of recycling in the prior year due to lower margins, the impact of more stringent customer “source of funds” checks (estimated to account for 2 percentage points of the decrease) and weaker underlying horse racing stakes.
- Strong non-festival horse racing margins and a bookmaker-friendly Euro 2016 Championship drove a 1.3pp increase in OTC gross win margin to 18.8%.
- Machines net revenue was 10% ahead driven by a strong slots performance, with slots now accounting for 40% of gross win (FY15: 38%).
- Only 8% of Machines net revenue was driven by high stakes (>£50) play.
- Operating costs were 9% higher due to increased opening hours, salary reviews, staff bonuses following record Connect sign-ups and investment in staff training on enhanced player protection measures. Full year guidance for operating costs increase is now 4-5%.
- Connect sign-ups totalled 74k during the quarter, with Connect customers contributing 48% of coral.co.uk net revenue.
- Q3 EBITDA of £31.9 million was £0.5 million or 2% behind last year. EBITDA per shop was flat year-on-year while EBIT per shop grew 2%.
- Year-to-date EBITDA of £111.2 million was broadly in-line with the prior year.

EUROBET RETAIL

£m	Quarter 3			Quarter 3 YTD		
	FY16	FY15	%	FY16	FY15	%
Sports stakes	86.8	63.0	38%	291.5	233.4	25%
Sports gross win margin %	15.9%	18.5%	(2.6pp)	17.9%	15.8%	2.1pp
Sports net revenue	13.8	11.7	18%	52.3	36.9	42%
Virtual and other net revenue	7.5	6.7	12%	23.9	24.0	(0%)
Net revenue^{1}	21.3	18.4	16%	76.2	60.9	25%
Gross profit	7.6	6.3	21%	25.6	19.0	35%
EBITDA^{2}	5.3	3.6	47%	17.1	10.5	63%
EBIT^{2}	4.3	0.3	n/m	9.8	1.2	n/m

- Sports stakes were 38% ahead driven by the Euro 2016 Championships, shop relocations (completed in Q1 FY16) and growth in Retail Bet-in-Play.
- Sports market share (gross win) was 15.4% (+1.8pp) – number 2 in the market.
- Q3 EBITDA of £5.3 million was £1.7 million or 47% ahead of last year.
- Year-to-date EBITDA of £17.1 million was £6.6 million or 63% ahead of last year, primarily due to sports stakes growth and football margins ahead of last year (but still behind expectations).

{1} Net revenue is calculated as gross win less free bets and customer bonuses
 {2} EBITDA and EBIT are stated pre-exceptional items

Gala Coral Group Limited

Management report (continued)

DIVISIONAL SUMMARY (CONTINUED)

ONLINE

£m	Quarter 3			Quarter 3 YTD		
	FY16	FY15	%	FY16	FY15	%
Coral.co.uk net revenue	42.3	33.5	26%	128.4	88.0	46%
Gala websites net revenue	22.9	21.5	7%	75.9	70.3	8%
Eurobet.it net revenue	11.1	8.9	25%	38.2	28.5	34%
Net revenue⁽¹⁾	76.3	63.9	19%	242.5	186.8	30%
Point of consumption tax	(11.0)	(8.7)	(26%)	(34.2)	(20.5)	(67%)
Cost of sales	(12.2)	(12.6)	3%	(41.2)	(39.4)	(5%)
Gross profit	53.1	42.6	25%	167.1	126.9	32%
Marketing costs	(15.8)	(11.7)	(35%)	(59.2)	(43.8)	(35%)
Operating costs	(15.7)	(13.8)	(14%)	(49.2)	(43.4)	(13%)
EBITDA⁽²⁾	21.6	17.1	26%	58.7	39.7	48%
EBIT⁽²⁾	19.2	13.2	45%	49.1	27.6	78%

- Net revenue of £76.3 million: +£12.4 million or 19%.
- Marketing costs in Q3 increased by £4.1 million or 35% and now equate to 21% of online net revenue, an increase of 2pp from the prior year (Q3 YTD: 24%, +1pp).
- Q3 EBITDA of £21.6 million was £5.5 million or 26% ahead of last year.
- Year-to-date EBITDA of £58.7 million was £19.0 million or 48% ahead of last year. Adjusting for Point of Consumption Tax, underlying EBITDA was 72% ahead.

