THE GALA CORAL GROUP PRELIMINARY INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) TRANSITION STATEMENTS

INTRODUCTION

Implementation of International Financial Reporting Standards ("IFRS")

For the year ending 24 September 2016 the Gala Coral Group will prepare its consolidated accounts in accordance with IFRS (as adopted by the EU). This document has been prepared to illustrate the differences that will arise when the financial statements are prepared under IFRS rather than UK GAAP.

The Group's first IFRS results will be its interim results for 16 January 2016 and the first Annual Report under IFRS will be for the year ending 24 September 2016. Reconciliations of the Group's UK GAAP balance sheets to its preliminary IFRS balance sheets at 28 September 2014 (the "opening balance sheet"), and 26 September 2015 together with a reconciliation of the Group's UK GAAP profit and loss account to its preliminary IFRS income statement for the year to 26 September 2015 are shown on pages 5 to 9. The preliminary IFRS financial statements will form the basis of the comparative information in the first set of IFRS accounts and have been prepared on the basis of IFRS expected to be in issue at 24 September 2016 but are still subject to change.

We will update the restated information for any such change. The accounting polices applied in preparing the preliminary IFRS financial statements are set out on pages 10 to 15.

There is a possibility that the preliminary financial statements may require adjustment for potential changes in IFRS before constituting final IFRS financial statements. Only a complete set of financial statements can provide a fair presentation of the Group's financial position.

The significant changes as a result of the transition to IFRS and of adopting the IFRS group accounting policies are described below.

IFRS 1 First-time Application of International Financial Reporting Standards

The Group has adopted IFRS from 28 September 2014 ("the date of transition").

In accordance with IFRS 1 the Group is entitled to a number of voluntary and mandatory exemptions from full restatement, which have been adopted as follows:

Business combinations

The basis of accounting for pre-transition combinations under UK GAAP has not been revisited. The initial carrying amount of assets and liabilities acquired in such business combinations is deemed to be equivalent to cost. Accordingly the goodwill recorded on transition to IFRS is the UK GAAP amount at the date of transition.

Property, plant and equipment

The Group has elected to retain UK GAAP carrying values as deemed cost at transition.

Foreign exchange

The group has elected to set its cumulative foreign currency translation reserve to zero at the date of transition. Exchange differences arising before this date will not be recycled in the Income Statement.

IFRS 3 Business Combinations

IFRS 3 prohibits the amortisation of goodwill. The standard requires goodwill to be carried at cost with impairment reviews both annually and also when there are indications that the carrying value may not be recoverable.

As permitted by IFRS 1, the Group has chosen to apply IFRS 3 prospectively from the date of transition and has chosen not to restate previous business combinations. Therefore, goodwill is stated in the opening balance sheet at its UK GAAP carrying value of £168.3 million with the subsequent 2015 amortisation being reversed. The impact on operating profit after exceptional items is a credit of £12.9 million for the year to 26 September 2015.

IAS 19 (Revised) Employee Benefits

IAS 19 (Revised) requires pension scheme assets and the defined benefit obligation to be valued on the same basis as that used in UK GAAP. Accordingly there is no change to the net scheme surplus or deficit. However, where there is a scheme asset (as in the Group's circumstances) IAS 19 has different criteria governing the recognition of such an asset. This is clarified in IFRIC 14 - *"IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".* Whilst under UK GAAP it is not possible to recognise an asset in respect of the scheme surplus of £28.5 million at 28 September 2014 and £53.7 million at 26 September 2015 the full amount of the net asset is recognised under IFRS.

IAS 19 also amends the requirement regarding the calculation of finance income on the scheme assets. IAS 19 requires income to be recognised at the same rate of return as the discounting applied to value the defined benefit obligation. In contrast under UK GAAP this income is calculated based on expected rates of return on specific categories of assets held by the scheme. As a result of the foregoing the Group's net finance expense is reduced by £2.1 million for the year ended 26 September 2015.

IAS 36 Impairment

The principles of IAS 36 and its UK GAAP equivalent are similar. However under IAS 36 the definition of separate assets that require an impairment review and the order in which impairment write downs are applied differs from UK GAAP. In particular IAS 36 requires an initial impairment test to be performed for individual Cash Generating Units (CGUs) first and for any write downs to be applied before performing a review for impairment of goodwill (which takes account of any impairments recorded against assets specific to individual CGUs). The Group has identified that in general each LBO will be a CGU.

Impairment tests were performed at 28 September 2014 and 26 September 2015 which identified that write-downs totalling £400.8 million were required against licences and property, plant and equipment of individual LBOs. Under UK GAAP impairment write downs were made against goodwill – in particular during the year ended 24 September 2011. Whilst such write-downs would be substantially reduced under the requirements of IAS 36 these are not reversed; as IFRS 1 - First-time Adoption of International Financial Reporting Standards requires that on transition Goodwill is recorded at its UK GAAP amount at that date.

