11 August 2015

Ladbrokes plc

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2015

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LADBROKES PLC

INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2015

	Headline[1]			Statutory	
Half year ended 30 June	**2015 £m**	2014 £m	Growth	**2015 £m**	2014 £m
Revenue	**585.4**	577.8	+1.3%	**588.8**	589.3
Group operating profit [2] /(loss)	**38.9**	56.8	-31.5%	**(37.2)**	41.1
Profit/(loss) before tax	**24.7**	44.0	-43.9%	**(51.4)**	27.7
Profit/(loss) after tax	**22.2**	39.6	-43.9%	**(41.4)**	23.7
Basic EPS	**2.4p**	4.3p	-44.2%	**(4.5)p**	2.6p
Interim dividend per share	**1.0p**	4.3p	-76.7%	**1.0p**	4.3p

- **Results in line**: with estimates published with new organic strategy and proposed merger announced in July

- **Group net revenue:** +1.3% (+4.2% ex. World Cup)

  UK Retail: revenue +1.2% (+3.2% ex. World Cup). Underlying OTC staking trends improved, SSBTs a highlight; continued growth in lower staking machine play

  Digital: revenue +6.9% (+12.4% ex. World Cup) driven by Australia and Gaming. Sportsbook KPIs strong but Q1 margins and POC tax impact profitability

  European Retail: revenue -2.1% (+1.7% ex. World Cup) Belgium revenue growth continues; Republic of Ireland Examinership completed

- **Group operating profit[2]:** -31.5% reflecting externally imposed headwinds (POC, MGD and grey market withdrawals); -0.5% underlying decline[3]

- **Exceptional items:** £78.9m, within previously announced range – including Retail impairments; UK shop closures and Examinership; primarily non-cash – leading to a statutory operating loss

Jim Mullen, Chief Executive, commented:

“Our first half results reflect the challenge facing Ladbrokes. While we have some encouraging customer trends, we need to reset the business and invest. The results clearly show why we need to change and why we need to do so quickly.

“In July, we set out an organic plan to create a better business in 2017 with clear targets. While doing this removes the short-term thinking that had come to dominate our actions, we recognise it does create short-term impacts on our profitability.

“However, our focus has to be about looking forward, investing and utilising our strengths to grow. There are signs in H1 that the customer is there to be convinced by the Ladbrokes offer – good Gaming performance, strong Mobile Sportsbook KPIs and growth in Australia. We have a solid base to build on.

“So going forward expect to see the Ladbrokes brand more prominent across the media, a retail driven multi-channel offer rolling out to more customers, an evolving and improved Digital offer and further progress in Australia.

“The proposed merger with the Coral Group represents an exciting opportunity for the business but, with completion some way away, the focus for me and my team must be on the here and now of delivering on our organic plan, building a better Ladbrokes and driving performance towards our 2017 targets.”

(1) Excludes exceptional items and High Rollers

(2) Headline operating profit is defined as profit before tax, net finance expense and exceptional items. Headline operating profit excludes High Rollers so as to provide information on underlying performance of the Group as results from High Rollers can vary significantly period on period

(3) Underlying decline of 0.5% reflects adjusting H1 2014 operating profit on a pro forma basis for POC, increase in MGD to 25% (for Mar-Jun) and grey market withdrawals.

Divisional Summary

Half year ended 30 June	Headline net revenue[1]				Headline operating profit[1][2]		
	2015	2014		Growth (ex	**2015**	2014	
	£m	£m	Growth	W'cup)	**£m**	£m	Growth
UK Retail	**410.5**	405.7	+1.2%	+3.2%	**56.9**	57.6	-1.2%
Digital	**112.2**	105.0	+6.9 %	+12.4%	**(11.5)**	3.0	Na
European Retail	**60.0**	61.3	-2.1 %	+1.7%	**6.2**	6.6	-6.1%
Core Telephone Betting	**2.7**	5.8	-53.4 %	-51.8%	**(0.5)**	0.7	Na
Corporate costs					**(12.2)**	(11.1)	-9.9%
Total before High Rollers	**585.4**	577.8	+1.3 %	+4.2%	**38.9**	56.8	-31.5%
Total incl. High Rollers	**588.8**	589.3	-0.1 %	+2.7 %	**41.7**	67.5	-38.2%

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Jim Mullen, Chief Executive

Ian Bull, Chief Financial Officer

Richard Snow, Director of Investor Relations

Donal McCabe, Group Communications Director

Notes to editors:

The Company will be hosting a teleconference to discuss the interim results with slides available at the 'Investor' section on www.ladbrokesplc.com at 9:00am (BST) this morning. This will be available to listen into by dialling ++44 (0)20 3140 8286 – pass code: 1233317.

A recording of the webcast will be available by dialling +44 (0)20 3427 0598 – pass code: 1233317 on the same day.

For further information on Ladbrokes plc, please visit our corporate website at www.ladbrokesplc.com. High-resolution images are available to download from the 'Media' section under the heading 'Image Gallery'.

Unaudited interim results for the half year ended 30 June 2015

	Half year ended 30 June 2015 £m	Half year ended 30 June 2014 £m
Net revenue by segment:		
UK Retail	410.5	405.7
Digital	112.2	105.0
European Retail	60.0	61.3
Core Telephone Betting	2.7	5.8
Group net revenue (exc. High Rollers)	585.4	577.8
High Rollers	3.4	11.5
Group net revenue	588.8	589.3
Group operating profit (1) (exc. High Rollers)	38.9	56.8
Group operating profit (1) from High Rollers	2.8	10.7
Profit before net finance expense, tax and exceptional items	41.7	67.5
Operating exceptional items(2)	(78.9)	(26.4)
(Loss)/profit before net finance expense and tax	(37.2)	41.1
Net finance expense(3)	(14.2)	(13.4)
(Loss)/profit before tax	(51.4)	27.7
Income tax credit/(expense)(4)	10.0	(4.0)
(Loss)/profit after tax	(41.4)	23.7

Impact of increased MGD, POC tax and grey market withdrawals on H1 operating profit

	Half year ended 30 June 2015 £m	Half year ended 30 June 2014 £m	Year on year change %
Group operating profit (1) (exc. High Rollers)	38.9	56.8	(31.5)%
POC tax	-	(8.9)	-
Exited grey markets	-	(2.2)	-
MGD increase (from 1 March)	-	(6.6)	-
Pro forma operating profit(5)	38.9	39.1	(0.5)%

(1) *Operating profit is defined as profit before tax, net finance expense and exceptional items. Exceptional items before finance expense and taxation were £78.9m (2014: £26.4m).*

(2) *Exceptional items are profits or losses on disposal or impairment of non-current assets or businesses, unrealised gains and losses on derivative financial instruments, corporate transaction costs, changes in fair value of contingent consideration and any other non-recurring items considered exceptional by virtue of their nature and size. The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group.*

(3) *Includes nil (2014: £0.6m) of exceptional finance expense.*

(4) *Income tax includes a credit of £12.8m on exceptional items (2014: £1.5m).*

(5) *In order to provide a relevant comparative, FY14 quarterly EBIT has been adjusted to reflect impact of externally imposed headwinds – UK POC tax, increased MGD (from 1 March 2015) and our withdrawal from unregulated digital markets in line with the guidelines of the UK Gambling Commission as if they had applied in FY14.*

Business Review

1. UK Retail

	Half year ended 30 June 2015	Half year ended 30 June 2014	Year on year change
	£m	£m	%
- OTC amounts staked	1,145.4	1,208.3	(5.2)%
- Machines amounts staked	5,898.4	5,880.5	+0.3%
Amounts staked	7,043.8	7,088.8	(0.6)%
- OTC gross win	185.4	200.5	(7.5)%
- Machines gross win	230.7	213.3	+8.2%
Gross win	416.1	413.8	+0.6%
Adjustments to GW [(1)]	(5.6)	(8.1)	+30.9%
- OTC net revenue	183.5	196.3	(6.5)%
- Machines net revenue	227.0	209.4	+8.4%
Net revenue	410.5	405.7	+1.2%
Gross profits tax	(27.2)	(29.6)	+8.1%
Machine Games Duty	(53.0)	(41.8)	(26.8)%
	330.3	334.3	(1.2)%
Associate income	1.6	-	Na
Operating costs	(275.0)	(276.7)	+0.6%
Operating profit [(2)]	56.9	57.6	(1.2)%

(1) Fair value adjustments, free bets.
(2) Before exceptional items.
(3) Greyhound tracks account for £5.6m of amounts staked and £3.6m of gross win in 2015 (2014: £5.8m amounts staked and £3.8m gross win).

Retail investment delivering revenue growth in machines and football

Overall, net revenue increased by 1.2% driven by strong SSBT and machine growth and continued estate optimisation.

