13 September 2018

GVC Holdings PLC

("GVC" or the "Group")

Interim Results

GVC Holdings PLC (LSE: GVC), the multinational sports-betting and gaming group, is pleased to announce its Interim Results for the six months ended 30 June 2018.

Group	**Reported[1]**		**Proforma[2]**			
Six months to 30 June	**2018**	**2017**	**2018**	**2017**	**Change**	**Constant currency[3]**
	£m	£m	£m	£m	%	%
Net gaming revenue (NGR)	1,125.1	386.6	1,717.0	1,591.0	8%	8%
Revenue	1,105.9	374.8	1,694.3	1,572.8	8%	8%
Gross profit	763.2	272.4	1,163.4	1,098.2	6%	
Underlying EBITDA[4]	235.0	100.7	349.5	314.1	11%	
Underlying operating profit[5]	188.6	78.6	277.9	236.9	17%	
Underlying profit before tax[5]	162.1	64.4				
Profit / (loss) after tax	113.8	(6.4)				
Diluted EPS (p)	24.9	(2.1)				
Adjusted diluted EPS[6] (p)	32.2	24.7				
Dividend per share (p)	16.0	14.6				

Financial highlights (proforma basis[2])

- Proforma Group NGR up 8% at £1,717.0m
- Proforma Group revenue up 8% at £1,694.3m
- Proforma Group underlying EBITDA[4] up 11% at £349.5m
- Proforma Group underlying operating profit[5] of £277.9m up 17%
- Adjusted diluted EPS[6] of 32.2p up 30%
- Interim dividend of 16.0p per share (H1 2017: 14.6p)
- Adjusted net debt at 30 June 2018 of £1,887.0m (2.69x LTM underlying EBITDA)

Operational highlights (proforma basis[2])

- Good momentum in Online with market share gains in all key territories; NGR up 18% (+20% in constant currency ("cc")[3]); Sports brands +19% (+21% cc[3]) and Games brands +13% (+15% cc[3])
- UK Retail like-for-like[7] NGR -3%; a good World Cup helping offset the impact of poor weather in first half
- European Retail NGR +29% (+26% cc[3]) with strong growth in Italy
- Positive World Cup tournament driven by both gross win margin and volumes
- Completed the acquisition of the Ladbrokes Coral Group on 28 March; Capex synergies of at least £30m now identified. Integration progressing well and on target to achieve at least £130m cost synergies by 2021.

Update and Current Trading[2] (Q3 for period 1 July 2018 to 2 September 2018)

- Established a 50/50 joint venture with MGM Resorts to create a leading sports-betting and online gaming platform in the U.S.
- Strong current trading: Group proforma NGR +14% with strong growth in Online (NGR +30%) and European Retail (NGR +26%)
- Product development and marketing driving continued market share gains

Kenneth Alexander (CEO) said:

“The performance of the GVC Group in the first half has been extremely pleasing in what has been a very busy period. Strong momentum in Online and European Retail has continued, and a positive World Cup helped improve trends in UK Retail in the second quarter. The acquisition of Ladbrokes Coral completed on 28 March and the integration of that business is progressing well. We have now identified capex synergies of at least £30m in addition to the £130m cost synergies and we are well placed to deliver those savings while driving top line growth. We are gaining market share in all our key markets and we will look to reinvest to further strengthen our market position.

The repeal of PASPA by the U.S. Supreme Court in May provides a significant new market opportunity and we are delighted to have announced a joint venture with MGM Resorts to provide sports-betting and online gaming services in the US. The combination of MGM’s leading brands together with GVC’s proprietary technology, and both businesses’ combined betting and gaming expertise, puts the Group in the best possible position to benefit from what could become the world’s largest regulated sports-betting market.

Our strategy to build scale and diversification through organic growth and acquisition is more relevant today than ever. Gaming regulation continues to evolve globally creating both opportunities and challenges, with barriers to entry rising all the time. Against this backdrop, GVC is well positioned to continue to create further shareholder value. We also recognise the importance of corporate social responsibility and in particular that actions speak louder than words. Over the coming months we will announce a number of new initiatives across all areas of CSR.

We have announced an interim dividend of 16 pence, 10 per cent ahead of last year, and the positive performance of the Group in the first half means that we are confident of delivering a full year result in-line with the Board’s expectations.”

Notes

(1) 2018 and 2017 reported results are unaudited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018
(2) The Group’s proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 Jan 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet are included from the date of acquisition (11 April 2018) and the results of Kalixa are excluded from the date of disposal (31 May 2017)
(3) Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2018 exchange rates
(4) Stated pre separately disclosed items and shared based payments
(5) Stated pre separately disclosed items
(6) Adjusted for the impact of separately disclosed items, foreign exchange movements on financial indebtedness and gains on derivative financial instruments (see note 7 in the interim financial statements)
(7) UK Retail numbers are quoted on a LFL basis. During H1 there was an average of 3,563 shops in the estate, compared to an average of 3,663 in the same period last year

Presentation and live webcast

An analyst presentation will be held at 9:30am (BST) at Deutsche Bank, Winchester House, 1 Great Winchester St, London EC2N 2DB.

The presentation will be webcast live and will be available via the following link:

https://edge.media-server.com/m6/p/brci2i6u

Replays will be available on the GVC website.

Enquiries:

GVC Holdings PLC

Kenneth Alexander, Chief Executive Officer

Paul Bowtell, Chief Financial Officer

Nick Batram, Director of Investor Relations & External Communications

Paul Tymms, Head of Investor Relations (investors@gvc-plc.com)

Media enquiries:

Buchanan Communications

David Rydell/Henry Harrison-Topham/Chris Lane Tel: +44 (0) 20 7466 5066

Forward looking statements

About GVC Holdings PLC

GVC Holdings PLC is one of the world's largest sports-betting and gaming groups, operating both online and in the retail sector. The Group owns a comprehensive portfolio of established brands; Sports Brands include bwin, Coral, Crystalbet, Eurobet, Ladbrokes and Sportingbet; Gaming Brands include CasinoClub, Foxy Bingo, Gala, Gioco Digitale, partypoker and PartyCasino. The Group owns proprietary technology across all of its core product verticals and in addition to its B2C operations provides services to a number of third-party customers on a B2B basis. GVC acquired Ladbrokes Coral Group plc on 28 March 2018 and is now the UK's largest high street bookmaker, with over 3,500 betting shops. The Group, incorporated in the Isle of Man, is a constituent of the FTSE 100 index and has licences in more than 20 countries, across 5 continents.

For more information see the Group's website: www.gvc-plc.com

LEI: 213800GNI3K45LQR8L28

CHIEF EXECUTIVE'S REVIEW

Overview

The Group made significant progress in the first six months of the year. The acquisition of the Ladbrokes Coral Group was completed on the 28 March 2018, and the enlarged Group was subsequently admitted to the FTSE 100 index on 16 June 2018. A ground-breaking joint venture with MGM Resorts was announced in July, which leaves the Group very well placed to take advantage of current and future regulation and liberalisation of the US sports-betting market. We also acquired a controlling interest in Crystalbet, one of Georgia's leading online gaming companies. The main sporting event during the period was the World Cup, which was a good tournament for the Group as a whole with volumes, margins and the value of first time deposits all ahead of expectations.

The Group's financial performance in the period was very pleasing. Looking at the business on a proforma basis and before separately disclosed items, NGR was 8% ahead and underlying EBITDA 11% ahead at £349.5m. Meanwhile, underlying operating profit increased 17% to £277.9m, with underlying reported profit before tax 152% higher at £162.1m. Adjusted fully diluted EPS grew by 30% to 32.2p and an interim dividend of 16.0p per share was declared, an increase of 1.4p on the previous year. Our intention is to pay dividends on a 50:50 (H1:H2) basis. As at 30 June 2018, adjusted net debt was £1,887.0m, reflecting leverage of 2.69x the last twelve months underlying EBITDA.

Online NGR grew strongly and was 18% ahead of last year and 20% ahead on a constant currency basis. Momentum continued in the legacy GVC brands with NGR up 22%, and 25% on a constant currency basis, supported by new product launches and the World Cup. Partypoker continues to take market share, while the newly acquired Crystalbet business delivered very strong growth post its acquisition in April. The Ladbrokes Coral online brands also performed well, with NGR +14% (+15% constant currency). There were many positives in the first half with Ladbrokes.com.au in Australia and Eurobet.it in Italy continuing to gain market share, Coral.co.uk also performed ahead of key peers and Ladbrokes.com showed strong NGR growth in Q2 with NGR 21% ahead. In markets where we see an opportunity to continue to grow market share we will look to reinvest excess returns into accelerating growth.

UK Retail business growth was in-line with our expectations, with like-for-like NGR 3% down. The positive tailwind from the World Cup was partly offset by the very cold weather in Q1 and also a Triennial Review "hangover" as the negative coverage of FOBTs that dominated the UK press and news outlets undoubtedly fed its way into customers' spending on Machines. Now that a final Triennial Review decision has been made, the business can look forward with certainty and ensure that we are able to quickly transition to a smaller more sustainable estate post the implementation of the £2 B2 stake limit. In the meantime, the rollout of next generation FOBTs, trials of in-house SSBTs and the EPOS2 shop till system will help support both the top and bottom line.

European Retail NGR was up 29%, primarily driven by continuing good growth in Eurobet Retail, albeit helped by the soft margins in the prior period. Our Italian retail estate of over 830 units, and our long-established multi-channel expertise of acquiring online customers through our retail estate in that market, will prove to be a significant advantage over online-only operators following the marketing and promotions restrictions implemented by the new Italian government. We have moved quickly to secure key marketing contracts ahead of the implementation of the full ban in July 2019.

The integration of the Ladbrokes Coral business is well underway. Detailed synergy delivery plans are finalised in key areas, with new top-level organisation structures already in place. The high quality of our people coupled with the speed at which we implemented new structures meant that we were able to continue to drive growth whilst at the same time commence integration. We therefore remain very confident in our integration timetable and synergy targets. Crucially, we will always strive to ensure that integration doesn't come at the expense of product development or business-as-usual operations. Our ongoing commitment to new product delivery is demonstrated by a range of new features on our Sports brands, including increased options on the build-a-bet offering, continued improvements to user experience and real-time CRM, as well as the launch of new gaming content across all gaming brands. The performance of the business since acquisition reflects the ever growing importance of continued product development.

Discussions with Playtech regarding the development of our existing relationship are progressing well. We believe there is an opportunity for both parties to benefit; the Group from additional flexibility to realise operational synergies by consolidating its IT infrastructure and for Playtech to provide product and content in markets where they don't currently support GVC.

Strategically we are now in a very good position to continue to grow the business both in existing and new markets. Scale, geographic diversification, a portfolio of leading brands and end-to-end proprietary technology are all enablers of growth, as evidenced by the joint venture announced with MGM Resorts, which we believe positions us very well in the race for sustainable market share in the newly regulating US sports-betting market. The joint venture will utilise GVC's leading technology and online sports-betting expertise alongside the MGM brands, and through market access agreements, we expect to gain access to all key states as regulation develops.

The Group continues to evaluate a number of new geographic markets through either organic entry or via acquisition. One of the key strengths of GVC is the experience we have across diverse international markets and we expect to enter a number of new territories over the coming 12 months.

As the Group evolves it is important that the Board evolves too, reflecting the growing scale and internationalisation of the business. In June we announced the appointment of Virginia McDowell as an independent non-executive director. Virginia brings exceptional industry experience, having worked in the US gaming market for 35 years. Virginia is also Chair of the newly created Corporate Social Responsibility Committee, with her experience as Vice Chairperson of Global Gaming Women, a non-profit organisation with a mission to inspire and influence the development of women in the gaming industry, a major asset for the Group. We have also announced today the appointment of Pierre Bouchut to the Board as an independent non-executive director. Pierre has significant experience in senior finance and operational roles at a number of multinational businesses including CFO at Delhaize and Carrefour. He is currently a non-executive director and chairman of the audit committee at Hammerson plc and Firmenich SA, and with immediate effect will succeed Stephen Morana as chairman of GVC's Audit Committee. Finally, we would like to thank Will Whitehorn who stepped down as non-executive director in June.

Corporate Social Responsibility (CSR)

The past 10 years has seen GVC become one of the world's leading gaming companies. In 2007, the Group had less than 40 employees, compared to over 28,000 today. With this growth in scale comes increased corporate social responsibility, to our employees, our customers and the communities in which we operate. It is important that companies such as GVC take the lead and work positively with regulators and government to ensure a safe environment.