IAS 39 Financial Instruments – Recognition and Measurement

A number of requirements of IAS 39 have an impact on the group, in particular:

- derivatives are carried at fair value, whereas under UK GAAP they are typically carried at amortised cost;
- loans are recorded at amortised cost using the effective interest rate method. Whilst this is similar to UK GAAP requirements there are differences in the prescribed method of calculating amortised cost; and
- a payable may only be derecognised when it has been "extinguished", i.e. it has been discharged, cancelled or has expired.

Under IAS 39 the Group's liabilities for ante-post bets are considered to be derivatives. Accordingly, these are accounted for at fair value with movements in those fair values being recorded in the income statement. Under UK GAAP the ante-post liability is the amount of stakes received for which betting events have not taken place.

In addition the Group has other derivatives related to interest rate risks such as interest rate caps and swaptions. Under IFRS these are recorded at their fair value whereas under UK GAAP they are recorded at amortised cost.

The Group's loans are carried at amortised cost under both IFRS and UK GAAP. However, the calculation of amortised cost has been revised to conform with IAS 39 requirements.

In addition, the Group has derecognised certain liabilities under UK GAAP on the basis that there is negligible likelihood that these will need to be settled. However their derecognition is not in accordance with IAS 39 and therefore these payables have been reinstated.

The overall impact of the above amendments, required by IAS 39, is to increase payables by £6.2 million and reduce receivables (including the fair value of interest rate derivatives) by £0.8 million at 28 September 2014 and to increase payables by £8.1 million and reduce receivables by £0.4 million at 26 September 2015.

The net impact of the above is to reduce profit before taxation from continuing operations for the year ended 26 September 2015 by £1.5 million.

IFRS 5 Non-current Assets held for sale and Discontinued Operations

IFRS 5 introduces the concept of the separate reporting of certain assets held for sale and also amends the definition of, the accounting for and disclosure regarding Discontinued Operations in comparison with UK GAAP.

Assets are treated as held for sale when there is a plan to sell them which is expected to be completed within one year. The Group's securitised properties used by the Gala Retail Business and also certain investment properties were held for sale at 28 September 2014 and were subsequently sold during the ensuing four months. Accordingly, the book value of these properties of £119.3 million at 28 September 2014 is reclassified from non-current assets to a separate balance sheet category described as Assets in Disposal Group Held for Sale, together with related current assets and liabilities. These assets were subsequently sold at a profit and consequently did not require any impairment write down at the date of transition. In accordance with IFRS 5 no depreciation is charged on these assets post the date of transition and the UK GAAP depreciation charge of £1.0 million is therefore reversed. There is a corresponding decrease of £1.0 million in the profit on disposal of these assets.

In addition IFRS 5 requires that where a business is proposed for disposal as part of a co-ordinated plan which is expected to be completed within one year and the business represents a major line of business; then it is accounted for as a discontinued activity and its assets and liabilities are recorded within the Held for Sale category in the balance sheet. In addition:

- the net assets are reviewed for impairment on reclassification as held for sale (using the expected sale proceeds as the realisable amount),
- depreciation and amortisation ceases from the same date, and
- the results of the operation are excluded from the Group's results from continuing operations and included in a separate classification for discontinued activities for the entire reporting period (with the comparatives amended to reflect the same classification).

The Group commenced marketing the Gala Retail operation for disposal from August 2014 and a sale was completed on 19 December 2015. This operation is accounted for as a discontinued operation at the date of transition and at 26 September 2015.

As a result the non-current assets of the Gala Retail operation were impaired at transition date by £160.9 million to reflect the ultimate loss on disposal. As a result of this impairment deferred tax liabilities were reduced by £27.2 million. This write-down is retained at 26 September 2015 and replaces the UK GAAP impairment write-downs of £171.3 million recorded in the accounts for that year.

In addition the assets and liabilities of the Gala Retail operation at 28 September 2014 and 26 September 2015 are reclassified to Assets Held for Sale. The non-current assets therefore reclassified (pre-impairment) were £432.7 million at 28 September 2014 and £446.8 million at 26 September 2015. Depreciation and amortisation of £19.7 million and impairment write-downs of £171.3 million recorded under UK GAAP in the year ended 26 September 2015 are also reversed in the Income Statement.

The results of the Gala Retail operation, a post tax profit of £42.1 million in the year ended 26 September 2015 are reclassified to "Profit from Discontinued Operations after Tax".