OTC staking trends improved in H1 compared with H2 2014 driven notably by slower declines in horse staking with a strong customer response to our Best Odds Guaranteed campaign.

Despite the impact of the 2014 World Cup in the comparable period, OTC staking declined by only 5.2% or 3.6% on a like for like basis. Excluding the World Cup, OTC staking declined by 2.5% or 0.8% on a like for like basis with Q2 better than Q1. Unsurprisingly football staking was down, but excluding the World Cup period we saw underlying growth of c.9.0%.

In H1 gross win margin was 16.0% (H1 2014:16.4%) reflecting the large industry-wide football losses recorded in January and weaker horse-racing margins reflecting our sustained focus on value for customers and customer friendly results.

SSBTs, which are included in OTC, generated stakes of £41.0m, up over 100%, with over 75% coming from football and we have seen a growing staking per terminal throughout the year with margins at 24.1% supportive of our wider deployment strategy.

Machine revenue grew by 8.4% with strong growth in lower stake B3 slots and games on our new Clarity cabinet continuing throughout the period. In H1 we launched the new regulations governing stakes above £50. Although we saw a significant impact on higher stakes B2 play in Q2 2015 (61% of gross win vs. Q2 2014: 70%), machine performance in H1 has been somewhat better than our expectations earlier in the year with increases in lower stakes B3 play with a continued shift towards slots and other games (Q2 2015 B3 play 39% of gross win vs. Q2 2014: 30%).

In H1 2015 there was an average of 8,732 gaming machines in the estate (H1 2014: 9,033). At 30 June 2015 there were 8,643 machines (31 December 2014: 8,789).

On 1 March 2015 the rate of Machine Games Duty increased from 20% to 25% resulting in a c.27% increase in Machine Games Duty for the period.

Cost performance in line with our expectations

Operating costs decreased by 0.6% in the first half or a 1.8% increase on a like-for-like basis reflecting shop closures. This was broadly in line with the cost guidance for FY 2015 we issued in February as we have benefitted from a sustained focus on cost efficiency and delivered on our estate optimisation programmes. Our machine revenue share payments were higher than we expected reflecting the stronger performance in machines in H1.

Estate optimisation

In H1 2015, we closed 40 shops of our c.60 closures target for 2015 as we improve the quality of our estate and remove, where commercially sensible, loss making shops from the portfolio.

The annualised loss for the closed shops was approximately £0.5m and the closures have generated an exceptional charge of £11.4m (total cash cost £4.3m).

At 30 June 2015 there were 2,169 shops in Great Britain (31 December 2014: 2,209).

2. Digital

The Digital segment comprises all of our Digital operations including Ladbrokes.com and digital Exchanges; Ladbrokes Australia; and Other Regulated Operations including our operations in Belgium and Denmark and our digital joint venture Sportium.es.

In H1 2015, Digital net revenue increased by 6.9% to £112.2m (H1 2014: £105.0m). Underlying KPIs and customer acquisition remained good in H1. However, as a result of the introduction of the POC tax in the UK and substantially lower gross win margins in Ladbrokes.com, reflecting customer friendly sporting results and mix, we recorded an operating loss before exceptional items, including our share of the digital joint venture Sportium.es of £11.5m (H1 2014: profit £3.0m).

A. Ladbrokes.com and Exchanges

	Half year ended 30 June 2015 £m	Half year ended 30 June 2014 £m	Year on year change %
Net revenue			
- Sportsbook	34.5	46.8	(26.3)%
- Gaming	43.3	37.3	16.1%
- Exchanges	6.8	6.6	3.0%
Net revenue	84.6	90.7	(6.7)%
Betting tax	(0.4)	(0.2)	(100.0)%
POC tax	(12.6)	-	Na
Operating costs	(82.6)	(84.3)	2.0%
Operating profit (1)	(11.0)	6.2	Na

(1) *Before exceptional items.*

Sportsbook

Sportsbook staking increased by 20.1% (+25.9% ex World Cup) with mobile staking up 64.9% and sportsbook actives increasing by 2.3% (13.0% exc. World Cup). However, margins continued to be weak in Q2 and in H1 at 5.2% were 2.7 percentage points down on H1 2014. As a result, Sportsbook net revenue declined by 26.3%.

By the end of H1 2015, Mobile Sportsbetting represented over 64% of customer staking. Desktop staking declined by 19% reflecting rapid customer migration to Mobile products and a weaker relative product. In July, we launched our new desktop product, powered by the Mobenga platform which gives our customers a comparable experience with our strong Mobile and tablet offers. It also allows us to ensure any mobile driven innovation is also available to desktop customers. Although long term trends are in favour of mobile sportsbetting, a competitive Desktop offer is still valued by customers and the initial reaction to our new Desktop product at the end of July has been in line with our expectations.

Gaming

In H1 2015, Gaming net revenue increased by 16.1% to £43.3m as we continue to benefit from a fully enabled product and marketing capability and full engagement of Ladbrokes Israel’s marketing skills. Gaming actives also increased in H1 by 26.5%, the fourth sequential quarter of Gaming growth since we fully launched on Playtech IMS.

Exchanges

Revenue from Betdaq and the Ladbrokes Exchange increased by 3.0% in H1 2015.

Operating profit

Operating costs decreased by 2.0% to £82.6m (H1 2014: £84.3m).

Ladbrokes.com marketing expense in H1 was 30.1% (Ladbrokes.com) of net revenue (2014: 30.8%). Adjusted for normalised margins at c.7.5% marketing intensity would have been 24.4% in line with our guidance target of less than 25% issued in February.

Depreciation and amortisation increased to £14.4m (H1 2014: £12.7m) reflecting the investment in our new systems and product enhancements. As announced in February, we will benefit from the transition to Mobenga for our desktop product in H2 following the impairment of the Ecomm platform.

As a result of lower Sportsbook margins and introduction of the POC tax, operating profit for Ladbrokes.com and Exchanges decreased to a loss of £11.0m (2014: profit £6.2m).

B. Australia

	Half year ended 30 June 2015	Half year ended 30 June 2014	Year on year change
	£m	£m	%
Net revenue	25.4	13.6	86.8%
Operating profit/(loss)(1)	2.7	(0.1)	Na

(1) Before exceptional items.

Our Australian business operates under the Ladbrokes, Bookmaker and Betstar brands. Ladbrokes Australia has continued to successfully pursue its challenger strategy building market share through effective use of affiliates and product innovation.

In H1 2015, staking increased by 55.2% driven by an 81.8% increase in active customers and net revenue increased by 86.8% on a 9.6% gross win margin (H1 2014: 8.1%).

C. Other Regulated Operations

	Half year ended 30 June 2015	Half year ended 30 June 2014	Year on year change
	£m	£m	%
Net revenue	2.2	0.7	214.3%
Operating loss(1)(2)	(3.2)	(3.1)	(3.2)%

(1) Before exceptional items.
(2) Includes £0.7m share of loss from Sportium.es joint venture (2014: £1.2m loss).

Other Regulated Operations includes our digital activities in Belgium, Spain (JV) and Denmark.

Since launching in Q2 2014, we have increased our Belgium net revenue to £2.1m (H1 2014: £0.2m), incurring start up losses as we drive for growth and capitalise on our significant and long-standing retail presence in Belgium. Belgium Digital actives were c15,700 up 504% reflecting the launch in Q2 2014

Our digital joint venture with Sportium generated revenue growth of 93.8% on increased actives of c.70,700 up 53.4% and again incurred a development phase operating loss.

In Q2 2015 we closed our Danish business which had been loss making for some time, deploying our resources into markets where we can build scale. Net revenue in H1 2015 from Denmark was £0.1m and it recorded an operating loss of £0.1m

3. European Retail

European Retail comprises our operations in Belgium, Spain and Ireland which are discussed in detail below. European Retail revenue was down 2.1% and operating profit before exceptional items was £6.2m down 6.1% on H1 2014.

Belgium Retail

	Half year ended 30 June 2015	Half year ended 30 June 2014	Year on year change (reported)	Year on year change (constant currency)
	£m	£m	%	%
Amounts staked	134.3	94.1	+42.7%	+57.9%
Net revenue	26.4	24.3	+8.6%	+19.9%
Betting tax	(4.0)	(3.7)	(8.1)%	(17.4)%
Gross profit	22.4	20.6	+8.7%	+20.7%
Operating costs	(17.9)	(15.8)	(13.3)%	(24.9)%
Operating profit (1)	4.5	4.8	(6.3)%	+5.2%

(1) Before exceptional items.

