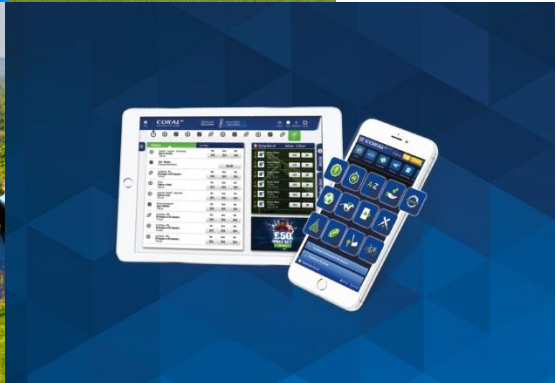


GALA CORAL GROUP



Gala Coral Group Limited

**Interim results for the
twenty-eight week period ended
9 April 2016**

Registered Number: 07254686

Gala Coral Group Limited

Management report

HIGHLIGHTS

- Coral Group EBITDA^(1/2) of £124.6 million: +£17.2 million (+16%). After adjusting for regulatory impacts⁽³⁾+43%
- Coral Retail EBITDA⁽⁴⁾ of £79.3 million: +£0.4 million (+1%). OTC GW% up 1.3pp and machines net revenue +3%
- Coral Connect sign-ups accelerated in Q2 with over 160k in H1, more than in the whole of FY15
- Eurobet Retail EBITDA⁽⁴⁾ of £11.8 million: +£4.9 million (+71%). Sports stakes +20%, sports GW% +4.0pp
- Online EBITDA⁽⁴⁾ of £37.1 million: +£14.5 million (+64%). After adjusting for regulatory impacts⁽³⁾ +118%
 - Online net revenue +35%
 - Coral.co.uk net revenue +58%, sports net revenue +108%
 - Eurobet.it net revenue +38%, sports net revenue +70%
 - Galabingo.com net revenue +15%

{1} EBITDA is stated pre-exceptional items

{2} EBITDA includes all revenue and expenses for the Coral Group and excludes Gala Retail (H1 FY16: £9.9 million and H1 FY15: £26.2 million), High Rollers (H1 FY16: £0.0 million and H1 FY15: £0.9 million) and Propco rental income (H1 FY16: £0.0 million and H1 FY15: £5.8 million)

{3} FY15 EBITDA (pre-exceptionals) has been rebased for the estimated impact of Point of Consumption Tax (-£5.8 million, of which Online -£5.6 million) and the increase in rate of MGD to 25% and DCMS FOBT higher staking restrictions (Coral Retail -£14.5 million), calculated as if all changes had been in existence for the corresponding periods in FY15

{4} Statutory turnover of £606.0 million includes Coral Retail vending machine income of £1.1 million which is excluded from Net Revenue

HALF YEAR OVERVIEW BY DIVISION

Coral Retail

Coral Retail EBITDA⁽⁴⁾ of £79.3 million was £0.4 million or 1% ahead of last year and £14.9 million or 23% ahead after adjusting FY15 for the impact of regulation⁽⁵⁾.

OTC net revenue of £165.7 million was £8.0 million or 5% ahead of last year. Total OTC stakes were £13.5 million or 1% behind last year with a 5% increase in football stakes partially offsetting a decline in horse racing stakes. OTC gross win margin of 18.5% was 1.3pp ahead of last year primarily due to improved football margin, which was 7.8pp ahead of last year. The Cheltenham festival gross win margin was the worst since 2003, however the losses incurred at the Festival were largely offset by a positive result in the Grand National.

Machines net revenue was £6.6 million or 3% ahead of last year. Gross-win-per-machine-per-week of £1,039 was 4% ahead of last year with B3 gross win 13% ahead. Slots now represent 39% (FY15: 35%) of total machines gross win.

Operating costs were 2% higher than last year due to annual salary increases, inflationary increases on some content contracts and a one-off investment in staff training to implement new customer protection and anti- money laundering measures.