IAS 12 Income Taxes

IAS 12 requires entities to calculate deferred taxation based on temporary differences, which are defined as the difference between the carrying amount of assets/liabilities and their tax base. As a result, the Group has provided an additional £236.7 million of net deferred tax liabilities in its transition date balance sheet, and £228.7 million at 26 September 2015, that were not required under UK GAAP. These principally comprise a £221.2 million provision for deferred tax on acquired trademarks and licences at 28 September 2014 and £227.6 million at 26 September 2015. As is noted in the section regarding IFRS 5 above, deferred tax liabilities are reduced by £27.2 million as a result of the impairment provision made against the Gala Retail Operation non-current assets as at 28 September 2014.

The movement in the net deferred tax liability from 28 September 2014 to 26 September 2015 results in an additional tax charge of £11.0 million.

Reclassifications

Although not affecting overall net assets or reported profits there are a number of differences between IFRS and UK GAAP which require certain items to be reclassified in the balance sheet. The principal changes are:

- Betting and gaming licences which are treated as part of the cost of licenced premises under UK GAAP and are therefore included within property, plant and equipment fall within the definition of intangible assets under IFRS 3 Business Combinations and IAS 38 Intangible Assets under IFRS. Consequently the book amount of licences included within freehold and leasehold properties under UK GAAP has been reclassified as intangible assets. The amounts reclassified from tangible fixed assets to intangible assets are £1,465.7 million at 28 September 2014 and £1,320.8 million at 26 September 2015

- Similarly software is classified as an intangible asset under IFRS whereas under UK GAAP it was included within property, plant and equipment. The amounts reclassified from tangible fixed assets to intangible assets are £24.8 million at 28 September 2014 and £22.9 million at 26 September 2015

- Under UK GAAP provisions are presented on the face of the balance sheet as a single item separate from other liabilities. IFRS requires that provisions are reported within current and non-current liabilities. Consequently, the proportion of the provision which is expected to be payable within one year has been allocated to the current liability category

- IFRS 3 Business Combinations requires a separate Foreign Exchange Reserve to be recorded (and subsequently the exchange differences are recycled to the Income Statement if the overseas operation is sold). In accordance with an exemption in IFRS 1, the Foreign Exchange Reserve has been set at zero at the date of transition. The exchange losses on retranslation of £1.5 million arising in the year ended 26 September 2015 have been transferred from the retained profit reserve to the separate Foreign Exchange Reserve.

Other adjustments – IAS 17 Leases

An adjustment has been recorded in accordance with IAS 17 to increase the Group's accrual for lease incentives. This reflects the requirement in IAS 17 to spread the cost of rent free periods over the full term of the lease, in contrast with UK GAAP which requires spreading up to the first rent review date at which rent is set to market rent. The additional accrual required is £6.9 million at both 28 September 2014 and 26 September 2015. This adjustment does not result in any change in overall reported profit, although there is an immaterial change to the allocation of lease costs between continuing and discontinued operations.

There are no other adjustments which have a material impact on the Group's balance sheet or income statement.

IAS 7 Statement of Cash Flows

There are no significant adjustments between the cash flow statements produced under IFRS as against UK GAAP.

Interim Reporting

The financial statements for the four periods ended 17 January 2015 (which are the comparative figures for the first set of published interim accounts under IFRS) have been restated to comply with IFRS. The nature of the adjustments made is consistent with those in respect of 28 September 2014 and 26 September 2015 as reported above.

Balance Sheet

The net liabilities recorded in the balance sheet at 17 January 2015 may be reconciled as follows:

	£ million
Net liabilities reported under UK GAAP	(170.7)
Adjustments made at date of transition (pages 6 and 7)	(758.9)
Amendments to adjustments recorded at date of transition:	
Increase in pension asset (IAS 19)	7.9
Reversal of goodwill amortisation (IFRS 3)	4.0
Non-depreciation, amortisation or impairment of assets held for disposal (IFRS 5)	14.4
Other	(0.6)
Net liabilities reported under IFRS	(903.9)

Income Statement

The reported profit after taxation for the four periods ended 17 January 2015 is reconciled as follows:

	£ million
Profit after taxation under UK GAAP	35.0
Adjustments to reported profit:	
Reversal of goodwill amortisation (IFRS 3)	4.0
Non-depreciation or amortisation of assets held for disposal (IFRS 5)	14.4
Deferred taxation credit (IAS 12)	2.5
Other	0.2
Total profit reported under IFRS	56.1

Basis of preparation

The preliminary IFRS balance sheets and profit and loss accounts shown in the reconciliations on pages 5 to 9 have been prepared on the basis of IFRS expected to be in issue at 24 September 2016.