In Belgium, we are benefitting from the substantial investment in enhancing the quality of the offering in our retail estate for customers with the introduction of virtual betting product and SSBT. Amounts staked have increased significantly 42.7% while gross win margins reflected lower margin virtual play at 19.7%, meaning net revenue increased by 8.6%. Operating costs were up 13.3% with machine and virtual revenue share and night opening costs being the key drivers and operating profit at £4.5m was down £0.3m on 2014. Since the introduction of the virtual product the Belgian regulator has restricted the amount of time that all market participants can run the product, this is likely to impact revenues in H2.

As at 30 June 2015 there were a total of 447 outlets including both Ladbrokes shops and newsagent outlets (H1 2014: 356).

Spain Retail

	Half year ended 30 June 2015	Half year ended 30 June 2014	Year on year change
	£m	£m	%
Operating loss (1)	(0.8)	(0.7)	(14.3)%

(1) Before exceptional items.

The Spanish economic environment remains challenging. Despite this, our share of the Sportium retail joint venture had a record half year with amounts staked increasing by 49.8% to €79.4m and gross win by 35.0% to €13.9m. Although revenue grew strongly, EBIT was broadly unchanged reflecting our continued investment in our business as we develop into the new regions launched in 2014.

We made no new regional launches in the first half. In July we launched in Castilla ye Leon and expect to launch in the Canarias later this year. As at 30 June 2015, Sportium services were available from a total of 1,291 outlets up 20.1% (H1 2014: 1,075).

Ireland Retail

	Half year ended 30 June 2015	Half year ended 30 June 2014	Year on year change
	£m	£m	%
- OTC amounts staked	235.9	247.3	(4.6)%
- Machines amounts staked	68.5	68.6	(0.1)%
Amounts staked	304.4	315.9	(3.6)%
- OTC gross win	31.4	34.7	(9.5)%
- Machines gross win	2.7	2.8	(3.6)%
Gross win	34.1	37.5	(9.1)%
Net revenue	33.6	37.0	(9.2)%
Betting tax	(3.2)	(3.4)	+5.9%
Machine Games Duty	(0.6)	(0.6)	-
Gross profit	29.8	33.0	(9.7)%
Operating costs	(27.3)	(30.5)	+10.5%
Operating profit (1)	2.5	2.5	-

(1) Before exceptional items.

In Q1 2015 we undertook a fundamental review of our Republic of Ireland business and concluded that there was no alternative to create a viable business other than to place the business into an Examinership process under supervision by the Irish High Court. We were pleased to be chosen by the Examiner as the preferred partner in restructuring the business. Following the completion of this process, we now have an estate of around 144 shops (down 52 since 31 December 2014) in the Republic of Ireland with a reduced operating cost base. Although almost 90 people left the business, we were reassured that all opted to do so under the voluntary redundancy scheme.

Inevitably this process impacted our results and our Republic of Ireland business saw staking decline by 7.4% and revenue by 13.7% (11.0% ex. World Cup). Despite cost reduction, operating losses continued at broadly the same rate as in H1 2014.

Overall trends in Northern Ireland were similar to the UK and with further cost efficiencies operating profit was slightly down on last year.

Overall Ireland operating profit at £2.5m was flat on H1 2014. At 30 June 2015 there were 79 shops in Northern Ireland (31 December 2014: 79). Following completion of the Examinership process we operate 144 shops in the Republic of Ireland (31 December 2014: 196).

4. Core Telephone Betting

	Half year ended 30 June 2015	Half year ended 30 June 2014	Year on year change
	£m	£m	%
Amounts staked	56.0	87.9	(36.3)%
Net revenue	2.7	5.8	(53.4)%
Gross profits tax	(0.1)	(0.3)	+66.7%
Operating costs	(3.1)	(4.8)	+35.4%
Operating (loss)/profit (1)	(0.5)	0.7	Na

(1) Before exceptional items

Traditional telephone betting continues to decline as we actively migrate customers to digital products and platforms. Amounts staked declined by 36.3% on H1 2015 but with gross win margins lower at 5.2% (H1 2014: 7.8%), in line with trends seen across the business, net revenue declined by 53.4% and the business moved to a small loss making position.

We expect a small operating loss for the full year.

5. High Rollers

High Rollers generated an operating profit for the period of £2.8m (H1 2014: £10.7m).

6. Social responsibility, taxation and self-regulation

The first half of the year has seen several major regulatory developments introduced into day-to-day operations. These include point of consumption taxation, changes to regulations around gaming machine staking above £50, the introduction of mandatory set limits onto gaming machines and the imposition of voluntary codes around gambling advertising.

Within Ladbrokes we have continued to look to improve our operations with responsible gambling at the heart of what we do. We have introduced a new Responsible Gambling policy and continued to invest in our Gateshead Audit centre to increase its effectiveness in monitoring and managing our responsible gambling initiatives. Our work on a responsible gambling algorithm has continued and in the half we have rolled it out across more regions. This work remains very much at a trial stage as we seek to learn more from its application and the interaction with customers it brings.

Our Social Responsibility committee has set some key targets for the business to achieve and management are to be held to account around delivery through the inclusion of these targets in their long-term performance share plan. The targets are around the roll out of the new Responsible Gambling Policy, the introduction of the £50 staking limit, meeting our Senet obligations and the progress of our algorithm trial.

We believe strongly that the industry has made strides forward in its responsible gambling approach but that it cannot afford to rest on its laurels. Public opinion is still divided on gambling and it is crucial that public trust is built. That is why are proud to have been a founder member of the Senet Group and its delivery of responsible gambling advertising across the media through the year. We are also a key member of the self exclusion trial in Glasgow, Scotland to look at how we do sector wide exclusion for a customer more easily. While not all industry partners are participating in such moves is a cause for disappointment, we believe that it is necessary to continue to lead rather than move at the pace of the slowest adopter as this only increases regulatory risk.

7. Q2 Results Commentary

Operating profit[(1)] for the Group in Q2 at £24.6m was down 35.9% on Q2 2014 (£38.4m), driven largely by lower year on year margins notably in the Digital sportsbook together with the impact of increased machine gaming duty, the new Point of Consumption tax and withdrawal from certain overseas digital markets completed during 2014. Adjusting H1 2014 results as if these headwinds had applied in the same way, operating profit would have been £27.3m and the underlying decrease in profitability was therefore 9.9%. Year on year performance in Q2 was also affected by the 2014 World Cup being in the prior period.

Notwithstanding lower than target gross win margins, we continued to deliver strong underlying KPIs notably in mobile Sportsbook, Digital Gaming and Australia and the machines performance in UK Retail in Q2 was again better than we expected.

In UK Retail, Q2 OTC amounts staked were down 5.6% (-0.3% ex World Cup) with gross win margins at 16.2% down by 0.3 percentage points on Q2 2014 substantially better than in Q1. On a like for like basis, adjusting for shop closures, OTC amounts staked reduced by 3.9%. Excluding the World Cup period, football staking improved by 26.6% and our SSBT performance continued to improve with staking per terminal increasing.

Staking on traditional products declined by 4.0% improving on the trends seen in Q1 benefitting from our Best Odds Guaranteed campaigns across UK Retail and a better performance in the Royal Ascot festival.

Machine revenue increased by 3.2%, gross win per shop per week was up 8.7% and on a per terminal per week basis was £1,011 (Q2 2014: £933). Overall, UK Retail net revenue declined by 1.7% (+2.3% excluding the World Cup).

Digital net revenue increased by 4.9%. In Ladbrokes.com, although we saw another strong quarter in staking activity and Sportsbook amounts staked grew 12.7% (+23.1% ex World Cup) with mobile staking up 66.5%. Although better than Q1, weak margins at 6.3% (2.8 percentage points lower than Q2 2015) resulted in a decline in sportsbook net revenue of 23.0%.

In contrast, Ladbrokes.com Gaming net revenue trends improved again with net revenue up 19.1% with further good growth in Gaming actives.

Australia performed well with 41.2% increase in amounts staked and, with gross win margins at 9.5% (Q2 2014: 8.6%) benefitting from results and our push towards recreational customers, net revenue increased by 58.5%.

In Belgium Retail, staking increased in Q2 by 65.6%(2) but, with the shift to virtual products and SSBTs**,** net revenue only increased by 28.8%(2). In Ireland, as we discussed above, the Examinership has impacted the business and we saw Republic of Ireland staking down 9.9% and overall Irish revenue declined by 13.5%.

8. Outlook and Current Trading

In H2, trading thus far has been in line with our expectations.

We draw the attention of investors to the announcements by Ladbrokes plc on 24 July 2015 of its new organic strategy and proposed merger with the Coral Group. Gala Coral Group Limited has announced its intention to issue its Q3 trading statement on 20 August 2015.

9. Dividend

In line with the Group's strategic review announced on 24 July the Board intends to pay a total dividend of 3.0p per share for the 2015 financial year and has, today declared an interim dividend of 1.0p per share payable on 12 November 2015 to shareholders on the register on 25 September 2015.