Coral.co.uk:

- Net revenue of £42.3 million: +£8.8 million or 26%:
 - Sports net revenue of £19.4 million: +£5.2 million or 37%.
 - Gaming net revenue of £22.9 million +£3.6 million or 19%.
- Actives were 35% ahead, with high levels of customer acquisition during the Euro 2016 Championships despite the decision not to advertise on TV.
- A very strong sports gross win margin of 9.4% (+1.0pp) was driven by both favourable results, including the Euro 2016 Championships, and the structural improvements to customer management implemented at the end of FY15 and start of FY16. Normal sports gross win margin expectations are now c.8.0%.
- Mobile stakes represented 80% of sports stakes (+12.0pp) and 73% of gaming stakes (+14.4pp). The marked acceleration in mobile penetration reflects the positive customer response to the relaunched proprietary coral.co.uk app.

Gala websites:

- Galabingo.com net revenue of £20.1 million: + £1.4 million or 7%. Mobile stakes represented 60% of total stakes, with growth driven by new exclusive gaming content and advances to CRM capabilities.
- Galacasino.com net revenue of £2.8 million: +£0.2 million or 8%.

Eurobet.it:

- Net revenue of £11.1 million: +£2.2 million or 25%:
 - Sports net revenue of £5.6 million: +£1.2 million or 27%
 - Gaming net revenue of £5.5 million +£1.0 million or 22%
- Actives were 33% ahead of last year and first-time depositors 41% ahead, driven by high levels of direct acquisition throughout the Euro 2016 Championships, and multi-channel acquisition through the shop estate.

{1} Net revenue is calculated as gross win less free bets and customer bonuses

{2} EBITDA and EBIT are stated pre-exceptional items

Gala Coral Group Limited

Management report (continued)

RESPONSIBLE GAMBLING AND REGULATORY

The Group continues to work closely with the wider industry, Regulator and Government on responsible gambling. Gala Coral was an active participant in the second 'Gamble Aware' week in July; all Coral stores dedicated 100% of their shop window advertising and in-shop advertising to responsible gambling messages for the week, focusing on the "When the Funs Stops, Stop" message. During the period we also introduced new player protection measures, including new mandatory alerts based on customer spend and / or time played.

The Responsible Gambling Strategy Board (RGSB) has informed the industry that it is working on a revised strategic plan, with 12 metrics to track progress on promoting responsible gambling, and we look forward to working with the RGSB on this agenda.

There is no indication that the EU consultation on AMLD IV will be published imminently, although the formal deadline for its introduction among member states remains June 2017. In the meantime the Group has further tightened its AML processes following feedback from the UK Gambling Commission.

HMRC has launched a consultation on, "tax treatment of freeplays in Remote Gaming Duty", with a deadline of 17 October 2016. Gala Coral will be submitting a formal response.

The industry is still awaiting the Government's Triennial Review of Stakes and Prizes, but anticipates that this will now be launched in the fourth quarter of the year. The DCMS is expected to make the final ruling on the new horseracing levy in September; we understand that secondary legislation will be brought forward to enact any changes before the end of 2016 and will take effect in April 2017.

IFRS

For years beginning on or after 1 January 2015, companies are no longer able to report under UK GAAP, the accounting standards under which the Gala Coral Group used to report. Rather than report under FRS 102, the new standards released by the FRC, the Group has elected to transition to and report all future results under IFRS. The preliminary IFRS transition statement is available on the company website.

EXCEPTIONAL COSTS

The year-to-date exceptional expense before tax of £50.2 million relates to a £20.6 million impairment of closed LBOs and other assets no longer used by the Group, £22.8 million of costs associated with the early repayment of the senior notes and senior secured notes and £7.3 million of other costs which predominantly relate to merger related deal costs. During the prior year the exceptional credit of £151.4 million primarily reflected one-off profits associated with the disposal of the Gala Bingo Propco business.