The preliminary IFRS Financial Statements have been prepared on an historical cost basis, except for the retention of investment property at previously revalued amounts and the measurement of balances at fair value as disclosed in the accounting policies on pages 10 to 15.

Consolidated Income Statement

For the year ended 26 September 2015

	As reported under UK GAAP £m	IFRS 3 – Business Combinations £m	IAS 19 – Employee Benefits £m	IFRS 5 – Non-current assets held for sale £m	IFRS 5 – Discontinued Operations £m	IAS 12 – Income Tax £m	Other £m	Preliminary IFRS £m
Revenue	**1,291.8**	**-**	**-**	**-**	**(285.4)**	**-**	**0.2**	**1,006.6**
Cost of sales	(382.9)	-	-	-	76.0	-	-	(306.9)
Gross profit	908.9	-	**-**	-	(209.4)	**-**	0.2	**699.7**
Operating expenses	(654.8)	-	-	-	160.8	**-**	(0.3)	**(494.3)**
EBITDA before exceptional items	**254.1**	**-**	**-**		**(48.6)**	**-**	**(0.1)**	**205.4**
Depreciation and amortisation	(88.9)	12.9	**-**	20.7	-	**-**	-	**(55.3)**
Impairment of Gala Retail Business	(165.0)	-	**-**	165.0	-	**-**	-	**-**
Profit on disposal of property, plant and equipment and non-current assets held for sale	90.0	-	**-**	(1.0)	-	**-**	-	**89.0**
Other exceptional items	(28.4)	-	**-**	6.3	2.6	**-**	-	**(19.5)**
Group operating profit/(loss)	**61.8**	**12.9**	**-**	**191.0**	**(46.0)**	**-**	**(0.1)**	**219.6**
				-	-			
Financing costs	(242.4)	-	0.8	-	-	**-**	0.6	**(241.0)**
Financing income	4.8	-	1.3	-	-	**-**	-	**6.1**
Gain on extinguishment of debt	68.6	-	**-**	-	-	**-**	-	**68.6**
Profit/(loss) before tax	**(107.2)**	**12.9**	**2.1**	**191.0**	**(46.0)**	**-**	**0.5**	**53.3**
Income tax	(3.9)	-	**-**	-	3.9	**(11.0)**	-	**(11.0)**
Profit/(loss) from continuing operations for the year	**(111.1)**	**12.9**	**2.1**	**191.0**	**(42.1)**	**(11.0)**	**0.5**	**42.3**
Profit from discontinued operations after tax	-	-	-	-	42.1	-	-	42.1
Total profit/(loss) for the year attributable to the owners of the parent company	**(111.1)**	**12.9**	**2.1**	**191.0**	**-**	**(11.0)**	**0.5**	**84.4**

Consolidated Balance Sheet
At 28 September 2014

	As reported under UK GAAP	Reclassifications	IAS 19 – Employee benefits	IAS 36 - Impairment	IAS 39 – Financial Instruments – Recognition and Measurement	IAS 12 – Income Tax	Other adjustments	IFRS 5 - Non-current assets held for sale	Preliminary IFRS
Assets									
Non-current assets									
Goodwill	168.3	-	-	-	-	-	-	(24.9)	143.4
Other intangible assets	177.5	1,490.5	-	(393.8)	-	-	-	(276.1)	998.1
Property, plant and equipment	1,807.0	(1,490.5)	-	(7.0)	-	-	-	(221.7)	87.8
Investment property	29.0	-	-	-	-	-	-	(29.0)	-
Deferred tax assets	3.1	-	-	-	-	23.0	-	(0.3)	25.8
Retirement benefit asset	-	-	28.5	-	-	-	-	-	28.5
Total non-current assets	**2,184.9**	**-**	**28.5**	**(400.8)**	**-**	**23.0**	**-**	**(552.0)**	**1,283.6**
Current assets									
Inventories	2.0	-	-	-	-	-	-	(1.3)	0.7
Trade and other receivables	40.4	-	-	-	(0.9)	-	-	(7.1)	32.4
Derivatives	-	-	-	-	0.1	-	-	-	0.1
Cash and cash equivalents	224.6	-	-	-	-	-	0.3	(20.9)	204.0
Total current assets	**267.0**	**-**	**-**	**-**	**(0.8)**	**-**	**0.3**	**(29.3)**	**237.2**
Assets in disposal group held for sale	-	-	-	-	-	-	-	420.4	420.4
Total assets	**2,451.9**	**-**	**28.5**	**(400.8)**	**(0.8)**	**23.0**	**0.3**	**(160.9)**	**1,941.2**
Liabilities									
Current liabilities									
Bank overdraft	305.1	-	-	-	-	-	-	-	305.1
Trade and other payables	206.3	-	-	-	5.2	-	3.1	(39.5)	175.1
Current income taxation	3.2	-	-	-	-	-	-	-	3.2
Other financial liabilities	-	-	-	-	4.5	-	-	-	4.5
Provisions	-	11.3	-	-	-	-	-	(0.7)	10.6
Total current liabilities	**514.6**	**11.3**	**-**	**-**	**9.7**	**-**	**3.1**	**(40.2)**	**498.5**