Following the acquisition of Ladbrokes Coral we established the Corporate Social Responsibility Committee, a Board level group that is led by Virginia McDowell. This will have full oversight across all areas of CSR within the business. We have also appointed a Head of CSR who is responsible for the co-ordination of CSR with all key stakeholders across the Group. The formulation of a new comprehensive CSR strategy is in progress and over the coming months we will be announcing a number of major new initiatives across all key areas of the business.

Responsible gaming: We are continuing to actively work on numerous positive projects being undertaken by the relevant industry bodies and regulators, as well as engaging closely with our peers. However, we also recognise the unique position we hold in the industry and believe that by taking a positive lead others will be encouraged to follow. We already contribute 0.1% of UK GGR to responsible gaming initiatives but will go materially beyond this going forward. Investment in technology, training and education to aid prevention is a key area of investment. As an example the new EPOS system being rolled-out across the UK retail estate will have the most advanced responsible gaming tools in the industry when fully up and running. In the US, GVC is to become a Platinum Member of the National Council on Problem Gambling and are providing funding for a proposed National Survey of Gambling in America.

Corporate culture: GVC would not have achieved the success it has to date without the hard work and dedication of our employees. The creation of an entrepreneurial culture where all have the opportunity to succeed is at the core of the Group. A number of key new initiatives will further build upon the positive environment we cultivate:

- Improving Gender Diversity: A new programme aimed at supporting the progression of our female leaders "Horizon - Women in Leadership" has been established to encourage and support the progression of the many thousands of talented women working at GVC.
- Improved recruiting and selection processes adopted to remove any potential for selection bias.
- GDPR: Training rolled out to all employees to ensure compliance with treatment of employee and customer data.
- Health & Safety: A dedicated Safety Management Centre has been established for the UK Retail estate, along with a number of other safety and security improvements.

There is rightly much commentary concerning the economic footprint of large companies who operate in the UK. Based on the 2017 PWC Total Tax Contribution Survey, the Group was a top 25 tax contributor to the UK Government.

Communities: The Group and its employees play an active role in the many communities in which we operate. One such example is the Ladbrokes Coral Trust, which has donated more than £8m to nearly 1,000 local charities/good causes since it was created. Although, the recent triennial review will have a negative impact on the quantum of monies raised and donated by the charity, it will remain an important part of our communities programme. Within the UK Retail estate we also teamed up with the Bobby Moore Trust, contributing £100,000 following a fund raising campaign in our shops during the World Cup. The positive role our colleagues play in their local communities is often overlooked, be we are proud of the contribution they make.

As part of the CSR strategy we are looking at how and whom we work with in terms of the communities in which we operate. The cornerstones of the new strategy will be greater coordination, focus and most importantly funding.

Regulatory Update

In the UK, the Government announced its final Triennial Review decision, reducing maximum B2 stakes to £2 per spin. We estimate that this will result in the closure of around1,000 Ladbrokes Coral shops. We await a decision from the Government on an implementation date, but we expect enactment of the new legislation to be complete by the end of the calendar year.

The newly formed Italian Government has implemented wide-ranging restrictions on betting and gaming promotions and advertising. All forms of direct marketing and sponsorship will be prohibited when the ban comes into full effect in mid-2019. The benefit of running an 836-strong retail estate in Italy in this environment will be significant, as in- store recruitment of customers becomes the only viable way of attracting customers online.

In Spain, online duty was reduced from 25% to 20% on 1 July 2018 while in Sweden licences for online sports and betting are expected to be issued at the start of 2019, a process that GVC has entered into.

All of the Australian states have now confirmed online point of consumption tax (POCT) rates and implementation dates. The majority of states will implement the new tax on 1 January 2019, with the exceptions being Queensland (1 October 2018) and South Australia (already implemented; started on 1 July 2017). The blended rate impact for the Group is c11.5% of gross gaming revenue.

There has been no material update on the German regulatory position since the Group's 2017 full year results announcement; a number of states are still pushing for some form of gaming regulation, and a working party of state representatives is due to meet later in the year to consider options.

During the prior year, the Group received a tax audit assessment from the Greek Audit Centre for Large Enterprises in respect of 2010 and 2011 (the "Assessment"). During this period the business was owned by Sportingbet plc, prior to its acquisition by GVC in 2013. The total amount of the Assessment is €186.77m, substantially higher than total Greek revenues generated by the subsidiary during the relevant periods. Whilst the directors, based on tax and legal advice received, believe that there are strong grounds for appeal, on 28 February 2018 , in order to enable the Group's subsidiary to continue to trade normally, the Group entered into a payment scheme where payments are held on account by the relevant authority. As at 30 June, £46.6m has been paid by the Group under this arrangement. Whilst there have been very few developments on this matter since entering into the payment scheme, the Directors continue to be of the view that, based on legal and tax advice received, the Group has strong grounds for appeal and it is not probable that a liability will arise. As such, following the resolution of this matter, the Directors believe that the Group will recover the amounts paid through either a repayment or deduction from future tax liabilities.

Separately, the Greek Ministry of Finance has recently announced proposals to introduce a permanent online licensing scheme, to replace the interim licensing regime. The proposals, which include a license fee of €4m for sports betting and €1m for online games, will be subject to a public consultation in October and subsequently notified to the European Commission. The Group welcomes the move to a permanent licensing scheme.

In the US, several states have introduced or authorised legislation expanding sports-betting post the repeal of PASPA. Delaware, New Jersey and Mississippi have already introduced or expanded sports-betting options.

Following the result of a national referendum in Switzerland, legislation to restrict foreign operators from participating directly in the online gaming market cleared a key hurdle. The implementation of the legislation has yet to be confirmed and potential legal challenges remain. The proposed effective date is 1 January 2019 and if implemented, casino and poker operators would have to partner with a land based casino in order to continue offering online services. The Group is currently in discussions with a land-based casino to provide such services. Only the two national lottery operators will be permitted to offer online sports-betting, and as such, if the legislation is implemented in its current form, the Group will have to cease offering all sports-betting into Switzerland. Switzerland sports-betting represents less than 1% of total Group NGR.

Current trading and outlook

Trading in the period 1 July 2018 to 2 September was strong. Group NGR was 14% ahead helped by the final two weeks of the World Cup.

Online NGR was 30% ahead (27% ahead excluding Crystalbet) with Sports brands NGR 34% ahead, driven by particularly strong growth in the legacy GVC brands (NGR 52% ahead; 42% ahead excluding Crystalbet) and in the UK where Coral.co.uk grew NGR by 28% and Ladbrokes.com by 19%. Sports brands sports gross win margin was 0.7pp ahead and sports wagering was 22% ahead. Games brands NGR was 17% ahead. European Retail NGR was 26% ahead and UK Retail like-for-like NGR was 4% behind.

Whilst the prior year comparatives get increasingly tough, with Q4 2017 being a record quarter for the Group due to exceptional sports gross win margins, our target of double digit annual online NGR growth remains on track and we expect to deliver EBITDA and operating profit in-line with the Board’s expectations.

Financial Results (unaudited) and the use of Non-GAAP measures

The reported statutory results for H1 2018 reflect the acquisition of Ladbrokes Coral Group which took place at the close of business on 28 March 2018 and therefore include the results of the Ladbrokes Coral Group from that date only. As such, H1 2017 reflects the trading for GVC Holdings PLC only as this was prior to acquisition of the Ladbrokes Coral Group.

In order to aid the comparison of year-on-year results, the Directors have deemed it appropriate to provide and analyse proforma results for the combined Group as if it had existed from 1 Jan 2017. Given the changes in capital structure arising from the acquisition of the Ladbrokes Coral Group, the historical interest, tax and dividend charges are not deemed to be meaningful. As a result, proforma results have only been provided down to operating profit.

Proforma results exclude the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group was required to divest on the merger of Ladbrokes and Coral.

As a result of IFRS 3 requirements to fair value acquired businesses, proforma depreciation and amortisation charges in H1 2018 may not be comparable with those arising post the acquisition. Therefore, the Directors believe that the provision of EBITDA within the proforma and segmental information, is appropriate as it aids the comparability of "underlying" profit whilst the IFRS 3 impact on depreciation and amortisation annualises.

The tables below reconcile the reported results to the proforma information for H1 2018 and H1 2017, the latter of which was previously reported in Euros rather than the Group's new reporting currency which is GBP.

2018 H1 results	**Reported underlying results[1]**	**Ladbrokes Coral trading pre acquisition[2]**	**Proforma results (unaudited)**
Net gaming revenue	1,125.1	591.9	1,717.0
Revenue	1,105.9	588.4	1,694.3
Gross profit	763.2	400.2	1,163.4
Contribution	582.0	341.0	923.0
Underlying EBITDA	235.0	114.5	349.5
Share based payments	(5.0)	(1.0)	(6.0)
Underlying depreciation & amortisation	(42.1)	(24.0)	(66.1)
Share of JV income	0.7	(0.2)	0.5
Underlying group operating profit	188.6	89.3	277.9

2017 H1 reported results	**Previously reported results in EUR[3]**	**Previously reported results in GBP[4]**	**Reclass of Turkish business to discontinued**	**Restated reported results[5]**	**Ladbrokes Coral trading pre acquisition[6]**	**Proforma results (unaudited)**
Net gaming revenue	486.2	428.5	(41.9)	386.6	1,204.4	1,591.0
Revenue	472.8	416.7	(41.9)	374.8	1,198.0	1,572.8
Gross profit	339.6	299.3	(26.9)	272.4	825.8	1,098.2
Contribution	240.8	212.3	(20.6)	191.7	717.2	908.9
Underlying EBITDA	133.9	118.1	(17.4)	100.7	213.4	314.1
Share based payments	(10.5)	(9.2)	0.1	(9.1)	(2.4)	(11.5)
Underlying depreciation & amortisation[7]	(14.6)	(13.1)	0.1	(13.0)	(54.6)	(67.6)
Share of JV income	-	-	-	-	1.9	1.9
Underlying group operating profit	108.8	95.8	(17.2)	78.6	158.3	`236.9

Notes

(1) Excludes the impact of separately disclosed items
(2) Represents the trading results for the Ladbrokes Coral Group plc for the period 1 January 2018 to 28 March 2018 pre separately disclosed items
(3) Includes a gross profit figure not previously reported
(4) Translated at a rate of GBP1.00:EUR1.13
(5) Excludes the results of the Turkish business included in the 2017 reported figures but now classified as discontinued
(6) Represents the trading results for the Ladbrokes Coral Group plc for the period 1 January 2017 to 30 June 2017 pre separately disclosed items and excluding the 360 shops that the Ladbrokes Coral Group was required to sell as part of the merger of Ladbrokes PLC and the Coral Group.
(7) Depreciation and amortisation previously reported included amortisation of acquired intangibles of €59.5m which are now classified separately within the income statement

BUSINESS REVIEW

The Group operates through five segments; Online, UK Retail, European Retail, Other and Corporate.

Group

Six months to 30 June	Reported results[1]			Proforma results[2]			
	2018 £m	2017 £m	Change %	**2018 £m**	2017 £m	Change %	Constant currency[3] %
NGR	1,125.1	386.6	191%	1,717.0	1,591.0	8%	8%
VAT/GST	(19.2)	(11.8)	(63%)	(22.7)	(18.2)	(25%)	(30%)
Revenue	1,105.9	374.8	195%	1,694.3	1,572.8	8%	8%
Gross profit	763.2	272.4	180%	1,163.4	1,098.2	6%	
Contribution	582.0	191.7	204%	923.0	908.9	2%	
Contribution margin	*51.7%*	*49.6%*	*2.1pp*	*53.8%*	*57.1%*	*(3.3pp)*	
Underlying EBITDA[4]	235.0	100.7	133%	349.5	314.1	11%	
Share based payments	(5.0)	(9.1)	45%	(6.0)	(11.5)	48%	
Underlying depreciation and amortisation	(42.1)	(13.0)	(224%)	(66.1)	(67.6)	2%	
Share of JV income	0.7	-	-	0.5	1.9	(74%)	
Underlying operating profit[5]	188.6	78.6	140%	277.9	236.9	17%	

Reported Results[1]:

Revenue increased by 195% to £1,105.9m and underlying EBITDA[4] increased by 133% to £235.0m. This growth reflects both the continued growth in the legacy GVC business and the impact of the three months of trading for the Ladbrokes Coral business post acquisition. Underlying operating profit of £188.6m was 140% ahead of last year and operating profit post separately disclosed items of £140.1m was £148.7m ahead of 2017.

