Gala Coral Group Limited

Condensed consolidated interim financial information *(unaudited)*

Forty week period ended 2 July 2011

Gala Coral Group Limited
Forward Looking Statements

Certain statements contained in this report are or may constitute forward looking statements.

The words “believe,” “anticipate,” “expect,” “predict,” “intend,” “estimate,” “plan,” “aim,” “assume,” “forecast,” “project,” “will,” “may,” “should,” “risk,” “probable” and similar expressions, which are predictions or indications of future events and future trends, which do not relate to historical matters, identify forward looking statements. All statements other than statements of historical facts included in this report including, without limitation, in relation to the Group’s investment performance, results of operations, financial position, liquidity, prospects, growth potential, strategies and information about the macro-economic, industry and regulatory environment in which the Group operates are forward looking. Readers of this report should not rely on forward looking statements because, by their nature, such forward looking statements involve known and unknown risks and uncertainties that could cause the Group’s actual results, performance or achievements and the development of the industry in which it operates to be materially different from those expressed in, or suggested by, the forward looking statements contained in this report.

These forward looking statements are made as of the date of this report and are not intended to give any assurance as to future results. Neither the Group nor any of the Group’s Directors or other officers undertake any obligation, except as required by law or by any appropriate regulatory authority, to release publicly any revisions or updates to these forward looking statements to reflect events that occur, circumstances that arise or new information of which they become aware after the date of this report.

Gala Coral Group Limited
Use of Non-GAAP Financial Measures

The Group uses the EBITDA based financial measure of EBITDA before exceptional items in this report. The Group defines EBITDA before exceptional items as financial result for the period before income tax expense, net finance costs, profit/(loss) on disposal of fixed assets, depreciation and amortisation and exceptional items. For a discussion of exceptional items, see "Note 3: Exceptional Items" herein. The Group utilises EBITDA before exceptional items for the Group and for all of its divisions.

This EBITDA based measure is a non-U.K. GAAP measure. The Group uses EBITDA based measures as internal measures of performance to benchmark and compare performance, both between its own operations and as against other companies. EBITDA based measures are measures used by the Group, together with measures of performance under U.K. GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performances of various businesses. The Group believes EBITDA based measures are useful and commonly used measures of financial performance in addition to operating profit and other profitability measures under U.K. GAAP because they facilitate operating performance comparisons from period to period and company to company. By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortisation methods, financing and capital structures, taxation positions or regimes and exceptional items, the Group believes EBITDA based measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, the Group believes EBITDA based measures and similar measures are regularly used by the investment community as a means of comparison of companies in the Group's industry. Different companies and analysts may calculate EBITDA based measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA based measures are not measures of performance under U.K. GAAP and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of the Group's operations in accordance with U.K. GAAP.

In addition to this EBITDA based measure, the Group has included other non-U.K. GAAP financial measures in this report, some of which the Group refers to as "key performance indicators". The Group believes that it is useful to include these non-U.K. GAAP measures as they are used by the Group for internal performance analysis and the presentation by its business divisions of these measures facilitates comparability with other companies in the Group's industry, although the Group's measures may not be comparable with similar measurements presented by other companies. These other non-U.K. GAAP measures should not be considered in isolation or construed as a substitute for U.K. GAAP measures in accordance with U.K. GAAP. For a discussion of certain of the Group's key performance indicators, see "Trading Performance and Key Performance Indicators".

Gala Coral Group Limited
Management Report

Notice

These interim accounts have been prepared at the level of Gala Coral Group Limited. This differs to the first set of interim accounts prepared following the refinancing which completed on 27 May 2011, which were prepared for Gala Electric Casinos plc (its direct subsidiary).

As permitted by the bond indentures, the Group is allowed to prepare interim accounts at the level of either Gala Coral Group Limited or Gala Electric Casinos plc. In order to harmonise external reporting where possible for the Group, Gala Coral Group Limited is the preferred reporting entity.

As part of the capital restructure of the Gala Coral Group which took place in June 2010, Gala Coral Group Limited was incorporated and became a Group holding company. For the quarter ended 2 July 2011 and subsequent periods comparatives are available, and the Group has therefore elected to prepare these and subsequent interim statements at the Gala Coral Group Limited level.

From a profit and loss account perspective, the difference between accounts consolidated at Gala Coral Group Limited and those at Gala Electric Casinos plc is an immaterial amount of group interest payable. From a balance sheet perspective there is a small difference in net assets relating to the amount due in respect of subordinated group debt (the Holdco loan notes) and there are some classification differences in capital and reserves.

Overview of the quarter

The key financial highlights in the 12 weeks ended 2 July 2011 were:

- Turnover of £251.8 million, a reduction of £20.9 million (8%) from the prior year. Excluding the impact of the 2010 World Cup and the removal of prize bingo, turnover was level year on year.
- Group EBITDA (pre-exceptionals) of £56.3 million was £12.3 million (18%) lower than the prior year. Excluding the impact of the 2010 World Cup and the January VAT increase EBITDA (pre-exceptionals) was £4.3 million (7%) lower than the prior year
- The cash outflow for the period was £144.6 million, including the net repayment of £119.4 million of senior debt, the payment of £35.1 million in refinancing costs (total fees are estimated at approximately £40.6 million) and a further £1.9 million of fees associated with the cancellation of certain hedging arrangements

The key trading highlights in the 12 weeks ended 2 July 2011 were:

- Coral OTC amounts staked (excluding World Cup) up 3% year on year
- Coral gross win per machine level against a strong prior year at £890
- Gala Bingo spend per head up 3%, with strong growth in margins
- Gala Casinos drop per head up 5% and a strong gaming margin driving 30% EBITDA (pre-exceptionals) growth
- Remote Gambling EBITDA (pre-exceptionals) 5% below the same period in 2010
- Eurobet Italia amounts staked up 19%, excluding the impact of the World Cup

Turnover in the third quarter reduced by £20.9 million (8%) from £272.7 million to £251.8 million. Of this, £11.1 million was attributable to the World Cup in 2010, as noted above, and approximately £9.1 million is attributable to a change in the prize mix in interval bingo within Gala Bingo which has a neutral impact overall in terms of gross profit. Adjusting for these two factors turnover was level year on year in the quarters.

