Annual Report and Financial Statements

Gala Coral Group Limited
For the year ended 27 September 2014

Registered Number: 07254686

Gala Coral Group Limited
Directors and Advisors

DIRECTORS

R W Templeman (Non Executive Chairman)
C A Leaver (Chief Executive Officer)
P Bowtell (Chief Financial Officer)
A Hornby
C Attwood (Non Executive Director)
D R Kornstein (Non Executive Director)
G B C Hardy (Non Executive Director)
W T Walsh (Non Executive Director)

SECRETARY

H A Willits

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

REGISTERED OFFICE

New Castle House
Castle Boulevard
Nottingham
NG7 1FT

Gala Coral Group Limited
Strategic Report
For the year ended 27 September 2014

The directors present their strategic report on the Gala Coral Group for the year ended 27 September 2014.

RESULTS

The results of the Group for the year ended 27 September 2014 are set out on page 17 and show an operating profit for the year before other operating income and exceptional items, of £165.0 million (2013: £151.7 million). The loss for the financial year after taxation was £160.3 million (2013: £218.7 million) and includes £128.4 million of exceptional operating costs (2013: £72.9 million).

FINANCIAL HIGHLIGHTS

- Turnover from continuing operations 14% ahead of prior year
- EBITDA{1/2} growth of 14% and underlying EBITDA{1/2/3} growth of 20%
- Very strong growth in Coral.co.uk – actives 70% ahead and gross profit 134% ahead
- Market leading growth in Galabingo.com in very competitive markets – gross profit 18% ahead
- Market share gains in both Eurobet Retail and Eurobet.it – up 2.4pp to 11.2%
- Resilient performance by Coral Retail – gross profit 3% up despite extraordinarily adverse football results
- Gala Retail growth in admissions (like-for-like 1% ahead) and EBITDA 30% ahead

{1} Results include all revenue and expenses for the continuing Opco Group and exclude the discontinued Casinos business
{2} Pre-exceptional items
{3} Underlying EBITDA defined as EBITDA adjusted for the adverse impacts of football results in H1 and MGD, and the favourable impacts of the World Cup and Bingo Duty

OVERVIEW OF THE YEAR

Coral Retail

	2014{2}	2013{2}	Variance
KPIs{1}			
OTC gross win margin (%)	17.5%	17.9%	(0.4pp)
Average number of LBOs	1,821	1,764	3%
Average number of machines	7,258	7,029	3%
Gross win/machine/week (£)	957	928	3%
P&L{1}	£m	£m	
OTC amount staked	1,761.4	1,736.6	1%
Machines amount staked	9,461.1	9,105.0	4%
Total amounts staked{4}	11,222.5	10,841.6	4%
OTC gross win	309.0	310.2	(0%)
Machine gross win	361.0	339.2	6%
Total gross win{4}	670.0	649.4	3%
Gross profit	514.7	501.0	3%
Operating costs	(364.7)	(351.9)	(4%)
Bonus	(7.0)	(0.6)	n/m
EBITDA{3}	**143.0**	**148.5**	**(4%)**

{1} Results are for the total estate
{2} The Full year represents the 52 week period ended 27 September in 2014, and the 52 week period to 28 September in 2013
{3} EBITDA is stated pre-exceptional items
{4} Excludes Stadia and vending income
n/m = not meaningful

Coral Retail (continued)

Coral Retail EBITDA{1/3} of £143.0 million was £5.5 million or 4% behind last year. After adjusting for the adverse impact of the extraordinarily adverse football results experienced in the first half of the year, which cost the business £11.8 million, the annualisation of MGD (£3.5 million), and the positive impact of the World Cup (£6.0 million EBITDA), underlying EBITDA{1/3} was £3.8 million ahead.

OTC gross win was £1.2 million lower than last year primarily due to the extraordinary UK football results in H1, which adversely impacted gross win by £13.9 million. The adverse football results were partly offset by a strong World Cup, which contributed £6.9 million of gross win, and strong margins in the final quarter which were 2.1pp ahead of last year.

Machines gross win of £361.0 million was £21.8 million or 6% ahead of last year with gross win per machine per week up £29 or 3% at £957. This increase was driven by the full year impact of the new Infinity cabinets, and an increased level of differentiated and exclusive B3 gaming content. During the year we acquired a small games development company which has further strengthened the depth and quality of our gaming offering.

Operating costs increased by £12.8 million or 4% primarily as a result of new shop openings (£10.0 million), increased irrecoverable VAT as a result of the introduction of MGD (£4.1 million), and the annualisation of an increase in LBO content costs (£2.1 million). After adjusting for these items, underlying operating costs reduced by £3.4 million as a result of tight cost control, particularly in payroll costs where operational improvements resulted in £7.7 million of savings.

The total number of LBOs increased by 42 shops to 1,834 at the end of FY14, with 66 shops opening and 24 closing in the year.

Eurobet Retail

	2014{2}	2013{2}	Variance
KPIs{1}			
LBO sports gross win margin (%)	23.0%	21.6%	1.4pp
Average number of licences	739	376	97%
P&L{1}	£m	£m	
LBO sports stakes	240.4	154.1	56%
Other stakes	276.3	123.1	125%
Total amounts staked	516.7	277.2	86%
LBO sports gross win	55.3	33.2	66%
Other gross win	28.2	7.2	292%
Total gross win	83.5	40.4	107%
Gross profit	28.7	15.5	85%
Operating costs	(8.6)	(5.2)	(65%)
Bonus	(1.3)	(0.9)	(44%)
EBITDA{3}	**18.8**	**9.4**	**100%**

{1} Results are for the total estate
{2} The Full year represents the 52 week period ended 27 September in 2014, and the 52 week period to 28 September in 2013
{3} EBITDA is stated pre-exceptional items

Eurobet Retail (continued)

Eurobet Retail EBITDA[1/3] of £18.8 million was £9.4 million or 100% ahead of last year following the rollout of 500 new licences, a strong performance from the new virtual betting product and a good World Cup (EBITDA impact £1.9 million).

The increased estate size (year end number of licences trading 2014: 827, 2013: 493) helped drive sports stakes £86.3 million or 56% ahead of last year. Gross win margin was 1.4pp ahead driving an increase in sports gross win of £22.1 million or 66%. Overall Retail sports betting market share increased by 3.5pp to 12.4%.

Other stakes of £276.4 million were £153.3 million or 125% ahead of last year, driven by the launch of the first phase of virtual betting products and the rollout of new machines. Virtual betting performed strongly, contributing gross win of £18.0 million and the quick roll out helped capture market share, which stood at 17% of the virtual market at the end of the year. Machines gross win was £6.8 million, which was £1.9 million or 38% ahead of last year.

Total gross profit of £28.7 million was £13.2 million or 85% ahead of last year.

Operating costs of £8.6 million were £3.4 million or 65% higher than last year, reflecting the higher back-office and marketing costs associated with supporting the larger post-tender estate.

Online

	2014[2]	2013[2]	Variance
KPIs[1]			
Actives – Coral.co.uk ('000)	758.4	446.0	70%
Actives – Eurobet.it ('000)	147.8	114.2	29%
Actives – Galabingo.com ('000)	328.7	321.5	2%
Actives – Galacasino.com ('000)	85.5	75.2	14%
Sports GW% - Coral.co.uk (%)	6.7%	5.9%	0.8pp
Sports GW% - Eurobet.it (%)	15.3%	13.5%	1.8pp
	£m	£m	
P&L[1]			
Total amounts staked	4,700.5	3,009.8	56%
Total gross win	234.7	152.4	54%
Gross profit	138.9	90.1	54%
Operating costs	(39.5)	(29.9)	(32%)
Marketing	(46.7)	(34.5)	(35%)
Bonus	(3.2)	(1.4)	(129%)
EBITDA[3]	**49.5**	**24.3**	**104%**

{1} Results are for all four websites
{2} The Full year represents the 52 week period ended 27 September in 2014, and the 52 week period to 28 September in 2013
{3} EBITDA is stated pre-exceptional items

Online (continued)

Online EBITDA[3] of £49.5 million was £25.2 million or 104% ahead of last year. Online gross profit was £48.8 million or 54% ahead of last year. Gross profit increased in Coral.co.uk by £34.3 million or 134%, Galabingo.com by £8.1 million or 18%, Galacasino.com by £2.8 million or 36% and Eurobet.it by £3.5 million or 31%. During the year Gala.se generated £0.1 million of gross profit.

Coral.co.uk delivered strong growth with actives 70% ahead of last year driven both by successful marketing campaigns and the high level of Coral Connect multi-channel sign-ups.

Spend-per-active levels increased by 9% driven by the maturing customer base and the significantly improved product offering. Bet-in-Play stakes increased by 198% helped by the introduction of live streaming in January.

Sports stakes were £260.8 million or 98% ahead of last year and sports gross win of £35.1 million was £19.2 million or 119% ahead. Excluding the impact of the World Cup, sports stakes were £230.7 million or 87% ahead and sports gross win was £16.5 million or 103% ahead.

New gaming products and increased cross-sell from sports drove an increase in gaming stakes of £734.2 million or 82%. Combined with a 0.5pp improvement in margin, gaming gross win was £31.4 million or 107% ahead.

Mobile penetration at the end of the year was 67.2% of actives, an increase of 13.4pp on last year.

The new Eurobet.it website launched in quarter 2 has been well received by customers, with actives 29% ahead of last year. Multichannel acquisition remains a key competitive advantage, with more than 50% of new first time depositors acquired through the Eurobet Retail shop estate.

The increased range of Bet-in-Play events launched in quarter 3, together with the World Cup, helped to grow sports stakes by £25.3 million or 30% and sports gross win by £5.4 million or 47%. Excluding the impact of the World Cup, Eurobet.it sports stakes were £19.3 million or 23% ahead of last year and sports gross win was £4.2 million or 37% ahead. At the end of the year Eurobet.it's share of the sports betting market was 9.2%.

Eurobet.it gaming stakes were £122.9 million or 27% ahead of last year, driving gaming gross profit £1.4 million or 21% ahead. Virtual betting continued to exceed expectations with Eurobet.it's share of the online virtual betting market reaching 24.2% at the end of the year.

Mobile penetration at the end of the year was 45.3% of actives, an increase of 9.9pp on last year.

Despite a flat UK market, Galabingo.com actives were 2% ahead of last year. Customer segmentation, targeted marketing and a tailored product offering resulted in a 23% increase in spend-per-active. Stakes were £242.8 million or 25% ahead of last year and gross win of £79.5 million was £13.7 million or 21% ahead. Mobile penetration increased by 14.6pp to 54.3% of actives by the year-end.

Galacasino.com actives were 14% ahead of last year. Increased VIP targeting and a planned reduction in lower-spend transient actives resulted in spend-per-active levels increasing 62%. Stakes were £292.1 million or 84% ahead of last year and gross win of £21.6 million was £7.8 million or 56% ahead of last year.

Gala Sweden was launched in quarter 3 and after a slow start is now showing encouraging signs, particularly in terms of the rate of customer acquisition.

Total Online operating costs (excluding marketing) of £39.5 million were £9.6 million or 32% higher than last year primarily driven by increased headcount costs in support of the growing business. Marketing costs of £46.7 million were £12.2 million or 35% higher than last year, and bonus costs increased by £1.8 million in light of the strong full year performance.

Gala Retail

	2014{3}	2013{3}	Variance
KPIs{1}			
Admissions ('000)	15,810	15,648	1%
Spend per head (£)	33.99	35.1	(3%)
	£m	£m	
P&L{2}			
Net income	290.2	291.3	(0%)
Gross profit	204.7	204.6	0%
Operating costs	(127.3)	(137.7)	8%
Rent (including propco rent)	(41.2)	(41.7)	1%
Bonus	(3.3)	-	n/m
EBITDA{4}	**32.9**	**25.2**	**30%**

{1} Like-for-like estate
{2} Results are for the total estate
{3} The Full year represents the 52 week period ended 27 September in 2014, and the 52 week period to 28 September in 2013
{4} EBITDA is stated pre-exceptional items
n/m = not meaningful

Gala Retail gross profit of £204.7 million was marginally ahead of last year with like-for-like admissions 1% ahead. A focus on cost control ensured EBITDA{2/4} grew by £7.7 million or 30%.

Admissions returned to growth in the year, with total like-for-like admissions of 15,810 thousand representing a 162 thousand increase on last year. National Bingo Association statistics placed Gala Retail admissions 4.5% ahead of the rest of the industry for the year to September 2014.

Gross profit of £204.7 million was £0.1 million ahead of last year. The reduction in bingo duty to 10% and an almost full year impact of 'Price Smash' helped deliver growth in Mainstage Bingo gross profit of £1.4 million or 5%. Machines continued to perform strongly with gross profit growth of £4.3m or 6%. Party Xtra gross profit was £4.6 million or 5% behind last year partly as a result of 'Price Smash' driving increased participation in Mainstage Bingo. F&B was £1.1 million or 7% behind due to increased F&B discounts offered to encourage new customer visits under our "Member Get Member" programme.