FINANCING

Net debt for accounting purposes (excluding shareholder loan notes) was £785.2 million as at 2 July 2016 (26 September 2015 £1,031.8 million). The decrease in net debt from the year end was as a result of the disposal of Gala Retail and the operating cash inflow, partially offset by interest, bond redemption fees and the amortisation of issue costs.

Unlevered free cashflow for the Coral Group (excluding transaction costs and discontinued operations) in the year to date was £125.8 million. This represented a 69% conversion from EBITDA.

During the period the Group used the net proceeds of the sale of the Gala Bingo clubs to repay £227.0 million of the senior secured notes, and excess cash to repay £100.0 million of the senior notes, incurring £15.8 million of fees.

CURRENT TRADING

For the 8 weeks ending 28th August:

Current trading in the 8 weeks post the quarter end has been positive, with continued machines growth in Coral Retail, sports stakes well ahead in Eurobet Retail and good volume growth in Online. Sports gross win margins are, however, behind last year's levels primarily due to poor horse racing results in the UK (especially in the week commencing 15th August) and as a result of very strong prior year comparators in Italy.

Gala Coral Group Limited

Interim Consolidated Income Statement

	Notes	Unaudited 40 weeks ended 2 July 2016			Unaudited 40 weeks ended 4 July 2015		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Continuing Operations:							
Revenue	2	870.4	-	870.4	777.2	-	777.2
Cost of sales		(272.7)	-	(272.7)	(237.0)	-	(237.0)
Gross profit		597.7	-	597.7	540.2	-	540.2
Operating expenses		(453.4)	-	(453.4)	(423.8)	-	(423.8)
Impairment charges		-	(20.6)	(20.6)	-	(1.4)	(1.4)
Profit on sale of Propco non-current assets classified as held for sale		-	-	-	-	90.9	90.9
Other exceptional items		-	(7.3)	(7.3)	-	(10.7)	(10.7)
EBITDA		182.3	(7.3)	175.0	158.6	(10.7)	147.9
Depreciation and amortisation		(38.0)	(20.6)	(58.6)	(42.2)	(1.4)	(43.6)
Profit on sale of Propco non-current assets classified as held for sale		-	-	-	-	90.9	90.9
Group operating profit/(loss)	2	144.3	(27.9)	116.4	116.4	78.8	195.2
Financing costs - external	4	(63.1)	(22.3)	(85.4)	(91.9)	-	(91.9)
Financing income – external	4	2.5	-	2.5	1.7	72.6	74.3
Profit/(loss) before non-cash interest on shareholder loans and before tax		83.7	(50.2)	33.5	26.2	151.4	177.6
Non-cash interest on shareholder	4	(108.9)	-	(108.9)	(94.7)	-	(94.7)
(Loss)/profit after non-cash interest on shareholder loans and before tax		(25.2)	(50.2)	(75.4)	(68.5)	151.4	82.9
Income tax	5	9.9	3.7	13.6	(4.0)	0.3	(3.7)
(Loss)/profit for the period from continuing operations		(15.3)	(46.5)	(61.8)	(72.5)	151.7	79.2
Discontinued Operations:							
Profit for the period from discontinued operations after tax	6	-	8.9	8.9	-	34.3	34.3
Total (loss)/profit for the period		(15.3)	(37.6)	(52.9)	(72.5)	186.0	113.5
(Loss)/profit for the period attributable to the owners of the parent company		(15.3)	(37.6)	(52.9)	(72.5)	186.0	113.5

Details of exceptional items are given in notes 3 and 4.

Gala Coral Group Limited

Interim Consolidated Statement of Comprehensive income

	Unaudited 40 weeks ended 2 July 2016 £m	Unaudited 40 weeks ended 4 July 2015 £m
(Loss)/profit for the period	(52.9)	113.5
Items of other comprehensive income that may be subsequently reclassified to profit or loss:		
Currency translation differences	1.7	(2.0)
Total items that may be reclassified to profit or loss	1.7	(2.0)
Items of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurements of retirement benefits	(19.8)	3.0
Tax on items that will not be reclassified to profit or loss	6.9	(1.0)
Total items that will not be reclassified to profit or loss	(12.9)	2.0
Total items that may be reclassified to profit or loss	1.7	(2.0)
Other comprehensive (expense)/income for the period	(11.2)	-
(Loss)/profit for the period	(52.9)	113.5
Total comprehensive (expense)/income for the period	(64.1)	113.5
Total comprehensive (expense)/income for the period attributable to the owners of the parent company	(64.1)	113.5

Items of other comprehensive income that will not be reclassified to profit or loss include gains or losses on the remeasurement of pension scheme assets and liabilities. These items are permanently recorded within equity and will never be recycled within the income statement.