Proforma Results[2]:

Group revenue increased 8% for the six months to 30 June 2018, predominantly driven by Online and European Retail. During the period, the World Cup contributed £35.2m of NGR pre-substitution (total of £64.1m for the whole tournament), with 65% of the marketing spend falling in H1. Front-ended World Cup marketing spend, higher UK POCT, geographic mix and the disposal of Kalixa, resulted in a contribution margin of 53.8% vs 57.1% for the same period in 2017.

The benefits of synergies from the Ladbrokes Coral merger and to a lesser extent the remaining synergies from the bwin.party acquisition, helped underlying EBITDA[4] to improve 11% to £349.5m. Meanwhile, underlying operating profit[5] increased 17% to £277.9m, with lower share based payments, £6.0m (H1 2017: £11.5m) being a factor. As a consequence, the Group's proforma operating margin improved to 16.4% (H1 2017: 15.1%).

Online

Six months to 30 June	Reported results[1]			Proforma results[2]			
	2018 £m	2017 £m	Change %	**2018 £m**	2017 £m	Change %	Constant currency[3] %
Sports wagers							
Sports brands	3,477.0	1,700.4	104%	4,875.4	4,503.1	8%	10%
Games brands	30.2	30.7	(2%)	30.2	30.7	(2%)	1%
Total Sports wagers	3,507.2	1,731.1	103%	4,905.6	4,533.8	8%	10%
Sports margin							
Sports brands	10.6%	9.5%	1.1pp	10.4%	9.2%	1.2pp	1.2pp
Games brands	9.9%	6.8%	3.1pp	9.9%	6.8%	3.1pp	3.1pp
Sports brands NGR							
Sports NGR	286.3	128.4	123%	390.4	315.5	24%	27%
Games NGR	251.2	142.6	76%	322.8	283.2	14%	15%
	537.5	271.0	98%	713.2	598.7	19%	21%
Games brands NGR							
Sports NGR	2.7	1.7	59%	2.7	1.7	59%	68%
Games NGR	140.9	97.4	45%	166.9	148.9	12%	14%
	143.6	99.1	45%	169.6	150.6	13%	15%
B2B NGR	11.9	6.7	78%	12.6	9.4	34%	38%
Total NGR	693.0	376.8	84%	895.4	758.7	18%	20%
VAT/GST	(19.2)	(11.8)	(63%)	(22.7)	(18.2)	(25%)	(30%)
Revenue	673.8	365.0	85%	872.7	740.5	18%	20%
Gross profit	467.0	271.3	72%	597.1	518.7	15%	
Contribution	290.6	192.0	51%	364.2	339.2	7%	
Contribution margin	*41.9%*	*51.0%*	*(9.1pp)*	*40.7%*	*44.7%*	*(4.0pp)*	
Underlying EBITDA[4]	168.6	113.1	49%	210.9	187.7	12%	
Share based payments	(1.7)	(3.2)	(47%)	(2.1)	(4.0)	(48%)	
Underlying depreciation and amortisation	(26.7)	(13.0)	(105%)	(38.2)	(33.7)	(13%)	
Share of JV income	-	-	-	(0.3)	(0.4)	25%	
Underlying operating profit[5]	140.2	96.9	45%	170.3	149.6	14%	

Reported Results[1]:

On a reported basis, revenue of £673.8m was £308.8m ahead of last year and underlying EBITDA[4] of £168.6m was 49% ahead reflecting continued growth in the legacy GVC business and the reporting period containing three months of trading of Ladbrokes Coral Group plc post acquisition. Underlying operating profit[5] of £140.2m was 45% ahead of 2017, and operating profit post separately disclosed items of £20.5m was £23.3m behind.

Proforma Results[2]:

Online growth was strong with NGR 18% ahead (cc +20%) driven by good underlying growth in all material markets and also by a positive World Cup. During the period marketing spend represented 26.0% of NGR (23.7% in H1 2017), largely reflecting the World Cup (first half weighted) as well as continued investment in partypoker. The contribution margin declined to 40.7% (44.7% H1 2017) due to a number of factors including front ended World Cup marketing, the disposal of Kalixa (May 2017), UK POCT on gaming free bets and geographic mix. We expect marketing spend as a percentage of NGR to be lower in H2, however, where we see opportunities to accelerate market share gains through targeted investment we will do so. Underlying EBITDA[4] of £210.9m was 12% ahead of last year and underlying operating profit[5] of £170.3m was 14% ahead. Operating costs were 1% higher than last year reflecting the growth in the business, increased regulatory and compliance costs in the UK and also the inclusion of Crystalbet costs, all partly offset by the delivery of synergies from the Ladbrokes Coral merger.

Sports brands NGR was 19% ahead (cc +21%), with the legacy GVC brands 23% ahead (cc +26%), continuing the momentum shown throughout 2017. The bwin brand continued to benefit from high profile marketing campaigns including the "Who stole the Cup" World Cup campaign, featuring Diego Maradona, that ran across TV and online platforms, helping drive the legacy GVC sports brands sports NGR 27% ahead, while gaming NGR was 20% ahead. The acquired Ladbrokes Coral sports brands NGR was 16% ahead (cc +17%). Australia is a core market for the Group and with Ladbrokes.com.au NGR increasing 24% (cc +31%) during the period, the business continues to take share from competitors. Importantly, the scale of the business means it will continue to be profitable after the full implementation of POCT at the start of 2019 (Queensland 1/10/18). Eurobet.it NGR was 36% ahead (cc +32%) with strong growth across sports and gaming. In the UK, Coral.co.uk NGR grew ahead of the market, with NGR 12% ahead, helped by innovative new products including a range of build-a-bet player markets. Ladbrokes.com returned to growth (NGR+7%) following corrective action taken by management in 2017. Most encouragingly, Ladbrokes performance accelerated materially in Q2, significantly ahead of the market. Whilst it is only one quarter we take some confidence that the Ladbrokes brand is finally becoming more relevant again in the UK online market after years of underperformance. Meanwhile, the acquisition of 51% of Crystalbet was completed on 11 April 2018 and the performance of the business since acquisition has been very strong. Within two months of acquisition we provided Crystalbet customers with access to over 300 additional casino games, the most comprehensive offering in the Georgian market.

Games brands NGR was 13% ahead, with partypoker.com NGR 36% ahead driven in part by a very successful live events programme and despite the impact of the withdrawal from Australia in 2017. In June we launched shared liquidity across France and Spain. Ahead of shared liquidity and post its implementation, France and Spain have been amongst our fastest growing markets. Galabingo.com grew NGR by 5% in H1, a solid performance in a competitive market. New products, together with greater personalisation were introduced during the period, with further enhancements to come through in H2. The legacy GVC casino brands also delivered 12% growth during the first six months.

Outlook:

The positive momentum in the business leaves us well placed to deliver our target of double-digit annual top line growth from Online. This will not be straight-forward given the competitive and slower growth of the UK market versus many of the international markets we operate in. However, we still have many of the benefits from the Ladbrokes Coral integration to harvest and the performance of the business places us in a strong position. Furthermore, in markets where we are taking share we will invest excess returns to further strengthen our competitive position.

UK Retail

Six months to 30 June	Reported results[1]			Proforma results[2]			
	2018 £m	2017 £m	Change %	**2018 £m**	2017 £m	Change %	Constant currency[3] %
OTC wagers	850.6	-	-	1,562.9	1,702.9	(8%)	n/a
OTC margin	17.5%	-	-	17.9%	17.9%	0.0pp	n/a
Sports NGR/Revenue	147.5	-	-	277.1	299.7	(8%)	n/a
Machines NGR/Revenue	204.0	-	-	387.5	397.5	(3%)	n/a
Total NGR/Revenue	351.5	-	-	664.6	697.2	(5%)	n/a
Gross profit	250.4	-	-	476.9	507.7	(6%)	
Contribution	249.2	-	-	474.4	501.9	(5%)	
Contribution margin	*70.9%*	-	-	*71.4%*	*72.0%*	*(0.6pp)*	
Underlying EBITDA[4]	67.5	-	-	125.8	131.0	(4%)	
Share based payments	(0.2)	-	-	(0.4)	(0.7)	43%	
Underlying depreciation and amortisation	(10.7)	-	-	(18.5)	(27.6)	33%	
Share of JV income	-	-	-	-	-	-	
Underlying operating profit[5]	56.6	-	-	106.9	102.7	4%	

Reported Results[1]:

On a reported basis, revenue was £351.5m and underlying EBITDA[4] was £67.5m reflecting the results for the three months of trading of Ladbrokes Coral Group plc post acquisition. Underlying operating profit[5] was £56.6m, and £41.6m after charging separately disclosed items.

Proforma Results[2]:

UK Retail NGR of £664.6m was 5% behind last year and 3% on a like-for-like[6] basis. Underlying EBITDA[4] of £125.8m was 4% behind and underlying operating profit[5] of £106.9m was 4% ahead.

OTC wagers were 8% behind, but after adjusting for the impact of shop closures and poor weather in Q1, and the positive impact of having full live coverage of UK racing in the period this year, as well as the World Cup, OTC wagering trends were 6% behind, broadly in-line with the longer term average. SSBT stakes continue to grow and were 14% ahead. In-house developed SSBTs were successfully introduced at the start of the year and were being successfully trialled in eight shops at the end of the period.

OTC gross win margin was flat year-on-year. Football gross win margins were 2.0pp ahead of last year helped by a good World Cup, while horse racing margin was broadly in line, with a positive Cheltenham offset by Tiger Roll winning the Grand National, which at the off was the worst result in the book.

Machines NGR was 3% behind last year and 1% behind on a like-for-like[6] basis. After adjusting for the adverse impact of reduced shop opening hours (an EBITDA positive action) and the poor weather in Q1, machines NGR was broadly flat. Machines stakes were undoubtedly impacted by the negative coverage of FOBTs leading up to and after the announcement of the final Triennial Review findings. During the period, the Group announced a new seven-year deal with Scientific Games for the provision of next generation FOBTS, the first part of which will be the roll out of new Equinox terminals across the estate this year. An initial trial of these new units in 100 shops demonstrated encouraging returns.

Multi-channel sign-ups remain a key part of the UK Retail offering, delivering high value and loyal customers to the online UK brands at minimum cost. During the period there were 184k new multichannel sign-ups.

Contribution margin of 71.4% was 0.6pp lower than last year reflecting the higher machines mix and the recognition of media rev share costs in cost of sales. Operating costs were 6% lower primarily driven by the synergies arising from the Ladbrokes Coral merger and shop closures. At the end of the period there were 3,562 shops in the estate (2017:3,660).

Outlook:

The final Triennial Review decision will allow the business to start planning for the transition to a smaller estate and a project team has already been established to ensure that the shop closure programme is optimised, central cost savings are identified and that the impact on business-as-usual trading is minimised. Alongside the new FOBT rollout, the implementation of the new shop till system “EPOS2” will be completed in 2019. These initiatives will help support revenue while continued tight cost control and the delivery of the final Ladbrokes Coral merger cost synergies will protect the operating cost base.

European Retail

Six months to 30 June	Reported results[1]			Proforma results[2]			
	2018 £m	2017 £m	Change %	**2018 £m**	2017 £m	Change %	Constant currency[3] %
OTC wagers	398.1	-	-	753.1	703.5	7%	4%
OTC margin	16.8%	-	-	17.8%	14.8%	3.0pp	3.0pp
Sports NGR/Revenue	51.8	-	-	103.4	75.1	38%	34%
Other OTC NGR/Revenue	14.6	-	-	29.5	27.2	8%	5%
Machines NGR/Revenue	0.6	-	-	1.2	1.3	(8%)	(9%)
Total NGR/Revenue	67.0	-	-	134.1	103.6	29%	26%
Gross profit	34.1	-	-	69.9	52.1	34%	
Contribution	32.5	-	-	67.1	50.1	34%	
Contribution margin	*48.5%*	-	-	*50.0%*	*48.4%*	*1.6pp*	
Underlying EBITDA[4]	12.5	-	-	28.8	15.7	83%	
Share based payments	(0.1)	-	-	(0.1)	(0.1)	0%	
Underlying depreciation and amortisation	(4.4)	-	-	(8.7)	(5.5)	(58%)	
Share of JV income	0.3	-	-	0.2	1.0	(80%)	
Underlying operating profit[5]	8.3	-	-	20.2	11.1	82%	

Reported Results[1]:

On a reported basis, revenue was £67.0m and underlying EBITDA[4] was £12.5m reflecting the results for the three months of trading of Ladbrokes Coral Group plc post acquisition. Underlying operating profit[5] was £8.3m and was £6.9m after charging separately disclosed items.