Very tight cost control resulted in operating costs savings of £10.4 million or 8%. Cost saving actions included the optimisation of opening hours on a club-by-club basis and the multi-skilling of staff to perform a number of different in club duties. Rent and rates rebates and a number of lease exit premiums also helped reduce operating costs.

Telebet

Telebet EBITDA{1} for FY14 of (£0.5 million), was £1.5 million or 150% behind FY13 due to a £1 million pay-out on a low stake multiple bet, and also due to the migration of customers to tablet, mobile and online.

{1} Pre-exceptional Items

Exceptional items

Exceptional items in the year amounted to a charge of £128.4 million (2013: £72.9 million).

Exceptional items include a £106.2 million non-cash impairment charge on the writedown of assets and other costs resulting from the recent changes in regulation (2013: £nil). Exceptional items also include an £8.5 million non-cash write off of assets on closed Bingo clubs and Casinos (2013: £6.0 million), restructuring costs and VAT of £4.8 million (2013: £10.0 million), a non-cash share based payments charge of £10.3 million (2013: £14.9 million) and a £1.4 million net credit in relation to the release of certain onerous lease provisions (2013: £17.1 million).

Following the UK Court of Appeal's ruling in favour of HMRC on fiscal neutrality of VAT on gaming machines, a charge of £59.1 million was recognised by the Group in the year ended 28 September 2013 for the repayment of amounts previously received.

Profit/(loss) on sale of fixed assets and subsidiaries

There was a profit on the disposal of fixed assets in the year of £7.3 million (2013: £8.9 million) including the profit on disposal of freehold properties, of which £6.2 million relates to a disposal of a property in 2005 Propco Three Limited. The prior year included £2.1 million for the disposal of three properties in 2005 Propco Three Limited and an operating licence in the Gala Casino division.

In December 2013 the Group sold its remaining 4 UK casinos and Gala Casino (Gibraltar) Limited for a combined consideration of £24.7 million (before costs). These disposals resulted in a profit on disposal of £8.1 million. The prior year included a loss on disposal of a subsidiary company within the Casino division and a provision for the anticipated loss on the remaining 4 UK Casinos of £63.2 million.

Interest

Interest payable has increased from £235.2 million in 2013 to £248.8 million in 2014 as a result of the roll-up of interest on the GCGL loan notes and the exceptional fees associated with the amendments to the Senior Facilities Agreement. Key elements of the interest charge include loan and bond interest of £125.0 million (2013: £129.7 million), of which £20.8 million (2013: £21.2 million) relates to the 2005 Propco Three Limited loan. Interest payable also includes non-cash interest on GCGL loan notes of £107.3 million (2013: £93.3 million) and £8.6 million of costs (2013: £9.7 million) associated with the amortisation of debt issue costs and amortisation costs of interest rate cap premia.

The Group paid exceptional interest in the year of £6.2 million to the senior lenders following certain amendments to the Senior Facilities Agreement which were agreed on 7 April 2014 and 11 July 2014. An early redemption charge of £1.1 million was incurred following a repayment of £35.0 million of the senior secured notes during the year. Issue costs of £0.6 million were written off as a result of this repayment.

During the prior year the Group wrote off £2.1 million of issue costs on the repayment of £113.1 million of the Senior secured credit facilities following the receipt of £179.0 million from The Rank Group Plc on the completion of the sale of 19 of its UK casinos and £0.4 million of break fees on the 2005 Propco Three Limited loan repayments following the disposal of certain properties in 2005 Propco Three Limited. During the year the Group received exceptional interest of £32.5 million (2013: £6.0 million) on VAT refunds from HMRC on 'Conde Nast' claims.

Cash Generated from Operations

During the year net cash inflow from operations was £205.1 million (2013: £235.1 million). This included exceptional cash payments of £76.3 million (2013: £21.5 million), primarily relating to the repayment of the slots VAT claim (£54.5 million).

Of the cash inflows, £71.7 million (2013: £82.8 million) was reinvested in the Group to fund capital expenditure. In addition the Group acquired a number of LBOs in the year for £3.9 million (2013: £5.2 million).

The Group received £24.5 million (2013: £14.5 million) in net receipts from the sale of tangible assets in the year of which £23.2 million was received from the sale of a property in 2005 Propco Three Limited. In the prior year the Group received £4.3 million as a result of three freehold property disposals in 2005 Propco Three Limited and £7.4 million from the sale of a licence in the Casino division.

In December 2013 the Group sold its remaining 4 UK casinos and Gala Casino (Gibraltar) Limited, a wholly owed subsidiary, for a combined consideration of £24.7 million (£23.0 million net of fees). In the prior year the Group sold Gala Casino 1 Limited, a wholly owned subsidiary, for a consideration of £179.0 million (£172.5 million net of costs and certain working capital movements), following which the Group repaid £113.1 million of the Senior secured credit facilities.

In the year £95.0 million of cash was utilised to meet interest and other financing costs (2013: £122.4 million) with £35.0 million repaid on the senior secured notes (2013: £nil) and a further £32.9 million (2013: £11.5 million) repaid on the 2005 Propco Three Limited loan.

Unlevered free cashflow for the year, excluding net proceeds on sale of subsidiaries, was £183.8 million (2013: £167.1 million).

Total cash inflow for the year was £8.3 million (2013: £80.4 million).

Net Debt and Liquidity

Total net debt of £2,179.2 million (2013: £2,139.9 million) has increased since the year end due to the roll up of non-cash interest on subordinated loans from the ultimate parent company (GCGL loan notes). Total net debt includes the GCGL loan notes of £821.3 million and the 2005 Propco Three Limited loan of £305.1 million (net of issue costs) which is ring fenced from the trading group. The 2005 Propco Three Limited Loan is repayable in less than one year and has been considered as part of the directors' assessment of going concern.

Cash at bank and in hand of £224.6 million includes cash for covenant purposes of £202.8 million.

	Opco 2014 £m	Propco 2014 £m	Total 2014 £m	Opco 2013 £m	Propco 2013 £m	Total 2013 £m
Senior secured credit facilities	(711.9)	(305.1)	(1,017.0)	(711.9)	(338.0)	(1,049.9)
Senior secured notes	(315.0)	-	(315.0)	(350.0)	-	(350.0)
Senior notes	(275.0)	-	(275.0)	(275.0)	-	(275.0)
Cash at bank and in hand	214.0	10.6	224.6	208.4	7.9	216.3
Gross cash net debt	(1,087.9)	(294.5)	(1,382.4)	(1,128.5)	(330.1)	(1,458.6)
Issue costs and discount	24.5	-	24.5	31.1	0.3	31.4
Net debt pre GCGL loan notes	(1,063.4)	(294.5)	(1,357.9)	(1,097.4)	(329.8)	(1,427.2)
GCGL loan notes (net of issue costs)	(821.3)	-	(821.3)	(712.7)	-	(712.7)
Group net debt	**(1,884.7)**	**(294.5)**	**(2,179.2)**	**(1,810.1)**	**(329.8)**	**(2,139.9)**

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks. The occurrence of any one of which may adversely impact the management of the Group and the execution of its growth strategies.

The following are the principal risks and uncertainties facing the Group. The risks shown are not necessarily all those associated with the Group and are not listed in priority order.

AREA	RISK	MITIGATION
Legal/Compliance	A serious breach of gaming regulations and legislation may result in the loss of the Group's operators' licences.	- Appropriate policies, processes and controls are in place in order to minimise the risk of any legal/compliance failure or breach; - Staff are made aware of requirements and given appropriate training; - Legislative and regulatory developments in the main markets in which the Group operates are monitored and assessed so that the Group can adapt to any changes and minimise any impact.
Information Security	Data loss, unauthorised intrusion or theft of data could damage the Group's reputation and customer confidence.	- Policies have been introduced including mandatory security awareness training; - The Group has invested in industry-leading data monitoring tools and a Group-wide data backup solution; - Regular PCI audits and system penetration tests are undertaken.
Fraud	Significant loss from staff or customer fraud	- Experienced audit and security staff monitor trading outlets for any unusual payments or betting/gaming activity; - Controls and processes are in place to assist in preventing loss and theft.
Employee Safety	Serious injury or death of an employee as a result of robbery or other violent incident.	The Group has undertaken the Exposure to Violence, Aggression and Conflict risk assessments and has implemented a programme of action in order to reduce the risk of violence to staff as far as possible.
Fire/Disaster	The Group could experience loss arising from fire or other major disaster.	- Fire and health and safety risk assessments are undertaken and any necessary resulting action is implemented to reduce the risk of a fire/incident; - Property and business interruption insurance is purchased annually.
Gaming Risk	With the exception of Gala Retail, due to its pari-mutuel nature, the Group's products are exposed to a varying degree of risk whereby betting outcomes can go against the Group's interests.	- There are clear pricing policies across the LBO estate which limit the maximum amounts which can be staked on individual casino table games or sporting events respectively; - The trading risk within the LBO estate is pro-actively monitored and managed by a dedicated and experienced trading team.
Regulatory changes	Changes in regulation could restrict certain product offerings.	- Whilst changes in regulation cannot be mitigated against, the Group does operate a broad portfolio of product offerings diluting the risk associated with discrete changes in regulation.

FUTURE STRATEGY

The Group will continue to focus on the growth of its Online businesses, where EBITDA (pre-exceptionals) grew by 104% in the year ended September 2014. Making use of its market leading technology platform, the Group will continue to expand its broad range of content, particularly exclusive content. We will also utilise state of the art analytic tools to enhance CRM capability, reducing churn and improving customer lifetime value. Having made the decision to integrate its UK facing Online operations, the Group will focus on combining the best parts of these operations, delivering improved scale economies and streamlined processes without adverse impact on growth trajectories.

The Group will build on its multichannel offering. In the UK this is made possible by the Coral Connect card; (an industry first) and by a co-ordinated approach, delivering the same high quality product across all channels. Connect has already achieved 160,000 sign-ups and Online players recruited through Connect are twice as valuable and cheaper to recruit. Connect gives the Group the opportunity to recognise and reward loyalty across all channels, and gives the customer the convenience of one balance and one relationship across all of our products. Connect also allows the Group to recognise and react to identified patterns of gambling behaviour, thus forming a key part of the Group's efforts to protect people at risk of problem gambling. Multichannel is already hugely successful in Italy, where over 50% of online deposits are made in retail premises.

In Italy, the Group has successfully completed the roll out of all 500 new licenses. We will now cement its position as the number 1 specialist sports betting operator, and deliver further growth through:

a) Ongoing focus on estate optimisation, making use of our flexible franchise model to relocate underperforming licenses – a process which achieved over 100% improvement in the previous year.

b) Delivery of new and improved product as regulation permits – the Group was able to roll out Virtual Betting quicker than the competition post liberalisation, achieving a 17% market share in Retail and 24% in Online.

c) Continued work with the Italian regulator to ensure a level playing field for regulated operators and a decline in the illegal market.

CURRENT TRADING

Trading in the first 7 weeks of the new financial year has been encouraging with growth in Eurobet Retail and the Online division continuing on the same trajectory as evidenced in FY14.

Sports gross win margins in the period have been mixed; Coral.co.uk is significantly ahead of the same period last year whereas Coral Retail is in-line and both Eurobet Retail and Eurobet.it have been impacted by customer friendly football results in Serie A and the Europa League.

Spend-per-head in Gala Retail is 3% ahead of last year, helping drive gross profit ahead in all products

By order of the Board

H A Willits
Company Secretary

19 November 2014

The directors present their annual report and the audited financial statements of Gala Coral Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 27 September 2014. The Group prepares its financial statements to the last Saturday in September. As a result of this the Group benefits from an additional 53rd week of trading in certain years (last 53 week year was 2012).

BRANCHES OUTSIDE THE UK

The Group operates six segments – Coral Retail, Eurobet Retail, Online, Gala Retail, Telebet and Corporate and used to operate the discontinued Gala Casino segment. The Online segment operates online sports betting, bingo, casinos and other gaming products. The Eurobet Retail segment comprises betting shops in Italy.

The Group's Online operations are based in both Gibraltar and Italy and Eurobet Retail is based solely in Italy.

FUTURE DEVELOPMENTS

The anticipated future developments of the Group have been discussed within the Strategic Report.

DIVIDENDS

No dividends have been paid or proposed in the year (2013: £nil)

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable contributions in the year amounted to £0.8 million (2013: £0.8 million), of which £0.7 million was donated to the Responsible Gambling Trust (now replaced by The GREaT Foundation) (2013: £0.7 million), and the remaining donations were mainly to national charities and other industry-related charities. No political contributions were made (2013: £nil).