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Interim Consolidated Balance Sheet

	Notes	Unaudited 2 July 2016 £m	Unaudited 4 July 2015 £m	Unaudited 26 September 2015 £m
Assets				
Non-current assets				
Goodwill and intangible assets		1,109.3	1,132.1	1,121.9
Property, plant and equipment		89.5	83.6	96.4
Deferred tax assets		17.5	24.4	19.0
Retirement benefit asset		42.2	35.3	53.7
		1,258.5	1,275.4	1,291.0
Current assets				
Inventories		0.4	0.5	0.5
Trade and other receivables		44.5	49.2	26.0
Cash and cash equivalents	9	177.9	188.6	236.9
Derivatives		-	0.2	0.1
		222.8	238.5	263.5
Assets of disposal group held for sale		-	308.9	312.5
Total assets		1,481.3	1,822.8	1,867.0
Liabilities				
Current liabilities				
Trade and other payables		(177.5)	(167.5)	(181.4)
Current income taxation		(2.5)	(0.9)	(0.5)
Other financial liabilities		(6.1)	(2.6)	(5.7)
Provisions		(8.5)	(10.9)	(10.8)
		(194.6)	(181.9)	(198.4)
Non-current liabilities				
Interest bearing loans and borrowings	8	(2,017.1)	(2,194.5)	(2,224.8)
Other payables		(4.6)	(7.1)	(7.2)
Deferred tax liabilities		(185.8)	(205.4)	(212.3)
Provisions		(8.4)	(15.6)	(15.6)
		(2,215.9)	(2,422.6)	(2,459.9)
Liabilities of disposal group held for sale		-	(65.8)	(73.8)
Total liabilities		(2,410.5)	(2,670.3)	(2,732.1)
Net liabilities		(929.2)	(847.5)	(865.1)
Equity attributable to owners of the parent				
Issued share capital		213.3	213.3	213.3
Merger reserve		1.6	1.6	1.6
Capital contribution reserve		1,723.5	1,723.5	1,723.5
Retained earnings		(2,867.8)	(2,783.9)	(2,802.0)
Foreign currency translation reserve		0.2	(2.0)	(1.5)
Total shareholders' equity		(929.2)	(847.5)	(865.1)

Interest bearing loans and borrowings include £1,054.0 million of shareholder loan notes (4 July 2015: £916.4 million, 26 September 2015: £945.1 million)

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Interim Consolidated Statement of Changes in Equity

	Issued share capital £m	Merger reserve £m	Capital contribution reserve £m	Revaluation reserve £m	Retained earnings £m	Foreign currency translation reserve £m	Total share- holders' equity £m
At 26 September 2015	213.3	1.6	1,723.5	-	(2,802.0)	(1.5)	(865.1)
Loss for the period	-	-	-	-	(52.9)	-	(52.9)
Other comprehensive (expense)/ income	-	-	-	-	(12.9)	1.7	(11.2)
Total comprehensive (expense)/income for the period	-	-	-	-	(65.8)	1.7	(64.1)
At 2 July 2016	213.3	1.6	1,723.5	-	(2,867.8)	0.2	(929.2)
At 27 September 2014	213.3	1.6	1,723.5	8.0	(2,908.5)	-	(962.1)
Profit for the period	-	-	-	-	113.5	-	113.5
Other comprehensive income/(expense)	-	-	-	-	2.0	(2.0)	-
Total comprehensive (expense)/income for the period	-	-	-	-	115.5	(2.0)	113.5
Share based payments	-	-	-	-	1.1	-	1.1
Reserve transfer	-	-	-	(8.0)	8.0	-	-
At 4 July 2015	213.3	1.6	1,723.5	-	(2,783.9)	(2.0)	(847.5)