The total number of LBOs at the end of the half year was 1,830, with 6 shops opening and 26 shops closing since the start of the year.

{1} EBITDA is stated pre-exceptional items

{2} Quarter 2 represents the 12 week periods ending 9 April 2016 and 11 April 2015

{3} The half year represents the 28 week periods ending 9 April 2016 and 11 April 2015

{4} Net revenue is calculated as gross win less free bets and customer bonuses

{5} FY15 EBITDA (pre-exceptionals) has been rebased for the estimated impact of the increase in rate of MGD to 25% and DCMS FOBT high stake restrictions (Q2 -£5.1 million and H1 -£14.5 million), calculated as if all changes had been in existence for the corresponding periods in FY15

Gala Coral Group Limited

Management report (continued)

HALF YEAR OVERVIEW BY DIVISION

Eurobet Retail

Eurobet Retail EBITDA⁽¹⁾ of £11.8 million was £4.9 million or 71% higher than last year (66% on a constant currency basis) driven by strong sports volume growth and sports gross win margin improvement.

Sports stakes were £34.3 million or 20% ahead of last year primarily due to the programme to relocate 250 shops to more profitable locations, which completed at the start of FY16, as well as an increase in the popularity of BiP which now represents around 20% of retail sports stakes.

Sports gross win margin of 18.8% was 4.0pp ahead of last year following improved football results, although football margins are still around 3pp behind expectations. Sports net revenue of £38.5 million was £13.3 million or 53% ahead.

Eurobet's share of the retail sports betting market at the end of the first half increased by 1.9pp to 16.0% measured by stakes (number 3 in the market) and by 4.0pp to 17.0% measured by gross win (number 2 in the market).

Virtual stakes were 11% behind last year in the first half, but only 2% behind in Q2 as the rate of decline in the Virtual market annualised towards the end of H1.

Operating costs were £0.4 million or 7% higher than last year (13% on a constant currency basis) as a result of an increase in bonus provision compared to the prior year.

- {1} EBITDA is stated pre-exceptional items
- {2} Quarter 2 represents the 12 week periods ending 9 April 2016 and 11 April 2015
- {3} The half year represents the 28 week periods ending 9 April 2016 and 11 April 2015
- {4} Net revenue is calculated as gross win less free bets and customer bonuses

Online

Online EBITDA⁽¹⁾ of £37.1 million was £14.5 million or 64% ahead of last year and £20.1 million or 118% ahead after adjusting FY15 for the impact of Point of Consumption Tax⁽⁵⁾.

Coral.co.uk

Coral.co.uk delivered impressive volume growth, while the investment in both product range and customer management helped deliver an improved sportsbook margin. Net revenue was 58% ahead of last year, driven by a 30% increase in actives, a 9% improvement in spend-per-head and a 2.6pp sports margin improvement (football +6.1pp).

Sports net revenue of £32.7 million was £17.0 million or 108% ahead of last year with sports stakes growth of £171.0 million or 39%. Gaming net revenue of £53.4 million was £14.6 million or 38% ahead of last year, driven by cross-sell from sports into gaming and high levels of multichannel play.

The Coral.co.uk technology platforms performed very well during the Cheltenham and Grand National peaks, with mobile response times being among the quickest in the industry, achieved whilst maintaining a full product offering throughout.

Coral Connect sign-ups accelerated during quarter 2 as a result of more targeted marketing, with around 4k new customers signing up every week. Connect customers account for 40-50% of Coral.co.uk net revenue, and are around double the value online of non-Connect customers. The ability to deposit and withdraw funds in shop directly from the online wallet has proved very popular with around 35% of Connect customers making regular deposits or withdrawals. This facility is a key differentiator for Coral.co.uk compared to online only operators, and is a major contributor to the significantly lower churn rates of Connect customers.

At the end of H1 mobile stakes represented 74% of sports stakes and 70% of gaming stakes.