FINANCIAL RISK MANAGEMENT

The Group's financial risk management programme recognises the endemic unpredictability and volatility of financial markets and therefore seeks to appropriately minimise the potential risks and exposures to the Group. The Group's funding, liquidity and financial exposures with respect to interest rate and foreign exchange risk are managed by the Group's treasury team in accordance with policies set by the Board of Directors and are subject to rigorous internal control procedures. All significant financing and hedging transactions are authorised by the Board of Directors of the parent company. The most important components of financial risk impacting the Group are interest rate risk, credit risk, liquidity risk and, to a lesser extent, foreign currency risk.

Interest Rate Risk

The Group's trading income and operating cash flows are not directly linked to changes in interest rates. The Group primarily finances its operations through a variety of borrowing instruments, including senior secured notes, senior notes and senior secured credit facilities; a ring-fenced property backed loan facility (2005 Propco Three Limited loan) and subordinated preferred equity certificates at the ultimate parent company which are on-lent to the Group in the form of loan notes (GCGL loan notes). The Group's borrowings are denominated in Sterling. The senior secured notes and senior notes bear a fixed rate of interest and the senior secured credit facilities a floating rate of interest. The Group utilises interest rate caps to manage its exposure to interest rate fluctuations and a proportion of its floating rate borrowings. At the year end approximately 79% of the Group's net floating rate borrowings were hedged (2013: 87%).

Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full, when due. Surplus cash is invested in bank deposit accounts, money market deposits and 'AAA' rated money market funds. Counterparty risk exposures are reduced by dealing with only a limited range of financial institutions and in instruments which meet minimum credit rating criteria. Counterparty credit ratings are regularly monitored. Given the inherent level of uncertainty within the financial system, counterparty exposure and analysis are a key priority within the Group's treasury management processes.

FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Cash forecasts identifying the liquidity requirements of the Group are produced regularly and are reviewed in detail to ensure that sufficient headroom exists for at least the forthcoming twelve month period. The Group maintains adequate borrowings which are long term with a range of maturity dates to mitigate the liquidity risk it may face.

Foreign Currency Risk

The Group has minimal exposure to foreign currency risk. The Group's functional currency is Sterling. All assets and liabilities are maintained in Sterling, with the exception of our operations in Italy and a number of foreign currency denominated bank accounts to facilitate the international operations of the Group's Online division.

The functional currency of the Italian business is the Euro. The Group has reviewed the net exposure to foreign currency risk and has concluded that no hedging is considered necessary at the current time due to the low level of actual exposure. This policy remains subject to periodic review.

See note 23 for further information on financial instruments.

POST BALANCE SHEET EVENTS

After the year end, all the Group's investment properties and two freehold Bingo properties were sold by a subsidiary company (2005 Propco Three Limited) for £29.8 million (gross) and £6.4 million (gross) respectively. Proceeds from the sale along with the excess cash held by 2005 Propco Three Limited were used to repay £48.1 million of the outstanding loan.

DIRECTORS

The following served as directors during the year and up to the date of signing the financial statements were:

R W Templeman
C A Leaver
P Bowtell
A Hornby
C Attwood
D R Kornstein
G B C Hardy
W T Walsh

Further information on the biographies and other appointments of the directors are available on the Group website: www.galacoral.co.uk

DIRECTORS' INDEMNITIES AND INSURANCE

The Group maintains directors' and officers' liability insurance. All of the above named directors have received an indemnity to the extent permitted by law from the Company. Neither the indemnity nor the insurance provides cover in situations where a director has acted fraudulently or dishonestly.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that all employees be given equal opportunities in respect of training, career development and promotion.

EMPLOYEE INVOLVEMENT

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. There are widely established arrangements involving briefings, staff consultancy committees and the publication of newsletters.

It is Group policy that there shall be no discrimination in respect of age, sex, colour, religion, race, nationality or ethnic origin and that equal opportunity shall be given to all employees.

Following the judgment passed by an Employment Appeal Tribunal on 4 November 2014 regarding the inclusion of overtime in holiday pay calculations, the Group may have a potential liability for any claims made by employees for underpayment of holiday pay. Given the unclear ruling regarding retrospective/prospective application (and the likelihood of appeal), no charge has been made for this potential liability.

PENSIONS

The Group operates the Gala Coral Pension Plan, a fully funded defined benefit pension scheme. On 28 September 2013 the scheme was closed to future accrual. Following the closure of the scheme the Group derecognised the defined benefit pension asset as the surplus can no longer be recovered through the reduction of future contributions.

The pension cost charge for the year represents contributions paid by the Group into the current personal pension plans and the old Group defined contribution scheme and amounted to £5.9 million (2013: £2.9 million).

ENVIRONMENTAL AWARENESS

The Group is committed to ensuring that the environmental consequences of its operations are minimised as far as practicable. As such the Group pursues the following objectives:

- Recycling of waste where possible;
- Conserving of energy and water; and
- Recycling of consumables (paper, card, ink cartridges)

CAPITAL STRUCTURE

The Group is owned by a number of private equity funds, the following parties hold shareholdings of greater than 5% of the ordinary share capital:

- Apollo Global Management, LLC.
- Cerberus Capital Management, L.P.
- Park Square Capital, LLP.
- Anchorage Capital Partners.

GOING CONCERN

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

The maturity and subsequent non-repayment of the Group's 2005 Propco Three Limited loan facility on 22 April 2014 resulted in default, refer to note 20. Under the terms of the loan agreement, in the event of a default, the 2005 Propco Three Limited lenders have the right, which has not been exercised, to take control of the assets of 2005 Propco Three Limited and/or its shares. The assets and shares of 2005 Propco Three Limited, and therefore the loan security pool, are ring fenced from the rest of the Gala Coral Group. The default has no impact on the current lease arrangements in place which benefit the Group's trading businesses. The directors continue to be in regular and ongoing dialogue with the loan providers and are committed to reaching a satisfactory resolution. Given the ring fenced nature of the 2005 Propco Three loan facility, the directors do not consider the default to impact the Group's going concern basis of preparation. With due consideration to the financing arrangement described above and the Group's cash flow and trading forecasts, the directors expect that the Group will continue in operational existence for the foreseeable future. For these reasons the directors continue to adopt the going concern basis of preparation.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

For each of the directors at the time this report was approved, the following applies:

a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

b) each director has taken all the steps that they ought to have taken as a director in order to make them aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

H A Willits
Company Secretary

19 November 2014

Independent auditors' report to the members of Gala Coral Group Limited

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 27 September 2014 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

What we have audited

The Group financial statements and Company financial statements (the "financial statements"), which are prepared by Gala Coral Group Limited, comprise:

- the Group and Company Balance Sheets as at 27 September 2014;
- the Group Profit and Loss Account for the year then ended;
- the Group Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Group Shareholders' (Deficit)/Funds and Note on Historical Cost Profit and Losses for the year then ended;
- the Group Cash Flow Statement for the year then ended;
- the Reconciliation of Group Net Cash Flow to Movement in Group Net Debt; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Gala Coral Group Limited (continued)

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 November 2014

Gala Coral Group Limited
Group Profit and Loss Account
For the year ended 27 September 2014

	Notes	2014 £m	2013 £m
Turnover			
Continuing operations	2	1,239.3	1,091.7
Discontinued operations	2	4.1	92.6
		1,243.4	1,184.3
Cost of sales		(349.7)	(292.6)
Gross profit			
Continuing operations	2	890.1	815.4
Discontinued operations	2	3.6	76.3
		893.7	891.7
Administrative expenses		(857.1)	(812.9)
Operating profit before other operating income		36.6	78.8
Operating profit before other operating income, analysed as:			
Before exceptional items		165.0	151.7
Costs and impairments associated with change in regulation	7	(106.2)	-
Impairments of bingo and other residual casino assets	7	(8.5)	(6.0)
FRS 20 'Share Based Payment' charge and related costs	7	(10.3)	(14.9)
Other restructuring costs and VAT	7	(4.8)	(10.0)
Net release of onerous lease provisions	7	1.4	17.1
Gaming machine VAT claim	7	-	(59.1)
Operating profit before other operating income		36.6	78.8
Other operating income	4	7.0	3.1
Operating profit/(loss)	4		
Continuing operations	2	44.4	74.1
Discontinued operations	2	(0.8)	7.8
		43.6	81.9
Profit on disposal of tangible fixed assets	7	7.3	8.9
Profit/(loss) on disposal of subsidiary	7	8.1	(63.2)
Profit before interest and tax		59.0	27.6
Interest receivable and similar income	9(a)	33.6	7.7
Interest payable and similar charges	9(a)	(248.8)	(235.2)
Other finance costs	9(b)	(1.9)	(5.6)
Loss on ordinary activities before tax		(158.1)	(205.5)
Tax on loss on ordinary activities	10	(2.2)	(13.2)
Loss for the financial year	26	**(160.3)**	**(218.7)**

Gala Coral Group Limited
Group Statement of Total Recognised Gains and Losses, Reconciliation of Movement in Total Group Shareholders' (Deficit)/funds and Note on Historical Cost Profit and Losses
For the year ended 27 September 2014

Group Statement of Total Recognised Gains and Losses

	Notes	2014 £m	2013 £m
Loss for the financial year		(160.3)	(218.7)
Surplus on revaluation of investment properties	13	3.4	17.4
Net foreign exchange adjustments offset in reserves	26	(2.4)	0.2
Actuarial loss and restriction on recognition of pension assets	30	(2.8)	(38.7)
Deferred tax credit relating to pension scheme	24	-	7.2
Impact of change in tax rate	24	-	1.2
Current tax credit relating to pension scheme		0.6	0.6
Total recognised losses for the year		**(161.5)**	**(230.8)**

Reconciliation of Movement in Total Group Shareholders' (Deficit)/Funds

		2014 £m	2013 £m
Total recognised losses for the year		(161.5)	(230.8)
FRS 20 'Share Based Payment' charge	31	9.9	14.1
Opening shareholders' (deficit)/funds		(51.6)	165.1
Closing shareholders' deficit		**(203.2)**	**(51.6)**

Note on Historical Cost Profit and Losses

		2014 £m	2013 £m
Reported loss on ordinary activities before tax		(158.1)	(205.5)
Revaluation surplus realised on sale of investment property	26	12.8	-
Historical cost loss for the year after taxation		**(145.3)**	**(205.5)**

Gala Coral Group Limited
Group Balance Sheet
As at 27 September 2014

	Notes	2014 £m	2013 £m
Fixed assets			
Intangible assets	11	345.8	406.6
Tangible assets	12	1,807.0	1,893.1
Investment properties	13	29.0	42.6
		2,181.8	2,342.3
Current assets			
Stocks	16	2.0	4.0
Debtors	17	43.5	42.0
Cash at bank and in hand		224.6	216.3
		270.1	262.3
Creditors: amounts falling due within one year	18	(514.6)	(523.6)
Net current liabilities		(244.5)	(261.3)
Total assets less current liabilities		1,937.3	2,081.0
Creditors: amounts falling due after more than one year	19	(2,101.1)	(2,020.1)
Provisions for liabilities	24	(39.4)	(112.5)
Net liabilities excluding net pension asset		(203.2)	(51.6)
Net pension asset	30	-	-
Net liabilities including net pension asset		**(203.2)**	**(51.6)**
Capital and reserves			
Called up share capital	25	213.3	213.3
Merger reserve	26	1.6	1.6
Capital contribution reserve	26	1,723.5	1,723.5
Revaluation reserve	26	8.0	17.4
Profit and loss account	26	(2,149.6)	(2,007.4)
Total shareholders' deficit		**(203.2)**	**(51.6)**

The financial statements on pages 17 to 57 were approved by the Board of directors on 19 November 2014 and are signed on its behalf by:

P Bowtell
Director

Company Registered Number: 07254686

Gala Coral Group Limited
Company Balance Sheet
As at 27 September 2014

	Notes	2014 £m	2013 £m
Fixed assets			
Fixed asset investments	14	285.6	275.7
Current assets			
Debtors: amounts due after more than one year	17	828.5	720.2
		828.5	720.2
Creditors: amounts falling due within one year	18	(0.8)	-
Net current liabilities		(0.8)	-
Total assets less current liabilities		1,113.3	995.9
Creditors: amounts falling due after more than one year	19	(822.6)	(715.9)
Net assets		**290.7**	**280.0**
Capital and reserves			
Called up share capital	25	213.3	213.3
Profit and loss account	26	77.4	66.7
Total shareholders' funds		**290.7**	**280.0**

The financial statements on pages 17 to 57 were approved by the Board of Directors on 19 November 2014 and are signed on its behalf by:

P Bowtell
Director

Gala Coral Group Limited
Group Cash Flow Statement
For the year ended 27 September 2014