Gala Coral Group Limited

Interim Consolidated Statement of Cash Flows

	Notes	Unaudited 40 weeks ended 2 July 2016 £m	Unaudited 40 weeks ended 4 July 2015 £m	Unaudited year ended 26 September 2015 £m
Cash generated from operations	9(a)	163.0	159.1	241.5
Income tax paid		(2.0)	(4.1)	(5.3)
Net cash inflow from operations		161.0	155.0	236.2
Cash inflow/(outflow) from investing activities				
Purchase of intangible assets		(18.6)	(13.0)	(14.1)
Purchase of property, plant and equipment		(26.6)	(30.8)	(51.8)
Net proceeds on disposal of assets held for sale		230.5	206.7	206.0
Net cash inflow from investing activities		185.3	162.9	140.1
Cash outflow from financing activities				
Repayments of borrowings and associated fees		(327.0)	(236.5)	(236.5)
Net external interest paid		(91.8)	(105.3)	(115.2)
Net cash outflow from financing activities		(418.8)	(341.8)	(351.7)
Net (decrease)/increase in cash and cash equivalents		(72.5)	(23.9)	24.6
Cash and cash equivalents at beginning of period		236.9	204.0	204.0
Net (decrease)/increase in cash and cash equivalents		(72.5)	(23.9)	24.6
Effect of changes in foreign exchange rates		2.5	(1.5)	(1.6)
Net decrease in cash and cash equivalents classified as held for sale		11.0	10.0	9.9
Cash and cash equivalents at end of period		177.9	188.6	236.9

Gala Coral Group Limited

Notes to the Financial Information

1 Basis of preparation and significant accounting policies

Basis of preparation

The interim condensed consolidated financial information, which is unaudited, is prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information or disclosures required in the annual financial statements as they have been prepared for the provision of interim information, and should be read in conjunction with the Group's preliminary IFRS transition statement which can be found on the Group website: www.galacoral.co.uk.

Accounting Estimates

The preparation of the condensed consolidated interim financial information in accordance with IFRS requires the Group to make estimates, judgements and assumptions that may affect the reported amounts of assets, liabilities, turnover and expenses and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Going Concern

The directors have continued to review the Group's cash flow forecasts and trading budgets and after making appropriate enquiries, have formed the view that the Group is operationally and financially robust and will generate sufficient cash to meet its ongoing requirements for at least the next 12 months from the date of approval of the interim condensed consolidated financial information, despite the net liabilities position.

In the period ended 2 July 2016 the Group has generated cash from operating activities of £163.0 million and a cash inflow of £24.0 million excluding proceeds on disposal of assets held for sale and loan repayments. The Group's cash flow forecasts continue to support that cash generation will be strong in order to meet liabilities as they fall due. The Group's forecasts include modelling covenant compliance which indicates that significant headroom exists in the foreseeable future.

The net liability position has been caused by the roll-up of interest on shareholder loan notes that are not repayable until October 2020. It is anticipated that the loan notes will be settled with the proceeds received from the potential merger with Ladbrokes PLC. Should the merger not proceed the directors are confident that the Group can continue to meet its liabilities as they fall due.

Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's preliminary IFRS transition statement.

General Information

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Audited statutory accounts prepared under UK GAAP for the year ended 26 September 2015 were approved by the Board of Directors on 30 November 2015 and are available on the Group website: www.galacoral.co.uk. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under either Section 498(2) or 498(3) of the Companies Act 2006.

2 Segmental analysis

The Board has reviewed and confirmed the Group's reportable segments in line with the guidance provided by IFRS 8 – Operating Segments. The segments disclosed are aligned with the reports reviewed by the Executive Board, who have been identified as the 'Chief Operating Decision Maker', to make strategic decisions. Those segments reported reflect the operating segments and not an aggregation of a number of operating segments.

Coral Retail comprises all activity undertaken in LBOs in the UK. In addition this segment includes greyhound stadia operations, including on-course betting.

Eurobet Retail comprises all activity undertaken in LBOs in Italy.

Online comprises all activity undertaken online including online sportsbooks, online bingo, online casinos and other online gaming products.

Telebet comprises activities relating to bets taken on the telephone.