Consolidated Balance Sheet
At 28 September 2014 (continued)

	As reported under UK GAAP	Reclassifications	IAS 19 – Employee benefits	IAS 36 - Impairment	IAS 39 – Financial Instruments – Recognition and Measurement	IAS 12 – Income Tax	Other adjustments	IFRS 5 - Non-current assets held for sale	Preliminary IFRS
Liabilities associated with disposal group held for sale	-	-	-	-	-	-	-	81.3	81.3
Non-current liabilities									
Interest bearing loans and other borrowings	2,098.7	-	-	-	(3.5)	-	-	-	2,095.2
Other payables	2.4	-	-	-	-	-	6.4	(2.1)	6.7
Deferred tax liabilities	-	-	-	-	-	259.7	-	(56.4)	203.3
Provisions	39.4	(11.3)	-	-	-	-	-	(9.8)	18.3
Total non-current liabilities	**2,140.5**	**(11.3)**	**-**	**-**	**(3.5)**	**259.7**	**6.4**	**(68.3)**	**2,323.5**
Total liabilities	**2,655.1**	**-**	**-**	**-**	**6.2**	**259.7**	**9.5**	**(27.2)**	**2,903.3**
Net assets / (liabilities)	**(203.2)**	**-**	**28.5**	**(400.8)**	**(7.0)**	**(236.7)**	**(9.2)**	**(133.7)**	**(962.1)**
Equity									
Called up share capital	213.3	-	-	-	-	-	-	-	213.3
Merger reserves	1.6	-	-	-	-	-	-	-	1.6
Capital contribution reserve	1,723.5	-	-	-	-	-	-	-	1,723.5
Revaluation reserve	8.0	-	-	-	-	-	-	-	8.0
Foreign exchange reserve	-	-	-	-	-	-	-	-	-
Profit and loss account	(2,149.6)	-	28.5	(400.8)	(7.0)	(236.7)	(9.2)	(133.7)	(2,908.5)
Total Equity	**(203.2)**	**-**	**28.5**	**(400.8)**	**(7.0)**	**(236.7)**	**(9.2)**	**(133.7)**	**(962.1)**

Consolidated Balance Sheet
At 26 September 2015

	As reported under UK GAAP	Reclassifications	IFRS 3 – Business Combinations	IAS 19 – Employee benefits	IAS 36 - Impairment	IAS 39 – Financial Instruments – Recognition and Measurement	IAS 12 – Income Tax	Other adjustments	IFRS 5 - Non-current assets held for sale	Preliminary IFRS
Assets										
Non-current assets										
Goodwill	130.5	-	12.9	-	-	-	-	-	-	143.4
Other intangible assets	168.2	1,343.7	-	-	(393.8)	-	-	-	(129.9)	988.2
Property, plant and equipment	1,562.7	(1,343.7)	-	-	(7.0)	-	-	-	(125.3)	86.7
Investment property	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	1.6	-	-	-	-	-	17.9	-	(0.5)	19.0
Retirement benefit asset	-	-	-	53.7	-	-	-	-	-	53.7
Total non-current assets	**1,863.0**	**-**	**12.9**	**53.7**	**(400.8)**	**-**	**17.9**	**-**	**(255.7)**	**1,291.0**
Current assets										
Inventories	1.6	-	-	-	-	-	-	-	(1.1)	0.5
Trade and other receivables	41.0	-	-	-	-	(0.5)	-	-	(14.5)	26.0
Derivatives	-	-	-	-	-	0.1	-	-	-	0.1
Cash and cash equivalents	247.9	-	-	-	-	-	-	-	(11.0)	236.9
Total current assets	**290.5**	**-**	**-**	**-**	**-**	**(0.4)**	**-**	**-**	**(26.6)**	**263.5**
Assets in disposal group held for sale	-	-	-	-	-	-	-	-	312.5	312.5
Total assets	**2,153.5**	**-**	**12.9**	**53.7**	**(400.8)**	**(0.4)**	**17.9**	**-**	**30.2**	**1,867.0**
Liabilities										
Current liabilities										
Bank overdraft	-	-	-	-	-	-	-	-	-	-
Trade and other payables	212.3	-	-	-	-	6.1	-	0.3	(37.3)	181.4
Current income taxation	0.5	-	-	-	-	-	-	-	-	0.5
Other financial liabilities	-	-	-	-	-	5.7	-	-	-	5.7
Provisions	-	10.8	-	-	-	-	-	-	-	10.8
Total current liabilities	**212.8**	**10.8**	**-**	**-**	**-**	**11.8**	**-**	**0.3**	**(37.3)**	**198.4**