	Notes	2014 £m	2013 £m
Net cash inflow from operating activities	27(a)	205.1	235.1
Returns on investments and servicing of finance			
Interest received		33.6	7.7
Interest paid and similar charges		(128.6)	(130.1)
Net cash outflow from returns on investments and servicing of finance		(95.0)	(122.4)
Taxation			
Overseas corporation tax paid		(3.8)	(2.2)
Capital expenditure and financial investment			
Payments to acquire intangible and tangible assets		(69.1)	(82.8)
Receipts from sales of tangible assets		24.5	14.5
Net cash outflow for capital expenditure and financial investment		(44.6)	(68.3)
Acquisitions and disposals			
Purchase of subsidiary undertakings/trade and assets		(6.5)	(5.2)
Net proceeds on sale of subsidiary undertakings		23.0	172.5
Cash disposed with subsidiary undertakings		(2.0)	(4.5)
Net cash inflow from acquisitions and disposals		14.5	162.8
Net cash inflow before financing		76.2	205.0
Financing			
Repayment of Senior secured credit facilities		-	(113.1)
Repayment of Senior secured notes		(35.0)	-
Repayment of the 2005 Propco Three Limited loan		(32.9)	(11.5)
Net cash outflow from financing		(67.9)	(124.6)
Increase in cash	27(b)	**8.3**	**80.4**

Gala Coral Group Limited
Reconciliation of Group Net Cash Flow to Movement in Group Net Debt
For the year ended 27 September 2014

	Notes	2014 £m	2013 £m
Increase in cash	27(b)	8.3	80.4
Net repayment of long-term loans	27(b)	67.9	124.6
Change in net debt resulting from cash flows		76.2	205.0
Other non-cash movements	27(b)	(115.5)	(103.7)
Movement in net debt		(39.3)	101.3
Opening net debt	27(b)	(2,139.9)	(2,241.2)
Closing net debt	27(b)	**(2,179.2)**	**(2,139.9)**

1. Accounting Policies

Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, the accounting policies set out below, and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006, except as regards the specific provisions of the Act relating to the amortisation of goodwill and the revaluation of certain tangible fixed assets as explained below. The accounting policies have been consistently applied to both of the years presented in these financial statements.

The Group prepares its financial statements to the last Saturday in September. As a result of this the Group benefits from an additional 53rd week of trading in certain years (last 53 week year was 2012). This resulted in a 13 week final quarter in 2012 as opposed to the typical 12 week quarter.

The Group has utilised the exemption from disclosing intra-Group transactions which is offered by FRS 8 "Related Party Transactions".

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company balances, transactions and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

No profit and loss account is presented for Gala Coral Group Limited as permitted by section 408 of the Companies Act 2006. The profit for the financial year of the Company was £0.8 million (2013: loss of £0.1 million).

Going Concern

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

The maturity and subsequent non-repayment of the Group's 2005 Propco Three Limited loan facility on 22 April 2014 resulted in default, refer to note 20. Under the terms of the loan agreement, in the event of a default, the 2005 Propco Three Limited lenders have the right, which has not been exercised, to take control of the assets of 2005 Propco Three Limited and/or its shares. The assets and shares of 2005 Propco Three Limited, and therefore the loan security pool, are ring fenced from the rest of the Gala Coral Group. The default has no impact on the current lease arrangements in place which benefit the Group's trading businesses. The directors continue to be in regular and ongoing dialogue with the loan providers and are committed to reaching a satisfactory resolution. Given the ring fenced nature of the 2005 Propco Three loan facility, the directors do not consider the default to impact the Group's going concern basis of preparation. With due consideration to the financing arrangement described above and the Group's cash flow and trading forecasts, the directors expect that the Group will continue in operational existence for the foreseeable future. For these reasons the directors continue to adopt the going concern basis of preparation.

Turnover

Turnover results from the operation of bookmakers ("LBO's"), bingo clubs, online gaming and casinos and is stated as net win, which is calculated as bets placed less amounts won by customers. Turnover is stated net of any VAT, but before the deduction of gaming duty. Turnover from the sale of food and beverages is recorded net of VAT. Gala Retail turnover is stated net of customer contribution to prizes but gross of company contributed prizes which are disclosed within cost of sales.

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

Income from open betting positions is held in deferred income in creditors until the event has occurred.

1. Accounting Policies (continued)

Cost of Sales

Cost of sales primarily comprises the costs of gaming duties and any company contribution to prizes offered within Gala Retail. Cost of sales also includes the revenue share payments to franchisees, content providers and machine rental costs.

Exceptional Items

Exceptional items are those items which, by their size or nature, are separately disclosed in order to give a full understanding of the Group's financial performance and to aid comparability of the Group's results between periods.

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. Except as noted below, goodwill is capitalised and amortised over its estimated useful life of up to 20 years. Where a business is sold, the net book value of goodwill allocated to the business is charged through the profit and loss account as part of the profit or loss on disposal.

However, the directors have concluded that goodwill arising on the acquisition of its "bricks and mortar" gaming and LBO (Licensed Betting Office) businesses should not be amortised as it has an indefinite useful economic life. The goodwill is considered to have indefinite durability that can be demonstrated and its value can be readily measured.

The acquired businesses operate in longstanding and profitable market sectors. The Group has a strong position in the market and there are barriers to entry due to the requirement to demonstrate that the applicant is a fit and proper person with the "know-how" required to run such operations. The regulation of the industry also restricts the games that can be offered and consequently reduces the risk of product obsolescence.

Annual impairment reviews of this goodwill are carried out and any resulting write down is charged to the profit and loss account.

The non-amortisation of this goodwill constitutes a departure from the Companies Act 2006 404(5), for the purpose of giving a true and fair view of the Group's results for the reasons outlined above. If goodwill arising on these acquisitions had been amortised over a 20-year period, the operating profit would have decreased by £1.8 million for the year ended 27 September 2014 (2013: decrease of £4.6 million). Cumulatively goodwill would have been amortised by £1,103.5 million (2013: £1,058.2 million).

Trademarks

The Group capitalises trademarks at their fair value on acquisition. The Coral Retail trademarks are not amortised as their useful life has been assessed as indefinite. An indefinite useful life has been chosen for the same reasons as detailed in the accounting policy for goodwill and as such the carrying value of trademarks is also subject to an annual impairment review. If the Coral Retail trademarks had been amortised over a 20-year period, the operating profit would have decreased by £8.3 million for the year ended 27 September 2014 (2013: £8.3 million). Cumulatively, trademarks would have been amortised by £74.7 million (2013: £66.4 million).

Licences

The Group capitalises Italian gaming licences at cost which are amortised over their initial term which is up to nine years.

1. Accounting Policies (continued)

Tangible Assets and Depreciation

Tangible assets are stated at historic purchase cost less accumulated depreciation.

For buildings that have been purchased as part of a business acquisition, the initial carrying value includes the trading potential of the properties, which reflects the benefit of the gaming licences attached to trading properties. Subsequent additions to tangible assets are stated at cost. Depreciation is provided on all tangible assets, with the exception of freehold land and trading potential, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	50 years
Leasehold land and buildings	–	shorter of 50 years and term of lease
Fixtures, fittings and office equipment	–	over three to ten years
Computer hardware and software	–	over three to ten years
Vehicles	–	over three to five years

Investment Properties

Investment properties are accounted for in accordance with SSAP 19 (revised). Investment properties are revalued annually, on an open market basis by a RICS (Royal Institute of Chartered Surveyors), qualified Chartered Surveyor and the surplus or deficit arising is transferred to a revaluation reserve unless the deficit is expected to be permanent, in which case it is charged to the profit and loss account. No depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years unexpired.

Although the Companies Act 2006 would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not showing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or qualified.

Impairment Reviews

Tangible assets: The need for any fixed-asset impairment provision is assessed by comparison of the carrying value of an income-generating unit, which normally comprises bingo clubs or LBOs which operate together as a division, against the higher of the net realisable value or value in use. In addition, sites or Groups of sites are considered separately where there have been exceptional circumstances impacting on their profitability that may indicate a material incremental impairment at that level.

The value in use is determined from the estimated discounted future cash flows of the income-generating unit.

Intangible assets: The need for any intangible asset impairment provision is assessed by comparison of the carrying value of the intangible assets with their value in use. The value in use is determined from the estimated discounted future cash flows.

For both tangible and intangible assets the future cash flows are based on the forecasts and budgets of the income-generating unit or business. The key assumptions within the budgets for the Gala Retail segment are the admissions levels, spend or drop per head, win percentage, wage increases and the fixed costs of the bingo club. The key assumptions within the budgets for the Coral Retail and Eurobet Retail segments are the average number of machines per shop, gross win per shop per week, wage increases and the fixed costs of the licensed betting offices. The key assumptions within the budgets for the Online segment are the number of active customers, turnover per head, win percentage, revenue shares and operating costs.

Where goodwill has historically been allocated to a segment on acquisition, impairments are made firstly against goodwill, then to any capitalised intangible asset and then to tangible assets on a pro rata or more appropriate basis (which typically involves impairing any trading potential value included within properties).

1. Accounting Policies (continued)

Impairment Reviews (continued)

Where more than one segment was acquired through a single investment and goodwill arising was not allocated between the businesses, the value in use is first compared with the carrying value of the net assets (excluding goodwill) of each segment, with any impairment made firstly against capitalised intangible assets and then tangible assets of the segment.

A secondary assessment is then made to compare the carrying values of all the segments acquired through a single investment against the value in use with any additional impairment then made against goodwill.

Fixed asset investments

Fixed asset investments are stated at cost less any necessary provision against their carrying value for diminution in value.

Stocks

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

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date which will result in an obligation to pay more tax, or a right to pay less tax with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing Commitments

Rentals paid under operating leases are charged to income on a straight line basis up to the date of the next rental review. Rentals receivable under operating leases are recognised in the profit and loss account within other operating income when earned.

Lease incentives are spread over the period up to the first rent review where market rate rents are applied.

Property Provisions

Provision has been made for vacant, partly sub-let leasehold properties and onerous leases. Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

Any creation or release of these provisions is included in exceptionals within operating expenses. For the vacant and sub-let properties, provision has been made for the shorter of the remaining period of the lease and the period until, in the directors' opinion, the Group will be able to exit the lease commitment. The amount provided is based on the future rental obligations, together with other outgoings, net of any sub-lease income.

1. Accounting Policies (continued)

Property Provisions (continued)

Provision has been made on a discounted cash flow basis for onerous leases based on the element of the rental payments which are considered to be onerous. In determining the provision for the properties, the cash flows have been discounted using a risk-free discount rate. Provision has been made for the cost of carrying out remedial works in respect of the Group's leasehold properties when the Group is legally obliged to rectify the matter.

Pensions

The Group operates the Gala Coral Pension Plan. The scheme has a defined benefit section and a defined contribution section. The assets of the scheme are managed separately from those of the Group. The defined benefit section of the scheme is closed to new entrants and future accrual.

For the defined benefit pension scheme, the Group has adopted the provisions of FRS 17 amended "Retirement Benefits" in that the amounts charged to operating profit are the current service costs. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount within other finance costs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. The net pension scheme surplus recognised is restricted to the present value of the future expected pension contributions.

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

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

Share based payments

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

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

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

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

The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in subsidiary undertakings with a corresponding credit in equity in the parent's Financial Statements.

Should any amendments be made to the scheme then the fair value of the award will be re-measured at the modification date with the incremental fair value expensed over the vesting period.

1. Accounting Policies (continued)

Financial Instruments

The Group uses financial instruments to hedge the risk associated with interest rates. Interest differentials on financial instruments are recognised by adjusting net interest payable in the period on an accruals basis. Realised gains or losses on the hedges are recognised in the period to which they relate.

Borrowings are carried at their issue proceeds net of finance costs (and in respect of the senior notes, also the discount to nominal value) less amounts repaid. Finance costs and discount are amortised over the life of the related borrowing.

Interest rate cap premia are carried at cost and are amortised over the life of the cap.

Foreign Currencies

Transactions denominated in foreign currencies are translated into Sterling at the prevailing rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at period end rates of exchange. Exchange differences are taken to the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. The financial statements of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

2. Discontinued Operations

On 12 May 2013 the Group sold Gala Casino 1 Limited, a wholly owned subsidiary, for a consideration of £179.0 million (£172.5 million net of costs and certain working capital movements). Gala Casino 1 Limited operated 19 of the Group's 24 UK casinos.

In December 2013 the Group sold its remaining 4 UK casinos and Gala Casino (Gibraltar) Limited, a wholly owed subsidiary, for a combined consideration of £24.7 million (£23.0 million net of fees).

These disposals have been treated as discontinued operations in the profit and loss account.