Gala Coral Group Limited

Notes to the Financial Information

2 Segmental analysis (continued)

Corporate includes costs associated solely with Group functions including Group executive, legal, finance, tax and treasury.

There are no inter-segment transactions which have a material effect on the information set out below.

Segment information is as follows:

Unaudited 40 weeks ended 2 July 2016	Coral Retail £m	Eurobet Retail £m	Online £m	Telebet £m	Corporate £m	Group £m
Amounts staked	8,820.3	437.1	6,025.2	56.2	-	15,338.8
Revenue	548.7	76.2	242.5	3.0	-	870.4
Gross profit	402.5	25.6	167.1	2.5	-	597.7
EBITDA (pre-exceptional items)	111.2	17.1	58.7	0.7	(5.4)	182.3
Depreciation and amortisation	(21.1)	(7.3)	(9.6)	-	-	(38.0)
Operating profit/(loss) before exceptional items	90.1	9.8	49.1	0.7	(5.4)	144.3
Exceptional items						(27.9)
Operating profit after exceptional items						116.4
Net financing costs						(191.8)
Loss before tax						(75.4)
Income tax						13.6
Loss for the period from continuing operations						(61.8)
Discontinued operations: Profit for the period from discontinued operations after tax						8.9
Loss for the period after discontinued operations						(52.9)

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Notes to the Financial Information

2 Segmental analysis (continued)

Unaudited 40 weeks ended 4 July 2015	Coral Retail £m	Eurobet Retail £m	Online £m	Telebet £m	Corporate £m	Group £m
Amounts staked	8,735.7	378.8	4,827.4	50.4	-	13,992.3
Revenue	525.7	60.9	186.8	3.8	-	777.2
Gross profit	391.0	19.0	126.9	3.3	-	540.2
EBITDA (pre-exceptional items)	111.3	10.5	39.7	1.3	(4.2)	158.6
Depreciation and amortisation	(20.8)	(9.3)	(12.1)	-	-	(42.2)
Operating profit/(loss) before exceptional items	90.5	1.2	27.6	1.3	(4.2)	116.4
Exceptional items						78.8
Operating profit after exceptional items						195.2
Net financing costs						(112.3)
Profit before tax						82.9
Income tax						(3.7)
Profit for the period from continuing operations						79.2
Discontinued operations: Profit for the period from discontinued operations after tax						34.3
Profit for the period after discontinued operations						113.5

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Notes to the Financial Information

3 Exceptional operating items

The analysis of the exceptional items is as follows:

	Unaudited 40 weeks ended 2 July 2016 £m	Unaudited 40 weeks ended 4 July 2015 £m
Included within operating cash flow:		
Impairment charges	(20.6)	(1.4)
Other exceptional items	(7.3)	(10.7)
Profit on sale of non-current assets classified as held for sale	-	90.9
Total operating exceptional items before tax	(27.9)	78.8
Exceptional tax credit	3.7	0.3
Total operating exceptional items after tax	(24.2)	79.1

The exceptional operating expense before tax of £27.9 million (2015: £78.8 million) relates primarily to a £20.6 million (2015: £1.4 million) impairment of closed LBOs and other assets no longer used by the Group and £7.3 million (2015: £10.7 million) of other costs. Other costs reflect the expenses associated with the proposed merger with Ladbrokes PLC offset by the release of certain provisions following legal settlement. During the prior year exceptional operating expenses also included a £90.9m profit on the sale of the former Propco properties.

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Notes to the Financial Information

4 Finance expense and income

	Unaudited 40 weeks ended 2 July 2016 £m	Unaudited 40 weeks ended 4 July 2015 £m
Loan interest and similar charges	(63.0)	(91.2)
Other finance expense	(0.1)	(0.7)
Total external interest	(63.1)	(91.9)
GCGL shareholder loan note interest (non-cash)	(108.9)	(94.7)
Total finance expense	(172.0)	(186.6)
Interest on deposits and money market funds	0.6	0.7
Other finance income	1.9	1.0
Total finance income	2.5	1.7
Net finance expense before exceptional items	(169.5)	(184.9)
Exceptional finance (expense)/income	(22.3)	72.6
Net finance expense after exceptional items	(191.8)	(112.3)

The exceptional interest expense during the current period relates to redemption fees (£15.8 million) and the write off of issue costs (£6.5 million) in connection with the repayment of £227.0 million of Senior secured notes and the repayment of £100.0 million of Senior notes.