Consolidated Balance Sheet
At 26 September 2015 (continued)

	As reported under UK GAAP	Reclassifications	IFRS 3 – Business Combinations	IAS 19 – Employee benefits	IAS 36 - Impairment	IAS 39 – Financial Instruments – Recognition and Measurement	IAS 12 – Income Tax	Other adjustments	IFRS 5 - Non-current assets held for sale	Preliminary IFRS
Liabilities associated with disposal group held for sale	-	-	-	-	-	-	-	-	73.8	73.8
Non-current liabilities										
Interest bearing loans and other borrowings	2,228.5	-	-	-	-	(3.7)	-	-	-	2,224.8
Other payables	2.5	-	-	-	-	-	-	6.9	(2.2)	7.2
Deferred tax liabilities	-	-	-	-	-	-	246.6	-	(34.3)	212.3
Provisions	26.4	(10.8)	-	-	-	-	-	-	-	15.6
Total non-current liabilities	**2,257.4**	**(10.8)**	**-**	**-**	**-**	**(3.7)**	**246.6**	**6.9**	**(36.5)**	**2,459.9**
Total liabilities	**2,470.2**	**-**	**-**	**-**	**-**	**8.1**	**246.6**	**7.2**	**-**	**2,732.1**
Net assets / (liabilities)	**(316.7)**	**-**	**12.9**	**53.7**	**(400.8)**	**(8.5)**	**(228.7)**	**(7.2)**	**30.2**	**(865.1)**
Equity										
Called up share capital	213.3	-	-	-	-	-	-	-	-	213.3
Merger reserves	1.6	-	-	-	-	-	-	-	-	1.6
Capital contribution reserve	1,723.5	-	-	-	-	-	-	-	-	1,723.5
Revaluation reserve	-	-	-	-	-	-	-	-	-	-
Foreign exchange reserve	-	(1.5)	-	-	-	-	-	-	-	(1.5)
Profit and loss account	(2,255.1)	1.5	12.9	53.7	(400.8)	(8.5)	(228.7)	(7.2)	30.2	(2,802.0)
Total Equity	**(316.7)**	**-**	**12.9**	**53.7**	**(400.8)**	**(8.5)**	**(228.7)**	**(7.2)**	**30.2**	**(865.1)**

ACCOUNTING POLICIES

The financial statements been prepared using the accounting policies set out herein, for all accounting periods presented.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group each year. The underlying financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect these returns through its power to govern the financial and operating policies of the investee.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries are consolidated, using the acquisition method of accounting, from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred from the Group.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at fair value at the date of acquisition. Any excess of the cost of acquisition over the fair values of the separately identifiable net assets acquired is recognised as goodwill. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Business Combinations

The Group applies judgement in determining whether a transaction is a business combination, which includes consideration as to whether the Group has acquired a business or a group of assets.

On acquisition, the assets, liabilities and contingent liabilities of a business are measured at their fair values at the date of acquisition. The Group engages external experts to support the valuation process, where appropriate. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, including separately identifiable intangible assets, is recognised as goodwill.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the separately identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. In accordance with IFRS 3 Business Combinations, goodwill is not amortised but reviewed annually for impairment and as such, is stated at cost less any provision for impairment of value. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

On acquisition, any goodwill acquired is allocated to cash generating units for the purpose of impairment testing. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to impairment testing.

Segmental reporting

The operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker. For the purposes of IFRS 8 – Operating Segments – the Chief Operating Decision Maker has been identified as the Executive Board.

Revenue recognition

Amounts staked does not represent the Coral Group's statutory revenue and comprises the gross takings receivable from customers.

Revenue arising from the operation of bookmakers ("LBOs") and online gaming is stated as net win, which is calculated as the fair value of bets placed less amounts won by customers. Revenue is stated net of any sales tax and free bets, but before the deduction of gaming duty. Open betting positions are carried at fair value and gains and losses on these positions are recognised in revenue.

Revenue of Greyhound Stadia includes the sale of food and beverages, which is recorded net of VAT.

The Group operates betting establishments in Italy via franchise partners. Under the terms of the franchise agreements, the Group bears the risks and rewards of the operations and therefore the Group acts as principal. As a result, the Group recognises the full net win generated from these operations in revenue.