Overview of the quarter (continued)

Group EBITDA (pre-exceptionals) reduced from £68.6 million in the third quarter of 2010 to £56.3 million over the same period in 2011. Adjusting for the £5.0 million impact of the World Cup, and an approximate £3.0 million impact on profitability relating to the VAT increase to 20% in January 2011, underlying EBITDA (pre-exceptionals) was £4.3 million (7%) below prior year levels.

Coral's turnover in the quarter was 7% down year on year at £126.8 million (2010: £136.3 million). Adjusting for the impact of the World Cup, turnover was £2.9 million below the prior year. OTC amounts staked (excluding World Cup) returned to year on year growth, out-performing the prior year by 3%. The OTC gross win margin of 14.8% was 1.0% below the prior year adjusted level though, which resulted in OTC turnover being 3% lower overall. Machines gross win was 2% up on the prior year, but the impact of the VAT increase highlighted above resulted in turnover finishing level year on year. Excluding the World Cup and the impact of the VAT increase, Coral's gross, or trading, profit was level with the prior year. Growth in the estate and contractual cost increases, predominantly across rent, rates, utilities and broadcast content, resulted in costs being 4% higher in the quarter (7% higher adjusting for prior year World Cup marketing spend and the impact on irrecoverable VAT from the VAT increase in January). EBITDA (pre-exceptionals) of £36.2 million was £10.4 million (22%) below the prior year and was £4.6 million (11%) adverse adjusting for the World Cup and the impact of the VAT increases.

Gala Bingo's turnover for the quarter reduced from £76.0 million in 2010 to £69.2 million in 2011. This shortfall is more than accounted for by the shift in the prize mix in mechanised cash bingo, as well as a reduction in the number of clubs year on year (from an average of 145 clubs in 2010 to 142 clubs in 2011). This change in product mix does not impact gross profit, which was 2% ahead of the prior year. Admissions levels were 2% below prior year levels, predominantly due to the unseasonably hot weather over Easter and the bank holidays, as well as the prior year being heavily promoted. There has also been a deliberate reduction in the level of free bingo being offered which also impacted admission levels in the quarter. Spend per head showed solid growth though, and was 3% higher than the prior year. Margins across all products remained consistently strong. Higher year on year costs, predominantly relating to full year bonus provisions, resulted in an EBITDA (pre-exceptionals) of £15.4 million, level with the prior year.

Gala Casinos' turnover increased by 10% from £29.3 million in the third quarter of 2010 to £32.2 million in 2011. Admissions showed solid growth of 3% year on year, with drop per head 5% ahead of the prior year - the highest level achieved on a year-to-date basis. The strong cash drop was allied with a strong gaming win margin in the quarter of 17.1% (2010: 16.3%). Costs increased by 6% over the prior year, primarily due to increased staffing to support trading growth, delivering an EBITDA of £7.3 million, £1.7 million (30%) up year on year.

Remote Gambling's turnover decreased by 25% in the quarter from £18.2 million in 2010 to £13.6 million in 2011. Excluding the World Cup turnover reduced by 22%. Active customers and staking levels continue to trade below prior year levels due to platform and technology constraints which are being addressed by an ongoing initiative to re-platform all of the Group's key online products with Playtech. Profit protection measures were continued in the quarter to control margin and costs which partially mitigated the impact of the reduced turnover at both a gross profit and EBITDA (pre-exceptionals) level, with EBITDA of £6.9 million being just 5% below that achieved in the equivalent period in the prior year.

Eurobet Italia's turnover reduced by £2.9 million from £12.9 million in 2010 to £10.0 million in 2011. Italy benefited from a very strong World Cup in 2010, but adjusting for this, sports betting amounts staked were 19% up year on year, with LBO stakes up 17% and online showing a strong 22% increase. LBO profitability was adversely impacted by a sports betting gross win margin that was 1.5pts below the prior year, though online sports betting benefited from a 1.8pts improvement in margin to 11.9% (excluding 2010 World Cup). Again, excluding the impact of the 2010 World Cup, gross profit from sports betting was level with the prior year, and EBITDA (pre-exceptionals) was £0.1 million ahead. Including the impact of the World Cup, EBITDA (pre-exceptionals) was £1.2 million below that achieved in the equivalent quarter last year.

Overview of the quarter (continued)

General administrative expenses include central function costs and non-cash amortisation on Eurobet Italia sports betting licences and goodwill re the Remote Gambling Division. These have increased from £15.9 million in the prior year to £18.0 million in 2011. This year on year increase is primarily due to an ongoing reinvestment in key business support functions such as IT, Marketing, E-Gaming and HR following significant reductions in previous years.

A depreciation charge of £16.7 million is included in administrative expenses for the quarter (2010: £16.8 million).

Exceptional items included in operating profit for the third quarter amount to a charge of £7.3 million (2010: £11.0 million), being costs associated with onerous lease provisions, redundancies and costs with respect to the refinancing.

As a result of the above, profit before interest and tax reduced to £26.6 million in the quarter (2010: £39.8 million).

Interest payable has reduced from £87.9 million in 2010 to £67.4 million in 2011, primarily reflecting the repayment and release of debt as a result of the financial restructuring of the Group in the prior year. Key elements of the interest charge include loan interest of £28.1 million (2010: £24.0 million) and non-cash interest on Holdco loan notes of £16.1 million (2010: £2.2 million). The Holdco loan notes were issued as part of the 2010 financial restructuring. These notes are subordinated to the Group's senior secured debt and its senior notes. Interest is non-cash and rolls up annually. The notes mature in October 2020. Interest payable also includes £20.9 million of costs (2010: £3.3 million) associated with the write off of debt issuance costs and the cost of cancelling certain hedging arrangements following the refinancing on 27 May 2011. Prior year interest payable included £36.6 million of charges associated with debt released as part of the financial restructuring that took place in June 2010, and £23.8 million in senior secured credit facility loan waiver fees.

Interest receivable in the period was £0.2 million (2010: £0.3 million). Interest receivable on loans from other Group companies of £2.7 million was written off as part of the 2010 financial restructure.

The overall result for the 2011 financial period after taxation is a loss of £42.7 million, compared to a loss of £48.5 million in 2010.

Cash generated from operations in the quarter

During the quarter to 2 July 2011 net cash inflow from operations was £49.1 million (2010: £23.2 million). This included cash outflows of £1.5 million associated with restructuring and reorganisations (2010: £18.1 million).