Exceptional interest in the prior year relates to income of £68.6 million on the gain on extinguishment of 2005 Gala Propco Three borrowings and £4.0 million interest receivable from HMRC on 'Conde Nast' VAT claims.

5 Taxation

The tax credit for continuing operations for the 40 weeks ended 2 July 2016 was £13.6 million (4 July 2015: charge of £3.7 million).

Legislation to reduce the mainstream rate of UK corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020 was included in the Finance (No.2) Act 2015 and both rates had been enacted by the balance sheet date. The UK deferred tax assets and liabilities have therefore been disclosed at 20% where they are expected to reverse before 1 April 2017, at 19% where they are expected to reverse between 1 April 2017 and 31 March 2020 and at 18% where they are expected to reverse after 31 March 2020.

The impact of the future corporation tax rate reductions has been to reduce the deferred tax liabilities relating to continuing operations by approximately £17.7 million and to reduce the deferred tax assets relating to continuing operations by approximately £1.5 million.

In the Budget on 16 March 2016 the Chancellor announced that the main rate of Corporation Tax would be cut to 17% from April 2020.

UK Corporation tax is calculated at 20% (2015: 20.5%) of the estimated taxable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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Notes to the Financial Information

6 Discontinued activities

The results of discontinued activities comprise the Gala Retail division which was sold on 19 December 2015 and the high roller segment:

	Unaudited 40 weeks ended 2 July 2016 £m	Unaudited 40 weeks ended 4 July 2015 £m
Revenue	65.5	218.5
Operating expenses	(55.6)	(182.4)
Gain on disposals on operations (note 7)	0.4	-
Operating profit and profit before taxation	10.3	36.1
Income tax	(1.4)	(1.8)
Net profit from discontinued activities	8.9	34.3

	Unaudited 40 weeks ended 2 July 2016 £m	Unaudited 40 weeks ended 4 July 2015 £m
Net cash flows from discontinued operations		
Operating	5.4	(9.0)
Investing	(2.8)	(7.1)
Financing	-	-
Net cash inflow	2.6	(16.1)

The net cash inflows above are before cash sweeping arrangements in place as part of the Group financing structure. The prior year operating cash flow includes a payment of £31.1 million from Gala Retail to 'Propco' following a restructure of certain leasing arrangements.

7 Disposal of Gala Retail

The Gala Retail division was sold on 19 December 2015. Details of the disposal are as follows:

	Unaudited 40 weeks ended 2 July 2016 £m
Sale consideration	242.5
Net assets disposed	(240.2)
Costs of disposal	(1.9)
Result on disposal	0.4

The Gala Retail business was held for sale from August 2014. As a result of impairment write downs made with effect from that date no significant gain or loss arises on disposal of this business.

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Notes to the Financial Information

7 Disposal of Gala Retail (continued)

	Unaudited 40 weeks ended 2 July 2016 £m
Analysis of net assets at date of disposal	
Segmental assets:	
Intangible assets	187.7
Property, plant and equipment	99.6
Inventories	1.1
Cash and cash equivalents	11.0
Other current assets	14.9
Total segmental assets	314.3
Segmental liabilities:	
Trade and other payables	(38.9)
Deferred taxation	(35.2)
Total segmental liabilities	(74.1)
Net assets disposed	240.2

	Unaudited 40 weeks ended 2 July 2016 £m
Net cash flow arising on disposal	
Cash consideration	242.5
Costs of disposal	(1.9)
Net cash flow arising on disposal of operations	240.6
Net cash disposed on disposal of operations	(11.0)

£227.0 million of net disposal proceeds were used to make a partial redemption of the Senior secured notes on which redemption fees of £10.1 million were incurred. These are included in the exceptional finance expense in note 4.