Cost of sales

Cost of sales primarily comprises the costs of gaming duties, including machine gaming duty, gross profit tax and gaming duty. Cost of sales also includes the revenue share payments to franchisees and machine rental costs.

Finance costs

Finance costs and income arising on interest-bearing financial instruments carried at amortised cost are recognised in the consolidated income statement using the effective interest rate method. Finance costs include the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price.

Exceptional items

Exceptional items are non-recurring or unusual items which, by their size or nature, are separately disclosed in order to give a clearer understanding of the financial results of the Group and present underlying performance on a consistent and comparable basis.

The exceptional items have been included within the appropriate classifications in the consolidated income statement.

Intangible assets

Intangible assets acquired separately are capitalised at cost and those acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs relating to internally generated intangible assets, principally software costs, are capitalised as an intangible asset only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Other expenditure is charged against profit in the year in which the expenditure is incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the consolidated income statement through amortisation. Useful lives are reviewed on an annual basis.

A summary of the policies applied to the Group's intangible assets is as follows:

Betting and Gaming Licences - United Kingdom
UK Betting and Gaming licences are considered to have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. In addition:

- the Gala Coral Group is a leading operator in well established markets,
- there is a proven and sustained demand for bookmaking services and bingo;
- existing legislation restricts further entry to the market;
- the Gala Coral Group has a strong record of renewing its licences at minimal cost; and
- the UK licences have no definitive life, unlike the Italian gaming licences.

Each licence is reviewed annually for impairment. Any costs incurred on renewing licences annually are expensed as incurred.

LBO Licences – Italy
The Group capitalises Italian gaming licences at cost which are amortised on a straight-line basis over their initial term which is up to nine years.

Trademarks
The Group capitalises trademarks at their fair value on acquisition. The Coral Group trademarks are not amortised as their useful life has been assessed as indefinite. As such these are assessed annually for impairment.

Software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for externally purchased and internally developed software. Direct costs include specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives (three to five years).

An intangible asset is derecognised upon disposal, with any gain or loss arising (calculated as the difference between the net disposal proceeds and the carrying amount of the item) included in the consolidated income statement in the year of disposal.

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment. Such cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, and only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis on all property, plant and equipment, with the exception of freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	50 years
Leasehold land and buildings	–	shorter of 50 years and term of lease
Fixtures, fittings, vehicles and equipment	–	over three to ten years

Residual values and useful lives are reviewed at each balance sheet date, and adjusted prospectively, if appropriate. The carrying values of plant and equipment are reviewed for impairment annually as to whether there are events or changes in circumstances indicating that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement.

Impairment reviews
Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for any amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Within Coral Retail, the cash generating units are generally individual LBOs and therefore, impairment is first assessed at this level for licences and property, plant and equipment, with any impairment arising book first to licences and then to property, plant and equipment. Since goodwill has not been historically allocated to individual LBOs, a secondary assessment is then made to compare the carrying value of the segment against the recoverable amount with any additional impairment then taken against goodwill.

For all other continuing segments the cash generating unit is the segment itself and any impairments are made firstly to goodwill, next to any capitalised intangible assets and then finally to property, plant and equipment.

The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the group of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an exceptional cost in the consolidated income statement immediately.

If an impairment loss subsequently reverses (other than in respect of goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

For both tangible and intangible assets the future cash flows are based on the forecasts and budgets of the cash-generating unit or business discounted to reflect time value of money. The key assumptions within the budgets for the Coral Retail and Eurobet Retail segments are the average number of machines per shop, gross win per shop per week, wage increases and the fixed costs of the licensed betting offices. The key assumptions within the budgets for the Online segment are the number of active customers, revenue per head, win percentage, revenue shares and operating costs.

Non-current assets held for sale and discontinued operations
Where applicable, on initial classification as ‘held for sale’, non-current disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on the initial classification of assets as held for sale are included in the income statement, even for assets measured at fair value, as are impairment losses on subsequent remeasurement and any reversal thereof. Once classified as held for sale, assets are no longer depreciated or amortised.

A discontinued operation is a component of the Group’s business that represents a separate major line of business that has been disposed of, is held for sale or is a subsidiary acquired exclusively with a view to re-sale. The results of discontinued operations are reported separately from those of the continuing operations of the Group, within a separate classification in the income statement.

Inventories
Inventories are valued at the lower of cost and net realisable value.

Taxation
Current tax:
Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be paid to or to be recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Management evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation at each reporting date and establishes provisions where appropriate.

Deferred tax:
Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity, as appropriate.

Leases
Leases are tested at inception to determine whether the lease is a finance or operating lease and treated accordingly. Property leases comprising a lease of land and buildings within a single contract are split into its two component parts before testing.