- {1} EBITDA is stated pre-exceptional items
- {2} Quarter 2 represents the 12 week periods ending 9 April 2016 and 11 April 2015
- {3} The half year represents the 28 week periods ending 9 April 2016 and 11 April 2015
- {4} Net revenue is calculated as gross win less free bets and customer bonuses
- {5} FY15 EBITDA (pre-exceptionals) has been rebased for the estimated impact of Point of Consumption tax (Q2 -£0.0 million and H1 -£5.6 million), calculated as if all changes had been in existence for the corresponding periods in FY15

Gala Coral Group Limited

Management report (continued)

HALF YEAR OVERVIEW BY DIVISION

Online (continued)

Galabingo.com

Galabingo.com net revenue of £47.0 million was £6.0 million or 15% ahead of last year, despite an increasingly competitive market place. This continued growth was driven through improved CRM driving higher spend-per-head and reduced churn. At the end of H1 mobile stakes represented 60% of total stakes.

Galacasino.com

Galacasino.com net revenue was £1.2 million or 17% behind last year in line with a deliberate reduction in marketing spend to improve ROI.

Eurobet.it

Eurobet.it net revenue of £27.1 million was £7.5 million or 38% ahead of last year and helped consolidate its position as the number 2 online operator in the marketplace behind Bet365. First time depositors were 110% ahead of last year driven by high levels of direct acquisition supported by increased TV spend. Multichannel also remains a key acquisition channel with the level of sign-ups through Retail increasing 86% year-on-year, primarily due to the relocation of 250 shops. Sports net revenue of £14.1 million was £5.8 million or 70% ahead with sports stakes 56% ahead. Gaming net revenue of £13.0 million was £1.7 million or 15% ahead.

Marketing costs

Online marketing costs increased by £11.2 million, or 35%, equal to 26% of net revenue, which was in-line with the prior year.

Operating costs (excluding Marketing)

Total operating costs (excluding marketing) were £4.0 million or 14% higher than last year, reflecting the increased size of the business.

(1) EBITDA is stated pre-exceptional items

(2) Quarter 2 represents the 12 week periods ending 9 April 2016 and 11 April 2015

(3) The half year represents the 28 week periods ending 9 April 2016 and 11 April 2015

(4) Net revenue is calculated as gross win less free bets and customer bonuses

(5) FY15 EBITDA (pre-exceptionals) has been rebased for the estimated impact of Point of Consumption tax (Q2 -£0.0 million and H1 -£5.6 million), calculated as if all changes had been in existence for the corresponding periods in FY15

EXCEPTIONAL COSTS

The exceptional operating costs of £1.7 million for the first half related primarily to costs associated with the proposed merger with Ladbrokes PLC and the release of certain provisions following legal settlement. During the prior year exceptional operating costs of £6.0 million also included a non-cash IFRS 2 'Share Based Payments' charge.

FINANCING

Net debt for accounting purposes (excluding shareholder loan notes) was £799.2 million as at 9 April 2016 (26 September 2015 £1,031.8 million). The decrease in net debt was as a result of the disposal of Gala Retail and the operating cash inflow, partially offset by early bond redemption fees and the amortisation of issue costs.

Unlevered free cashflow for the Coral Group (excluding discontinued operations) in the first half was £87.9 million. This represented a 71% conversion from EBITDA.

During the first half the Group used Gala Retail net proceeds to repay £227.0 million of the Senior secured notes and excess cash to repay £100.0 million of the Senior notes, incurring £15.8 million of fees.

IFRS

For years beginning on or after 1 January 2015, companies are no longer able to report under UK GAAP, the accounting standards under which the Gala Coral Group used to report. Rather than report under FRS 102, the new standards released by the FRC, the Group has elected to transition to and report all future results under IFRS. The preliminary IFRS transition statement is available on the company website.