Of the cash inflows, £11.9 million (2010: £8.9 million) was reinvested in the Group to fund capital expenditure. The principal areas of spend were acquisition of LBOs, fit out of new LBOs and shop upgrade activity in Coral, capital maintenance activity and investment in gaming machines and digital touchpads in Bingo, development and refurbishment costs in Casinos and ongoing investment in product development and service stabilisation in Remote.

The Group received £1.0 million (2010: £5.9 million) in receipts from the sale of tangible fixed assets in the period, primarily relating to the further sale and leaseback of freehold Coral properties.

A further £24.8 million of cash inflows was utilised to meet interest and other financing costs (2010: £46.4 million).

As part of the refinancing which completed on 27 May 2011, £119.4 million of debt was repaid, with issue costs of £35.1 million paid (total fees are estimated at approximately £40.6 million), plus an additional net £1.9 million incurred for the early cancellation of certain hedging arrangements that were no longer required following the refinancing.

In June 2010, new equity of £210.0 million was injected into the business, which was used to repay £200.0 million of senior debt and £10.0 million in intercompany loans.

Cash generated from operations in the quarter (continued)

Total cash outflow for the quarter was £144.6 million (2010: £28.8 million).

Unlevered free cashflow for the quarter (cash available to pay net cash interest costs and service financing) was £37.9 million, representing a cash conversion (unlevered cashflow as a proportion of EBITDA (pre-exceptionals) of 67%. Whilst this remains strong, it is lower than previous quarters due to the impact of movements in working capital and increased capital investment.

Key financial highlights year to date

The key financial highlights over the first three quarters of the financial year ending 2 July 2011 are as follows:

- Turnover of £868.0 million, a reduction of £41.9 million (5%) over the prior year
- Group EBITDA (pre-exceptionals) of £206.0 million, a reduction of £31.4 million (13%) over the prior year
- A year-to-date cash outflow of £124.0 million, including the net repayment of £180.4 million of senior debt associated with the refinancing, early loan repayments and required repayments following the disposal of certain fixed assets. £35.1 million in issuance costs was incurred associated with the refinancing, plus a further £1.9 million of fees for the early termination of certain hedging arrangements
- Year to date the Group has generated unlevered cashflow of £197.0 million, a 96% cash conversion. Excluding the £37.0 million in receipts from the disposal of fixed assets, cash conversion remains strong at 78%
- £1,328.0 million in net debt for covenant purposes (net of issue costs) and total net debt of £2,140.7 million, including £812.7 million of other net debt consisting of non-recourse property debt and subordinated loans from the ultimate parent company
- Cash at bank and in hand of £136.4 million, including unrestricted cash balances for covenant purposes of £88.1 million

Turnover of £868.0 million, a decline of £41.9 million (5%) over the prior year. Of this reduction, £20.9 million occurred in the third quarter, mainly due to the impact of the World Cup in 2010 and a change in the product mix in interval bingo.

Group EBITDA (pre-exceptionals) reduced from £237.4 million in the period to 3 July 2010 to £206.0 million in the period to 2 July 2011. Of this £31.4 million reduction in EBITDA (pre-exceptionals), approximately £17.5 million is attributable to the impact of the abnormally poor winter weather (c.£2.5 million), the VAT increase to 20% in January 2011 (c.£6.0 million), the 2010 World Cup (£5.0 million) and prior year non-recurring income (£4.0 million). Adjusting for the impact of these, underlying EBITDA reduced by £13.9 million (6%).

Coral's turnover reduced from £445.8 million in the forty weeks to 3 July 2010 to £436.0 million in the current year, a reduction of 2%. The decline in turnover is primarily the result of lower OTC amounts staked, which are 6% down year on year (4% excluding the 2010 World Cup). The year on year position has improved in each successive quarter during the current fiscal year, with OTC stakes in year on year growth in the third quarter (adjusting for the impact of the World Cup). Operating costs have increased by 2% over the prior year, driven primarily by property and broadcast content costs. EBITDA (pre-exceptionals) has reduced from £151.9 million in the three quarters to 3 July 2010 to £138.3 million in the period to 2 July 2011. Adjusting for the impact of poor weather, the increase in VAT and the 2010 World Cup, Coral's gross profit is marginally ahead of prior year levels, offset by increased costs, with underlying EBITDA 3% below the prior year.

Gala Bingo's turnover reduced from £243.7 million in the prior year to £233.6 million in the forty weeks to 2 July 2011, a reduction of £10.1 million (4%). The change in product mix in mechanised bingo highlighted above results in a £12.1 million reduction in turnover, although this is profit neutral overall at the gross profit level, which is 1% ahead of the prior year.

Gala Coral Group Limited
Management Report (continued)

Key financial highlights year to date (continued)

Admissions and spend per head are marginally ahead of prior year levels, with strong margins supporting a continued trading out-performance. Cost savings, primarily in marketing, and rates rebates on certain properties are the main driver behind the 11% improvement in EBITDA (pre-exceptionals) from £44.4 million in 2010 to £49.2 million in 2011.

Gala Casinos' turnover reduced from £104.4 million in the forty weeks to 3 July 2010 to £103.5 million in the forty weeks to 2 July 2011, a reduction of £0.9 million (1%). Admissions have grown 3% year on year, with average drop per head lower by 1%, but showing strong quarter on quarter improvement throughout the current year. Gaming win margin has been adversely impacted by losses of £2.0 million to high rollers, and is 16.3% in the first forty weeks of 2011 (2010: 16.8%). Additional costs have been incurred in 2011 associated with a new divisional management structure and marketing to support revenue growth. EBITDA (pre-exceptionals) has reduced from £23.7 million in the forty week period to 3 July 2010 to £20.4 million in the forty week period to 2 July 2011.

Remote Gambling's turnover reduced from £69.8 million in the forty weeks to 3 July 2010 to £53.8 million in the current year, a reduction of £16.0 million (23%). All sites have seen declines in active customer and staking levels compared to the prior year due to constrained technology compared with a broad competitive set. As highlighted earlier, the project to re-platform all of the sites with Playtech and design new market leading websites continues to progress well. Cost savings, primarily in marketing, have helped to mitigate the impact of the turnover reduction at an EBITDA (pre-exceptionals) level, which has reduced from £30.5 million in the first three quarters of 2010 to £24.9 million over the same period in 2011.