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the benefits and risks of ownership of the asset to the lessee. All other leases are classified as operating leases.

Operating lease payments (including any lease incentives or premiums) are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Provisions
Provisions are recognised when there is a present legal or constructive obligation as a result of past events if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the best estimate of the expenditures required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognised as a finance cost.

Provision is made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements.

Retirement benefits
The Group participates in the Gala Coral Pension Plan (‘the Plan’), a plan covering employees and former employees of the Group. The scheme has a defined benefit section and a defined contribution section. The assets of the scheme are managed separately from those of the Group. The defined benefit section of the scheme is closed to new entrants and future accrual of benefits.

Retirement benefit scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained every three years and are updated at each balance sheet date.

For the defined benefit scheme, management makes annual estimates and assumptions in respect of discount rates, future changes in salaries, employee turnover, inflation rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, remeasurements are recognised in the consolidated statement of other comprehensive income in the period in which they arise.

The retirement benefit cost relating to the defined benefit section of this fund is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method. Any past service cost is recognised immediately.

Interest income or expense relating to the pension scheme is included within financing costs or income within the consolidated income statement.

If the defined benefit scheme is in surplus, an asset is only recognised to the extent that the group has an unconditional right to use the surplus at some point during the life of the scheme or on its winding up.

For the defined contribution pension scheme, the amounts charged to the profit and loss account in respect of pension costs represent the contributions payable in the period as per the payment certificates. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments.

Share based payments
The Group operates an equity-settled share based payment plan under which the Group receives services from employees as consideration for the ability to participate in the purchase of equity instruments from the Group’s parent. The fair value of the services received in exchange for the equity instrument is recognised as an expense. The total amount expensed is determined by reference to the fair value of the instruments granted:

- including any market performance conditions
- excluding the impact of any service and non-performance vesting conditions

The cost of equity settled transactions is recognised together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

At the end of each reporting period, the Group revises its estimates over the number of instruments which are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Cash and cash equivalents
Cash and cash equivalents consists of cash at bank and in hand and short-term deposits with an original maturity of less than three months, net of outstanding bank overdrafts.

Financial liabilities
Financial liabilities include interest bearing loans and borrowings and ante post bets. On initial recognition, financial liabilities are measured at fair value plus transaction costs where they are not categorised as financial liabilities at fair value through profit or loss. Financial liabilities at fair value through the profit or loss include ante-post bets (see derivative financial instruments – below).

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the income statement. Subsequently, the fair values are remeasured and gains and losses from changes therein are taken directly to the income statement.

All interest bearing loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps, caps and swaptions and foreign exchange swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Derivative financial instruments are recognised initially at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The gains or losses on remeasurement are taken to the income statement.

Derivative financial instruments are classified as assets where their fair value is positive, or as liabilities where their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

Ante-post bets are carried at fair market value as they meet the definition of a derivative. The resulting gains and losses from bets are included in revenue. The net liability resulting from open positions is reported within financial liabilities.

Foreign currencies
The presentation currency of the Group and the functional currency of its UK operations is Sterling (£).

The main functional currency of the overseas operation in Italy is the Euro (€). The main functional currency of the operation in Gibraltar is Sterling (£).

Transactions in foreign currencies are initially recorded at the foreign currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the balance sheet date.

All foreign currency translation differences are taken to the consolidated income statement.

At the reporting date, the assets and liabilities of overseas entities are translated into Sterling at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year. The post-tax exchange differences arising on the retranslation, since the date of transition to IFRS, are taken directly to equity. On disposal of a foreign entity (in full), the relevant portion of the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the consolidated income statement as a component of the gain or loss on disposal.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires the exercise of judgement in applying accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the financial statements, are set out below.

Impairment of intangible assets and property, plant and equipment:
Licenced Betting Office ('LBO') licences have been classified as intangible assets with an indefinite life and accordingly are not amortised but are subject to annual impairment reviews. The Group tests annually whether assets which have an indefinite useful life, have suffered any impairment. The Group also reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate the carrying amount of the asset may not be recoverable.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of cash-generating units to which the intangible assets and property, plant and equipment are associated.

The recoverable amount is the higher of the fair value less costs to sell and value in use. Estimates of fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external valuers. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Retirement benefit obligations:
The cost of defined benefit pension plans and other post-employment benefits is determined using actuarial valuations.

The actuarial valuation involves assumptions over discount rates, expected rates of return on assets, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The Group also reviews any net pension asset to determine whether this is recoverable and the amount (if any) to be recognised in the Group's balance sheet in accordance with IAS19 (Revised).