(1) *Excludes exceptional items and High Rollers*
(2) *Constant currency basis*
(3) *Including Sportium Joint Venture on a 50% basis*

10.Quarterly Trends Table

YoY (except where stated)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q2 2015 ex. World Cup
Group EBIT[1]	£18.4m	£38.4m	£33.0m	£35.6m	£14.3m	£24.6m	na
Adjusted Group EBIT[2]	£11.8m	£27.3m	£21.6m	£26.9m	na	na	na
UK Retail							
OTC Amounts Staked	+8.5%	+1.8%	(7.9)%	(6.8)%	(4.8)%	(5.6)%	(0.3)%
OTC Gross Win Margin	16.2% (2.7)pp	16.5% (0.4)pp	17.0% +2.1pp	15.6% (1.5)pp	15.7% (0.5)pp	16.2% (0.3)pp	16.2% 0.2pp
Machine Gross Win growth	+2.2%	+1.5%	+4.9%	+5.9%	+12.2%	+4.3%	+4.3%
Machine Gross Win per shop per week	(1.1)%	+0.4%	+6.5%	+9.8%	+16.4%	+8.7%	+8.7%
Total Net Revenue	(2.3)%	+1.5%	+6.0%	(2.4)%	+4.3%	(1.7)%	+2.3%
Ladbrokes.com							
Sportsbook Amounts Staked	+33.7%	+41.9%	+20.9%	+29.5%	+28.8%	+12.7%	+23.1%
Mobile Sportsbook Amounts Staked	+94.5%	+114.2%	+113.2%	+114.1%	+62.7%	+66.5%	+87.0%
Sportsbook Net Revenue	(15.4)%	+63.1%	+58.3%	(7.0)%	(31.5)%	(23.0)%	(7.1)%
Sportsbook Actives	(0.5)%	+38.6%	+33.7%	+14.3%	+18.5%	(5.4)%	+9.0%
Sportsbook Gross Win Margin	6.5% (3.5)pp	9.1% +1.4pp	8.9% +2.2pp	6.5% (1.7)pp	4.0% (2.5)pp	6.3% (2.8)pp	6.3% (1.9)pp
Gaming Net Revenue	(15.5)%	(18.6)%	-	+9.3%	+13.0%	+19.1%	+19.1%
Gaming Actives	(26.2)%	(6.9)%	(2.3)%	+23.3%	+34.5%	+13.2%	+13.2%

Notes:

(1) *Profit before tax, net finance expense and exceptional items. Stated after amortisation of customer relationships and other acquisition related intangible assets. Includes depreciation and amortisation of £39.1m in 15H1 and £37.4m in 14H1.*

(2) *In order to provide a relevant comparative, FY14 quarterly EBIT has been adjusted to reflect impact of externally imposed headwinds – UK point of consumption tax, increased Machine Games Duty (from 1 March 2015) and our withdrawal from unregulated digital markets in line with the guidelines of the UK Gambling Commission as if they had applied in FY14.*

11. Financial review

Trading summary

Revenue recognition – reconciliation to gross win

The Group reports the gains and losses on all betting and gaming activities as revenue, which is measured at the fair value of the consideration received or receivable from customers less free bets, promotions, bonuses and other fair value adjustments. Gross win includes free bets and promotions and bonuses. Open betting positions are carried at fair value and gains and losses arising on these positions are recognised in revenue.

A reconciliation of gross win to revenue for the Group is shown below.

	Half year ended 30 June 2015 £m	Half year ended 30 June 2014 £m
Gross win	628.0	635.0
Adjustments [1]	(36.6)	(44.3)
GST	(2.6)	(1.4)
Revenue	588.8	589.3

(1) Includes free bets, promotions, bonuses and other fair value adjustments.

The table below sets out the gross win and net revenue for each segment.

	Half year ended 30 June 2015		Half year ended 30 June 2014	
	Gross win £m	Net revenue £m	Gross win £m	Net revenue £m
UK Retail	416.1	410.5	413.8	405.7
Digital	145.1	112.2	141.0	105.0
European Retail	60.5	60.0	61.8	61.3
Core Telephone Betting	2.9	2.7	6.9	5.8
High Rollers	3.4	3.4	11.5	11.5
Total	628.0	588.8	635.0	589.3

Revenue

	Half year ended 30 June 2015 £m	Half year ended 30 June 2014 £m	Year on year change %
Excluding High Rollers			
Group revenue (reported)	585.4	577.8	1.3
Including High Rollers			
Group revenue (reported)	588.8	589.3	(0.1)

Group revenue decreased by £0.5m (0.1%) to £588.8m (H1 2014: £589.3m). Excluding High Rollers, revenue increased by £7.6m (1.3%) to £585.4m (H1 2014: £577.8m).

The increase is mainly attributable to strong machine performance in UK Retail, improved gaming performance with Digital partially offset by weaker OTC and Digital sportsbook on the back of customer friendly results as well as lack of a major football tournament in 2015

Operating profit [(1)]

Operating profit[(1)] decreased by £25.8m (38.2%) to £41.7m (H1 2014: £67.5m).

Operating profit is stated after depreciation and amortisation of £39.1m. The Group expects full year depreciation and amortisation charge to be in the range of £80-82m.

Excluding High Rollers, operating profit [(1)] decreased by £17.9m (31.5%) to £38.9m (H1 2014: £56.8m) reflecting reduced profits from all segments.

Corporate costs

Before exceptional items, total corporate costs increased by £1.1m to £12.2m (H1 2014: £11.1m). The increase is due to redundancy costs in relation to the International head office team, inclusion of bonus provisions partially offset by a credit of £1.4m relating to the Hilton hotel guarantees

The Group expects corporate costs for 2015 to be slightly higher than the charge in the full year ended 31 December 2014.

Finance expense

Before exceptional items, net finance expense of £14.2m was £1.4m higher than last year (H1 2014: £12.8m) mainly due to a higher blended interest rate.

Profit before tax

The decrease in trading profits has resulted in a 49.7% decrease in first half profit before taxation and exceptional items to £27.5m (H1 2014: £54.7m).

Exceptional items before tax

Total exceptional items before tax of £78.9m (H1 2014: £27.0m) includes the following:

- £17.1m (H1 2014: £14.1m) of losses on closure of shops in the UK and Ireland (£11.4m loss in closure in UK Retail and £5.7m following the Examinership process in the Republic of Ireland)
- £1.8m credit relating to the re-measurement of the contingent considerations in respect of business combinations from 2014 (H1 2014: £8.0m charge)
- £3.8m in relation to transaction costs relating to the proposed recommended merger with the Coral Group
- £58.3m impairment loss following review of UK retail and Ireland shops and software.
- £2.1m legal costs in relation to the Examinership process in the Republic of Ireland
- £2.9m early settlement of contractual liability with an affiliate in Australia
- £3.5m credit in relation to reversal of European indirect tax liability

Of these c.£15.5m is expected to be payable in cash.

In H2, the Group expects to incur further exceptional items including from completion of the Examinership process in the Republic of Ireland, from UK shop closures, from Coral advisory and financing fees. In aggregate, these are expected to amount to £25-30m the majority of which will be payable in cash.

Taxation

The Group taxation charge before exceptional items was £2.8m. This represents an effective tax charge of 10.2% (H1 2014: 10.0%). There was a tax credit of £12.8m in relation to exceptional items in H1 2015 (H1 2014: £1.5m credit). The estimate of the full year effective taxation rate is 10%.

Dividend

The Board today announces an interim dividend of 1.0 pence per share. The dividend will be payable on 12 November 2015 to shareholders on the register on 25 September 2015.

Earnings per share (EPS)

Underlying
EPS (before exceptional items and High Rollers) decreased by 44.2% to 2.4 pence (H1 2014: 4.3 pence), reflecting the reduced profit before tax and exceptional items.

Statutory
EPS (before exceptional items) decreased 49.1% to 2.7 pence (H1 2014: 5.3 pence), reflecting the reduced profit before tax. EPS (including the impact of exceptional items) was (4.5) pence (H1 2014: 2.6 pence). Fully diluted EPS (including the impact of exceptional items) was (4.5) pence (H1 2014: 2.6 pence) after adjustment for outstanding share options.

Cash flow, capital expenditure, borrowings and banking facilities

Cash generated by operations was £97.5m. After net finance expense paid of £13.5m, income taxes paid of £7.8m and £27.4m on capital expenditure and intangible additions; cash inflow was £48.8m. Post dividend payment of £42.1m and other net cash outflows of £1.8m, net debt at the end of the period decreased by £4.9m.

The Group expects capital expenditure for full year ended 31 December 2015 to be in the range of £65-£70m.

At 30 June 2014, gross borrowings of £435.3m less the net of cash and short-term deposits of £24.0m and bank overdraft of (£3.0m) resulted in a net debt of £414.3m (31 December 2014: £419.2m).