Eurobet Italia's turnover has reduced from £46.2 million in the forty weeks to 3 July 2010 to £41.1 million in the forty weeks to 2 July 2011, a reduction of £5.1 million (11%). Excluding the World Cup, turnover was £1.4 million (3%) lower year on year. Sports betting amounts staked have shown strong growth, and are 12% ahead of the prior year across Licenced Betting Offices (LBOs) and online combined (excluding World Cup). A reduction in the overall gross win margin, due predominantly to abnormally poor Serie A results in the first quarter, has resulted in lower turnover and profitability year on year. EBITDA (pre-exceptionals) has reduced from £10.0 million in the first three quarters of 2010 to £6.8 million over the same period in 2011.

Cash generated from operations - year to date

During the forty weeks to 2 July 2011 net cash inflow from operations was £192.4 million (2010: £166.5 million). This included cash outflows of £18.0 million associated with restructuring and reorganisations (2010: £44.4 million).

Of the cash inflows, £31.5 million (2010: £27.0 million) was reinvested in the Group to fund capital expenditure. Key areas of investment are in estate development, shop upgrades and investment in the central betting engine in Coral; capital maintenance, investment in digital touchpads and the development of a new CRM solution in Bingo; product development and refurbishment in Casinos; new product development and service stabilisation in Remote; new licence acquisition and fit outs in Italy; and investment in infrastructure replacement at a Group level.

The Group received £37.0 million (2010: £10.2 million) in receipts from the sale of tangible fixed assets in the period, primarily relating to the sale and leaseback of freehold Coral properties which has generated net receipts of £29.5 million. Other disposals include the sale of two bingo clubs with net receipts of £4.1 million, the sale of an old casino site in Gibraltar for £1.9 million and the sale of sundry other Coral properties and assets.

£135.4 million (2010: £130.2 million) of cash inflows was utilised to meet interest and other financing costs, including £102.5 million in interest payments (2010: £134.2 million), £35.1 million paid in issuance costs by 2 July 2011 associated with the refinancing, plus a further £1.9 million in costs associated with the early cancellation of certain hedging arrangements.

Gala Coral Group Limited
Management Report (continued)

Cash generated from operations - year to date (continued)

Total long term loan repayments of £1,623.4 million (2010: £279.9 million) have been made in the year, including £1,537.2 million following the refinancing which completed on 27 May 2011, and £86.2 million in early loan repayments and required repayments following the disposal of certain fixed assets. In addition to this, £5.2 million of Propco debt was repaid in the year.

As part of the refinancing which completed on 27 May 2011, new borrowings were raised including new senior secured facilities, senior secured notes and senior notes, with proceeds of £1,443.0 million.

In June 2010, new equity of £210.0 million was injected into the business, which was used to repay £200.0 million of senior debt and £10.0 million in intercompany loans at that point.

Total cash outflow for the period was £124.0 million (2010: outflow of £72.8 million).

Unlevered cashflow for the period (cash available to pay net cash interest costs and service financing) was £197.0 million, representing a cash conversion (unlevered cashflow as a proportion of EBITDA (pre-exceptionals)) of 96%. Unlevered cashflow benefited from the £37.0 million in receipts from disposal of fixed assets in the year. Excluding such receipts, cash conversion remains high at 78%.

Refinancing

On 27 May 2011, the Group completed a refinancing of its senior secured credit facilities. Borrowings of £1,550.0 million (gross) were raised comprising senior secured credit facilities of £925.0 million (£825.0 million term loan and £100.0 million undrawn revolving credit facility), senior secured notes of £350.0 million and senior notes of £275.0 million. The senior notes were issued at a discount of £7.0 million to their par value. The Group incurred costs relating to the refinancing of £40.6 million. The net proceeds from these borrowings, together with group cash of £138.4 million, were used to repay all of the Group's existing senior secured credit facilities, totalling £1,537.2 million, plus accrued interest of £3.6 million. These new facilities are repayable between 2017 and 2019. Further details of the refinancing are set out in note 7 of the accounts.

Net Debt and Liquidity

At 2 July 2011 net debt (net of cash balances and issue costs) was £2,140.7 million, compared with £2,162.9 million at 25 September 2010. £1,328.0 million of this relates to senior net debt for covenant purposes (net of issue costs), with £812.7 million of other net debt consisting of non-recourse property debt and subordinated loans from the ultimate holding company, offset by non-covenant cash and issue costs.

Pensions

Since 25 September 2010 there have been some changes in the assumptions underpinning the calculation of the pension position, in particular in respect of the discount rate and future pension increases.

Current Trading

Since the end of the third quarter the Group continues to trade in line with internal forecasts. Coral's OTC performance is reasonable and the football season has started well. Modest machine growth has also been maintained. Gala Bingo has delivered strong admissions growth across the traditionally quiet summer season, with spend per head and solid margins converting this into good gross profit growth. Gala Casinos has also continued its momentum following the third quarter – but Ramadan has now commenced which impacts the London casinos in particular. In Remote there has been no real change to the underlying trading patterns and trading has been quiet in Italy ahead of the new Serie A season – though the first batch of Abruzzo online casino games have launched well.

Taking into account known changes to the business's cost base and phasing over the balance of the year, and the fact that the business is trading against a strong finish to the prior year, the full year out-turn will see the group's last twelve months (LTM) EBITDA reduce from the position at the end of Q3 – again in line with expectations.

Business Priorities Update

A full update on business priorities and strategic objectives was provided in the half year interim statements which were released on 4 August 2011. There have not been any material or significant developments since this date to report on.

Gala Coral Group Limited
Group Profit and Loss Account

	Notes	Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Turnover	2	868.0	909.9	1,168.0
Cost of sales		(204.5)	(222.5)	(279.2)
Gross profit		663.5	687.4	888.8
Administrative expenses		(547.9)	(531.5)	(784.0)
Operating profit before other operating income		115.6	155.9	104.8
Operating profit before other operating income, analysed as:				
Before exceptional items		126.7	158.6	204.0
Exceptional items	3	(11.1)	(2.7)	(99.2)
Operating profit before other operating income		115.6	155.9	104.8
Other operating income		2.4	2.5	3.3
Operating profit	2	118.0	158.4	108.1
Profit on disposal of fixed assets	3	16.2	7.5	3.2
Profit before interest and tax		134.2	165.9	111.3
Interest receivable and similar income	4	4.1	4.0	11.4
Interest payable and similar charges	4	(174.7)	(257.2)	(306.1)
Other finance costs		(3.3)	(3.8)	(4.2)
Loss on ordinary activities before tax		(39.7)	(91.1)	(187.6)
Tax (charge)/credit on loss on ordinary activities	5	(22.2)	(1.6)	21.5
Loss for the financial period		(61.9)	(92.7)	(166.1)

All operations are continuing.