Gala Coral Group Limited

Interim Consolidated Income Statement

Continuing Operations:	Notes	Unaudited 28 weeks ended 9 April 2016			Unaudited 28 weeks ended 11 April 2015		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	2	606.0	-	606.0	535.7	-	535.7
Cost of sales		(192.9)	-	(192.9)	(161.3)	-	(161.3)
Gross profit		413.1	-	413.1	374.4	-	374.4
Operating expenses		(317.1)	(1.7)	(318.8)	(295.5)	84.9	(210.6)
EBITDA		124.6	(1.7)	122.9	107.4	(6.0)	101.4
Depreciation and amortisation		(28.6)	-	(28.6)	(28.5)	-	(28.5)
Profit on sale of non-current assets classified as held for sale		-	-	-	-	90.9	90.9
Group operating profit/(loss)	2	96.0	(1.7)	94.3	78.9	84.9	163.8
Financing costs	4	(123.1)	(22.3)	(145.4)	(134.2)	-	(134.2)
Financing income	4	1.3	-	1.3	1.2	72.6	73.8
Group operating profit/(loss)	2	96.0	(1.7)	94.3	78.9	84.9	163.8
Financing costs - external		(47.4)	(22.3)	(69.7)	(68.3)	-	(68.3)
Financing income - external		1.3	-	1.3	1.2	72.6	73.8
Profit/(loss) before internal finance costs and tax		49.9	(24.0)	25.9	11.8	157.5	169.3
Finance costs - shareholder loan		(75.7)	-	(75.7)	(65.9)	-	(65.9)
(Loss)/profit before tax		(25.8)	(24.0)	(49.8)	(54.1)	157.5	103.4
Income tax	5	11.1	(0.5)	10.6	(0.4)	(0.8)	(1.2)
(Loss)/profit for the period from continuing operations		(14.7)	(24.5)	(39.2)	(54.5)	156.7	102.2
Discontinued Operations:							
Profit for the period from discontinued operations after tax	6	-	8.9	8.9	-	31.7	31.7
Total (loss)/profit for the period		(14.7)	(15.6)	(30.3)	(54.5)	188.4	133.9
(Loss)/profit for the period attributable to the owners of the parent company		(14.7)	(15.6)	(30.3)	(54.5)	188.4	133.9

Details of exceptional items are given in note 3 and 4.

OGala Coral Group Limited
Interim Consolidated Statement of Comprehensive Income

	Unaudited 28 weeks ended 9 April 2016 £m	Unaudited 28 weeks ended 11 April 2015 £m
(Loss)/profit for the period	(30.3)	133.9
Items of other comprehensive income that may be subsequently reclassified to profit or loss:		
Currency translation differences	1.1	(2.2)
Total items that may be reclassified to profit or loss	1.1	(2.2)
Items of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurements of retirement benefits	(13.5)	(3.7)
Tax on items that will not be reclassified to profit or loss	3.9	0.8
Total items that will not be reclassified to profit or loss	(9.6)	(2.9)
Total items that may be reclassified to profit or loss	1.1	(2.2)
Other comprehensive (expense)/income for the period	(8.5)	(5.1)
(Loss)/profit for the period	(30.3)	133.9
Total comprehensive (expense)/income for the period	(38.8)	128.8
Total comprehensive (expense)/income for the period attributable to the owners of the parent company	(38.8)	128.8

Items of other comprehensive income that will not be reclassified to profit or loss include gains or losses on the remeasurement of pension scheme assets and liabilities. These items are permanently recorded within equity and will never be recycled within the income statement.