	2014			2013		
	Continuing operations £m	Discontinued operations £m	Total Group £m	Continuing operations £m	Discontinued operations £m	Total Group £m
Turnover	1,239.3	4.1	1,243.4	1,091.7	92.6	1,184.3
Cost of sales	(349.2)	(0.5)	(349.7)	(276.3)	(16.3)	(292.6)
Gross profit	890.1	3.6	893.7	815.4	76.3	891.7
Administrative expenses	(852.7)	(4.4)	(857.1)	(744.3)	(68.6)	(812.9)
Operating profit/(loss) before other operating income	37.4	(0.8)	36.6	71.1	7.7	78.8
Other operating income	7.0	-	7.0	3.0	0.1	3.1
Operating profit/(loss)	**44.4**	**(0.8)**	**43.6**	**74.1**	**7.8**	**81.9**

3. Segmental Analysis

The Group operates six segments – Coral Retail, Eurobet Retail, Online, Gala Retail, Telebet and Corporate and used to operate the discontinued Gala Casino segment. The Online segment operates online sports betting, bingo, casinos and other gaming products. The Eurobet Retail segment comprises betting shops in Italy.

The segmental disclosure has been restated from the prior year in order to separately report our telephone betting business from our Online segment. The segmental disclosure reflects the way in which the management look at the business.

The revenue of Coral Retail and Gala Retail arises solely within the United Kingdom. The revenue of the Eurobet Retail segment arises solely in Italy. The revenue of the Online segment arises in the UK and Europe. Its customers are almost entirely located in the United Kingdom and mainland Europe. Due to the nature of the Online segment, it is not possible to split the net assets by geographical category. The Gala Casino revenue (now discontinued) arises in the United Kingdom and Gibraltar.

Turnover, Group operating profit and net assets are analysed as follows:

2014

	Coral Retail £m	Eurobet Retail £m	Online £m	Gala Retail £m	Gala Casino £m	Telebet £m	Corporate £m	Group £m
Amounts staked	11,239.2	516.7	4,700.5	538.3	14.3	68.4	-	17,077.4
Turnover	679.7	83.5	182.6	290.2	4.1	3.3	-	1,243.4
Gross profit	514.7	28.7	138.9	204.7	3.6	3.1	-	893.7
Other admin expenses	(371.7)	(9.9)	(89.4)	(171.8)	(3.4)	(3.6)	(8.2)	(658.0)
'Opco' EBITDA[1]	143.0	18.8	49.5	32.9	0.2	(0.5)	(8.2)	235.7
Propco rent	-	-	-	24.4	0.1	-	3.7	28.2
Group EBITDA[1]	143.0	18.8	49.5	57.3	0.3	(0.5)	(4.5)	263.9
Depreciation and amortisation	(22.6)	(13.3)	(11.5)	(27.3)	(1.0)	-	(16.2)	(91.9)
Operating profit/(loss)[2]	120.4	5.5	38.0	30.0	(0.7)	(0.5)	(20.7)	172.0
Exceptional items								(128.4)
Group operating profit								**43.6**

{1} All EBITDA numbers are stated pre-exceptional items.
{2} Operating profit is stated pre-exceptional items

The Group operates an 'Opco-Propco' structure with rentals charged between Group companies for properties which act as security under the 2005 Propco Three Limited loan. These rentals are described in note 4 and have been charged to the relevant divisions in the segmental analysis.

3. Segmental Analysis (continued)

The amortisation of goodwill on the Online division of £12.9 million has been charged to Corporate costs.

Propco rent receivable of £3.7 million in Corporate relates to rent received from The Rank Group Plc and the Double Diamond Group.

2013

	Coral Retail £m	Eurobet Retail £m	Online £m	Gala Retail £m	Gala Casino £m	Telebet £m	Corporate £m	Group £m
Amounts staked	10,858.7	277.2	3,009.6	552.8	407.7	67.4	-	15,173.4
Turnover	636.4	40.4	125.2	291.3	92.6	(1.6)	-	1,184.3
Gross profit	501.0	15.5	90.1	204.6	76.3	4.2	-	891.7
Other admin expenses	(352.5)	(6.1)	(65.8)	(179.4)	(63.3)	(3.2)	(2.7)	(673.0)
'Opco' EBITDA{1}	148.5	9.4	24.3	25.2	13.0	1.0	(2.7)	218.7
Propco rent	-	-	-	23.7	2.6	-	1.4	27.7
Group EBITDA{1}	148.5	9.4	24.3	48.9	15.6	1.0	(1.3)	246.4
Depreciation and amortisation	(28.5)	(7.6)	(9.2)	(24.0)	(5.2)	-	(17.1)	(91.6)
Operating profit/(loss){2}	120.0	1.8	15.1	24.9	10.4	1.0	(18.4)	154.8
Exceptional items								(72.9)
Group operating profit								**81.9**

{1} All EBITDA numbers are stated pre-exceptional items.
{2} Operating profit is stated pre-exceptional items

Propco rent receivable of £1.4 million in Corporate relates to rent received from The Rank Group Plc.

3. Segmental Analysis (continued)

Net Assets by Segment

	2014 £m	2013 £m
Coral Retail	1,453.9	1,445.8
Eurobet Retail	42.5	40.6
Online	32.2	35.7
Gala Retail	354.5	348.5
Gala Casino	-	11.4
	1,883.1	1,882.0
Non-operational net liabilities	(2,086.3)	(1,933.6)
Total net liabilities	**(203.2)**	**(51.6)**

Net Assets by Geographical Area

	2014 £m	2013 £m
UK	1,808.5	1,799.3
Europe	74.6	82.7
	1,883.1	1,882.0
Non-operational net liabilities	(2,086.3)	(1,933.6)
Total net liabilities	**(203.2)**	**(51.6)**

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

4. Operating Profit

This is stated after charging:

	2014 £m	2013 £m
Depreciation of owned assets:		
Coral Retail	22.6	28.5
Eurobet Retail	4.4	2.2
Online	11.5	9.2
Gala Retail	27.3	24.0
Gala Casino	1.0	5.2
Propco	3.3	4.2
Total depreciation	70.1	73.3
Amortisation	21.8	18.3
Impairment/write down of fixed assets:		
Tangible assets	82.8	6.0
Intangible assets	30.1	-
Operating lease rentals:		
Land and buildings (non Propco)	58.3	62.0
Plant and machinery	7.5	10.1
Profit on disposal of tangible fixed assets	7.3	8.9
Profit/(loss) on disposal of subsidiary	8.1	(63.2)

Amortisation includes a charge of £12.9 million (2013: £12.9 million) in respect of Online goodwill and a charge of £8.9 million (2013: £5.4 million) on Italian licences.

Other operating income comprises property rents receivable of £7.0 million (2013: £3.1 million).

During the year Gala Retail and Gala Casino were charged rent payable of £24.4 million (2013: £23.7 million) and £0.1 million (2013: £2.6 million) respectively in relation to operating lease rentals from 2005 Propco Three Limited. These amounts eliminate on consolidation within the Group Financial Statements. In addition, 2005 Propco Three Limited received rent of £3.7 million (2013: £1.4 million) from The Rank Group Plc and the Double Diamond Group in respect of the rent on the disposed casinos.

5. Auditors' Remuneration

Services Provided by the Group's Auditors

During the financial year the Group obtained the following services from the Group's auditors PricewaterhouseCoopers LLP and network firms as detailed below:

	2014 £m	2013 £m
Audit services:		
Fees payable for the audit of the Company and Group Financial Statements	0.1	0.1
Other services:		
Fees payable for the audit of the Company's subsidiaries	0.4	0.4
Taxation advisory services	0.1	-
Services relating to Corporate Finance transactions	1.4	-
Other non-audit services	0.1	0.1
	2.1	**0.6**

6. Directors' Remuneration

	2014 £m	2013 £m
Aggregate emoluments	4.1	2.2
Company contributions to private pension schemes	0.3	0.2
	4.4	**2.4**

No directors (2013: none) accrue benefits under the Group's defined benefit pension scheme.

Emoluments of the highest paid director are as follows:

	2014 £m	2013 £m
Aggregate emoluments (excluding pension contributions)	1.3	0.6
Company contributions to private pension schemes	0.1	0.1
	1.4	**0.7**

No director exercised any share options during the year (2013: none).

Retirement benefits are accruing to three directors under the Group's money purchase scheme (2013: three).

No emoluments were paid to directors for services to the Company (2013: £nil).

7. Exceptional Items

Exceptional Items Charged/(Credited) to Operating Profit

	Notes	2014 £m	2013 £m
Costs and impairments associated with change in regulation	a)	106.2	-
Impairments of bingo and other residual casino assets	b)	8.5	6.0
FRS 20 'Share Based Payment' charge and related costs	c)	10.3	14.9
Other restructuring costs and VAT	d)	4.8	10.0
Net release of onerous lease provisions	24	(1.4)	(17.1)
Gaming machine VAT claim	e)	-	59.1
Total charged to administrative expenses within operating profit		**128.4**	**72.9**

No tax credit (2013: £nil) has been claimed in relation to the exceptional charge as the Group is loss making.

a) Reflects the write off of assets on closed LBO's (£19.3 million), the impairment of goodwill/trading potential (£86.2 million), and other costs (£0.7 million) which have resulted from the significant changes in regulation that have impacted the business during the year, or are expected to in the year ended September 2015. The impairment reflects a write off of historic goodwill and trading potential that arose as part of the 2005 acquisition of Coral Eurobet. This is a non-cash charge and has no detrimental impact on financial covenants.

b) Reflects the write down of tangible assets on the closure of bingo clubs and other residual casino assets following the disposal of the remainder of the casino business.

c) Represents the FRS 20 'Share Based Payment' charge and related costs detailed further in note 31. The FRS 20 'Share Based Payment' charge is an accounting charge only and does not represent a cash commitment for the UK Group or any of its subsidiaries, either now or in the future. The ultimate cash obligation lies with the Group's parent company, GCG Manager S.A Luxco S.C.A and only in an exit event.

d) Relates primarily to the costs associated with corporate restructuring £9.0 million (2013: £8.9 million), the ongoing process to explore opportunities to dispose of Gala Retail £3.5 million (2013: £nil), pension scheme closure costs £1.6 million (2013: £1.7 million) and a number of redundancies in our operating divisions £1.0 million (2013: £3.8 million). These costs have been offset by £12.5 million of VAT refunds associated with successful 'Conde Nast' claims (2013: £9.0 million). The prior year also contained a cost of £1.9 million associated with the final stages of the launch of our new Online websites (Project Springboard)."

d) Following the UK Court of Appeal's ruling in favour of HMRC on fiscal neutrality of VAT on gaming machines, a charge of £59.1 million was recognised by the Group in the year ended 28 September 2013 for the repayment of amounts previously received.

Exceptional Items Charged/(Credited) after Operating Profit

1) Profit on Disposal of Fixed Assets

The profit on disposal of £7.3 million in the year (2013: £8.9 million) includes the profit on disposal of freehold properties, of which £6.2 million relates to disposals of a property in 2005 Propco Three Limited. The prior year included £2.1 million for the disposal of three properties in 2005 Propco Three Limited and a licence in the Gala Casino division.

2) Profit/(Loss) on Disposal of Subsidiary

In December 2013 the Group sold its remaining 4 UK casinos and Gala Casino (Gibraltar) Limited, a wholly owned subsidiary, for a combined consideration of £24.7 million (£23.0 million net of fees). The profit on disposal of £8.1 million is detailed in note 15.

7. Exceptional Items (continued)

Exceptional Items Charged/(Credited) after Operating Profit (continued)

2) Profit/(Loss) on Disposal of Subsidiary (continued)

On 12 May 2013 the Group completed the sale of 19 of its UK casinos to The Rank Group Plc for total proceeds of £179.0 million plus adjustments for certain working capital movements. This resulted in a loss on disposal which was recognised in the profit and loss account. This loss reflected the under realisation of goodwill that was historically carried against our Casino business. This was a non-cash charge which had no effect on the Group's covenants.

3) Exceptional Interest (see note 9)

Exceptional interest receivable in the year of £32.5 million (2013: £6.0 million) relates to interest receivable from HMRC on 'Condé Nast' VAT claims.

Exceptional interest payable in the year of £6.2 million was paid to the senior lenders following certain amendments to the Senior Facilities Agreement ('SFA') which were agreed on 7 April 2014 and on 11 July 2014. An early redemption charge of £1.1 million was incurred following a repayment of £35.0 million on the senior secured notes during the year. Issue costs of £0.6 million were written off as a result of this repayment. During the prior year the Group wrote off £2.1 million of issue costs on the repayment of £113.1 million of the Senior secured credit facilities following the receipt of £179.0 million from The Rank Group Plc on the completion of the sale of 19 of its UK casinos and £0.4 million of break fees on 2005 Propco Three Limited loan repayments following the disposal of certain properties in 2005 Propco Three Limited.