Going concern

In assessing the going concern basis, the directors considered the Group's business activities, the financial position of the Group and the Group's financial risk management objectives and policies. The directors consider that the Group has adequate resources to continue in operational existence and that it is therefore appropriate to adopt the going concern basis in preparing its unaudited financial statements.

(1) *Profit before tax, net finance expense and exceptional items.*

Principal risks and uncertainties

Key risks are reviewed by the Executive Committee (made up of executive directors and senior executives) and the Board of Ladbrokes plc on a regular basis and where appropriate, actions are taken to mitigate the key risks that are identified.

The principal risks and uncertainties which could impact the Group are detailed on pages 34 to 37 of the Group's Annual Report and Accounts 2014 and are as follows:

Strategy

Achieving the Group's strategy will deliver long-term growth for the benefit of all stakeholders whilst minimising some of the key risks that Ladbrokes faces. Failure to achieve the strategy has the potential to affect the business and its performance.

Principal risks faced by Ladbrokes that are comparable to those faced by most other businesses:

Additional risks not presently known to management, or currently deemed less material may also have an adverse effect on the business**.**

Marketplace and operational

Changes in the economic environment, changes in consumer leisure spend and international expansion.

Financial

The availability of debt financing and costs of borrowing, taxation and the pension fund liability.

Specific risks which are either unique or material to Ladbrokes or apply to the industry it operates in:

Betting and gaming industry

Taxes, laws, regulations, licensing and regulatory compliance

Regulatory, legislative and fiscal regimes for betting and gaming in key markets around the world can change, sometimes at short notice. Such changes could benefit or have an adverse effect on Ladbrokes and additional costs might be incurred in order to comply with any new laws or regulations.

Increased cost of product

Ladbrokes is subject to certain financing arrangements intended to support industries from which it profits. Examples are the horseracing and the voluntary greyhound racing levies which respectively support the British horseracing and greyhound industries. In addition, Ladbrokes enters into contracts for the distribution of television pictures, audio and other data that are broadcast into Ladbrokes' betting shops. A number of these are under negotiation at any one time.

Operational and bookmaking

Trading, liability management and pricing

Ladbrokes may experience significant losses as a result of a failure to determine accurately the odds in relation to any particular event and/or any failure of its risk management processes.

Loss of key locations

Ladbrokes has a number of key sites, in particular Imperial House at Rayners Lane in London, its head office and main operations centre, its premises in Euro port in Gibraltar from where online betting and gaming operations are based and in Tel Aviv, Israel where our Digital marketing operation operates from.

Recruitment and retention of key employees and succession planning

Our people are our greatest asset. We aim to be an employer of choice for talented and passionate people and we need a high level of competence across the business to meet our objectives and respond to changing market needs.

Information technology and communications

Technology failure

Ladbrokes' operations are highly dependent on technology and advanced information systems and there is a risk that such technology or systems could fail. In particular, any damage to, or failure of online systems and servers, electronic point of sale systems and electronic display systems could result in interruptions to financial controls and customer service systems.

Data management

Ladbrokes processes sensitive personal customer data (including name, address, age, bank details and betting and gaming history) as part of its business and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates. Ladbrokes is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation. This could also result in prosecutions and the loss of the goodwill of its customers and deter new customers.

Technology changes

The market for online and mobile gambling products and services is characterised by technological developments, new product and service introductions and evolving industry standards. Failure by Ladbrokes to use leading technologies effectively, develop its technological expertise, enhance its products and services and improve the performance, features and reliability of its technology and advanced information systems, could have a material adverse effect on its competitive position.

Failure in the supply chain

Ladbrokes is dependent on a number of third parties for the operation of its business. The withdrawal or removal from the market of one or more of these major third party suppliers, or failure of third party suppliers to comply with contractual obligations could adversely affect Ladbrokes' operations.

Marketplace

Competition

Ladbrokes faces competition primarily from other land based bookmakers, online betting exchanges and other online gambling operators. In particular, the online gambling market is characterised by intense and substantial competition and by relatively low barriers to entry for new participants. In addition, Ladbrokes faces competition from market participants who benefit from greater liquidity as a result of accepting bets and wagers from jurisdictions in which Ladbrokes chooses not to operate (because of legal reasons or otherwise).

Statement of Directors' Responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year, and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

A list of current directors is maintained on the Ladbrokes plc website www.ladbrokesplc.com.

By order of the Board

J J Mullen Chief Executive	I A Bull Chief Financial Officer

10 August 2015

Independent review report to Ladbrokes plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the interim report of Ladbrokes Plc for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Ladbrokes plc, comprise:

- the consolidated statement of financial position as at 30 June 2015;
- the interim consolidated income statement and statement of comprehensive income for the period then ended;
- the interim consolidated statement of cash flows for the period then ended;
- the interim consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements.

As disclosed in note 2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The interim report, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim reporting accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
10 August 2015
London

Notes:

(1) The maintenance and integrity of the Ladbrokes plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(2) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Unaudited financial statements
Interim consolidated income statement

	Half year ended 30 June 2015			Half year ended 30 June 2014		
	Before exceptional items £m	Exceptional items[1] £m	Total £m	Before exceptional items £m	Exceptional items[1] £m	Total £m
Revenue	588.8	-	588.8	589.3	-	589.3
Operating expenses before depreciation and amortisation	(509.2)	(10.2)	(519.4)	(483.4)	(20.7)	(504.1)
Share of results from joint venture and associates	1.2	-	1.2	(1.0)	-	(1.0)
Depreciation, amortisation and amounts written off non-current assets	(39.1)	(68.7)	(107.8)	(37.4)	(5.7)	(43.1)
Profit / (loss) before tax and net finance expense	41.7	(78.9)	(37.2)	67.5	(26.4)	41.1
Finance expense	(14.2)	-	(14.2)	(12.9)	(0.6)	(13.5)
Finance income	-	-	-	0.1	-	0.1
Profit / (loss) before tax	27.5	(78.9)	(51.4)	54.7	(27.0)	27.7
Income tax (expense) / credit	(2.8)	12.8	10.0	(5.5)	1.5	(4.0)
Profit / (loss) for the period	24.7	(66.1)	(41.4)	49.2	(25.5)	23.7
Attributable to:						
- equity holders of the parent	24.7	(66.1)	(41.4)	49.2	(25.5)	23.7
- non-controlling interests	-	-	-	-		-
	24.7	(66.1)	(41.4)	49.2	(25.5)	23.7
Earnings per share on profit / (loss) for the period:						
- basic	2.7p	-	(4.5)p	5.3p	-	2.6p
- diluted	2.7p	-	(4.5)p	5.3p	-	2.6p
Proposed dividends	1.0p	-	1.0p	4.3p	-	4.3p

(1) *Exceptional items are profits or losses on disposal or impairment of non-current assets or businesses, unrealised gains and losses on derivative financial instruments, corporate transaction costs, changes in fair value of contingent consideration and any other non-recurring items considered exceptional by virtue of their nature and size. Details of the exceptional items are given in note 4.*

Interim consolidated statement of comprehensive income

	Half year ended 30 June 2015 £m	Half year ended 30 June 2014 £m
(Loss) / profit for the period	(41.4)	23.7
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss:		
Currency translation differences	(8.2)	(1.1)
Total items that will be reclassified to profit or loss	(8.2)	(1.1)
Items that will not be re-classified to profit or loss:		
Re-measurement of defined benefit pension scheme	3.1	(5.8)
Tax on re-measurement of defined benefit pension scheme	(0.6)	1.2
Total items that will not be reclassified to profit or loss	2.5	(4.6)
Other comprehensive expense for the period, net of tax	(5.7)	(5.7)
Total comprehensive (expense) / income for the period	(47.1)	18.0
Attributable to:		
- equity holders of the parent	(47.1)	18.0
- non-controlling interests	-	-