Proforma Results[2]:

European Retail NGR of £134.1m was 29% ahead of last year (+26% cc). Underlying EBITDA[4] of £28.8m was 83% ahead and underlying operating profit[5] of £20.2m was 82% ahead.

OTC wagers were 7% ahead (+4% cc) primarily driven by growth in Eurobet Retail and estate growth in Ladbrokes Belgium. An OTC margin of 17.8% was 3.0pp ahead of last year as football gross win margins in Italy returned to more normal levels compared to the prior period. Other OTC growth of 8% (+5% cc) was driven by growth in Eurobet Retail virtual which was partially offset by the temporary suspension of the Ladbrokes Belgium virtual product for five weeks during the first half in advance of the Belgian Government finally approving the legal framework for virtual betting in May.

Contribution margin of 50.0% improved by 1.6pp due to the impact of a lower mix of payments to franchisees in Italy following the stronger year-on-year results, partly offset by upfront World Cup marketing costs. Operating costs were 11% higher primarily due to an increase in Eurobet staff and technology costs to support the growth in the business, and also due to the acquisition of 23 independent shops in Belgium.

As at 30 June 2018 there were a total of 1,602 outlets/shops. Italy 836 (2017: 828), Belgium shops 320, outlets 307 (2017: shops 289; outlets 213) and Ireland 139 (2017: 141).

Outlook:

In Italy, we will leverage our leading multi-channel expertise to ensure the business remains well-placed to support its online offering post the marketing restrictions that will be implemented in 2019. In Belgium, we will look to expand the estate through the further acquisition of independent operators where the multiples make sense, expand our footprint in newsagents and continue our programme to optimise SSBT density and utilisation across the estate.

Other

Six months to 30 June	Reported results[1]			Proforma results[2]			
	2018 £m	2017 £m	Change %	**2018 £m**	2017 £m	Change %	Constant currency[3] %
NGR/Revenue	15.3	9.8	56%	24.6	31.5	(22%)	(21%)
Gross profit	11.7	1.1	964%	19.5	19.7	(1%)	
Contribution	9.7	(0.3)	3333%	17.3	17.7	(2%)	
Underlying EBITDA[4]	1.2	(5.8)	121%	2.0	(2.8)	170%	
Share based payments	-	-	-	-	-	-	
Underlying depreciation and amortisation	(0.1)	-	-	(0.3)	(0.4)	25%	
Share of JV income	0.4	-	-	0.6	1.3	(54%)	
Underlying operating profit[5]	1.5	(5.8)	126%	2.3	(1.9)	221%	

Reported Results[1]:

On a reported basis, NGR of £15.3m was £5.5m ahead of last year and underlying EBITDA[4] of £1.2m was 121% ahead reflecting the impact of the sale of Kalixa in 2017 and the three months of trading of Ladbrokes Coral post acquisition. Underlying operating profit[5] of £1.5m was 126% ahead of 2017 and operating profit after charging separately disclosed items of £1.5m was £9.8m ahead.

Proforma Results[2]:

NGR of £24.6m was 22% behind last year due to the disposal of Kalixa in May 2017. Excluding the sale of Kalixa, NGR was 6% behind, primarily due to a very strong sports gross win margin in the prior period in Telebet. Underlying EBITDA[4] of £2.0m was £4.8m ahead of last year and underlying operating profit[5] of £2.3m was £4.2m ahead.

Corporate

Six months to 30 June	Reported results[1]			Proforma results[2]			
	2018 £m	2017 £m	Change %	**2018 £m**	2017 £m	Change %	Constant currency[3] %
Underlying EBITDA[4]	(14.8)	(6.6)	(124%)	(18.0)	(17.5)	(3%)	
Share based payments	(3.0)	(5.9)	49%	(3.4)	(6.7)	49%	
Underlying depreciation and amortisation	(0.2)	-	-	(0.4)	(0.4)	0%	
Share of JV income	-	-	-	-	-	-	
Underlying operating profit[5]	(18.0)	(12.5)	(44%)	(21.8)	(24.6)	11%	

Reported Results[1]:

On a reported basis, Corporate costs were £14.8m (2017: £6.6m) and £18.0m (2017: £12.5m) after share based payments and depreciation and amortisation with the year-on-year increase reflecting the inclusion of Ladbrokes Coral results post acquisition. After charging separately disclosed items operating profit of £69.6m was £113.7m ahead of 2017.

Proforma Results[2]:

On a proforma basis Corporate costs of £18.0m increased by £0.5m primarily driven by a one-off credit arising in the prior year, partly offset by the synergies arising from the Ladbrokes Coral merger. After the cost of share based payments and depreciation and amortisation, total corporate costs were £21.8m, a reduction of 11% driven by reduced share based payments following the vesting of a number of legacy schemes in 2017.

Notes

(1) *2018 and 2017 reported results are unaudited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018*
(2) *The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet are included from the date of acquisition (11 April 2018) and the results of Kalixa are excluded from the date of disposal (31 May 2017)*
(3) *Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2018 exchange rates*
(4) *Stated pre separately disclosed items and shared based payments*
(5) *Stated pre separately disclosed items*
(6) *UK Retail numbers are quoted on a LFL basis. During H1 there was an average of 3,563 shops in the estate, compared to an average of 3,663 in the same period last year*

CHIEF FINANCIAL OFFICER'S REVIEW

Six months to 30 June	Reported results[1]			Proforma results[2]			
	2018 £m	2017 £m	Change %	**2018 £m**	2017 £m	Change %	Constant currency[3] %
NGR	1,125.1	386.6	191%	1,717.0	1,591.0	8%	8%
Revenue	1,105.9	374.8	195%	1,694.3	1,572.8	8%	8%
Gross profit	763.2	272.4	180%	1,163.4	1,098.2	6%	
Contribution	582.0	191.7	204%	923.0	908.9	2%	
Contribution Margin	*51.7%*	*49.6%*	*2.1pp*	*53.8%*	*57.1%*	*(3.3pp)*	
Underlying EBITDA[4]	235.0	100.7	133%	349.5	314.1	11%	
Share based payments	(5.0)	(9.1)	45%	(6.0)	(11.5)	48%	
Underlying depreciation and amortisation	(42.1)	(13.0)	(224%)	(66.1)	(67.6)	2%	
Share of JV income	0.7	-	-	0.5	1.9	(74%)	
Underlying operating profit[5]	188.6	78.6	140%	277.9	236.9	17%	
Net finance costs	(26.5)	(14.2)	(87%)				
Profit before tax pre separately disclosed items	162.1	64.4	152%				
Separately disclosed items	(48.5)	(87.2)	44%				
Profit / (loss) before tax	113.6	(22.8)	598%				
Tax	0.2	(0.6)	133%				
Profit / (loss) after tax from continuing operations	113.8	(23.4)	586%				
Discontinued operations	-	17.0	(100%)				
Profit/(Loss) after tax	113.8	(6.4)	1,878%				

NGR and Revenue

Group reported NGR was 191% ahead and revenue was 195% ahead due to growth in the legacy GVC business and the inclusion of three months of trading of Ladbrokes Coral Group in the current year following the acquisition. On a proforma basis both NGR and revenue were 8% ahead as detailed in the Business Review section.

Underlying operating profit[5]

Group reported underlying operating profit[5] was £188.6m (2017: £78.6m) as a result of underlying EBITDA[4] of £235.0m (2017: £100.7m), £5.0m of share based payments costs (2017: £9.1m), £42.1m of depreciation and amortisation (2017: £13.0m) as well as £0.7m of JV income (2017: £nil). This represents growth of £110.0m driven by the ongoing growth in the legacy GVC business as well as the impact of three months of trading of the Ladbrokes Coral business which are consolidated into the 2018 reported numbers.

On a proforma basis, underlying operating profit[5] of £277.9m was £41.0m or 17% ahead of 2017 reflecting the £35.4m year-on-year growth in underlying EBITDA[4] as well as savings in share based payments charges of £5.5m and a reduction in depreciation and amortisation of £1.5m, offset by a £1.4m reduction in JV income.

Financing costs

Net financing costs during H1 of £26.5m (2017: £14.2m) were £12.3m higher than in 2017 as a result of the interest on loans taken out to complete the acquisition of the Ladbrokes Coral Group. Current year finance costs also include a net £4.3m charge associated with foreign exchange losses on debt facilities offset by gains on currency swaps and associated derivative financial instruments taken out to manage the Groups exposure to certain currencies.

Separately disclosed items

Items separately disclosed in H1 amount to a £48.5m charge and include:

- The non-cash amortisation of acquired intangibles of £126.2m
- £48.4m of deal costs primarily related to the acquisition of the Ladbrokes Coral Group
- £12.8m of legal and onerous contract costs, largely associated with onerous leases in UK Retail
- £3.4m of integration costs associated with bringing the various businesses together
- A £142.3m credit associated with the reduction in the fair value of contingent consideration, a credit largely related to a reduction in the market value of the CVR associated with the acquisition of Ladbrokes Coral

Profit before tax

Profit before tax of £113.6m was £136.4m ahead of the £22.8m loss recorded in 2017.

Taxation

The tax charge for H1 was a £0.2m credit reflecting a £19.5m charge on underlying trading offset by a £19.7m credit on separately disclosed items. The underlying tax charge reflects a 12% effective tax rate.

Dividends

An interim dividend of 16.0p per share was declared, an increase of 1.4p on the previous year.

Dividend timetable

13 September 2018	Dividend declared
20 September 2018	Ex-dividend date
21 September 2018	Record date
4 October 2018	DRIP Election deadline
25 October 2018	Payment

Cashflow

Six months to 30 June	2018	2017
	£m	£m
Underlying EBITDA[4]	235.0	100.7
Underlying working capital	(101.9)	(14.4)
Capital expenditure/Investment in JVs	(69.7)	(18.4)
Finance lease repayments	(0.8)	-
Interest paid	(6.9)	(28.4)
Corporate taxes	(10.4)	(10.4)
Free cashflow	**45.3**	**29.1**
Separately disclosed items	(60.6)	(2.7)
Integration costs	(7.7)	(8.8)
Disposal proceeds	-	25.6
Acquisitions (net of cash acquired)	(470.5)	-
Net movement on debt and costs of debt issuance	704.8	(120.3)
Equity issue	10.8	22.6
Dividends paid	(46.2)	(75.3)
Net Cashflow	**175.9**	**(129.8)**
Foreign exchange	(1.3)	2.8
Net cash generated	**174.6**	**(127.0)**
Cash and cash equivalents at beginning of period	270.0	312.8
Cash and cash equivalents at the end of period	**444.6**	**185.8**

The Group generated a net cash inflow for the first half of 2018 of £174.6m (2017: £127.0m outflow). During the period, which contains the results and cashflows of Ladbrokes Coral post acquisition, the Group generated underlying EBITDA[4] of £235.0m (2017: £100.7m), incurred £69.7m (2017: £18.4m) of capital investment costs and had a working capital outflow of £101.9m (2017: £14.4m). The working capital outflow in the year to date is primarily as a result of the payment of staff bonuses which caused an outflow of £44.0m, a large proportion of which will unwind in the year-to-go, and £46.6m in payments on account to the Greek government in respect of the tax audit assessment which was received during the prior year (see note 17). The Group also paid £6.9m in interest (2017: £28.4m), £10.4m in corporate taxes (2017: £10.4m) and £0.8m in finance lease repayments (2017: £nil) resulting in a free cash inflow of £45.3m (2017: £29.1m).

The Group paid £68.3m (2017: £11.5m) in relation to items that have been separately disclosed in the period, £51.7m of which related to fees associated with the acquisition of Ladbrokes Coral and Mars LLC ("Crystalbet") and £7.7m relating to the integration of the legacy businesses. The cash consideration element of the two acquisitions was £665.0m, and was partially offset by £194.5m of cash within those businesses at the date of acquisition. The Group raised £1,398.0m of new debt to fund the acquisitions and repaid £660.2m of the existing Ladbrokes Coral debt. £31.5m of fees were incurred in raising the new debt and £1.5m has been repaid since acquisition.

During the first half the Group also raised £10.8m from the issue of share capital and paid £46.2m in dividends resulting in a total cash inflow, pre foreign exchange, of £175.9m (2017: £129.8m outflow).