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Notes to the Financial Information

8 Interest bearing loans and borrowings

	Unaudited 2 July 2016 £m	Unaudited 4 July 2015 £m	Unaudited 26 September 2015 £m
Non-current liabilities			
Senior secured credit facilities	706.2	703.5	704.2
Senior secured notes	87.0	310.0	310.4
Senior notes	169.9	264.6	265.1
Non-current liabilities - external	963.1	1,278.1	1,279.7
GCGL shareholder loan note	1,054.0	916.4	945.1
Total non-current liabilities	2,017.1	2,194.5	2,224.8

The principal terms of borrowings are as follows:

	Amount £m	Interest rate %	Maturity
Borrowed by Gala Group Finance PLC:			
Senior secured credit facilities:			
Term loan	711.9	LIBOR + 4.5	27 May 2018
Revolving credit facility	100.0	LIBOR + 3.5	27 May 2017
Senior secured notes	88.0	8.875	1 September 2018
Borrowed by Gala Electric Casinos PLC:			
Senior notes	175.0	11.5	1 June 2019

The Senior secured credit facilities and the Senior secured notes are secured on the assets of the Group. The difference between these amounts and the table above relates to issue costs and discount to nominal value.

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Notes to the Financial Information

9 Notes to the statement of cash flows

a) Reconciliation of operating profit to cash inflow from operating activities:

	Unaudited 40 weeks ended 2 July 2016 £m	Unaudited 40 weeks ended 4 July 2015 £m	Unaudited year ended 26 September 2015 £m
Operating profit from continuing operations	116.4	195.2	219.6
Operating profit from discontinued activities	10.3	36.1	46.0
Adjusted for:			
Amortisation	13.0	19.8	24.2
Depreciation	25.0	22.4	31.1
Profit on sale of non-current assets classified as held for sale	-	(90.9)	(89.0)
Impairment charges/write off of assets	20.6	1.4	10.3
Share based payments charge (non-cash)	-	1.1	1.4
Pension contributions in excess of pension expense	(5.5)	(2.8)	(2.8)
Changes in working capital:			
Decrease in inventories	0.1	0.2	0.2
(Increase) in trade and other receivables	(12.5)	(24.2)	(1.4)
Increase/(decrease) in trade and other payables	4.0	6.5	4.0
(Decrease) in provisions and other financial liabilities	(8.4)	(5.7)	(2.1)
Cash generated by operations	163.0	159.1	241.5

b) Net Debt

	Unaudited 2 July 2016 £m	Unaudited 4 July 2015 £m	Unaudited 26 September 2015 £m
Current assets			
Cash and cash equivalents	177.9	188.6	236.9
Cash and cash equivalents classified as held for sale	-	10.9	11.0
Non-current liabilities			
Interest bearing loans and borrowings	(963.1)	(1,278.1)	(1,279.7)
Net debt excluding shareholder loan notes	(785.2)	(1,078.6)	(1,031.8)
GCGL shareholder loan notes	(1,054.0)	(916.4)	(945.1)
Net debt	(1,839.2)	(1,995.0)	(1,976.9)

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Notes to the Financial Information

9 Notes to the statement of cash flows (continued)

c) Cash flows relating to exceptional items (note 3)

	Unaudited 2 July 2016 £m	Unaudited 4 July 2015 £m	Unaudited 26 September 2015 £m
Included within operating cash flow:			
Other restructuring and VAT	(25.9)	(13.0)	(25.0)
	(25.9)	(13.0)	(25.0)
Net disposal proceeds of assets held for sale	230.5	206.7	206.0
Exceptional interest received (note 4)	-	4.0	4.0
Exceptional interest paid (note 4)	(15.8)	-	-
Net cash inflow	188.8	197.7	185.0

The net disposal proceeds of assets held for sale in the current year relate to the sale of Gala Retail. The prior year proceeds relate to the sale of 2005 Propco Three Limited properties.

In addition to the above, the Group made a pension contribution of £5.5 million (4 July 2015: £2.8 million, 26 September 2015 £2.8 million) during the period as part of the agreed deficit funding arrangement.

10 Financial instruments

The Group is required to classify its financial assets and liabilities carried at fair value into categories within a hierarchy of valuation principles and methods.

No financial instruments are classified as level 1, for which fair value is based on quoted prices in active markets for identical assets.