Interim consolidated balance sheet

	30 June 2015 £m	31 December 2014 £m
ASSETS		
Non-current assets		
Goodwill and intangible assets	665.2	742.0
Property, plant and equipment	182.0	187.4
Interest in joint venture	9.8	9.1
Interest in associates and other investments	19.3	18.0
Other financial assets	6.8	7.2
Retirement benefit asset	74.5	69.5
	957.6	1,033.2
Current assets		
Trade and other receivables	59.0	57.2
Corporation tax recoverable	29.5	12.0
Cash and short-term deposits	64.3	62.0
	152.8	131.2
TOTAL ASSETS	**1,110.4**	**1,164.4**
LIABILITIES		
Current liabilities		
Bank overdraft	(3.0)	(1.0)
Trade and other payables	(240.5)	(205.9)
Corporation tax liabilities	(7.9)	(7.4)
Other financial liabilities	-	(1.1)
Provisions	(6.4)	(6.4)
	(257.8)	(221.8)
Non-current liabilities		
Interest bearing loans and borrowings	(435.3)	(439.3)
Other financial liabilities	(37.8)	(42.5)
Deferred tax liabilities	(63.6)	(64.1)
Provisions	(11.1)	(5.0)
	(547.8)	(550.9)
TOTAL LIABILITIES	**(805.6)**	**(772.7)**
NET ASSETS	**304.8**	**391.7**
EQUITY		
Issued share capital	270.5	270.5
Share premium	215.0	214.9
Treasury and own shares	(114.9)	(116.1)
Retained earnings	(59.9)	20.1
Foreign currency translation reserve	(6.0)	2.2
Equity shareholders' funds	**304.7**	**391.6**
Non-controlling interests	0.1	0.1
TOTAL SHAREHOLDERS' EQUITY	**304.8**	**391.7**

Interim consolidated statement of changes in equity

	Issued share capital £m	Share premium £m	Treasury and own shares £m	Retained earnings £m	Foreign currency translation reserve[1] £m	Attributable to the equity shareholders of the Company £m	Non-controlling interest £m	Total share-holders equity £m
At 1 January 2014	**269.5**	**212.9**	**(116.7)**	**55.5**	**5.8**	**427.0**	**1.3**	**428.3**
Profit for the period	-	-	-	23.7	-	23.7	-	23.7
Other comprehensive expense	-	-	-	(4.6)	(1.1)	(5.7)	-	(5.7)
Total comprehensive income	-	-	-	19.1	(1.1)	18.0	-	18.0
Issue of shares	0.4	0.9	-	-	-	1.3	-	1.3
Share-based payments charge	-	-	-	1.8	-	1.8	-	1.8
Net movement in shares held in ESOP trusts	-	-	0.4	(2.1)	-	(1.7)	-	(1.7)
Equity dividends	-	-	-	(42.0)	-	(42.0)	-	(42.0)
Non-controlling interests	-	-	-	-	-	-	-	-
At 30 June 2014	**269.9**	**213.8**	**(116.3)**	**32.3**	**4.7**	**404.4**	**1.3**	**405.7**
At 1 January 2015	**270.5**	**214.9**	**(116.1)**	**20.1**	**2.2**	**391.6**	**0.1**	**391.7**
Loss for the period	-	-	-	(41.4)	-	(41.4)	-	(41.4)
Other comprehensive income/(expense)	-	-	-	2.5	(8.2)	(5.7)	-	(5.7)
Total comprehensive income	-	-	-	(38.9)	(8.2)	(47.1)	-	(47.1)
Issue of shares	-	0.1	-	-	-	0.1	-	0.1
Share-based payments charge	-	-		2.2	-	2.2	-	2.2
Net movement in shares held in ESOP trusts	-	-	1.2	(1.2)	-	-	-	-
Equity dividends	-	-	-	(42.1)	-	(42.1)	-	(42.1)
Non-controlling interests	-	-	-	-	-	-	-	-
At 30 June 2015	**270.5**	**215.0**	**(114.9)**	**(59.9)**	**(6.0)**	**304.7**	**0.1**	**304.8**

[1] *The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.*

Interim consolidated statement of cash flows

	Notes	Half year ended 30 June 2015 £m	Half year ended 30 June 2014[1] £m
Net cash generated from operating activities	10	76.2	58.3
Cash flows from investing activities:			
Purchase of intangible assets		(13.8)	(19.5)
Purchase of property, plant and equipment		(13.6)	(7.4)
Proceeds from sales of plant, property and equipment		0.5	-
Acquisition of businesses	13	-	(10.4)
Purchase of interest in joint venture		(1.9)	(2.5)
Net cash used in investing activities		(28.8)	(39.8)
Cash flows from financing activities:			
Proceeds from issue of ordinary shares		0.1	0.1
Purchase of ESOP shares		-	(0.5)
Proceeds from borrowings, net of issue costs		-	98.7
Repayment of borrowings		(4.5)	(65.0)
Equity dividends paid	6	(42.1)	(42.0)
Net cash used in financing activities		(46.5)	(8.7)
Net increase in cash and cash equivalents		0.9	9.8
Effect of changes in foreign exchange rates		(0.6)	0.1
Cash and cash equivalents at beginning of the period		61.0	62.7
Cash and cash equivalents at end of the period		61.3	72.6
Cash and cash equivalents comprise:			
Cash and short-term deposits		24.0	30.7
Customer funds		40.3	42.5
Bank overdraft		(3.0)	(0.6)
		61.3	72.6

1 See Basis of preparation note 2d.

Notes to financial information

1. Corporate information

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

2. Basis of preparation

(a) The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing its financial statements.

(b) The Group's annual financial statements for the year ended 31 December 2014 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The interim condensed consolidated financial statements for the half year ended 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements at 31 December 2014.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit and loss.

The interim financial information was approved by a duly appointed and authorised committee of the Board of Directors on 10 August 2015 and is unaudited.

The financial information set out in this document in respect of the year ended 31 December 2014 does not constitute the Group's statutory accounts for the year ended 31 December 2014. The auditor's report (from PricewaterhouseCoopers LLP) on the statutory accounts for the year ended 31 December 2014 was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 have been delivered to the Registrar of Companies.

Notes to financial information

2. Basis of preparation (continued)

(c) To assist in understanding the underlying performance, the Group has defined the following items of income and expense as exceptional in nature:

- profits or losses on disposal or impairment of non-current assets or businesses;
- unrealised gains and losses on derivative financial instruments;
- corporate transaction costs; and
- changes in the fair value of contingent consideration
- the related tax impact effect on these items.

Any other non-recurring items are considered individually for classification as exceptional by virtue of their nature and size.

The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group. The exceptional items have been included within the appropriate classifications in the consolidated income statement.

(d) Comparative information

Cash and short term deposits include customer funds of £40.3million (30 June 2014: £42.5 million). Trade and other payables due within one year include amounts due to customers of £40.3 million (30 June 2014: £42.5 million), representing funds received. The comparative balances have been re-presented within the cashflow for 30 June 2014.

3. Segment information

The Group's operating segments are based on the reports reviewed by the Board of Directors (who are collectively considered to be the Chief Operating Decision Maker) to make strategic decisions.

The performance of the Group's segments is assessed and measured according to the nature of the services provided. IFRS 8 requires segment information to be presented on the same basis as that used by the Board for assessing performance and allocating resources, and the Group's operating segments are aggregated into the five reportable segments detailed below:

- UK Retail: comprises betting activities in the shop estate in Great Britain.
- European Retail: comprises all activities connected with the Ireland (Northern and Republic of), Belgium and Spain shop estates.
- Digital: comprises betting and gaming activities from online and mobile operations which include Ladbrokes Israel, Ladbrokes Australia and Betdaq.
- Core Telephone Betting: comprises activities relating to bets taken on the telephone, excluding High Rollers.
- High Rollers: comprises activities primarily relating to bets taken on the telephone from High Rollers.

The Board continues to assess the performance of operating segments based on a measure of net revenue, profit before tax and net finance expense. This measurement basis excludes the effect of exceptional items (income or expenditure) from the operating segments.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

Notes to financial information

3. Segment information (continued)

The segment results for the half year ended 30 June 2015 were as follows:

	Revenue £m	Profit before tax and exceptional items £m	Profit / (loss) before tax and after exceptional items £m
UK Retail	410.5	56.9	32.0
Digital	112.2	(11.5)	(14.2)
European Retail	60.0	6.2	(41.3)
Core Telephone Betting	2.7	(0.5)	(0.5)
High Rollers	3.4	2.8	2.8
Segment revenue and profit / (loss)	588.8	53.9	(21.2)
Corporate costs		(12.2)	(16.0)
Profit / (loss) before tax and net finance expense		41.7	(37.2)
Net finance expense		(14.2)	(14.2)
Group revenue and profit / (loss) before tax	588.8	27.5	(51.4)

The segment results for the half year ended 30 June 2014 were as follows:

	Revenue £m	Profit before tax and exceptional items £m	Profit before tax and after exceptional items £m
UK Retail	405.7	57.6	44.0
Digital	105.0	3.0	(8.8)
European Retail	61.3	6.6	6.1
Core Telephone Betting	5.8	0.7	0.7
High Rollers	11.5	10.7	10.7
Segment revenue and profit	589.3	78.6	52.7
Corporate costs		(11.1)	(11.6)
Profit before tax and net finance expense		67.5	41.1
Net finance expense		(12.8)	(13.4)
Group revenue and profit before tax	589.3	54.7	27.7