Net debt and liquidity

In order to facilitate the acquisition of the Ladbrokes Coral business the Group raised additional borrowings of £1,398.0m, £660.2m of which was used to repay legacy Ladbrokes Coral debt and £630.4m to fund the cash element of the acquisition consideration with the balance used as liquidity to fund the combined Group's working capital requirements and the acquisition of Crystalbet. As at 30 June 2018, accounting net debt was £1,770.6m and adjusted net debt £1,887.0m, representing a net debt to proforma underlying EBITDA[4] ratio of 2.69x.

	Par value	Issue costs/ Premium	Total
Bonds	(500.0)	(35.4)	(535.4)
Term loans	(1,698.0)	34.8	(1,663.2)
Interest accrual	(16.2)	-	(16.2)
	(2,214.2)	**(0.6)**	**(2,214.8)**
Lease liabilities			(0.4)
Cash			444.6
Accounting net debt			**(1,770.6)**
Cash held on behalf of customers			(213.4)
Fair value of swaps held against debt instruments			30.4
Short term investments			4.4
Balances held with payment service providers			62.2
Adjusted net debt			**(1,887.0)**

Going Concern

Having assessed the financial forecasts of the business, the principal risks and other matters discussed in connection with the viability statement, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements as the Group will generate sufficient cash to meet its ongoing obligations for at least 12 months from the date of signing the financial statements.

Notes

(1) 2018 and 2017 reported results are unaudited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018

(2) The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2017. As such, it excludes the results of the Turkish business which was discontinued during 2017 and the 360 shops that the Ladbrokes Coral Group plc was required to divest on the merger of Ladbrokes PLC and the Coral Group. The results of Crystalbet are included from the date of acquisition (11 April 2018) and the results of Kalixa are excluded from the date of disposal (31 May 2017)

(3) Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2018 exchange rates

(4) Stated pre separately disclosed items and shared based payments

(5) Stated pre separately disclosed items

Principal risks

Key risks are reviewed by the Executive and Risk Committees (made up of executive directors and senior management) and the Board of GVC Holdings plc on a regular basis and where appropriate, actions taken to mitigate the key risks that are identified. The Board has overall responsibility for risk management.

The principal risks and uncertainties, which could affect the Group, are set out on pages 34 to 37 of the Group's 2017 Annual Report, a copy of which is available on the Group's corporate website, www.gvc-plc.com. Following the acquisition of Ladbrokes Coral, there are additional risks that the Group is now exposed to, over and above those previously disclosed in the Group's Annual Report.

The principal risks and uncertainties of the enlarged Group are as follows:

Betting and gaming industry**:**

Taxes, laws, regulations, licensing and regulatory compliance

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

Increased cost of product

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

Operational and bookmaking**:**

Trading, liability management and pricing

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

Information technology and communications**:**

Technology failure

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

Data breach and cyber security

The Group processes sensitive personal customer data (including name, address, age, bank details and betting and gaming history) as part of its business and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates. The Group is exposed to the risk that this data could be wrongfully obtained through either a cyber-attack or a breach in data security. This could result in prosecutions including financial penalties and the loss of the goodwill of its customers.

Marketplace**:**

Impact of Brexit

The UK's departure from the EU because of the Brexit referendum may impact the Group's operations in certain EU markets.

Health and Safety:

Failure to meet the requirements of the various domestic and international rules and regulations could expose the company (and individual employees and directors) to material civil/criminal action with the associated financial and reputational consequences

Statement of Directors' Responsibilities

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

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

A list of current directors is maintained on the GVC Holdings PLC website www.gvc-plc.com.

On behalf of the Board

K Alexander Chief Executive	P Bowtell Chief Financial Officer

13 September 2018

Independent review report to GVC Holdings PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Mike Harper
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

13 September 2018

Unaudited financial statements
Interim condensed consolidated income statement

For the six months ended 30 June

	Notes	Underlying items £m	Separately disclosed items (note 4) £m	2018 Total £m	Underlying items £m	Separately disclosed items (note 4) £m	2017 Total £m
NGR		**1,125.1**	**-**	**1,125.1**	**386.6**	**-**	**386.6**
VAT/GST		**(19.2)**	**-**	**(19.2)**	**(11.8)**	**-**	**(11.8)**
Revenue		**1,105.9**	**-**	**1,105.9**	**374.8**	**-**	**374.8**
Cost of sales		(342.7)	-	(342.7)	(102.4)	-	(102.4)
Gross profit		**763.2**	**-**	**763.2**	**272.4**	**-**	**272.4**
Administrative costs		(575.3)	(48.5)	(623.8)	(193.8)	(87.2)	(281.0)
Contribution		**582.0**	**-**	**582.0**	**191.7**	**-**	**191.7**
Administrative costs excluding marketing		(394.1)	(48.5)	(442.6)	(113.1)	(87.2)	(200.3)
Group operating profit/(loss) before share of results from joint ventures and associates		**187.9**	**(48.5)**	**139.4**	**78.6**	**(87.2)**	**(8.6)**
Share of results from joint venture and associates		0.7	-	0.7	-	-	-
Group operating profit/(loss)		**188.6**	**(48.5)**	**140.1**	**78.6**	**(87.2)**	**(8.6)**
Finance expense		(22.5)	-	(22.5)	(14.7)	-	(14.7)
Finance income		0.3	-	0.3	0.5	-	0.5
Gain arising from financial derivatives	16	45.3	-	45.3	-	-	-
Losses arising from foreign exchange on debt instruments	16	(49.6)	-	(49.6)	-	-	-
Profit/(loss) before tax		**162.1**	**(48.5)**	**113.6**	**64.4**	**(87.2)**	**(22.8)**
Income tax (expense)/income		(19.5)	19.7	0.2	(6.9)	6.3	(0.6)
Profit/(loss) from continuing operations		**142.6**	**(28.8)**	**113.8**	**57.5**	**(80.9)**	**(23.4)**
Profit for the period from discontinued operations after tax		-	-	-	17.0	-	17.0
Profit/(loss) for the period		**142.6**	**(28.8)**	**113.8**	**74.5**	**(80.9)**	**(6.4)**
Attributable to:							
Equity holders of the parent		140.9	(28.8)	112.1	74.6	(80.9)	(6.3)
Non-controlling interests		1.7	-	1.7	(0.1)	-	(0.1)
Earnings per share on profit/(loss) for the period from continuing and discontinued operations	7						
– from continuing operations		32.6p		25.1p	19.5p		(7.8)p
From profit/(loss) for the period		32.6p		25.1p	25.2p		(2.1)p
Diluted earnings per share on profit/(loss) for the period from continuing and discontinued operations							
– from continuing operations		32.2p		24.9p	19.1p		(7.8)p
From profit/(loss) for the period		32.2p		24.9p	24.7p		(2.1)p
Proposed dividends	6			16.0p			14.6p

Memo

	Underlying items £m	Separately disclosed items £m	2018 Total £m	Underlying items £m	Separately disclosed items £m	2017 Total £m
Underlying EBITDA	235.0	77.7	312.7	100.7	(34.8)	65.9
Share based payments	(5.0)	-	(5.0)	(9.1)	-	(9.1)
Depreciation, amortisation and impairment	(42.1)	(126.2)	(168.3)	(13.0)	(52.4)	(65.4)
Share of results from joint ventures and associates	0.7	-	0.7	-	-	-
Group operating profit/(loss)	**188.6**	**(48.5)**	**140.1**	**78.6**	**(87.2)**	**(8.6)**

Interim condensed consolidated statement of comprehensive income

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Profit/(loss) for the period	113.8	(6.4)
Other comprehensive income / (expense):		
Items that may be reclassified to profit or loss:		
Currency translation gains	28.3	31.1
Total items that will be reclassified to profit or loss	28.3	31.1
Items that will not be re-classified to profit or loss:		
Re-measurement of defined benefit pension scheme	8.2	-
Tax on re-measurement of defined benefit pension scheme	-	-
Re-measurement of available for sale investments	(0.1)	-
Total items that will not be reclassified to profit or loss	8.1	-
Other comprehensive income for the period, net of tax	**36.4**	**31.1**
Total comprehensive income for the period	**150.2**	**24.7**
Attributable to:		
- equity holders of the parent	147.5	24.8
- non-controlling interests	2.7	(0.1)

Interim condensed consolidated balance sheet

	Note	30 June 2018 £m	31 December 2017 £m	30 June 2017 £m	31 December 2016 £m
ASSETS					
Non-current assets					
Goodwill	8	3,279.1	972.4	957.5	929.3
Intangible assets	8	2,945.5	388.6	410.2	442.5
Property, plant and equipment	9	196.5	14.4	15.9	16.8
Interest in joint venture		23.1	-	-	-
Interest in associates and other investments		30.5	1.1	1.0	3.2
Other financial assets		3.2	4.6	5.9	4.2
Deferred tax assets		100.0	-	1.1	-
Retirement benefit assets		189.1	-	-	-
		6,767.0	**1,381.1**	**1,391.6**	**1,396.0**
Current assets					
Trade and other receivables		333.2	102.7	96.3	89.6
Inventory		1.1	-	-	-
Income and other taxes recoverable		30.6	1.6	7.5	5.7
Derivative financial assets		30.4	-	3.2	22.3
Short term investments		4.4	4.4	4.3	4.6
Cash and short-term deposits		444.6	270.0	185.8	302.4
		844.3	**378.7**	**297.1**	**424.6**
Assets in disposal group classified as held for sale		-	-	1.8	50.9
TOTAL ASSETS		**7,611.3**	**1,759.8**	**1,690.5**	**1,871.5**
LIABILITIES					
Current liabilities					
Trade and other payables		(606.8)	(164.7)	(124.8)	(139.7)
Balances with customers		(213.4)	(101.7)	(97.3)	(93.3)
Lease liabilities		(0.4)	-	-	-
Interest bearing loans and borrowings	10	(23.1)	(0.2)	(1.6)	(343.9)
Corporate tax liabilities		(40.4)	(10.5)	(13.1)	(15.5)
Provisions	11	(35.1)	(1.1)	(1.0)	(1.0)
Other financial liabilities		(91.8)	(11.1)	(1.2)	(2.2)
Liabilities in disposal group classified as held for sale		-	-	(1.0)	(19.3)
		(1,011.0)	**(289.3)**	**(240.0)**	**(614.9)**
Non-current liabilities					
Interest bearing loans and borrowings	10	(2,191.7)	(262.3)	(216.5)	-
Deferred tax liabilities		(480.9)	(46.4)	(52.0)	(55.9)
Provisions	11	(71.8)	(5.1)	(5.7)	(5.9)
Other financial liabilities		(117.4)	(20.4)	(3.8)	(3.8)
		(2,861.8)	**(334.2)**	**(278.0)**	**(65.6)**
TOTAL LIABILITIES		**(3,872.8)**	**(623.5)**	**(518.0)**	**(680.5)**
NET ASSETS		**3,738.5**	**1,136.3**	**1,172.5**	**1,191.0**
EQUITY					
Issued share capital		4.8	2.3	2.2	2.2
Share premium		1,181.1	1,170.4	1,151.5	1,129.0
Merger reserve		2,527.4	34.5	34.5	34.5
Available for sale reserve		0.2	0.3	-	-
Translation reserve		195.2	167.9	153.6	122.5
Retained earnings		(206.3)	(237.5)	(167.9)	(95.9)
Equity shareholders' funds		**3,702.4**	**1,137.9**	**1,173.9**	**1,192.3**
Non-controlling interests		36.1	(1.6)	(1.4)	(1.3)
TOTAL SHAREHOLDERS' EQUITY		**3,738.5**	**1,136.3**	**1,172.5**	**1,191.0**

Interim condensed consolidated statement of changes in equity

	Issued share capital	Share premium	Merger Reserve	Retained earnings	Available for sale reserve	Foreign currency translation reserve[1]	Attributable to the equity shareholders of the Company	Non-controlling interest	Total shareholders equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2017	**2.2**	**1,129.0**	**34.5**	**(95.9)**	**-**	**122.5**	**1,192.3**	**(1.3)**	**1,191.0**
Loss for the period	-	-	-	(6.3)	-	-	(6.3)	(0.1)	(6.4)
Other comprehensive income	-	-	-	-	-	31.1	31.1	-	31.1
Total comprehensive income	-	-	-	(6.3)	-	31.1	24.8	(0.1)	24.7
Share options exercised	-	22.5	-	-	-	-	22.5	-	22.5
Share-based payments charge	-	-	-	9.6	-	-	9.6	-	9.6
Equity dividends	-	-	-	(75.3)	-	-	(75.3)	-	(75.3)
At 30 June 2017	**2.2**	**1,151.5**	**34.5**	**(167.9)**	**-**	**153.6**	**1,173.9**	**(1.4)**	**1,172.5**
At 1 January 2018	**2.3**	**1,170.4**	**34.5**	**(237.5)**	**0.3**	**167.9**	**1,137.9**	**(1.6)**	**1,136.3**
Profit for the period	-	-	-	112.1	-	-	112.1	1.7	113.8
Other comprehensive income	-	-	-	8.2	(0.1)	27.3	35.4	1.0	36.4
Total comprehensive income	-	-	-	120.3	(0.1)	27.3	147.5	2.7	150.2
Issue of shares on acquisition[2]	2.4	-	2,492.9	-	-	-	2,495.3	-	2,495.3
Share options exercised	0.1	10.7	-	-	-	-	10.8	-	10.8
Share-based payments charge	-	-	-	1.7	-	-	1.7	-	1.7
Acquisition of investment[3]	-	-	-	(44.6)	-	-	(44.6)	35.0	(9.6)
Equity dividends	-	-	-	(46.2)	-	-	(46.2)	-	(46.2)
At 30 June 2018	**4.8**	**1,181.1**	**2,527.4**	**(206.3)**	**0.2**	**195.2**	**3,702.4**	**36.1**	**3,738.5**

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

(2) On 28 March 2018 GVC Holdings PLC acquired the entire share capital of Ladbrokes Coral Group plc as described in note 13.The issue of new shares in the Company has attracted merger relief under section 612 of the Companies Act 2006. £2.4m of ordinary shares has been credited to share capital and the remaining £2,492.9m has been credited to the merger reserve within equity.