8. Staff Costs (including Directors)

	2014 £m	2013 £m
Wages and salaries (including redundancies)	257.1	286.9
Social security costs	20.2	21.5
Other pension costs	6.0	7.0
FRS 20 'Share Based Payment' charge	9.9	14.1
	293.2	**329.5**

The monthly average number of employees during the year was made up as follows:

	2014 Number	2013 Number
Coral Retail	10,244	10,899
Gala Retail	4,210	4,481
Gala Casino	80	1,904
Online	546	320
Eurobet Retail	159	115
Support staff	44	59
	15,283	**17,778**

All employees of Coral Retail and Gala Retail, along with support staff are predominately based in the United Kingdom. The employees of the Eurobet Retail division are primarily based in Italy. The majority of employees of our Online business are based outside the United Kingdom.

9. Interest

a) Interest

	2014 £m	2013 £m
Loan interest and similar charges	(104.2)	(108.5)
2005 Propco Three Limited loan interest	(20.8)	(21.2)
GCGL loan note interest	(107.3)	(93.3)
Amortisation of debt issue costs and senior notes discount	(7.6)	(8.3)
Amortisation of interest rate cap premia	(1.0)	(1.4)
	(240.9)	**(232.7)**
Exceptional interest payable:		
Break fees on the 2005 Propco Three Limited loan (note 7)	-	(0.4)
Write off of debt issue costs on repayment of other loans (note 7)	(0.6)	(2.1)
Early redemption charge on repayment of Senior Secured Notes (note 7)	(1.1)	-
'SFA' consent fees (note 7)	(6.2)	-
	(7.9)	**(2.5)**
Interest payable and similar charges	**(248.8)**	**(235.2)**
Interest on deposits and money market funds	0.5	0.7
Other interest receivable	0.6	1.0
Exceptional interest receivable (note 7)	32.5	6.0
Interest receivable and similar income	**33.6**	**7.7**
Net interest payable	**(215.2)**	**(227.5)**

Loan interest payable and similar charges include amounts payable on the senior secured credit facilities, senior secured notes and senior notes. Actual amounts paid in cash in the year in relation to the 2005 Propco Three Limited loan amounted to £16.3 million (2013: £21.4 million).

In the year interest receivable on the 2005 Propco Three Limited cash balance was £nil (2013: £nil million) and amortisation of debt issue costs included above of £0.3 million (2013: £0.7 million).

The Group has interest rate caps with a strike rate of 1.25%. which mature in 2015. The interest rate caps cover £400.0 million (2013: £450.0 million) of floating rate borrowings as at 27 September 2014. The remaining premia held on the interest rate caps of £0.9 million will be amortised during 2015.

9. Interest (continued)

b) Other Finance Costs

	2014 £m	2013 £m
Unwinding of discount in onerous lease provisions (note 24)	0.9	2.0
Other finance costs in relation to the pension scheme	1.0	3.6
Other finance costs	**1.9**	**5.6**

Other finance costs include amounts paid on behalf of the pension scheme by the Group following its closure to future accrual.

10. Tax on Loss on Ordinary Activities

a) The Taxation Charge is made up as follows:

	2014 £m	2013 £m
Current tax		
UK Corporation tax at 22.0% (2013: 23.5%)	0.6	0.6
Overseas corporation tax – current year	4.9	3.4
Overseas corporation tax – prior year	(0.6)	1.2
Total current tax	4.9	5.2
Deferred taxation:		
Origination and reversal of timing differences:		
UK	-	7.2
Overseas	(2.7)	(0.4)
Impact of change in tax rate	-	1.2
Total deferred tax (note 24)	(2.7)	8.0
Tax charge on loss on ordinary activities	**2.2**	**13.2**

10. Tax on Loss on Ordinary Activities (continued)

b) Factors affecting Current Tax Charge

The tax for the year is higher (2013: higher) than the average standard rate of corporation tax in the UK for the year ended 27 September 2014 of 22.0% (2013: 23.5%). The differences are reconciled below:

	2014 £m	2013 £m
Loss on ordinary activities before tax	(158.1)	(205.5)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK for the year of 22.0% (2013: 23.5%)	(34.8)	(48.3)
Expenses not deductible for tax purposes	44.8	30.4
Capital allowances (in excess of)/less than depreciation	(2.3)	11.5
Utilisation of losses brought forward	(2.0)	
Current year tax losses	-	8.3
Other timing differences	(0.1)	(0.5)
Difference in overseas tax rate	(0.1)	2.6
Prior year charge	(0.6)	1.2
Current tax charge for the year	4.9	5.2
Deferred tax movement in year	(2.7)	8.0
Tax charge on loss on ordinary activities	**2.2**	**13.2**

Expenses not deductible for tax purposes includes £5.1 million (2013 £7.6 million) depreciation and amortisation on assets that do not qualify for tax relief, £2.8 million (2013: £11.6 million) profit on disposal of Casinos (2013: loss) and fixed assets, £2.3 million (2013: £3.5 million) FRS 20 Share based payment charge, £8.7 million (2013: £6.0 million) non-deductible interest on GCGL loan notes and £25.2 million (2013: £1.4 million) impairments.

c) Tax on Recognised Gains and Losses not included in the Profit and Loss Account

	2014 £m	2013 £m
Tax (credit)/charge relating to pension scheme recognised in the Group Statement of Total Recognised Gains and Losses	**0.6**	**9.0**

d) Factors that may affect future Taxation

As at 27 September 2014, the Group has an unrecognised deferred tax asset of £155.8 million (2013: £112.7 million) (see note 24).

Legislation to reduce the mainstream rate of corporation tax from 21% to 20% from 1 April 2015 was enacted in the Finance Act 2013. The recognised and unrecognised element of the deferred tax asset has therefore been disclosed at 20% as it is expected the asset will start to reverse after 1 April 2015.

No provision has been made for deferred tax on the gain recognised on revaluing properties to fair values on acquisition or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the properties were sold without it being possible to claim rollover relief. The total amount unprovided for is £111.7 million (2013: £136.0 million). At present it is not envisaged that any such tax will become payable in the foreseeable future.

11. Intangible Assets

Group

	Italian Licences £m	Goodwill £m	Trademarks £m	Total £m
Cost:				
At 28 September 2013	52.9	1,269.3	166.0	1,488.2
Disposals (note 15)	-	(7.1)	-	(7.1)
Exchange differences	(3.8)	-	-	(3.8)
At 27 September 2014	49.1	1,262.2	166.0	1,477.3
Amortisation:				
At 28 September 2013	30.7	1,050.9	-	1,081.6
Provided during the year	8.9	12.9	-	21.8
Impairment	-	30.1	-	30.1
Exchange differences	(2.0)	-	-	(2.0)
At 27 September 2014	37.6	1,093.9	-	1,131.5
Net book value at 27 September 2014	**11.5**	**168.3**	**166.0**	**345.8**
Net book value at 28 September 2013	22.2	218.4	166.0	406.6

During the year goodwill was impaired by £30.1 million (2013: £nil). The impairment assessment for intangible and tangible assets was determined using cash flow projections that were taken from financial budgets approved by management covering a three year period. A key assumption within the cash flow projection is the future growth rate used to extrapolate cash flows after this three year period. The growth rate applied was 2.5% per annum (2013: 2.5%) and is consistent with historic long term average growth rates for the UK. The pre-tax discount rate applied was 11.0% (2013: ranged from 10.5% to 11.0%).

The impairment recorded reflects a write off of historic goodwill that arose as part of the 2005 acquisition of Coral Eurobet. This is a non-cash charge and has no detrimental impact on financial covenants. The impairment arose following the recent changes in the regulatory environment affecting our Coral Retail business.

12. Tangible Assets

Group

	Freehold Land and Buildings £m	Leasehold Land and Buildings £m	Fixtures, Fittings, Tools and Equipment £m	Total £m
Cost:				
At 28 September 2013	544.8	1,506.3	444.3	2,495.4
Additions	1.9	13.4	58.6	73.9
Exchange differences	-	-	(1.3)	(1.3)
Disposals	-	(63.7)	(32.0)	(95.7)
At 27 September 2014	546.7	1,456.0	469.6	2,472.3
Depreciation:				
At 28 September 2013	69.5	220.7	312.1	602.3
Provided during the year	4.7	9.5	55.9	70.1
Exchange differences	-	-	(0.7)	(0.7)
Closed clubs/LBOs write down	-	26.2	0.5	26.7
Impairment	-	56.1	-	56.1
Disposals	-	(63.1)	(26.1)	(89.2)
At 27 September 2014	74.2	249.4	341.7	665.3
Net book value at 27 September 2014	**472.5**	**1,206.6**	**127.9**	**1,807.0**
Net book value at 28 September 2013	475.3	1,285.6	132.2	1,893.1

A write down of tangible assets on the closure of bingo clubs and LBOs of £26.7 million (2013: £6.0 million) was charged to exceptional administrative expenses during the year as well as an impairment of £56.1 million (2013: £nil). See note 7.

Included in freehold and leasehold land and buildings is land and trading potential at a value of £1,447.2 million (2013: £1,528.8 million) which is not depreciated.

The net book value of leasehold land and buildings comprises:

	2014 £m	2013 £m
Long leasehold	213.2	214.1
Short leasehold	993.4	1,071.5
	1,206.6	**1,285.6**

13. Investment Properties

Group

	£m
Valuation:	
At 28 September 2013	42.6
Revaluation in the year	3.4
Disposals	(17.0)
At 27 September 2014	**29.0**

Following the sale of our UK casinos, 6 Propco properties are now rented to The Rank Group Plc and 1 to the Double Diamond Group.

If investment properties had not been revalued they would have been included at the following amounts:

	2014 £m	2013 £m
Cost and net book value	**21.0**	**25.2**

Following the year end, all the Group's properties were sold. There was no material difference between the proceeds received and the carrying value of investment properties.

14. Fixed Asset Investments

Company

	Subsidiary undertakings £m
Cost at 28 September 2013	275.7
Capital contribution relating to FRS 20 'Share Based Payment'	9.9
Net book value at 27 September 2014	**285.6**

The capital contribution relating to the FRS 20 'Share Based Payment' relates to the share based payment charge detailed in note 31.

14. Fixed Asset Investments (continued)

The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affect the results or financial position of the Company (the "principal subsidiaries").

Name of Company	Nature of Business	Place of incorporation
Coral Racing Limited	Provision of leisure activities	Great Britain
Coral Stadia Limited	Provision of leisure activities	Great Britain
Gala County Clubs Limited	Provision of leisure activities	Great Britain
Gala Leisure Limited	Provision of leisure activities	Great Britain
Romford Stadium Limited	Provision of leisure activities	Great Britain
Eurobet Italia SRL	Provision of leisure activities	Italy
Gala Interactive (Gibraltar) Limited	Provision of leisure activities	Gibraltar
Coral Interactive (Gibraltar) Limited	Provision of leisure activities	Gibraltar
Gala Electric Casinos plc	Holding Company	Great Britain
Gala Coral Interactive (Gibraltar) Limited	Holding Company	Gibraltar
Gala Group Finance plc	Finance Company	Great Britain
2005 Propco Three Limited	Finance Company	Great Britain

All of the principal subsidiaries are 100% owned with all voting rights held within the Group. Gala Electric Casinos plc is directly owned by the Company. The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings as at 27 September 2014 will be annexed to the Company's next annual return.

15. Disposal of subsidiary

In December 2013 the Group sold its remaining 4 UK casinos and Gala Casino (Gibraltar) Limited, a wholly owed subsidiary, for a combined consideration of £24.7 million (£23.0 million net of fees). These disposals resulted in a profit on disposal of £8.1 million.

	£m
Goodwill	7.1
Tangible fixed assets	6.2
Stocks	0.3
Debtors	3.2
Cash	2.0
Creditors	(0.4)
	18.4
Release of 2013 provision for loss on disposal of UK casinos	(3.5)
Profit on disposal (note 7)	8.1
Cash consideration (net of fees)	**23.0**

16. Stocks

Group

	2014 £m	2013 £m
Goods for resale	**2.0**	**4.0**

17. Debtors

Group

	2014 £m	2013 £m
Trade debtors	2.4	2.8
Deferred tax asset (note 24)	3.1	0.4
Other debtors	17.0	14.6
Prepayments and accrued income	21.0	24.2
	43.5	**42.0**

Company

	2014 £m	2013 £m
Falling due after more than one year:		
Amounts owed by subsidiary undertakings	**828.5**	**720.2**

The amount owed relates to a loan note issued by Gala Electric Casinos plc which accrues interest at 15.0875% which is only payable on maturity on 27 October 2020. Interest accrued rolls up into the principal amount on 27 October each year until redemption. At 27 September 2014 rolled up interest was £375.2 million (2013: £266.9 million).