Notes to financial information

4. Exceptional items

	Half year ended 30 June 2015 £m	Half year ended 30 June 2014 £m
Loss on closure (1)	(17.1)	(14.1)
Fair value adjustment to contingent consideration (2)	1.8	(8.0)
Corporate transaction costs (3)	(3.8)	(0.5)
Impairment loss (4)	(58.3)	-
Examinership costs (5)	(2.1)	-
Early termination of contract (6)	(2.9)	-
European indirect tax liability (7)	3.5	-
Digital – exit costs	-	(3.8)
Exceptional finance charges	-	(0.6)
Total before tax	(78.9)	(27.0)
Exceptional tax credit	12.8	1.5
Total after tax	(66.1)	(25.5)

(1) *The £17.1m loss on closure includes a £11.4m loss on closure in UK Retail and a £5.7m loss on closure in European Retail shops following the Examinership process. These costs include a loss on disposal of intangible assets of £6.7m, a loss on disposal of property, plant and equipment of £3.7m and cost accruals of £6.7m.*

(2) *The fair value of the contingent consideration in respect of the business combinations with Playtech and Betdaq has been remeasured at 30 June 2015. This resulted in an overall credit to the income statement of £1.8m.*

(3) *The Group incurred £3.8m of corporate transaction costs in relation to the proposed recommended merger with the Gala Coral Group.*

(4) *Impairment loss of £58.3m comprises a £51.8m impairment of shop licenses, impairment of £1.4m of shop assets and £5.1m in software impairment. The £53.2m shop impairment has arisen as a result of a license impairment review and includes £13.5m in UK Retail and £39.7m in relation to European Retail. The impairment of software primarily relates to assets no longer in use.*

(5) *Legal costs of £2.1m are in relation to Examinership in Republic of Ireland.*

(6) *Management has entered into negotiations to settle early a contractual agreement with an affiliate in Australia. The amount of £2.9m represents managements best estimate of the future contractual liability.*

(7) *At 31 December 2014 a provision was made for a liability arising from European indirect tax changes. A subsequent settlement has been agreed which has resulted in an exceptional credit of £3.5m*

Impairment review

Goodwill and indefinite life intangible assets have been tested for impairment by comparing the carrying amounts of these assets with their recoverable amounts (being the higher of fair value less costs to sell and value in use).

The impairment loss of £58.3m included within exceptional items includes shop impairments of £51.8m. The recoverable amounts of certain individual UK and European Retail CGUs were below their carrying amounts at 30 June 2015 giving an impairment loss. Each CGU represents the lowest level within the Group at which the licenses are monitored for internal management purposes which in the majority of instances is an individual shop. Where the cashflows of one or more shops are not entirely independent, these are grouped to form a CGU. The recoverable amounts of the CGUs are determined from value in use calculations. These are based on budgets and plans approved by management for the next three years extrapolated thereafter using a 2% (FY 2014:1%) growth rate for UK Retail and Digital and a 1-2% growth rate for European Retail (FY 2014: 1%).

The key assumptions taken into account by management are the net cashflows (which are impacted by amounts staked and gross win margin) and the discount rate applied. The estimated amounts staked and gross win margin are based upon historic experience, management's best estimate of future trends and performance taking account of industry sources. The pre-tax discount rate applied to cash flow projections for CGUs in UK Retail is 10.9% (FY 2014: 10.8%), in European Retail is between 9.9% and 10.9% (FY 2014: between 9.4% and 10.4%) and in Digital is 9.7% (FY 2014: 9.6%).

Notes to financial information

4. Exceptional items (continued)

The recoverable amount of individual CGUs is sensitive to any changes in cash flows or discount rate. For Digital, no reasonably possible change in key assumptions would result in an impairment. An increase of 0.5% in the pre-tax discount rate would have resulted in an additional impairment loss of approximately £3.9m (FY 2014: £7.9m) for UK Retail and £3.6m (FY 2014: £3.2m) for European Retail, or a reduction in projected cash flows of 5% would have resulted in an additional impairment loss of approximately £3.8m (FY 2014: £4.0m) for UK Retail and £4.4m (FY 2014: 3.3m) for European Retail. An assumption of no growth rate after 2019 would have resulted in an increase in impairment loss of approximately £11.1m (FY 2014: £9.9m) for UK retail and £9.5m (FY 2014: £4.8m) for European Retail.

In addition to the defined exceptional items set out in note 2 the Group considered the credit arising on the European tax liability and the charges in relation to Examinership, early termination of contract and transaction costs to be of sufficient materiality to be separately identified and of a nature unrelated to the underlying trading performance of the Group in the year. The cashflow effect of the 2015 exceptional items was an outflow of £1.0m.

5. Taxation

The tax credit for the half year ended 30 June 2015 was £10.0m (30 June 2014: charge of £4.0m) of which a credit of £12.8m (30 June 2014: £1.5m) related to exceptional items.

It was announced that the standard rate of UK Corporation Tax will be reduced from 20% to 19% from 1 April 2017, with a further reduction to 18% from 1 April 2020.

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 20%; applicable at the balance sheet date. Whilst detailed calculations have not been prepared at this stage, it is estimated that the impact of the future corporation tax rate reductions would be to reduce the deferred tax liabilities by approximately £8m and to reduce the deferred tax assets by approximately £1m.

Net deferred tax liability of £63.6m consists of £13.4m of deferred tax asset which has been offset against a deferred tax liability of £77.0m due to the right of offset.

6. Dividends

	Half year ended 30 June 2015 Pence	Half year ended 30 June 2014 Pence
Interim	1.0	4.3
	1.0	4.3

An interim dividend of 1.0 pence per share (30 June 2014: 4.3 pence) was declared by the directors at their meeting on 10 August 2015. These financial statements do not reflect this dividend payable. The 2014 final dividend of 4.6 pence (£42.1m) was paid in the half year ended 30 June 2015 (30 June 2014: £42.0m).

7. Earnings per share

Basic earnings per share has been calculated by dividing the loss attributable to shareholders of the Company of £41.4m (30 June 2014: profit of £23.7m) by the weighted average number of shares in issue during the half year of 923.0m (30 June 2014: 920.5m).

The calculation of adjusted earnings per share before exceptional items is included as it provides a better understanding of the underlying performance of the Group. Exceptional items are defined in note 2 and disclosed in note 4.

Notes to financial information

7. Earnings per share (continued)

	Half year ended 30 June 2015 £m	Half year ended 30 June 2014 £m
(Loss) / profit attributable to shareholders	(41.4)	23.7
Exceptional items, net of tax (note 4)	66.1	25.5
Adjusted profit attributable to shareholders	24.7	49.2

Weighted average number of shares (ms):		
Shares for basic earnings per share	923.0	920.5
Potentially dilutive share options and contingently issuable shares	3.9	7.3
Shares for diluted earnings per share	926.9	927.8

	Half year ended 30 June			
	Before exceptional items		**After exceptional items**	
Stated in pence	2015	2014	2015	2014
Basic earnings per share	2.7	5.3	(4.5)	2.6
Diluted earnings per share	2.7	5.3	(4.5)	2.6

8. Non-current assets

During the half year ended 30 June 2015, the Group acquired intangible assets at a cost of £13.8m (30 June 2014: £15.6m) and plant, property and equipment of £18.8m (30 June 2014: £7.6m).

At 30 June 2015 the Group had no contractual commitments for the acquisition of property, plant and equipment (31 December 2014: £nil).

9. Net debt

The components of the Group's net debt are as follows:

	30 June 2015 £m	31 December 2014 £m
Current assets		
Cash and short-term deposits	24.0	21.1
Current liabilities		
Bank overdrafts	(3.0)	(1.0)
Non-current liabilities		
Interest bearing loans and borrowings	(435.3)	(439.3)
Net debt	(414.3)	(419.2)

Cash and short-term deposits presented on the balance sheet of £64.3m (31 December 2014 : £62.0m) include customer funds of £40.3m (31 December 2014 : £40.9m)

As at 30 June 2015 £287.5m of committed bank facilities were undrawn.

Notes to financial information

10. Note to the statement of cash flows

	Half year ended 30 June 2015 £m	Half year ended 30 June 2014 £m
(Loss) / profit before tax and net finance expense	(37.2)	41.1
Non-cash exceptional items	77.4	24.5
Depreciation of property, plant and equipment	20.1	22.0
Amortisation of intangible assets	19.0	15.4
Share-based payments charge	2.2	1.8
Increase in trade and other receivables	(2.2)	(7.2)
Decrease in other financial liabilities	(2.4)	(0.2)
Increase / (decrease) in trade and other payables	26.1	(14.5)
Decrease in provisions	(2.4)	-
Contribution to retirement benefit scheme	(2.4)	(4.5)
Share of results from joint venture	0.3	1.1
Share of results from associates	(1.5)	-
Other items	0.5	0.7
Cash generated by operations	97.5	80.2
Income taxes paid	(7.8)	(8.3)
Net finance expense paid	(13.5)	(13.6)
Net cash inflow from operating activities	76.2	58.3

11. Related party transactions

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Half year ended 30 June 2015 £m	Half year ended 30 June 2014 £m
Equity investment		
- Joint venture [(1)]	1.9	2.5
Loans		
- Movement in loan balance with joint venture partner	-	(0.4)
Sundry expenditures		
- Associates [(2)]	26.4	25.6

(1) *Equity investment in Sportium Apuestas Deportivas SA.*
(2) *Payments in the normal course of business made to Satellite Information Services (Holdings) Limited.*

The following table provides related party outstanding balances.