There are no material differences between the loss on ordinary activities before tax and the loss for the financial periods and their historical cost equivalents.

Gala Coral Group Limited
Group Statement of Total Recognised Gains and Losses and Reconciliation of Movement in Total Group Shareholders' Funds

Group Statement of Total Recognised Gains and Losses

	Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Loss for the financial period	(61.9)	(92.7)	(166.1)
Net foreign exchange adjustments offset in reserves	2.3	(2.0)	(0.3)
Actuarial gain/(loss) on pension schemes	16.6	(0.5)	(7.3)
Deferred tax (charge)/credit relating to pension scheme	(4.2)	(0.3)	1.6
Current tax credit relating to pension scheme	-	0.4	0.5
Total recognised gains and losses for the period	(47.2)	(95.1)	(171.6)

Reconciliation of Movement in Total Group Shareholders' Funds

	Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Total recognised gains and losses for the period	(47.2)	(95.1)	(171.6)
Shares issued	-	213.3	213.3
Capital contributions:			
Forgiveness of intercompany debt	-	1,605.4	1,605.4
Release of unsustainable mezzanine debt	-	118.1	118.1
Opening shareholders' funds/(deficit)	860.6	(904.6)	(904.6)
Closing shareholders' funds	813.4	937.1	860.6

Gala Coral Group Limited
Group Balance Sheet

	Notes	Unaudited 2 July 2011 £m	Unaudited 3 July 2010 £m	Audited 25 Sept 2010 £m
Fixed assets				
Intangible assets		1,082.7	1,111.1	1,105.5
Tangible assets		2,014.0	2,180.2	2,056.8
		3,096.7	3,291.3	3,162.3
Current assets				
Stocks		3.6	4.4	4.2
Debtors		62.8	67.7	84.0
Cash at bank and in hand		136.4	189.7	260.4
		202.8	261.8	348.6
Creditors: amounts falling due within one year	6	(165.6)	(158.9)	(222.3)
Net current assets		37.2	102.9	126.3
Total assets less current liabilities		3,133.9	3,394.2	3,288.6
Creditors: amounts falling due after more than one year	7	(2,274.3)	(2,404.1)	(2,360.7)
Provisions for liabilities		(66.8)	(65.2)	(74.9)
Net assets excluding net pension asset		792.8	924.9	853.0
Net pension asset		20.6	12.2	7.6
Net assets including net pension asset		813.4	937.1	860.6
Capital and reserves				
Called up share capital		213.3	213.3	213.3
Share premium account		1.6	1.6	1.6
Capital contribution reserve		1,723.5	1,723.5	1,723.5
Profit and loss account		(1,125.0)	(1,001.3)	(1,077.8)
Total shareholders' funds		813.4	937.1	860.6

The condensed consolidated interim financial statements were approved by the Board of Directors on 17 August 2011 and are signed on its behalf by:

G W Hughes
Director

Gala Coral Group Limited
Group Cash Flow Statement

	Notes	Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Net cash inflow from operating activities	8(a)	192.4	166.5	284.2
Returns on investments and servicing of finance				
Interest received		4.1	4.0	11.6
Interest paid		(102.5)	(134.2)	(169.3)
Issue costs on new long-term borrowings		(35.1)	-	-
Cancellation of interest rate caps and swaps		(1.9)	-	-
Net cash outflow from returns on investments and servicing of finance		(135.4)	(130.2)	(157.7)
Taxation				
Corporation tax paid		(0.9)	(6.2)	(6.4)
Capital expenditure and financial investment				
Payments to acquire tangible and intangible fixed assets		(31.5)	(27.0)	(45.5)
Receipts from sales of tangible fixed assets		37.0	10.2	10.2
Net cash inflow/(outflow) for capital expenditure and financial investment		5.5	(16.8)	(35.3)
Net cash inflow before financing		61.6	13.3	84.8
Financing				
Issue of share capital		-	210.0	210.0
Repayment of intercompany loan		-	(10.0)	(10.0)
Repayment of Gala Propco Three Limited debt		(5.2)	(6.2)	(7.1)
Repayment of long-term loans		(1,623.4)	(279.9)	(279.9)
Bonds issued		618.0	-	-
New long-term loan		825.0	-	-
Net cash outflow from financing	8(b)	(185.6)	(86.1)	(87.0)
Decrease in cash	8(b)	(124.0)	(72.8)	(2.2)

Gala Coral Group Limited
Reconciliation of Group Net Cash Flow to Movement in Group Net Debt

	Notes	Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Decrease in cash		(124.0)	(72.8)	(2.2)
Net repayment of long-term loans		185.6	286.1	287.0
Issue costs on new long-term loans		35.1	-	-
Change in net debt resulting from cash flows		96.7	213.3	284.8
Non-cash movements	8(b)	(74.5)	78.7	63.3
Movement in net debt		22.2	292.0	348.1
Opening net debt	8(b)	(2,162.9)	(2,511.0)	(2,511.0)
Closing net debt	8(b)	(2,140.7)	(2,219.0)	(2,162.9)

1. Basis of Preparation

The condensed consolidated interim financial information, which is unaudited, is prepared in accordance with the recognition and measurement requirements of United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and, with the exception of tax (see note 5), in accordance with the accounting policies applied in the financial statements for the year ended 25 September 2010 and therefore should be read in conjunction with those annual financial statements, which can be obtained from Gala Coral, 71 Queensway, London, W2 4QH. The condensed consolidated interim financial statements do not include all the information or disclosures required in the annual financial statements as they have been prepared for the provision of interim information.

The Group reconstruction (see note 11) has been accounted for using merger accounting principles as outlined in FRS 6. For the consolidated accounts the adoption of merger accounting presents Gala Coral Group Limited as if it had always been the parent undertaking of the Group. As Gala Coral Group Limited did not trade prior to 21 June 2010, the comparative results shown for the period to 3 July 2010 and for the year ended 25 September 2010 up to this date therefore include those results of Gala Electric Casinos Limited and its subsidiaries.