18. Creditors: Amounts Falling Due Within One Year

Group

	2014 £m	2013 £m
2005 Propco Three Limited loan (note 20)	305.1	337.7
Loan, senior secured notes and senior notes interest	29.4	25.1
Trade creditors	32.8	40.9
Corporation tax	3.2	2.8
Other taxation and social security	33.1	31.7
Other creditors	27.8	20.9
Accruals and deferred income	83.2	64.5
	514.6	**523.6**

Company

	2014 £m	2013 £m
Accruals and deferred income	**0.8**	**-**

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

Group

	2014 £m	2013 £m
Senior secured credit facilities (note 20)	702.4	699.8
Senior secured notes (note 20)	310.1	343.2
Senior notes (note 20)	264.9	262.8
GCGL loan note (note 21)	821.3	712.7
Other creditors	2.4	1.6
	2,101.1	**2,020.1**

Company

	2014 £m	2013 £m
Amounts owed to subsidiary undertakings	0.9	1.5
GCGL loan note (note 21)	821.7	714.4
	822.6	**715.9**

The GCGL loan note represents amounts owed to GCG Manager S.A Luxco S.C.A.

20. External Borrowings

Group

	2014 £m	2013 £m
Amounts falling due:		
In one year or less or on demand	305.1	338.0
Between two and five years	1,301.9	1,061.9
After more than five years	-	275.0
	1,607.0	1,674.9
Less:		
Issue costs	(20.4)	(26.4)
Discount on nominal value of senior notes	(4.1)	(5.0)
	1,582.5	1,643.5
Less:		
Included in creditors: amounts falling due within one year	(305.1)	(337.7)
	1,277.4	**1,305.8**

20. External Borrowings (continued)

The 2005 Propco Three Limited loan of £305.1 million (2013: £337.7 million), including amounts of £305.1 million (2013: £337.7 million) falling due within one year, is presented net of unamortised issue costs of £nil (2013: £0.3 million). The loan is owed by 2005 Propco Three Limited. The 2005 Propco Three Limited loan matured in April 2014 and is secured on certain properties which it owns.

The principal terms of the current borrowings are as follows:

	Amount £m	Interest rate %	Maturity
Borrowed by Gala Group Finance plc:			
Senior secured credit facilities			
Term loan	711.9	LIBOR + 5	27 May 2018
Revolving credit facility	100.0	LIBOR + 4	27 May 2017
Senior secured notes	315.0	8.875	1 September 2018
Borrowed 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 these borrowings and the senior notes were issued at a discount to their nominal value. The issue costs and discount have been deferred and are being amortised over the term of the borrowings.

On 29 May 2014 the Group repaid £35.0 million of the Senior secured loan notes and wrote off £0.6 million of issue costs.

At 27 September 2014 the senior secured credit facilities are presented net of unamortised issue costs of £9.5 million (2013: £12.1 million).

The 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 £4.9 million (2013: £6.8 million) and £10.1 million (2013: £12.2 million) respectively.

In addition to the margin payable on the senior secured credit facilities, the Group pays a 1.5% (2013: 1.5%) commitment fee in respect of the unused portion of the revolving credit facility. The revolving credit facility is available to finance working capital requirements and for general corporate purposes. Whilst no amounts have been drawn down on the revolving credit facility, £35.1 million (2013: £46.3 million) has been utilised through the issuance of letters of credit, primarily in respect of the licences for Eurobet Retail.

The senior secured credit facilities require the Group to comply with certain financial and non-financial covenants, all of which have been complied with. Likewise the senior secured notes and the senior notes require the Group to comply with certain non-financial covenants, all of which have been complied with.

21. GCGL Loan Notes

Group

	2014 £m	2013 £m
Amounts falling due after more than 5 years including rolled up interest	821.7	714.4
Less: issue costs	(0.4)	(1.7)
	821.3	**712.7**

The GCGL loan notes have been issued to its parent company, GCG Manager SA Luxco SCA. The GCGL loan notes are unsecured, were issued with a duration of 10 years and accrues interest of 15.0625% only payable on maturity on 27 October 2020. Interest accrued rolls up into the principal amount on 27 October each year until redemption. At the year end rolled up interest amounted to £371.7 million (2013: £264.4 million).

Company

	2014 £m	2013 £m
Amounts falling due after more than 5 years including rolled up interest	**821.7**	**714.4**

The unamortised issue costs of £0.4 million (2013: £1.7 million) are held within Gala Group Finance plc.

22. Financial Instruments

For the purposes of the disclosures which follow in this note, short-term debtors and creditors which arise directly from the Group's operations have been excluded. The Group's lease provisions are included in the following disclosures because, in establishing the lease provisions, the cash flows have been discounted and the discount rate is reappraised at each year end to ensure that it reflects the current market assessment of the time value of money.

Interest Rate Risk Profile of Financial Liabilities

The interest rate risk profile of the Group's financial liabilities at 27 September 2014 and 28 September 2013, after taking account of the interest rate caps used to manage the interest rate profile of financial liabilities, was:

		Fixed/Floating Rate Financial Liabilities			
	Total £m	Floating Rate Financial Liabilities £m	Fixed Rate Financial Liabilities £m	Weighted Average Interest Rate %	Weighted Average Term of Fix Years
At 27 September 2014	**2,470.5**	**1,058.8**	**1,411.7**	**9.53**	**4.17**
At 28 September 2013	2,503.4	825.9	1,677.5	9.27	4.96

22. Financial Instruments (continued)

Interest Rate Risk Profile of Financial Assets

Cash held at bank is invested in accordance with the Group's Investment in Cash Policy to manage counterparty risk. During the year interest was earned on cash invested in the following forms of investments:

- Interest bearing current and deposit accounts with interest earned which varies according to market rates;
- Money market term deposits with interest earned linked to money market rates;
- 'AAA' rated money market funds with a changing daily yield based on the underlying investments.

In total, the Group provided cash collateral of £nil (2013: £nil) as at the year end.

Maturity Profile of Financial Instruments

The maturity profile of the carrying amount of the Group's financial liabilities at 27 September 2014 and 28 September 2013 was as follows:

	Debt 2014 £m	Other Financial Liabilities 2014 £m	Total 2014 £m	Debt 2013 £m	Other Financial Liabilities 2013 £m	Total 2013 £m
Amounts falling due:						
In one year or less, or on demand	305.1	13.8	318.9	338.0	73.1	411.1
In more than one year but not more than two years	-	3.2	3.2	-	4.6	4.6
In more than two years but not more than five years	1,301.9	12.0	1,313.9	1,061.9	15.5	1,077.4
In more than five years	821.7	15.2	836.9	989.4	34.9	1,024.3
	2,428.7	44.2	2,472.9	2,389.3	128.1	2,517.4
Finance charges allocated to future periods	-	(2.4)	(2.4)	-	(14.0)	(14.0)
Total financial liabilities	2,428.7	41.8	2,470.5	2,389.3	114.1	2,503.4
Unamortised issue costs and discount	(24.9)	-	(24.9)	(33.1)	-	(33.1)
	2,403.8	**41.8**	**2,445.6**	**2,356.2**	**114.1**	**2,470.3**

The Group maintains loan facilities to mitigate any liquidity risk it may face. The Group has £64.9 million undrawn borrowing facilities available at 27 September 2014 (2013: £53.7 million). This revolving credit facility incurs commitment fees at 1.5% (2013: 1.5%). The revolving credit facility is available until 27 May 2017.

22. Financial Instruments (continued)

Fair Value of Financial Instruments

	Book Value 2014 £m	Fair Value 2014 £m	Book Value 2013 £m	Fair Value 2013 £m
Derivative financial instruments held to manage interest rate exposure:				
Interest rate caps	**0.9**	**0.1**	**1.9**	**0.9**

The Group had interest rate caps covering £400.0 million (2013: £450.0 million) of its floating rate borrowings as at 27 September 2014.

23. Obligations Under Leases

Annual commitments under non-cancellable operating leases are as follows:

Group

	Land and Buildings 2014 £m	Other 2014 £m	Land and Buildings 2013 £m	Other 2013 £m
Operating leases which expire:				
within one year	1.9	0.3	1.9	0.3
between two and five years	11.2	1.7	11.8	3.8
over five years	43.4	-	45.3	-
	56.5	**2.0**	**59.0**	**4.1**

There are no operating leases in the Company (2013: none).

24. Provisions for Liabilities and Charges

Group

	Onerous Contract Provisions £m	Loss on Disposal of Casinos £m	Linewebber VAT claim £m	Total £m
At 28 September 2013	49.9	3.5	59.1	112.5
Arising during the year	6.5	-	-	6.5
Utilised	(14.4)	(3.5)	(54.5)	(72.4)
Released	(7.9)	-	(0.2)	(8.1)
Unwinding of discount	0.9	-	-	0.9
At 27 September 2014	**35.0**	**-**	**4.4**	**39.4**

24. Provisions for Liabilities and Charges (continued)

Onerous contract provisions include vacant, partly sub-let leasehold properties, onerous leases and onerous contracts at the shorter of the remaining period of the lease, which at 27 September 2014 is an average of 10 years (2013: 14 years), or the period until, in the Directors' opinion, the Group will be able to exit the lease/contract. The amount provided is based on the future rental obligations, together with other fixed outgoings, net of any sub lease income. In determining the provision for the properties, the cash flows have been discounted using a risk free rate of return of 2.8% (2013: 3.3%).

Following the UK Court of Appeal's recent ruling in favour of HMRC, on fiscal neutrality of VAT on gaming machines, a charge of £59.1 million was recognised by the Group in the year ended 28 September 2013. During 2014 the Group repaid £54.5 million of this claim back to HMRC.

Deferred Taxation

Group

Movements in the net deferred tax asset during the year were as follows:

	2014 £m	2013 £m
Brought forward	0.4	-
Movement through the profit and loss account	2.7	(8.0)
Movement through the statement of total recognised gains and losses	-	8.4
Carried forward	**3.1**	**0.4**

Deferred taxation in the Financial Statements consists of:

	2014 £m	2013 £m
Depreciation in advance of capital allowances	20.1	53.9
Other timing differences	0.7	0.1
Losses	138.1	59.1
Deferred tax asset not recognised in the financial statements (note 10d)	(155.8)	(112.7)
Net deferred tax asset recognised	3.1	0.4
Deferred tax asset shown in debtors (note 17)	3.1	0.4
Deferred tax liability recognised against pension asset (note 30)	-	-
Net deferred tax asset	**3.1**	**0.4**

A deferred tax asset is recognised to the extent that the asset is forecast to be utilised within the foreseeable future. The applicable tax rates used are the rates enacted at the balance sheet date.

The above deferred tax asset in respect of losses includes £70.5 million (2013: £17.0 million) in respect of capital losses.

25. Called Up Share Capital

Group and Company

	Number (000)	Ordinary shares of 1p each £m
As at 27 September 2014 and at 28 September 2013	**21,326,531**	**213.3**

26. Reserves

Group

	Revaluation Reserve £m	Capital Contribution Reserve £m	Merger Reserve £m	Profit and Loss Account £m	Total £m
At 28 September 2013	17.4	1,723.5	1.6	(2,007.4)	(264.9)
Loss for the financial year	-	-	-	(160.3)	(160.3)
Actuarial loss on pension scheme	-	-	-	(2.8)	(2.8)
Tax relating to pension scheme	-	-	-	0.6	0.6
Net foreign exchange adjustments offset in reserves	-	-	-	(2.4)	(2.4)
FRS 20 'Share Based Payment' charge	-	-	-	9.9	9.9
Surplus on revaluation of investment properties	3.4	-	-	-	3.4
Transfer between reserves	(12.8)	-	-	12.8	-
At 27 September 2014	**8.0**	**1,723.5**	**1.6**	**(2,149.6)**	**(416.5)**

The transfer between the revaluation reserve and profit and loss account reflects the revaluation that was held against an investment property which was disposed of during the year (see note 13).

Company

	Profit and Loss Account £m
At 28 September 2013	66.7
Profit for the financial year	0.8
FRS 20 'Share Based Payment' charge	9.9
At 27 September 2014	**77.4**

27. Notes to the Group Cash Flow Statement

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

	2014 £m	2013 £m
Operating profit	43.6	81.9
Depreciation, amortisation, impairment and write downs	204.8	97.6
(Increase)/decrease in debtors	(0.9)	15.9
Decrease/(increase) in stocks	2.0	(0.8)
Increase/(decrease) in creditors	19.0	(4.2)
(Decrease)/increase in provisions	(70.5)	33.2
Pension contributions in excess of profit & loss charge	(2.8)	(2.6)
FRS 20 'Share Based Payment' charge	9.9	14.1
Net cash inflow from operating activities	**205.1**	**235.1**

b) Analysis of Net Debt

	At 28 September 2013 £m	Cash Flow £m	Other Non-cash Movements £m	At 27 September 2014 £m
Cash at bank and in hand	216.3	8.3	-	224.6
Debt due within one year	(337.7)	32.9	(0.3)	(305.1)
Debt due after one year	(2,018.5)	35.0	(115.2)	(2,098.7)
Total debt	(2,356.2)	67.9	(115.5)	(2,403.8)
Net debt	**(2,139.9)**	**76.2**	**(115.5)**	**(2,179.2)**

Non-cash movements comprise amortisation and write off of debt issue costs and senior notes discount of £8.2 million (including £0.6 million exceptional write off of issue costs) and accrued interest on the GCGL loan notes of £107.3 million.