(3) On 11 April 2018 GVC Holdings PLC acquired 51% of the share capital of Crystalbet Limited for a total consideration of £36.4m. For further details see note 13.

Interim condensed consolidated statement of cash flows

	Notes	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Cash generated by operations	14	**64.8**	**74.8**
Income taxes paid		(10.4)	(10.4)
Net finance expense paid		(6.9)	(28.4)
Net cash generated from operating activities		**47.5**	**36.0**
Cash flows from investing activities:			
Acquisitions		(665.0)	-
Cash acquired on acquisition of businesses		194.5	-
Purchase of intangible assets		(38.3)	(12.5)
Purchase of property, plant and equipment		(31.7)	(6.3)
Proceeds from sales of plant, property and equipment including disposal of shops		-	25.6
Additional investment in joint venture		(0.7)	0.4
Deferred proceeds from disposal of available-for-sale financial assets		1.0	-
Net cash used in investing activities		(540.2)	7.2
Cash flows from financing activities:			
Proceeds from issue of ordinary shares		10.8	22.6
Net proceeds from borrowings		1,366.5	440.7
Finance lease payments		(0.8)	-
Repayment of borrowings		(661.7)	(561.0)
Equity dividends paid	6	(46.2)	(75.3)
Net cash used in financing activities		668.6	(173.0)
Net increase/(decrease) in cash and cash equivalents		175.9	(129.8)
Effect of changes in foreign exchange rates		(1.3)	2.8
Cash and cash equivalents (inc. overdraft) at beginning of the period (1)		270.0	312.8
Cash and cash equivalents (inc. overdraft) at end of the period		**444.6**	**185.8**

(1) The cash and cash equivalents balance at the end of 2016 of £312.8m above consisted of £302.4m cash and cash equivalents as shown on the face of the consolidated statement of financial position and £10.4m of cash and cash equivalents held within assets held for sale.

Notes to financial information

1. Corporate information

GVC Holdings PLC ("the Company") is a limited company incorporated and domiciled in the Isle of Man whose shares are publicly traded. The principal activities of the Company and its subsidiaries ("the Group") are described in Note 3.

2. Basis of preparation

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

(b) The Group's annual financial statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) pronouncements as adopted for use in the European Union. The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed and adopted for use in the European Union and the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority.

The financial statements are presented in Pounds Sterling, rounded to the nearest million Pounds. They are prepared on the historical cost basis except for the valuation to fair value of certain financial instruments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amounts and fair value less costs to sell.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017 other than those listed in 2(d), and taxes on income in the interim periods being accrued using the tax rate that would be applicable to expected total annual profit and loss.

The interim financial information was approved by a duly appointed and authorised committee of the Board of Directors on 13 September 2018 and is unaudited.

The financial information does not amount to full statutory accounts within the meaning of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should be read in conjunction with the Annual Report and Accounts of GVC Holdings PLC for the year ended 31 December 2017 which was prepared in accordance with IFRS as adopted by the European Union and was filed with the Registrar of Companies in the Isle of Man. This report is available either on request from the Company's registered office or to download from www.gvc-plc.com. The auditors' report on these accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

(c) To assist in understanding the underlying performance, the Group has separately disclosed the following items of pre-tax income and expense:

- profits or losses on disposal, closure or impairment of non-current assets or businesses;
- amortisation of acquired intangibles resulting from IFRS 3 "Business Combinations" fair value exercises
- corporate transaction costs;
- changes in the fair value of contingent consideration; and
- the related tax impact effect on these items.

Any other items are considered individually by virtue of their nature or size. The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group.

The items disclosed separately have been included within the appropriate classifications in the consolidated income statement and are detailed in note 4. The directors have also presented Net Gaming Revenue, Contribution and Underlying EBITDA as these are measures used frequently within the industry. All of these items are reconciled within the Income Statement.

2. Basis of preparation (continued)

(d) Accounting policies

Following the acquisition of Ladbrokes Coral Group plc, a number of accounting policies have either been newly adopted or enhanced to reflect the operations of the enlarged group. A summary of the more significant amendments have been expanded below:

Depreciation

Depreciation is applied using the straight line method to specific classes of asset to reduce them to their residual value over their estimated useful economic lives.

The estimated useful lives are as follows:

Land and buildings	Lower of 50 years, or estimated useful life of the building, or lease. Indefinite lives are attached to any land held and therefore it is not depreciated
Property, plant and equipment	3 – 5 years
Fixtures, fittings and equipment	3 -10 years as considered appropriate

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. All indefinite lived assets are subject to an annual impairment review from the year of acquisition. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Retail licences	Lower of 15 years, or duration of licence
Software	2-15 years
Capitalised development expenditure	3 -5 years
Trademarks and brand names	10-15 years, or indefinite life
Customer relationships	3-15 years

For the avoidance of doubt, the useful economic lives of the assets relating to the legacy GVC Holdings PLC business have not changed.

Impairment

An impairment review is performed for indefinite life assets on at least an annual basis. For all other non-current assets an impairment review is performed where there are indicators of impairment. This requires an estimation of the recoverable amount which is the higher of an asset's fair value less costs to sell and its value in use. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from each cash generating unit and to discount cash flows by a suitable discount rate in order to calculate the present value of those cash flows. Estimating an asset's fair value less costs to sell is determined using future cashflow and profit projections as well as industry observed multiples and publicly observed share prices for similar gambling companies.

Within UK and European Retail the cash generating units are generally an individual LBO and therefore, impairment is first assessed at this level for licences and property, plant and equipment, with any impairment arising booked first to licences and then to property, plant and equipment.

Pensions and other post-employment benefits

The Group's defined benefit pension plans, the Ladbrokes Pension Plan and the Gala Coral Pension Plan hold assets separately from the Group. The pension cost relating to this plan is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method.

Notes to financial information (continued)

2. Basis of preparation (continued)

(d) Accounting policies (continued)

Pensions and other post-employment benefits (continued)

Actuarial gains or losses are recognised in the consolidated statement of comprehensive income in the period in which they arise.

Any past service cost is recognised immediately. The retirement benefit asset recognised in the balance sheet represents the fair value of scheme assets less the value of the defined benefit obligations.

In accounting for the Group’s defined benefit pension plans, it is necessary for management to make a number of estimates and assumptions each year. These include the discount rates, inflation rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in other comprehensive income.

Although the Group anticipates that plan surpluses will be utilised during the life of the plans to address member benefits, the Group recognises its pension surplus in full on the basis that it does not consider there to be substantive restrictions on the return of residual plan assets in the event of a winding up of the plans after all member obligations have been met.

The Group’s contributions to defined contribution schemes are charged to the consolidated income statement in the period to which the contributions relate.

Separately Disclosed Items

For a full explanation of what is defined as a separately disclosed item and how they are disclosed, please refer to note 2(c).

Inventory

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

(e) Updates to IFRS

A number of amendments to IFRSs became effective for the financial year beginning 1 January 2018 the most significant of which is detailed below:

IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Group’s gaming activities involve the receiving and settling of bets, which are deemed to fall under the scope of IFRS 9 Financial Instruments (previously IAS 39) as the transactions involve the issuing of financial instruments. IFRS 15 will only therefore impact revenue that is it not governed by IFRS 9. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Group has determined that there is no material impact as a result of adopting IFRS 15.

The remaining amendments to IFRSs which became effective for the financial year beginning 1 January 2018 have been determined to have no material impact on the financial statements.

Notes to financial information (continued)

2. Basis of preparation (continued)

(e) Update to IFRS (continued)

The standards and interpretations that are issued, but not effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts (other than those of less than one year duration, or having a right of use asset initially valued at less than £3,000). This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The standard replaces IAS 17 'Leases' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted. The Group is assessing the impact of IFRS 16, and the transitional reliefs within that standard. These permit the adoption of the standard at 1 January 2019 without the restatement of comparative information. At this stage management are still assessing the full impact of IFRS 16 which is expected to materially impact operating lease costs within underlying EBITDA, depreciation, finance costs, the carrying value of property, plant and equipment and financial indebtedness. As the impact is dependent on the leases extant at 1 January 2019 and the Group's marginal costs of borrowing at that date it is not yet possible to fully estimate the effects.

Other IFRSs or IFRS IC interpretations that are not yet effective that would not be expected to have a material impact on the Group are shown below:

IFRS 9	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	Effective for annual periods beginning on or after 1 January 2019
IFRS 17	Insurance Contracts	Effective for annual periods beginning on or after 1 January 2021
IAS 28	Amendments regarding long-term interests in associates and joint ventures	Effective for annual periods beginning on or after 1 January 2019
IFRS 3 IFRS 11 IAS 12	Amendments resulting from Annual Improvements 2015-2017 Cycle	Effective for annual periods beginning on or after 1 January 2019

Notes to financial information (continued)

2. Basis of preparation (continued)

(f) Following the acquisition of Ladbrokes Coral Group plc the Group has changed its presentational currency to GBP from the previous reporting currency which was Euros (€m). The financial statements have been presented in millions GBP (£m). In line with the requirements of IAS 21 and to assist users of the financial statements following this change, the comparative 2017 information has been re-presented in £m.

The exchange rates used to perform the translation were as follows:

Euro/sterling exchange rate	Dec-17	Jun-17	Dec-16
Closing rate	1.125	1.139	1.173
Average rate	1.135	1.135	n/a

Following the acquisition of Ladbrokes Coral Group plc, a number of presentational changes have been made to the financial statements. These changes have also been reflected in the comparative information. A summary of the amendments made are as follows:

- Goodwill of £957.5m as at 30 June 2017 (31 December 2017: £972.4m) has been separately disclosed from intangible assets on the face of the Balance Sheet.
- Progressive prize pools of £13.4m as at 30 June 2017 (31 December 2017: £16.0m) have been included within trade and other payables rather than disclosed on the face of the balance sheet.
- Amortisation of acquired intangibles resulting from IFRS 3 fair value exercise of £52.4m as at 30 June 2017 is disclosed separately from underlying amortisation (31 December 2017: £106.7m).
- Ante-post liabilities of £1.2m as at 30 June 2017 (31 December 2017: £2.7m) have been recognised within other financial liabilities rather than within balances with customers.

3. Segment information

The Group's operating segments are based on the reports reviewed by the Executive management team (who are collectively considered to be the Chief Operating Decision Maker (CODM)) to make strategic decisions, and allocate resources.