Accounting Estimates

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

General Information

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 25 September 2010 were approved by the Board of Directors on 17 December 2010 and have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under either Section 498(2) or 498(3) of the Companies Act 2006.

2. Segmental Analysis

The Group operates five businesses – Coral, Bingo, Casinos, Remote Gambling and Italy. Coral operates Licenced Betting Offices (LBOs). Bingo operates bingo clubs. Casinos runs the Group's portfolio of casinos. Remote Gambling offers sports betting, bingo, casino and other gaming products online and a telephone betting operation. Italy comprises betting shops and online sports betting and gaming in Italy.

The revenue of Coral and Bingo arises solely within the United Kingdom. The Casino revenue arises in the United Kingdom and Gibraltar. The revenue of the Remote Gambling segment arises in Europe. Its customers are primarily located in the United Kingdom and mainland Europe. The revenue of the Italy segment arises solely in Italy.

2. Segmental Analysis (continued)

Area of Activity

	Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Turnover			
Coral	436.0	445.8	577.1
Bingo	233.6	243.7	318.2
Casinos	103.5	104.4	133.5
Remote Gambling	53.8	69.8	81.0
Italy	41.1	46.2	58.2
	868.0	909.9	1,168.0
Operating profit			
Coral	115.5	130.5	169.5
Bingo	31.1	27.2	39.4
Casinos	12.9	15.9	19.7
Remote Gambling	21.8	27.1	32.0
Italy	2.3	4.5	7.7
Segment operating profit [1]	183.6	205.2	268.3
Group administrative expenses	(56.9)	(46.6)	(64.3)
Other operating income	2.4	2.5	3.3
Exceptional items (note 3)	(11.1)	(2.7)	(99.2)
Operating profit	118.0	158.4	108.1
EBITDA before exceptional items [2]	206.0	237.4	307.1

[1] Segment operating profit is stated before goodwill amortisation which primarily relates to the Remote Gambling Division.
[2] Operating profit before depreciation, amortisation and the exceptional items shown in note 3.

EBITDA before exceptional items by Segment			
Coral	138.3	151.9	197.9
Bingo	49.2	44.4	61.9
Casinos	20.4	23.7	30.4
Remote Gambling	24.9	30.5	36.8
Italy	6.8	10.0	13.9
	239.6	260.5	340.9

Segmental EBITDA before exceptional items does not include any allocation of Group administrative expenses or other operating income. Group administrative expenses (above) include amortisation for the forty weeks to 2 July 2011 of £20.9 million, forty weeks ended 3 July 2010: £21.0 million, year ended 25 September 2010: £27.2 million.

The Group operates an Opco/Propco structure. The Opco EBITDA before exceptional items, net of internal Propco rent, was £185.5 million for the forty weeks to 2 July 2011 (£216.9 million for the forty weeks ended 3 July 2010 and £280.6 million for the year to 25 September 2010).

2. Segmental Analysis (continued)

Net Assets/(Liabilities) by Segment

	Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Coral	1,451.0	1,488.4	1,491.2
Bingo	455.9	591.3	460.5
Casinos	161.0	167.3	163.2
Remote Gambling	30.8	32.5	30.6
Italy	10.4	18.1	22.5
	2,109.1	2,297.6	2,168.0
Non-operational net liabilities	(1,295.7)	(1,360.5)	(1,307.4)
Total net assets	**813.4**	**937.1**	**860.6**

Non-operational net liabilities comprise goodwill, certain accruals and prepayments, net debt and taxation.

3. Exceptional Items

Exceptional Items Charged/(Credited) to Operating Profit

		Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Impairment	a)	0.3	1.1	122.6
Restructuring and reorganisation costs	b)	20.4	29.0	54.3
Net gain on VAT refunds and duty paid	c)	(2.9)	(26.4)	(70.2)
Release of property provisions		(6.7)	(1.0)	(7.0)
Release of other onerous contracts		-	-	(0.5)
Total charge to administrative expenses within operating profit		**11.1**	**2.7**	**99.2**

3. Exceptional Items (continued)

No tax has been recognised in relation to the exceptional items as the Group has utilised losses to cover any corporation tax charge in the UK.

a) Represents the write down of trading potential on the closure of bingo clubs and casinos of £0.3 million in the period (£1.1 million for the forty week period ended 3 July 2010 and £1.1 million for the year ended 25 September 2010). The year ended 25 September 2010 included the impairment of fixed assets in the Bingo division of £121.5 million.

b) Relates to the costs associated with restructuring, refinancing, redundancies, onerous lease provisions on closed bingo clubs and casinos and onerous contract provisions.

c) Net gains in relation to Main Stage Bingo VAT refunds, Bingo Participation fee VAT refunds and gaming machines VAT refunds, netted off against duty assessments in relation to VAT refunds (note 9).

Exceptional Items Charged/(Credited) after Operating Profit

1) Profit on Disposal of Fixed Assets

The profit on disposal of £16.2 million (forty week period ended 3 July 2010: £7.5 million, year ended 25 September 2010: £3.2 million) includes the profit and loss on disposal of freehold properties which were subsequently leased back.

2) Exceptional Interest

During the period to 2 July 2011 the Group received £2.9 million of interest from HM Revenue and Customs in respect of VAT claims (see note 3(c)) (forty weeks to 3 July 2010: £3.1 million, year ended 25 September 2010: £10.4 million).

On 27 May 2011 the Group wrote off £18.2 million issue costs on the repayment of the existing senior secured credit facilities on completion of a refinancing exercise (note 7).

During the period to 2 July 2011 the Group cancelled an interest rate swap and two interest rate caps to avoid being over-hedged following completion of the refinancing. This resulted in an exceptional interest expense of £2.7 million.

During the forty week period to 2 July 2011 the Group paid £0.2 million (forty weeks to 3 July 2010: £0.4 million, year ended 25 September 2010: £0.4 million) of break fees on Propco debt following the disposal of certain properties in Gala Propco Three Limited.

In the year ended 25 September 2010 the Group paid £23.8 million (forty week period ended 3 July 2010: £23.8 million) of waiver and consent fees during the restructuring process in relation to its senior debt and incurred additional debt issue cost amortisation of £3.3 million (forty week period ended 3 July 2010: £3.3 million).