Cash at bank and in hand as at 27 September 2014 includes the 2005 Propco Three Limited balance of £10.6 million (2013: £7.9 million), cash in hand balance of £11.2 million (2013: £12.4 million) and the cash provided as collateral of £nil (2013: £nil).

Debt due within the year includes the 2005 Propco Three Limited loan of £305.1 million (2013: £337.7 million).

27. Notes to the Group Cash Flow Statement (continued)

c) Cash Flows relating to Exceptional Items (note 7)

	2014 £m	2013 £m
Included within operating cash flow:		
Other restructuring and VAT	(73.0)	(21.5)
	(73.0)	(21.5)
Net disposal proceeds of tangible fixed assets	24.6	14.5
Net disposal proceeds on sale of subsidiary undertakings	23.0	172.5
Cash disposed with subsidiary undertakings	(2.0)	(4.5)
Exceptional interest received (note 7)	32.5	6.0
Exceptional interest paid (note 7)	(7.3)	-
Net cash inflow	**(2.2)**	**167.0**

Included in other restructuring and VAT is a £54.5 million VAT payment which was made in the year following the UK court of appeal's ruling in favour of HMRC, on fiscal neutrality of VAT of gaming machines.

Net sales proceeds on the sale of tangible fixed assets includes £23.2 million (2013: £4.4 million) received in relation to freehold properties disposed by 2005 Propco Three Limited. The prior year included the receipt of £7.4 million in relation to the disposal of a licence in the Gala Casino division.

In addition to the above, the Group made pension contribution of £2.4 million (2013: £2.6 million) during the year as part of the agreed deficit funding arrangement.

28. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £5.6 million (2013: £3.5 million) for the Group and £nil (2013: £nil) for the Company.

29. Contingent Assets

Following the ruling on 30 October 2013 by the Court of Appeal in relation to Gaming Machine VAT contravening the principles of fiscal neutrality, the Group repaid £54.5 million to HMRC. The directors remain confident that upon appeal the UK courts will find in favour of the gaming operators and as such disclose a contingent asset of £58.9 million in relation to this claim.

30. Pension Commitments

Defined Contribution Pension Scheme

During 2013, the Group closed its defined contribution pension scheme and transferred all its participants into personal pension plans. The pension cost charge for the year represents contributions paid by the Group into the current personal pension plans and the old Group defined contribution scheme and amounted to £5.9 million (2013: £2.9 million). A liability of £0.5 million (2013: £0.3 million) existed in respect of pension contributions at 27 September 2014.

Defined Benefit Pension Scheme

The Group operates the Gala Coral Pension Plan, a fully funded defined benefit pension scheme. On 28 September 2013 the scheme was closed to future accrual and all participants were transferred to personal pension plans. As a result of the closure of the scheme the Group recognised a curtailment gain of £15.0 million.

The pension payable to an individual is based on their average earnings calculated over the period of pensionable service (career average revalued earnings or CARE).

.

30. Pension Commitments (continued)

A full actuarial valuation of the Gala Coral Pension Plan was undertaken at 5 April 2014.

An actuarial review of the scheme valuation was carried out by a qualified independent actuary as at 27 September 2014, in order to provide the following information required by FRS 17 amended "Retirement Benefits". The major assumptions used by the actuary were:

	2014	2013	2012
Rate of salary increases	N/A	N/A	3.8%
Rate of pension increases	3.3%	3.4%	2.8%
Discount rate	4.1%	4.5%	4.6%
CPI inflation assumption	2.4%	2.5%	2.1%
RPI inflation assumption	3.3%	3.4%	2.8%

Mortality Assumptions

	2014 Years	2013 Years
Longevity at age 65 for current pensioners:		
– Men	22.5	22.4
– Women	24.0	23.9
Longevity at age 65 for future pensioners:		
– Men	24.6	24.5
– Women	26.0	25.9

Assets and Liabilities of the Scheme

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Total fair value of assets	350.2	326.6	307.3	283.6	260.2
Present value of scheme liabilities	(321.7)	(301.6)	(267.6)	(238.6)	(249.7)
Surplus in the scheme	28.5	25.0	39.7	45.0	10.5
Restriction of pension asset	(28.5)	(25.0)	-	(1.9)	-
Related deferred tax liability (note 24)	-	-	(9.1)	(10.8)	(2.9)
Net pension asset	**-**	**-**	**30.6**	**32.3**	**7.6**

The pension asset has been restricted following the closure of the scheme as the asset cannot be recovered through a reduction in future contributions.

30. Pension Commitments (continued)

Expected Rate of Return

	Expected Rate of Return %	Value 2014 £m	Expected Rate of Return %	Value 2013 £m	Expected Rate of Return %	Value 2012 £m
Equities	6.3%	41.3	5.9%	44.1	5.1%	34.7
Hedge funds	6.3%	24.9	5.9%	23.2	5.1%	22.1
Bonds	3.9%	85.1	3.6%	79.7	3.3%	78.4
Gilts	3.0%	196.5	2.6%	175.0	1.9%	171.2
Other (cash)	1.5%	2.4	1.3%	4.6	1.3%	0.9
Total value		**350.2**		**326.6**		**307.3**

Reconciliation of the Present Value of Scheme Liabilities

	2014 £m	2013 £m
Present value of scheme liabilities at the beginning of the year	301.6	267.6
Current service cost	0.1	4.1
Interest cost	13.2	12.4
Benefits paid	(15.7)	(8.3)
Employee contributions	0.1	1.2
Actuarial loss	22.4	39.6
Plan curtailments	-	(15.0)
Present value of scheme liabilities at the end of the year	**321.7**	**301.6**

Reconciliation of the Fair Value of Scheme Assets

	2014 £m	2013 £m
Fair value of scheme assets at the beginning of the year	326.6	307.3
Expected return on scheme assets	13.3	8.8
Actuarial gain	23.1	10.9
Benefits paid	(15.7)	(8.3)
Employer contributions	2.8	6.7
Employee contributions	0.1	1.2
Fair value of scheme assets at the end of the year	**350.2**	**326.6**

Analysis of the Amount Charged to Operating Profit

	2014 £m	2013 £m
Current service cost	**0.1**	**4.1**

30. Pension Commitments (continued)

Analysis of the Amount Credited/(Charged) to Other Finance Costs

	2014 £m	2013 £m
Expected return on pension scheme assets	13.3	8.8
Interest on pension liabilities	(13.2)	(12.4)
Other finance costs	**0.1**	**(3.6)**

Amounts transferred to Statement of Recognised Gains and Losses

	2014 £m	2013 £m
Actuarial (gain)/loss	(0.7)	28.7
Restriction of pension asset – current year	28.5	25.0
Restriction of pension asset – reversal of prior year	(25.0)	-
Plan curtailments	-	(15.0)
Net losses transferred to Statement of Recognised Gains and Losses	**2.8**	**38.7**

The cumulative actuarial loss recognised in the Group statement of total recognised gains and losses ("STRGL") is £38.7 million (2013: £35.9 million loss).

The actual return on plan assets was £36.4 million (2013: £19.7 million). To develop the assumption for the expected rate of return on assets, the Group considered the current level of expected return on risk free investments, the historical level of the risk premium associated with the other asset classes in the portfolio and expectations for future returns of each asset class. A weighted average rate of return on assets was calculated. This resulted in the selection of a 3.75% assumption for 2014 (2013: 4.25%).

Movement in Surplus during the Year

	2014 £m	2013 £m
Surplus in scheme at the beginning of the year	25.0	39.7
Current service cost	(0.1)	(4.1)
Contributions	2.8	6.7
Other finance costs	0.1	(3.6)
Actuarial gain/(loss)	0.7	(28.7)
Plan curtailments	-	15.0
Surplus at the end of the year	**28.5**	**25.0**

30. Pension Commitments (continued)

Amounts for Current Year and Previous Four Years

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Experience adjustments on plan assets:					
Amount	23.1	10.9	14.1	12.1	9.6
Experience adjustments on plan liabilities:					
Amount	(5.3)	0.5	2.2	0.3	0.5
Total actuarial gains and losses recognised in the STRGL:					
Amount	(2.8)	(38.7)	(4.1)	31.3	(7.3)

A liability of £nil (2013: £0.3 million) existed in respect of pension contributions at 27 September 2014.

31. Share Based Payments

The Group operates a Management Incentive Scheme for certain management. The share scheme was implemented by Gala Coral Group Limited's ultimate parent undertaking, GCG Manager S.A Luxco S.C.A, with shares in the parent being allocated to management. The shares were purchased by management at their fair value. A proportion of the shares issued vested immediately with additional shares vesting over a period of up to five years.

The realisation of the value attributed to the management shares only occurs on an exit event. Despite the fact that the shares awarded to management are shares of the ultimate parent company, GCG Manager S.A Luxco S.C.A, a charge has been recognised in the Gala Coral Group Limited consolidated financial statements as prescribed by the guidelines of FRS 20 "Share Based Payments". The charge recorded in the current year of £9.9 million (excluding legal fees), represents an accounting recharge only rather than a commitment on the UK Group to pay cash. On exit and realisation of value of the UK Group, the cash cost associated with this share scheme will be incurred by the ultimate parent company, not Gala Coral Group Limited or any of its UK subsidiaries.

During the year certain amendments, primarily to lower the threshold at which management participate, were made to the shares previously issued to management. Previously issued B shares were converted into I shares and C to H shares were converted into J shares. In addition to these amendments additional J shares were issued to certain management, these are identified as J (2014) shares in the disclosures that follow. The amendments to the scheme , and the newly issued J shares, were valued using a Monte Carlo valuation model as permitted by FRS 20.

	Class of share		
	I	J	J (2014)
Number of shares issued	1,264,471	26,084,117	1,482,812
Vesting period (yrs)	0 - 5	0 - 5	0 - 5
Expected volatility	96%	96%	54%

31. Share Based Payments (continued)

The valuation of the scheme for FRS 20 was undertaken using an expected volatility based on the historical volatility, over a 5 year period, of similar listed companies with appropriate adjustments made for the level of gearing within the Gala Coral Group. Dividend yields were assumed at 0% for all awards and the risk free rate at 0.92%.

Grant date	2014	2013
Number of shares in issue at start of year	28,056,770	27,136,394
Granted	2,764,122	3,197,265
Forfeited	(1,989,492)	(2,276,889)
Number of shares in issue at end of year	**28,831,400**	**28,056,770**

The shares issued are unlisted.

32. Related Parties

Since 28 September 2013 Anchorage Capital Partners, a shareholder in Gala Coral Group Limited, acquired the significant majority of the 2005 Propco Three Limited term loan and interest has been charged on this as set out in note 9.

During the year the group incurred £1.6 million (2013: £1.5 million) of rental costs on various Bingo and Coral properties from Capita Symonds, a related party by virtue of a shared director. These rentals were at market value. The balance outstanding as at the year end was £1.2 million (2013: £0.1 million).

The Company has taken advantage of the exemption under FRS 8 "Related party disclosures" not to disclose related party transactions with companies which are wholly owned subsidiaries.

During the year the Group loaned a total of £0.4 million in aggregate to four of its directors. These loans are repayable in full on 19 September 2029 and do not accrue interest.

During 2012 the Group loaned £0.4 million to one of the directors. The loan is repayable in full on 14 December 2026 and does not accrue interest.

Certain early repayment clauses exist within the loan agreements which provide for both immediate repayment on an exit event and early repayment subject to annual bonus arrangements. The total outstanding balance on all of these loans as at 27 September 2014 was £0.7 million (2013: £0.3 million).

The Group also made payments to related parties (by virtue of common directors) of £0.5 million (2013: £0.2 million) to the Association of British Bookmakers and £1.5 million (2013: £1.8 million) to the Greyhound Board of Great Britain.

33. Post Balance Sheet Events

After the year end, all the Group's investment properties and two freehold Bingo properties were sold by a subsidiary company (2005 Propco Three Limited) for £29.8 million (gross) and £6.4 million (gross) respectively. Proceeds from the sale along with the excess cash held by 2005 Propco Three Limited were used to repay £48.1 million of the outstanding loan.

34. Ultimate Controlling Party

As at 27 September 2014, the Company's immediate parent company and the ultimate parent company of the Group was GCG Manager S.A Luxco S.C.A (a "societe en commandite par actions" established under the laws of Luxembourg), with registered office at 7, Val Sainte Croix, L-1371 Luxembourg. The largest and smallest group for which group financial statements are drawn up is that of Gala Coral Group Limited.