IFRS 8 requires segment information to be presented on the same basis as that used by the CODM for assessing performance and allocating resources, and the Group's operating segments are now aggregated into the five reportable segments as detailed below:

- Online: comprises betting and gaming activities from online and mobile operations, Sports Brands include bwin, Coral, Crystalbet, Eurobet, Ladbrokes and Sportingbet; Gaming Brands include CasinoClub, Foxy Bingo, Gala, Gioco Digitale, partypoker and PartyCasino;
- UK Retail: comprises betting activities in the shop estate in Great Britain, Northern Ireland and Jersey;
- European Retail: comprises all retail activities connected with the Republic of Ireland, Belgium, Italy and Spain (JV) shop estates;
- Corporate: includes costs associated with Group functions including Group executive, legal, Group finance, tax and treasury; and
- Other segments: includes activities primarily related to telephone betting, Stadia, Betdaq and on course pitches.

The Executive management team of the new Group have chosen to assess the performance of operating segments based on a measure of net revenue, EBITDA and operating profit with finance costs and taxation considered for the Group as a whole. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

Notes to financial information (continued)

3. Segment information (continued)

The segment results for the six months ended 30 June 2018 were as follows:

2018	Online	UK Retail	European Retail	All Other Segments	Corporate	Elimination of internal revenue	Total Group
	£m	£m	£m	£m	£m	£m	£m
NGR	693.0	351.5	67.0	15.3	-	(1.7)	1,125.1
VAT/GST	(19.2)	-	-	-	-	-	(19.2)
Revenue	673.8	351.5	67.0	15.3	-	(1.7)	1,105.9
Gross Profit	467.0	250.4	34.1	11.7	-	-	763.2
Contribution	290.6	249.2	32.5	9.7	-	-	582.0
Operating costs excluding marketing costs	(122.0)	(181.7)	(20.0)	(8.5)	(14.8)	-	(347.0)
Underlying EBITDA before separately disclosed items	168.6	67.5	12.5	1.2	(14.8)	-	235.0
Share based payments	(1.7)	(0.2)	(0.1)	-	(3.0)	-	(5.0)
Depreciation and Amortisation	(26.7)	(10.7)	(4.4)	(0.1)	(0.2)	-	(42.1)
Share of joint ventures and associates	-	-	0.3	0.4	-	-	0.7
Operating profit/(loss) before separately disclosed items	140.2	56.6	8.3	1.5	(18.0)	-	188.6
Separately disclosed items	(119.7)	(15.0)	(1.4)	-	87.6	-	(48.5)
Group operating profit	**20.5**	**41.6**	**6.9**	**1.5**	**69.6**	**-**	**140.1**
Net finance expenses							(26.5)
Profit before tax							113.6
Income tax							0.2
Profit for the period from continuing operations							**113.8**
Profit for the period from discontinued operations after tax							-
Profit for the period after discontinued operations							**113.8**

The segment results for the six months ended 30 June 2017 were as follows:

2017	Online	UK Retail	European Retail	All Other Segments	Corporate	Elimination of internal revenue	Total Group
	£m	£m	£m	£m	£m	£m	£m
NGR	376.8	-	-	9.8	-		386.6
VAT/ GST	(11.8)	-	-	-	-		(11.8)
Revenue	365.0	-	-	9.8	-		374.8
Gross Profit	271.3	-	-	1.1	-		272.4
Contribution	192.0	-	-	(0.3)	-		191.7
Operating costs excluding marketing costs	(78.9)	-	-	(5.5)	(6.6)		(91.0)
Underlying EBITDA before separately disclosed items	113.1	-	-	(5.8)	(6.6)		100.7
Share based payments	(3.2)	-	-	-	(5.9)		(9.1)
Depreciation and Amortisation	(13.0)	-	-	-	-		(13.0)
Share of joint ventures and associates	-	-	-	-	-		-
Operating profit/(loss) before separately disclosed items	96.9	-	-	(5.8)	(12.5)		78.6
Separately disclosed items	(53.1)	-	-	(2.5)	(31.6)		(87.2)
Group operating profit/(loss)	**43.8**	**-**	**-**	**(8.3)**	**(44.1)**		**(8.6)**
Net finance expenses							(14.2)
Loss before tax							(22.8)
Income tax							(0.6)
Loss for the period from continuing operations							**(23.4)**
Profit for the period from discontinued operations after tax							17.0
Loss for the period after discontinued operations							**(6.4)**

Notes to financial information (continued)

3. Segment information (continued)

Assets and liabilities information is reported internally in total and not by reportable segment and, accordingly, no information is provided in this note on assets and liabilities split by reportable segment.

Geographical information

Revenue by destination for the Group, is as follows:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
United Kingdom	542.5	43.1
Rest of the World	563.4	331.7
Total	**1,105.9**	**374.8**

4. Separately disclosed items

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Amortisation of acquired intangibles (1)	126.2	52.4
Corporate transaction costs (2)	48.4	2.0
Legal and onerous contract costs (3)	12.8	0.7
Integration costs (4)	3.4	9.8
Impairment loss	-	1.4
Profit on disposal of assets	-	1.1
Movement in fair value of contingent consideration (5)	(142.3)	19.8
Total before tax	**48.5**	**87.2**
Exceptional tax credit	(19.7)	(6.3)
Total after tax	**28.8**	**80.9**

(1) The Group has incurred £126.2m of amortisation charges on acquired intangible assets primarily arising from the acquisition of the Ladbrokes Coral Group plc and Bwin in the prior year (2017: £52.4m in relation to assets arising from the acquisition of Bwin).
(2) The Group incurred £48.4m of corporate transaction costs primarily in relation to the acquisition of Ladbrokes Coral Group plc (2017: £2.0m).
(3) Legal and onerous contract costs include onerous contracts that have arisen as a result of shop closures and other legal costs outside the ordinary course of business.
(4) Costs associated with the integration of Ladbrokes Coral Group plc and GVC businesses (2017: £9.8m associated primarily with the integration of Bwin).
(5) The movement in the fair value of contingent consideration primarily relates to the change in the market value of the CVR between the date of acquisition and 30 June 2018, partially offset by movements in the fair value of the contingent consideration on other M&A activity from prior years.

5. Taxation

The tax credit for the six months ended 30 June 2018 was £0.2m (30 June 2017: expense of £0.6m) of which a credit of £19.7m (30 June 2017: £6.3m) related to separately disclosed items. The effective tax rate before separately disclosed items is 12.0% (six months ended 30 June 2017: 10.7%).

The current period’s charge was lower than the UK statutory rate of 19% due to lower effective tax rates on overseas profits.

In the Budget on 16 March 2016, the Chancellor announced that the standard rate of UK Corporation Tax would be reduced from 20% to 17%. The rate reduced from 20% to 19% on 1 April 2017. A further reduction to 17% will take effect from 1 April 2020.

The deferred tax assets and liabilities are measured at the tax rates of the respective territories which are expected to apply to the year in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Notes to financial information (continued)

6. Dividends

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Final dividend paid	46.2	-
First special dividend paid	-	37.2
Second special dividend paid	-	38.1
	46.2	75.3

An interim dividend of 16.0 pence per share was declared by the directors at their meeting on 13 September 2018. These financial statements do not reflect this dividend payable. The 2017 final dividend of 15.2 pence per share (£46.2m) was paid in the six months ended 30 June 2018.

7. Earnings per share

Basic earnings per share has been calculated by dividing the profit attributable to shareholders of the Company of £112.1m (30 June 2017: loss of £6.3m) by the weighted average number of shares in issue during the six months of 446.0m (30 June 2017: 296.1m).

The calculation of adjusted earnings per share before; separately identified items, foreign exchange movements on financial indebtedness and gains on derivative financial instruments, is included as it provides a better understanding of the underlying performance of the Group. Separately disclosed items are defined in note 2 and disclosed in note 4.

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Profit / (loss) attributable to shareholders	**112.1**	**(6.3)**
- from continuing operations	112.1	(23.3)
- from discontinued operations	-	17.0
Gain arising from financial instruments	(45.3)	-
Loss arising from foreign exchange debt instruments	49.6	-
Separately disclosed items after tax (note 4)	28.8	80.9
Adjusted profit attributable to shareholders	**145.2**	**74.6**
- from continuing operations	145.2	57.6
- from discontinued operations	-	17.0
Weighted average number of shares (million):		
Shares for basic earnings per share	446.0	296.1
Potentially dilutive share options and contingently issuable shares	4.9	6.2
Shares for diluted earnings per share	450.9	302.3

	Six months ended 30 June 2018 Standard earnings per share		Six months ended 30 June 2018 Adjusted earnings per share	
Stated in pence	2018	2017	2018	2017
Basic earnings per share				
- from continuing operations	25.1	(7.8)	32.6	19.5
- from discontinued operations	-	5.7	-	5.7
From profit/(loss) for the period	25.1	(2.1)	32.6	25.2
Diluted earnings per share				
- from continuing operations	24.9	(7.8)	32.2	19.1
- from discontinued operations	-	5.7	-	5.6
From profit/(loss) for the period	24.9	(2.1)	32.2	24.7

Notes to financial information (continued)

7. Earnings per share (continued)

On an adjusted basis the potentially dilutive shares have been included in the calculation of diluted earnings per share despite the fact that there is a reported statutory loss during the prior year. The dilutive impact of these shares has been ignored for statutory earnings per share during the prior year as the potentially dilutive shares are deemed to be anti-dilutive.

8. Intangible Assets

	Goodwill	Licences	Software	Customer relationships	Consulting & magazine	Trade-marks & brand names	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 January 2017	957.7	-	233.0	169.1	4.2	164.5	1,528.5
Additions	-	-	22.6	-	-	-	22.6
Acquisition of subsidiaries	31.2	-	2.1	21.2	-	2.0	56.5
Disposed in the period	(27.2)	-	(1.2)	-	-	-	(28.4)
Exchange adjustment	40.3	-	10.0	6.9	0.2	7.0	64.4
At 31 December 2017	1,002.0	-	266.5	197.2	4.4	173.5	1,643.6
Additions	-	-	38.3	-	-	-	38.3
Disposals	-	-	(0.8)	-	-	-	(0.8)
Acquisition of subsidiaries	2,286.2	15.9	152.1	729.7	-	1,761.8	4,945.7
Exchange adjustment	20.5	-	(1.3)	3.9	-	7.6	30.7
At 30 June 2018	**3,308.7**	**15.9**	**454.8**	**930.8**	**4.4**	**1,942.9**	**6,657.5**
Accumulated amortisation and impairment							
At 1 January 2017	28.4	-	74.8	36.4	4.2	12.9	156.7
Amortisation	-	-	65.8	40.3	-	13.2	119.3
Reclassified as held for sale	-	-	(1.2)	-	-	-	(1.2)
Exchange adjustment	1.2	-	3.8	1.9	0.2	0.7	7.8
At 31 December 2017	29.6	-	143.2	78.6	4.4	26.8	282.6
Amortisation	-	0.5	52.4	85.3	-	13.7	151.9
Disposals	-	-	(0.8)	-	-	-	(0.8)
Exchange adjustment	-	-	(0.4)	(0.3)	-	(0.1)	(0.8)
At 30 June 2018	**29.6**	**0.5**	**194.4**	**163.6**	**4.4**	**40.4**	**432.9**
Net book value							
At 31 December 2017	972.4	-	123.3	118.6	-	146.7	1,361.0
At 30 June 2018	**3,279.1**	**15.4**	**260.4**	**767.2**	**-**	**1,902.5**	**6,224.6**

Management have considered the need for impairment and are comfortable that, based on the latest business forecasts, no impairment is required as at 30 June 2018.