4. Interest

	Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Loan interest	(91.5)	(85.0)	(116.1)
Mezzanine interest	-	(39.3)	(39.3)
Holdco loan notes interest (note 7)	(54.4)	(2.2)	(17.8)
Interest payable on loans with other Group companies	-	(96.3)	(96.3)
Amortisation of debt issue costs	(6.9)	(6.9)	(9.1)
Amortisation of interest rate caps	(0.8)	-	-
	(153.6)	(229.7)	(278.6)
Exceptional interest payable (note 3):			
Senior loan waiver fees due to restructuring	-	(23.8)	(23.8)
Break fees on Propco debt	(0.2)	(0.4)	(0.4)
Write off of debt issue costs on repayment of loans	(18.2)	(3.3)	(3.3)
Cancellation of interest rate caps and swaps	(2.7)	-	-
	(21.1)	(27.5)	(27.5)
Interest payable and similar charges	(174.7)	(257.2)	(306.1)
Bank interest	1.2	0.9	1.0
Exceptional interest receivable (note 3)	2.9	3.1	10.4
Interest receivable and similar income	4.1	4.0	11.4
Net interest payable	(170.6)	(253.2)	(294.7)

Interest payable on loans includes loan interest payable on the Gala Propco Three Limited bank loan of £17.3 million (forty week period ended 3 July 2010: £17.6 million, year ended 25 September 2010: £22.9 million). The remainder is interest payable on the senior debt, senior secured credit facilities, senior secured notes and senior notes.

Interest receivable includes bank interest receivable on the Gala Propco Three Limited cash balance of £nil (forty week period ended 3 July 2010: £nil, year ended 25 September 2010: £nil). The Gala Propco Three Limited cash balance as at 2 July 2011 was £9.1 million (3 July 2010: £9.0 million, 25 September 2010: £9.2 million).

5. Tax on Loss on Ordinary Activities

Taxation is recognised based on management's best estimate of the average annual effective rate expected for the full financial year taking account of deferred tax credits to offset against current tax charges. Any charges and credits shown relate to deferred tax and overseas corporation tax.

The tax charge in the current period has arisen as a result of the de-recognition of the deferred tax asset recognised previously.

Gala Coral Group Limited
Notes to the Accounts

6. Creditors: Amounts Falling Due Within One Year

	Unaudited 2 July 2011 £m	Unaudited 3 July 2010 £m	Audited 25 Sept 2010 £m
Current instalments due on loans	4.5	3.5	65.1
Bank and loan interest	11.2	12.7	22.1
Trade creditors	25.3	25.8	27.5
Corporation tax	0.7	1.7	1.0
Other taxation and social security	28.1	28.9	26.0
Other creditors	9.9	7.3	14.5
Accruals and deferred income	85.9	79.0	66.1
	165.6	158.9	222.3

7. Creditors: Amounts Falling Due After More Than One Year

	Unaudited 2 July 2011 £m	Unaudited 3 July 2010 £m	Audited 25 Sept 2010 £m
Senior debt	-	1,597.2	1,538.8
Gala Propco Three Limited loan	352.1	358.4	357.3
Senior secured credit facilities	804.2	-	-
Senior secured notes	340.4	-	-
Senior notes	258.4	-	-
Holdco loan notes	517.5	446.4	462.1
Other creditors	1.7	2.1	2.5
	2,274.3	2,404.1	2,360.7

The senior debt (including amounts falling due within one year) of £nil (3 July 2010: £1,597.2 million, 25 September 2010: £1,600.0 million) are presented net of unamortised issue costs of £nil (3 July 2010: £24.7 million, 25 September 2010: £22.9 million). The senior debt was repaid on 27 May 2011, as set out below.

The Propco debt (including amounts falling due within one year) of £356.6 million (3 July 2010: £361.9 million, year ended 25 September 2010: £361.2 million) are presented net of unamortised issue costs of £2.1 million (3 July 2010: £2.9 million, 25 September 2010: £2.7 million), The loan is held by Gala Propco Three Limited. The Propco loan carries a fixed rate of interest of 6.1672%.

7. Creditors: Amounts Falling Due After More Than One Year (continued)

On 27 May 2011 the Group completed a refinancing of its senior secured credit facilities.

The principal terms of the new borrowings are as follows:

	Amount £m	Interest rate %	Maturity
Issued by Gala Group Finance plc			
Senior secured credit facilities			
Term loan	825.0	LIBOR + 5%	27 May 2018
Revolving credit facility (undrawn)	100.0	LIBOR +4%	27 May 2017
Senior secured notes	350.0	8.875%	1 Sept 2018
Issued by Gala Electric Casinos plc			
Senior notes	275.0	11.5%	1 June 2019

The senior secured credit facilities and the senior secured notes are secured on the assets of the Group. The Group incurred costs relating to the raising of the above borrowings of £40.6 million and the senior notes were issued at a £7.0 million discount to their nominal value. The issue costs and discount have been deferred and will be amortised over the term of the new borrowings.

The net proceeds from these borrowings together with group cash was used to repay all of the Group's existing senior secured cre it facilities, totalling £1,537.2 million, plus accrued interest of £3.6 million. The existing senior secured credit facilities were repayable between April 2012 and April 2015 and bore interest rates varying between LIBOR plus 4% and LIBOR plus 6.375%.

The refinancing significantly extends the maturity of the Group's borrowings, with the new funding being repayable from 2017 to 2019.

At 2 July 2011 the senior secured credit facilities, senior secured notes and senior notes are presented net of unamortised issue costs (and in respect of the senior notes, also the discount to nominal value) of £20.8 million, £9.6 million and £16.6 million respectively.

Holdco loan notes of £517.5 million (3 July 2010: £446.4 million, year ended 25 September 2010: £462.1 million) are presented net of unamortised issue costs of £4.7 million (3 July 2010: £5.8 million, 25 September 2010: £5.7 million).

The Holdco loan notes have a duration of 10 years accruing interest of 15.0625% and are only payable on maturity on 27 October 2020. Interest accrued rolls up into the principal amount on 27 October each year until redemption. At 2 July 2011 rolled up interest amounted to £54.4 million (3 July 2010: £2.2 million, 25 September 2010: £17.8 million).