Gala Coral Group Limited

Interim Consolidated Balance Sheet

	Notes	Unaudited 9 April 2016 £m	Unaudited 11 April 2015 £m	Unaudited 26 September 2015 £m
Assets				
Non-current assets				
Goodwill and intangible assets		1,132.9	1,135.2	1,131.6
Property, plant and equipment		79.9	87.9	86.7
Deferred tax assets		15.6	24.3	19.0
Retirement benefit asset		47.0	28.6	53.7
		1,275.4	1,276.0	1,291.0
Current assets				
Inventories		0.5	0.5	0.5
Trade and other receivables		51.1	41.8	26.0
Cash and cash equivalents	9	162.9	222.7	236.9
Derivatives		-	0.4	0.1
		214.5	265.4	263.5
Assets of disposal group held for sale		-	293.3	312.5
Total assets		1,489.9	1,834.7	1,867.0
Liabilities				
Current liabilities				
Trade and other payables		(187.7)	(196.7)	(181.4)
Current income taxation		(0.2)	(1.1)	(0.5)
Other financial liabilities		(9.3)	(7.3)	(5.7)
Provisions		(9.7)	(11.1)	(10.8)
		(206.9)	(216.2)	(198.4)
Non-current liabilities				
Interest bearing loans and borrowings	8	(1,982.9)	(2,164.6)	(2,224.8)
Other payables		(5.0)	(6.9)	(7.2)
Deferred tax liabilities		(192.2)	(202.8)	(212.3)
Provisions		(6.8)	(17.5)	(15.6)
		(2,186.9)	(2,391.8)	(2,459.9)
Liabilities of disposal group held for sale		-	(59.3)	(73.8)
Total liabilities		(2,393.8)	(2,667.3)	(2,732.1)
Net liabilities		(903.9)	(832.6)	(865.1)
Equity attributable to owners of the parent				
Issued share capital		213.3	213.3	213.3
Merger reserve		1.6	1.6	1.6
Capital contribution reserve		1,723.5	1,723.5	1,723.5
Retained earnings		(2,841.9)	(2,768.8)	(2,802.0)
Foreign currency translation reserve		(0.4)	(2.2)	(1.5)
Total shareholders equity		(903.9)	(832.6)	(865.1)

Interest bearing loans and borrowings include £1,020.8 million of shareholder loan notes (11 April 2015: £887.6 million, 26 September 2015: £945.1 million)

Gala Coral Group Limited
Interim Consolidated Statement of Changes in Equity

	Issued share capital £m	Merger reserve £m	Capital contribution reserve £m	Revaluation reserve £m	Retained earnings £m	Foreign currency translation reserve £m	Total share- holders equity £m
At 26 September 2015	213.3	1.6	1,723.5	-	(2,802.0)	(1.5)	(865.1)
Loss for the period	-	-	-	-	(30.3)	-	(30.3)
Other comprehensive (expense)/ income	-	-	-	-	(9.6)	1.1	(8.5)
Total comprehensive (expense)/income for the period	-	-	-	-	(39.9)	1.1	(38.8)
At 9 April 2016	213.3	1.6	1,723.5	-	(2,841.9)	(0.4)	(903.9)
At 27 September 2014	213.3	1.6	1,723.5	8.0	(2,908.5)	-	(962.1)
Profit for the period	-	-	-	-	133.9	-	133.9
Other comprehensive income/(expense)	-	-	-	-	(2.9)	(2.2)	(5.1)
Total comprehensive (expense)/income for the period	-	-	-	-	131.0	(2.2)	128.8
Share based payments	-	-	-	-	0.7	-	0.7
Reserve transfer	-	-	-	(8.0)	8.0	-	-
At 11 April 2015	213.3	1.6	1,723.5	-	(2,768.8)	(2.2)	(832.6)

Gala Coral Group Limited

Interim Consolidated Statement of Cash Flows

	Notes	Unaudited 28 weeks ended 9 April 2016 £m	Unaudited 28 weeks ended 11 April 2015 £m	Unaudited year ended 26 September 2015 £m
Cash generated from operations	9(a)	109.0	134.4	241.5
Income tax paid		(2.0)	(2.0)	(5.3)
Net cash inflow from operations		107.0	132.4	236.2
Cash inflow/(outflow) from investing activities				
Purchase of intangible assets		(11.5)	(7.6)	(14.1)
Purchase of property, plant and equipment		(17.4)	(18.1)	(51.8)
Net proceeds on disposal of assets held for sale		230.5	206.7	206.0
Net cash inflow from investing activities		201.6	181.0	140.1
Cash outflow from financing activities				
Repayments of borrowings and associated fees		(327.0)	(236.5)	(236.5)
Net external interest paid		(68.5)	(66.7)	(115.2)
Net cash outflow from financing activities		(395.5)	(303.2)	(351.7)
Net (decrease)/increase in cash and cash equivalents		(86.9)	10.2	24.6
Cash and cash equivalents at beginning of period		236.9	204.0	204.0
Net increase/(decrease) in cash and cash equivalents		(86.9)	10.2	24.6
Effect of changes in foreign exchange rates		1.9	(1.5)	(1.6)
Net decrease in cash and cash equivalents classified as held for sale		11.0	10.0	9.9
Cash and cash equivalents at end of period		162.9	222.7	236.9