Notes to financial information (continued)

9. Property, plant and equipment

	Land and Buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2017	4.0	3.4	44.1	51.5
Additions	0.4	1.1	9.4	10.9
Acquisition of subsidiaries	-	-	0.2	0.2
Disposals	-	-	(0.6)	(0.6)
Foreign Exchange	0.2	0.2	1.8	2.2
At 31 December 2017	4.6	4.7	54.9	64.2
Additions	0.5	4.0	27.2	31.7
Acquisition of subsidiaries	14.3	53.2	99.1	166.6
Disposals	-	-	(1.4)	(1.4)
Foreign exchange	-	0.2	0.8	1.0
At 30 June 2018	**19.4**	**62.1**	**180.6**	**262.1**
Accumulated depreciation				
At 1 January 2017	0.9	2.5	31.4	34.8
Depreciation charge	0.3	1.6	11.9	13.8
Disposals	-	-	(0.4)	(0.4)
Foreign Exchange	-	0.1	1.5	1.6
At 31 December 2017	1.2	4.2	44.4	49.8
Depreciation charge	0.3	3.3	12.8	16.4
Disposals	-	-	(1.4)	(1.4)
Foreign Exchange	-	0.2	0.6	0.8
At 30 June 2018	**1.5**	**7.7**	**56.4**	**65.6**
Net book value				
At 31 December 2017	3.4	0.5	10.5	14.4
At 30 June 2018	**17.9**	**54.4**	**124.2**	**196.5**

Notes to financial information (continued)

10. Loans and borrowings

	Six months ended 30 June 2018 £m	Year ended 30 Dec 2017 £m	Six months ended 30 June 2017 £m
Current			
Euro denominated loans	4.0	0.2	1.6
USD denominated loans	7.1	-	-
Sterling denominated loans	12.0	-	-
	23.1	0.2	1.6
Non-current			
Euro denominated loans	808.5	262.3	216.5
USD denominated loans	592.1	-	-
Sterling denominated loans	791.1	-	-
	2,191.7	262.3	216.5

Upon completion of the Ladbrokes Coral Group plc acquisition the Group repaid existing Ladbrokes Coral Group plc debt of £660.2m, being the amount drawn on the existing revolving credit facility and £200.0m of existing bank loans. As part of the Group's refinancing three new term loans were drawn, in addition to the existing €300m term loan and the new Group revolving credit facility of £550.0m which allowed up to £495.0m to be drawn as a loan and £55.0m as letters of credit. All three new term loans have a 6 year term, with expiry at the end of March 2024. The £275m new term loan attracts interest of LIBOR +3.5%, the €625m new term loan attracts interest of EURIBOR +2.75% (with 0% floor on EURIBOR) and the $800m new term loan attracts interest of US$ LIBOR +2.50%.

In addition to the existing €300m term loan present in Group pre acquisition, two Ladbrokes Coral Group plc bonds of £100m and £400m acquired remain outstanding. These two loans attract interest of 5.125% and the loans expire in September 2022 and September 2023 respectively.

As at 30 June 2018 £550.0m of committed bank facilities were undrawn (31 December 2017: £62.2m).

11. Provisions

	Onerous lease provision (1) £m	Restructuring (2) £m	Litigation and regulation (3) £m	Total £m
At 1 January 2017	3.8	-	3.1	6.9
Provided	-		-	-
Utilised	(1.1)		-	(1.1)
Foreign exchange	0.2	-	0.2	0.4
At 31 December 2017	**2.9**	**-**	**3.3**	**6.2**
On acquisition	70.7	2.7	22.7	96.1
Provided	11.0	-	0.3	11.3
Utilised	(3.2)	(1.4)	(0.4)	(5.0)
Released	(2.4)	-	-	(2.4)
Discount unwind	0.9	-	-	0.9
Foreign Exchange	(0.1)	-	(0.1)	(0.2)
At 30 June 2018	**79.8**	**1.3**	**25.8**	**106.9**

Of the total provisions at 30 June 2018, £35.1m (31 December 2017: £1.1m) is current and £71.8m (31 December 2017: £5.1m) is non-current.

(1) The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the contract is onerous. Provisions have been based on management's best estimate of the minimum future cash flows to settle the Group's obligations, taking into account the risks associated with each obligation, discounted at a risk free interest rate.
(2) Restructuring provisions relate to redundancy costs.
(3) Other provisions include legal, insurance and regulatory provisions associated with certain claims.

Notes to financial information (continued)

12. Net debt

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

	30 June 2018 £m	31 December 2017 £m
Current assets		
Cash and short-term deposits	444.6	270.0
Current liabilities		
Current obligations under finance leases	(0.4)	-
Interest bearing loans and borrowings	(23.1)	(0.2)
Non-current liabilities		
Interest bearing loans and borrowings	(2,191.7)	(262.3)
Accounting net debt	**(1,770.6)**	**7.5**
Cash held on behalf of customers	(213.4)	(101.7)
Fair value swaps held against debt instruments (derivative financial assets)	30.4	-
Short term investments	4.4	4.4
Balances held with payment service providers	62.2	48.1
Adjusted Net debt	**(1,887.0)**	**(41.7)**

13. Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The identification and valuation of intangible assets arising on business combinations is subject to a degree of judgement. We engaged independent third parties, including Duff and Phelps Limited to assist with the identification and valuation process. This was performed in accordance with the Group's policies. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets acquired is recorded as goodwill. Costs related to the acquisition are expensed as incurred.

Summary of acquisitions

On 28 March 2018 GVC Holdings Plc acquired the entire share capital of Ladbrokes Coral Group plc which was effected by means of a Court-sanctioned scheme of arrangement of Ladbrokes Coral Group plc under Part 26 of the Companies Act 2006. Following considerations of IFRS 3 'Business combinations' the directors have determined that for accounting purposes GVC Holdings Plc acquired Ladbrokes Coral Group plc.

Given the proximity of the acquisition to the period end and as permitted by IFRS 3 'Business Combinations' the fair value of the acquired identifiable assets and liabilities have been presented on a provisions basis. Fair values were determined on the basis of an initial assessment performed by an independent professional expert.

Notes to financial information (continued)

13. Business combinations (continued)

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Provisional Fair value £m
Intangible assets	2,622.0
Property, plant and equipment	165.5
Retirement benefit asset	180.0
Investments	49.2
Inventories	1.2
Trade and other receivables	130.8
Cash and cash equivalents	191.8
Interest bearing loans and borrowings	(1,197.3)
Deferred tax asset	163.1
Deferred tax liability	(502.4)
Trade and other payables	(611.9)
Provisions for liabilities and charges	(96.1)
Total	**1,095.9**

Net assets acquired	1,095.9
Goodwill	2,248.8
Cash	630.4
Contingent value right (CVR)	219.0
Equity instruments	2,495.3
Total consideration	**3,344.7**

The goodwill recognised relates predominantly to the synergies anticipated from combining the businesses post the acquisition of Ladbrokes Coral and intangible assets that do not qualify for separate recognition, notably workforce.

The fair value of the contingent value right consideration was based on observable market prices as at the date of the acquisition. Further details of the terms of the contingent value right can be found on the Group's website www.gvc-plc.com.

The acquired Ladbrokes Coral Group plc business contributed revenues of £656.6m and net profit of £42.9m pre the effect of any fair value adjustments to the Group for the period post acquisition up to 30 June 2018 (net profit of £66.2m excluding amortisation of acquired intangibles). If the acquisition had occurred on 1 January 2018, consolidated proforma revenue and net profit for the period ended 30 June 2018 would have been £1,694.3m and £54.5m respectively before the effect of fair value adjustments, deal related costs and the release of the contingent value rights consideration (£204.5m pre separately disclosed items).

On 11th April 2018 the Group acquired a 51% holding in Mars LLC (hereon referred to as Crystalbet). The acquisition of the share capital resulted in control being obtained and as a result Crystalbet is consolidated as a subsidiary from this point forward.

Crystalbet operates predominantly via an online platform across the sports betting and gaming markets and provides the GVC group with access into the Georgian market.

Consideration consisted of £36.4m for its 51% share in Crystalbet with £35.0m recognised as a non-controlling interest for the 49% remaining holding not acquired by the Group. In accordance with IFRS 3 'Business Combinations', the Group has fair valued the separately identifiable assets and liabilities and recognised resulting goodwill of £37.4m.

The share purchase agreement further provides an opportunity for the group to purchase the remaining 49% of share capital, based on the satisfaction of certain second completion requirements. Based on the expectation that the second completion requirements will be met, contingent consideration has been recorded at £44.6m. The estimate of contingent consideration has been based on forecast results for Crystalbet and the likely payment due under the second completion conditions.

Notes to financial information (continued)

14. Note to the statement of cash flows

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Profit before tax and net finance expense including discontinued operations	140.1	8.6
Impairment	-	1.4
Non-cash movement in fair value of contingent consideration	(142.3)	19.8
Profit on disposal of assets	-	(1.1)
Depreciation of property, plant and equipment	16.4	7.7
Amortisation of intangible assets	151.9	57.7
Share-based payments charge	5.0	9.1
(Increase)/decrease in trade and other receivables	(99.4)	(3.1)
(Decrease)/increase in trade and other payables	(10.1)	(24.9)
Increase/(decrease) in provisions	3.9	(0.4)
Share of results from joint venture	(0.7)	-
Cash generated by operations	**64.8**	**74.8**

Profit before tax and net finance expense including discontinued operations includes £nil (six months ended 30 June 2017: £17.2m) associated with discontinued operations.

15. Related party transactions

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

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Equity investment		
- Joint venture (1)	1.2	-
Sundry expenditures		
- Associates (2)	34.2	0.9

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

The following table provides related party outstanding balances.

	30 June 2018 £m	31 December 2017 £m
Loan balances outstanding		
- Joint venture	1.8	-
Other receivables/(payables) outstanding		
- Associates	(1.3)	0.2
- Joint venture	0.6	-

Notes to financial information (continued)

16. Financial instruments

Detail of the Group's borrowing and currency denomination is set out in note 10.

Fair value of financial instruments

	30 June 2018 Carrying value £m	31 June 2018 Fair value £m	30 June 2017 Carrying value £m	31 June 2017 Fair value £m
£100.0m 5.1% bond	106.7	103.3	-	-
£400.0m 5.1% bond	428.7	414.5	-	-

The fair value of the bonds are classified as a level 1 fair value measurement for disclosure purposes, as the fair value is determined based on quoted prices in active markets for identical liabilities. There are no other financial instruments where there is a material difference between their carrying value and fair value.

The major component of the Groups financial assets measured at fair value consist of currency swaps held against debt instruments £30.4m (30 June 2017: £nil, 31 December 2017: £nil).

The major components of the Groups financial liabilities measured at fair value consist of; deferred and contingent consideration £150.8m (30 June 2017: £3.8m, 31 December 2017: £18.2m), Ante post liabilities £13.8m (30 June 2017: £1.2m, 31 December 2017: £2.7m), and financial guarantee contracts £2.9m (30 June 2017: £nil, 31 December 2017: £nil).

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three levels are defined on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data

The Group's financial assets and liabilities that are measured at fair value after initial recognition fall under the 3 levels of the fair value hierarchy as follows:

- Level 1 - £30.4m assets (30 June 2017: £nil, 31 December 2017: £nil), and £58.4m liabilities (30 June 2017: £nil, 31 December 2017: £nil).
- Level 2 - £nil assets (30 June 2017: £3.2m, 31 December 2017: £nil), and £nil liabilities (30 June 2017: £nil, 31 December 2017: £10.7m).
- Level 3 - £3.2m assets (30 June 2017: £2.5m, 31 December 2017: £2.9m), and £150.8m liabilities (30 June 2017: £5.0m, 31 December 2017: £31.6m).

Measurement of fair value of financial instruments:

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third-party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation technique for the available for sale assets and contingent and deferred consideration assets were based on discounted cashflow forecasts using the weighted average cost of capital and expected cashflows.

Notes to financial information (continued)

17. Contingent liabilities

During the prior year, the Group received a tax audit assessment from the Greek Audit Centre for Large Enterprises in respect of 2010 and 2011 (the "Assessment"). During this period the business was owned by Sportingbet plc, prior to its acquisition by GVC in 2013. The total amount of the Assessment is €186.77m, substantially higher than total Greek revenues generated by the subsidiary during the relevant periods.

Whilst the directors, based on tax and legal advice received, believe that there are strong grounds for appeal, on 28 February 2018 , in order to enable the Group's subsidiary to continue to trade normally, the Group entered into a payment scheme where payments are held on account by the relevant authority. As at 30 June, £46.6m has been paid by the Group under this arrangement.

Whilst there have been very few developments on this matter since entering into the payment scheme, the Directors continue to be of the view that, based on legal and tax advice received, the Group has strong grounds for appeal and it is not probable that a liability will arise. As such, following the resolution of this matter, the Directors believe that the Group will recover the amounts paid through either a repayment or deduction from future tax liabilities. The Group has therefore recognised a receivable of £46.6m in relation to the payments made as at 30 June 2018. This receivable is recorded within trade and other receivables on the Balance Sheet.

18. Subsequent events

On 30 July, the Group announced the establishment of a 50/50 joint venture with MGM Resorts International ("MGM Resorts") to create a world-class sports betting and online gaming platform in the United States. This joint venture is well-positioned to engage in the new opportunities created by the recent U.S. Supreme Court decision overturning the U.S. federal Professional and Amateur Sports Protection Act, or PASPA. The Group will invest $100m in the joint venture under the agreement with MGM Resorts. Further details of the agreement with MGM Resorts are provided on the Group's website www.gvc-plc.com.