8. Notes to the Group Cash Flow Statement

a) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Operating profit	118.0	158.4	108.1
Depreciation, amortisation, impairment and write downs	77.2	77.4	222.4
Increase in debtors	(2.0)	(9.8)	(5.8)
Decrease/(Increase) in stocks	0.6	(0.1)	0.1
Increase/(Decrease) in creditors	10.7	(46.6)	(36.7)
(Decrease) in provisions	(10.1)	(10.2)	(0.5)
Pension contributions in excess of profit and loss charge	(2.0)	(2.6)	(3.4)
Net cash inflow from operating activities	**192.4**	**166.5**	**284.2**

b) Analysis of Net Debt

	At 25 Sept 2010 £m	Cash Flow £m	Transfers Between Catergories £m	Other Non-cash Movements £m	At 2 July 2011 £m
Cash at bank and in hand	260.4	(124.0)	-	-	136.4
Debt due within one year	(65.1)	65.1	(4.5)	-	(4.5)
Debt due after one year	(2,358.2)	155.6	4.5	(74.5)	(2,272.6)
Total debt	**(2,423.3)**	**220.7**	**-**	**(74.5)**	**(2,277.1)**
Net debt	**(2,162.9)**	**96.7**	**-**	**(74.5)**	**(2,140.7)**

The net cash outflow in respect of debt due after more than one year includes £35.1 million in relation to issue costs on new long-term loans.

Non-cash movements comprise amortisation of issue costs relating to debt of £25.1 million (including £18.2 million exceptional write off of issue costs), accrual of interest on the Holdco loan notes of £54.4 million and a foreign exchange loss on senior debt of £0.5 million less £5.5 million relating to accrued issue costs on the new long-term loans.

c) Cash Flows relating to Exceptional Items (note 3)

	Unaudited forty weeks to 2 July 2011 £m	Unaudited forty weeks to 3 July 2010 £m	Audited year ended 25 Sept 2010 £m
Included within operating cash flow:			
Restructuring and reorganisation costs	(18.0)	(44.4)	(53.1)
VAT (outflow)/inflow net of refunds and duty paid	(0.3)	29.5	59.6
	(18.3)	(14.9)	6.5
Disposal of tangible fixed assets	37.0	10.2	10.2
Exceptional interest income	2.9	3.1	10.4
Exceptional bank loan amendment fees on restructuring	-	(21.6)	(23.8)
Exceptional break fees on Propco Debt	(0.2)	(0.4)	(0.4)
Cancellation of interest rate caps and swaps	(1.9)	-	-
Net cash inflow/(outflow)	19.5	(23.6)	2.9

9. Contingencies
Contingent Liabilities

Following another bingo operator's High Court ruling in June 2009 that the application of VAT to Mechanised Cash Bingo contravened the European Union's principle of fiscal neutrality the Group has successfully lodged claims for repayment of VAT in relation to games of Mechanised Cash Bingo, Main Stage Bingo and Gaming Machines on the basis that the VAT paid had constituted a contravention of the European Union's law of fiscal neutrality. The total amounts received in respect of VAT, during the period June 2009 to March 2011 were £142.4 million (resulting in exceptional gains of £119.4 million after deducting duty and irrecoverable VAT) and £19.1 million has been received in respect of interest on these amounts.

HMRC is appealing these positions and their cases were heard at the Court of Appeal and High Court in April 2010. The parties and the Courts agreed to refer certain questions to the European Court of Justice ("ECJ"). The ECJ hearing took place on 30 June 2011 and its decision is expected by the end of 2011. If HMRC are successful in the ECJ they are entitled to recover these amounts, the related interest and any claim for withheld VAT.

In the opinion of the directors, having considered the facts and advice before them, no provision is required in the financial statements for the outcome of these appeals.

10. Related Parties

Details of related party transactions in respect of the year ended 25 September 2010 are contained in note 28 of our 2010 Annual Report. The Group continued to enter into transactions in the normal course of business with related parties during the period. Other than in relation to the restructuring (detailed below), there were no transactions with related parties in the period that had a material effect on the financial position or performance of the Group.

11. Restructuring

In anticipation of potential breaches of the financial covenants in its senior and mezzanine facility agreements the Group entered into discussions with its senior and mezzanine lenders during the second half of 2009 with a view to achieving a wholly consensual restructuring of the Group's balance sheet.

On 19 May 2010 the terms of a restructuring were agreed between representatives of the Group's mezzanine lenders, its sponsors and certain companies within the Group.

The restructuring was completed on 21 June 2010 (the "Effective Date") in accordance with an implementation agreement entered into with mezzanine lenders dated 3 June 2010. The principal transactions undertaken on the Effective Date to implement the restructuring were as follows:

- the Company became the immediate parent company of Gala Electric Casinos Limited following a share for share change on 11 June 2010. The Company's ultimate parent company became GCG Manager S.A. Luxco S.C.A (a new Luxembourg domiciled company, "Luxco"). Luxco is the parent company of the company;
- the Group's mezzanine debt of £571.4 million was divided into sustainable mezzanine debt (being the amount of its commercially agreed value) ("sustainable mezz") and unsustainable mezzanine debt ("unsustainable mezz" being principal amounts only);
- the unsustainable mezz of £118.1 million was released by the mezzanine lenders;
- the sustainable mezz (approximately £453.3 million) was acquired by Gala Electric Casinos Limited under the restructuring steps. As a consequence Gala Electric Casinos Limited issued unsecured and subordinated loan notes ("GECL loan notes") totalling £453.3 million to the Company with a duration of 10 years accruing interest of 15.0875% and only payable on maturity in October 2020. The Company in turn, issued £453.3 million of loan notes ("Holdco loan notes") to Luxco at the direction of the mezzanine lenders, £3.3 million of which were subsequently capitalised;
- further cash subscriptions totalling £210.0 million were also made by certain mezzanine lenders via Luxco;
- proceeds from the above of £200.0 million were used to prepay part of the existing senior debt facilities;
- the existing senior secured debt facilities of circa £1.6 billion (after the £200.0 million prepayment) were amended and the financial covenants in the Group's senior facility agreement adjusted to provide new headroom against the Group's forecast projections and:
- £10.0 million was paid to Gala Group Four Limited, in repayment of an intercompany loan, the balance of which (£1,605.4 million) was converted into a capital contribution. Gala Group Four Limited was outside the group headed by Gala Coral Group Limited and was placed into liquidation on 25 June 2010.