Gala Coral Group Limited

Notes to the financial information

1 Basis of preparation and significant accounting policies

Basis of preparation

The interim condensed consolidated financial information, which is unaudited, is prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information or disclosures required in the annual financial statements as they have been prepared for the provision of interim information, and should be read in conjunction with the Group's preliminary IFRS transition statement which can be found on the Group website: www.galacoral.co.uk.

Accounting Estimates

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

Going Concern

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

In the period ended 9 April 2016 the Group has generated cash from operating activities of £109.0 million and a cash inflow of £9.6 million excluding proceeds on disposal of assets held for sale and loan repayments. The Group's cash flow forecasts continue to support that cash generation will be strong in order to meet liabilities as they fall due. The Group's forecasts include modelling covenant compliance which indicates that significant headroom exists in the foreseeable future.

The net liability position has been caused by the roll-up of interest on shareholder loan notes that are not repayable until October 2020. It is anticipated that the loan notes will be settled with the proceeds received from the potential merger with Ladbrokes PLC. Should the merger not proceed the directors are confident that the Group can continue to meet its liabilities as they fall due.

Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's preliminary IFRS transition statement.

General Information

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Audited statutory accounts prepared under UK GAAP for the year ended 26 September 2015 were approved by the Board of Directors on 30 November 2015 and are available on the Group website: www.galacoral.co.uk. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under either Section 498(2) or 498(3) of the Companies Act 2006.

2 Segmental analysis

The Board has reviewed and confirmed the Group's reportable segments in line with the guidance provided by IFRS 8 – Operating Segments. The segments disclosed are aligned with the reports reviewed by the Executive Board, who have been identified as the 'Chief Operating Decision Maker', to make strategic decisions. Those segments reported reflect the operating segments and not an aggregation of a number of operating segments.

Coral Retail comprises all activity undertaken in LBOs in the UK. In addition this segment includes greyhound stadia operations, including on-course betting.

Eurobet Retail comprises all activity undertaken in LBOs in Italy.

Online comprises all activity undertaken online including online sportsbooks, online bingo, online casinos and other online gaming products.

Telebet comprises activities relating to bets taken on the telephone.

Gala Coral Group Limited

Notes to the financial information

2 Segmental analysis (continued)

Corporate includes costs associated solely with Group functions including Group executive, legal, finance, tax and treasury.

There are no inter-segment transactions which have a material effect on the information set out below.

Segment information is as follows:

Unaudited 28 weeks ended 9 April 2016	Coral Retail £m	Eurobet Retail £m	Online £m	Telebet £m	Corporate £m	Group £m
Amounts staked	6,138.4	304.4	4,208.5	38.8	-	10,690.1
Revenue	383.3	54.9	166.2	1.6	-	606.0
Gross profit	279.7	18.0	114.0	1.4	-	413.1
EBITDA (pre-exceptional items)	79.3	11.8	37.1	0.1	(3.7)	124.6
Depreciation and amortisation	(15.1)	(6.3)	(7.2)	-	-	(28.6)
Operating profit/(loss) before exceptional items	64.2	5.5	29.9	0.1	(3.7)	96.0
Exceptional items						(1.7)
Operating profit after exceptional items						94.3
Net financing costs						(144.1)
Loss before tax						(49.8)
Income tax						10.6
Loss for the period from continuing operations						(39.2)
Discontinued operations: Profit for the period from discontinued operations after tax						8.9
Loss for the period after discontinued operations						(30.3)