	30 June 2015 £m	31 December 2014 £m
Loan balances outstanding		
- Joint venture	0.5	0.5
Other receivables outstanding		
- Associates	1.5	1.4
- Joint venture	1.2	1.2

Notes to financial information

12. Financial guarantees

Guarantees have been given in the ordinary course of business in respect of loans and derivative contracts granted to subsidiaries amounting to £437.5m (31 December 2014: £442.0m). Bank guarantees have been issued on behalf of subsidiaries and joint ventures with a value of £16.5m (31 December 2014: £25.4m).

The Group has given guarantees to third parties in respect of lease liabilities of former subsidiaries within the disposed hotels division. The Group received an indemnity from Hilton Hotels Corporation (HHC), at the time of the hotels disposal, in relation to any loss the Group may subsequently incur under these third party guarantees. The guarantees expire between 2017 and 2042 and the lease liabilities comprise a combination of minimum contractual and turnover based elements.

The undiscounted maximum liability exposure in respect of the guarantees for all periods up to 2042 is £571.6m (31 December 2014: £679.6m), with a maximum indemnity receivable of the same amount. Included in the maximum liability exposure is £408.6m (31 December 2014: £434.8m) in relation to the turnover based element of the hotel rentals and £163.0m (31 December 2014: £244.8m) in relation to the minimum contractual based element. The maximum liability represents the total of all guaranteed rentals under the non-cancellable agreements into which the Group has entered.

The net present value of the maximum exposure at 30 June 2015 is £209.2m (31 December 2014: £258.7m). Included in the net present value of the maximum exposure is £139.9m (31 December 2014: £149.1m) in relation to the turnover based element of the hotel rentals and £69.3m (31 December 2014: £109.6m) in relation to the minimum contractual based element.

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

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

At 30 June 2015 the Group has recognised a financial liability of £3.4m (31 December 2014: £4.8m) in respect of these guarantees. This financial liability is classified at Level 3 in the fair value hierarchy as the fair value is measured using techniques where significant inputs are not based on observable market data.

The key assumption in the probability model is the hotels default rate. A rate of 1.5% has been used at 30 June 2015 (31 December 2013: 1.5%). A 0.5 percentage point increase in the default rate would increase the financial liability by £0.9m.

Notes to financial information

13. Financial instruments

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2015, by level of fair value hierarchy. All assets and liabilities measured at fair value are measured as level 3 (fair value is measured using techniques where the significant inputs are not based on observable market data).

30 June 2015	Level 1 £m	Level 2 £m	Level 3 £m
Assets measured at fair value			
Other financial assets	-	-	3.4
Liabilities			
Ante-post liabilities	-	-	(2.3)
Other non-current financial liabilities	-	-	(33.8)
Total	-	-	(36.1)
Net liabilities measured at fair value	-	-	(32.7)

Carrying amounts versus fair values

Assets and liabilities designated at fair value through profit or loss and available for sale financial assets are carried at fair value. The fair value of cash at bank and in hand approximates to book value due to its short-term maturity. The fair value of the £225m 7.625% bond at 30 June 2015 was £241.3m (31 December 2014: £244.3m). The fair value of the £100m 5.125% bond at 30 June 2015 was £102.6m (31 December 2014: £100.2m). The amortised cost of interest bearing loans and borrowings, with the exception of the £225m 7.625% bond and the £100m 5.125% bond, and the carrying value of all other assets and liabilities approximates to fair value.

Trade and other payables

Included in trade and other payables are £2.3m of ante-post liabilities (31 December 2014: £5.3m). Changes in the fair value of these instruments are recorded in the consolidated income statement.

Other non-current financial liabilities

Included within other non-current financial liabilities is contingent consideration associated with previous business combinations of £30.3m (31 December 2014: £32.1m), classified as level 3 financial instruments, as its fair value is measured using techniques where the significant inputs are not based on observable market data. Financial guarantees are also classified as level 3 financial instruments; a description of the valuation techniques, significant inputs and assumptions is described in note 12.

a) Betdaq

The estimated fair value of the contingent consideration at 30 June 2015 is £3.2m (31 December 2014: £2.5m), which is classified at Level 3 in the fair value hierarchy. The £0.7m increase in fair value since the acquisition date has been recorded in the income statement within exceptional items.

Betdaq contingent consideration is linked to the performance of the business over a four year period and is capped at €535.0m. The fair value of the contingent consideration has been estimated using a discounted cash flow analysis at the balance sheet date. The key assumptions in estimating the fair value are the EBITDA projections of the Betdaq business for 2016, the predicted Ladbrokes plc EBITDA multiple in 2016 (9.5x) and the discount rate applied (14%). All of these assumptions have been applied on a probability-weighted basis.

The contingent consideration is sensitive to changes in these assumptions. For example, an increase of 10% in EBITDA projections would result in an increase in contingent consideration of £1.7m and a decrease of 2% in the discount rate would result in an increase in contingent consideration of £0.1 m. A decrease in the EBITDA multiple of 2x would result in a decrease in contingent consideration of £0.7m.

13. Financial instruments (continued)

b) Playtech

The estimated fair value of the contingent consideration at 30 June 2015 is £27.1m (31 December 2014 : £29.6m), which is classified at Level 3 in the fair value hierarchy. The £2.5m decrease in fair value since the acquisition date has been recorded in the income statement within exceptional items.

The fair value of the contingent consideration in relation to Playtech has been estimated using a discounted cash flow analysis at the balance sheet date. The key assumptions in estimating the fair value are a range of EBITDA projections of the Digital business for 2017, which are based on the projections in place at the time of the acquisition and then updated with an estimated uplift for the benefits of the transaction, the predicted Ladbrokes plc EBITDA multiple in 2017 (9.5x); and the discount rate applied (a range of 21.3% to 14.3%, depending on the year). All of these assumptions have been applied on a probability-weighted basis.

The contingent consideration is sensitive to changes in these assumptions. For example, an increase of 10% in EBITDA projections would result in an increase in contingent consideration of £11.4m and a decrease of 2% in the discount rate would result in an increase in contingent consideration of £1.3m. An increase of 1x in the EBITDA multiple would increase the contingent consideration by £3.1m.

On the 24 July 2015 Ladbrokes plc announced a revision to the existing agreement (see note 14).

14. Post balance sheet events

On 24 July 2015 the Group announced the following:

- Ladbrokes plc and Gala Coral Group Limited have agreed terms of a recommended merger (the “Merger”) of Ladbrokes with certain businesses of Gala Coral, including Coral Retail, Eurobet Retail and Gala Coral’s Online business to create a leading European betting and gaming group that is better positioned to compete more effectively (the “Combined Entity”).
- A successful completion of the placing of a total of 92,378,680 new ordinary shares of 28 1/3 pence each in the Company representing approximately 9.99 per cent. of the Company's existing issued ordinary share capital (excluding treasury shares) have been placed at a price of 125 pence per Placing Share raising proceeds of £115.5m (before expenses). As part of the Placing, 22.9% of the Placing Shares have been placed with Playtech.
- A three year strategy which incorporates an aggressive three year investment programme to build our UK Retail, Digital and Australian recreational customer base and a plan to restore our passion and pride of being at the heart of sportsbetting in our culture and all that we do.
- Completion is conditional upon, inter alia, the approval of Ladbrokes' existing shareholders and clearance from the Competition and Markets Authority. Ladbrokes are confident that the Merger is deliverable and are committed to working closely with Coral and the CMA in its review.

Details of all of the above are contained within the press releases dated 24 July 2015 which can also be found on the Ladbrokes plc website. None of the above announcements or the details contained within it amount to an adjusting balance sheet event.

Playtech Agreement

To assist in the flexibility for the Combined Entity to achieve integration and realise synergies, Playtech plc has agreed conditional upon completion, to accelerate the determination of amounts due to it under its marketing services agreement with Ladbrokes. The sum agreed is £75m, of which £40m shall be satisfied by way of the issue of shares in the Combined Entity on completion of the Merger and with a further guaranteed £35m in cash paid upon the delivery by Playtech of key operational milestones but, in any event, within 42 months following completion of the Merger.