Gala Coral Group Limited

Notes to the financial information

2 Segmental analysis (continued)

Unaudited 28 weeks ended 11 April 2015	Coral Retail £m	Eurobet Retail £m	Online £m	Telebet £m	Corporate £m	Group £m
Amounts staked	6,211.1	275.0	3,278.4	33.0	-	9,797.5
Revenue	367.6	42.5	122.9	2.7	-	535.7
Gross profit	275.1	12.7	84.3	2.3	-	374.4
EBITDA (pre-exceptional items)	78.9	6.9	22.6	1.0	(2.0)	107.4
Depreciation and amortisation	(14.3)	(6.0)	(8.2)	-	-	(28.5)
Operating profit/(loss) before exceptional items	64.6	0.9	14.4	1.0	(2.0)	78.9
Exceptional items						84.9
Operating profit after exceptional items						163.8
Net financing costs						(60.4)
Profit before tax						103.4
Income tax						(1.2)
Profit for the period from continuing operations						102.2
Discontinued operations: Profit for the period from discontinued operations after tax						31.7
Profit for the period after discontinued operations						133.9

Gala Coral Group Limited

Notes to the financial information

3 Operating exceptional items

The analysis of the exceptional items is as follows:

	Unaudited 28 weeks endd 9 April 2016 £m	Unaudited 28 weeks ended 11 April 2015 £m
Exceptional operating items	(1.7)	(6.0)
Profit on disposal of non-current assets classified as held for sale	-	90.9
Total operating exceptional items before tax	(1.7)	84.9
Exceptional tax credit	-	-
Total operating exceptional items after tax	(1.7)	84.9

Exceptional operating items relate primarily to costs associated with the proposed merger with Ladbrokes PLC and the release of certain provisions following legal settlement. During the prior year operating exceptionals also included a non-cash IFRS 2 'Share Based Payments' charge.

Gala Coral Group Limited

Notes to the financial information

4 Finance expense and income

	Unaudited 28 weeks ended 9 April 2016 £m	Unaudited 28 weeks ended 11 April 2015 £m
Loan interest and similar charges	(46.8)	(68.1)
Other finance expense	(0.6)	(0.2)
Total external interest	(47.4)	(68.3)
GCGL share holder loan note interest (non-cash)	(75.7)	(65.9)
Total finance expense	(123.1)	(134.2)
Interest on deposits and money market funds	-	0.5
Other finance income	1.3	0.7
Total finance income	1.3	1.2
Net finance expense before exceptional items	(121.8)	(133.0)
Exceptional finance (expense)/income	(22.3)	72.6
Net finance expense after exceptional items	(144.1)	(60.4)

The exceptional interest expense during the current period relates to redemption fees (£15.8 million) and the write off of issue costs (£6.5 million) in connection with the repayment of £227.0 million of Senior secured notes and the repayment of £100.0 million of Senior notes.

In the prior year; income of £68.6 million relates to the gain on extinguishment of 2005 Gala Propco Three borrowings and £4.0 million relates to interest receivable from HMRC on 'Conde Nast' VAT claims.

5 Taxation

The tax credit for continuing operations for the 28 weeks ended 9 April 2016 was £10.6 million (11 April 2015: charge of £1.2 million).

Legislation to reduce the mainstream rate of UK corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020 was included in the Finance (No.2) Act 2015 and both rates had been enacted by the balance sheet date. The UK deferred tax assets and liabilities have therefore been disclosed at 20% where they are expected to reverse before 1 April 2017, at 19% where they are expected to reverse between 1 April 2017 and 31 March 2020 and at 18% where they are expected to reverse after 31 March 2020.

The impact of the future corporation tax rate reductions has been to reduce the deferred tax liabilities relating to continuing operations by approximately £17.7 million and to reduce the deferred tax assets relating to continuing operations by approximately £1.5 million.

UK Corporation tax is calculated at 20% (2015: 20.5%) of the estimated taxable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Gala Coral Group Limited

Notes to the financial information

6 Discontinued activities

The results of discontinued activities comprise the Gala Retail division which was sold on 19 December 2015 and the high roller segment :

	Unaudited 28 weeks ended 9 April 2016 £m	Unaudited 28 weeks ended 11 April 2015 £m
Revenue	65.5	160.5
Operating expenses	(55.6)	(127.8)
Gain on disposals on operations (note 7)	0.4	-
Operating profit and profit before taxation	10.3	32.7
Income tax	(1.4)	(1.0)
Net profit from discontinued activities	8.9	31.7

	Unaudited 28 weeks ended 9 April 2016 £m	Unaudited 28 weeks ended 11 April 2015 £m
Net cash flows from discontinued operations		
Operating	5.4	(15.1)
Investing	(2.8)	(4.1)
Financing	-	-
Net cash inflow	2.6	(19.2)

The net cash inflows above are before cash sweeping arrangements in place as part of the Group financing structure. The prior year operating cashflow includes a payment of £31.1 million from Gala Retail to 'Propco' following a restructure of certain leasing arrangements.

7 Disposal of Gala Retail

The Gala Retail division was sold on 19 December 2015. Details of the disposal are as follows:

	Unaudited 28 weeks ended 9 April 2016 £m
Sale consideration	242.5
Net assets disposed	(240.2)
Costs of disposal	(1.9)
Result on disposal	0.4

The Gala Retail business has been held for sale since August 2014. As a result of impairment write downs made with effect from that date no significant gain or loss arises on disposal of this business.

Gala Coral Group Limited

Notes to the financial information

7 Disposal of Gala Retail (continued)

	Unaudited 28 weeks ended 9 April 2016 £m
Analysis of net assets at date of disposal	
Segmental assets:	
Intangible assets	187.7
Property, plant and equipment	99.6
Inventories	1.0
Cash and cash equivalents	10.9
Other current assets	15.1
Total segmental assets	314.3
Segmental liabilities:	
Trade and other payables	(38.9)
Deferred taxation	(35.2)
Total segmental liabilities	(74.1)
Net assets disposed	240.2

	Unaudited 28 weeks ended 9 April 2016 £m
Net cash flow arising on disposal	
Cash consideration	242.5
Costs of disposal	(1.9)
Net cash flow arising on disposal of operations	240.6
Net cash disposed on disposal of operations	(11.0)

The completion account process was finalised during the period.

£227.0 million of net disposal proceeds were used to make a partial redemption of the Senior secured notes on which redemption fees of £10.1 million were incurred. These are included in the exceptional finance expense in note 4.

Gala Coral Group Limited

Notes to the financial information

8 Interest bearing loans and borrowings

	Unaudited 9 April 2016 £m	Unaudited 11 April 2015 £m	Unaudited 26 September 2015 £m
Non-current liabilities			
Senior secured credit facilities	705.6	703.0	704.2
Senior secured notes	86.9	309.9	310.4
Senior notes	169.6	264.1	265.1
Non-current liabilities - external	962.1	1,277.0	1,279.7
GCGL shareholder loan note	1,020.8	887.6	945.1
Total non-current liabilities	1,982.9	2,164.6	2,224.8

The principal terms of borrowings are as follows:

	Amount £m	Interest rate %	Maturity
Borrowed by Gala Group Finance PLC:			
Senior secured credit facilities:			
Term loan	711.9	LIBOR + 4.5	27 May 2018
Revolving credit facility	100.0	LIBOR + 3.5	27 May 2017
Senior secured notes	88.0	8.875	1 September 2018
Borrowed by Gala Electric Casinos PLC:			
Senior notes	175.0	11.5	1 June 2019

The Senior secured credit facilities and the Senior secured notes are secured on the assets of the Group. The difference between these amounts and the table above relates to issue costs and discount to nominal value.

Gala Coral Group Limited

Notes to the financial information

9 Notes to the statement of cashflows

a) Reconciliation of operating profit to cash inflow from operating activities:

	Unaudited 28 weeks ended 9 April 2016 £m	Unaudited 28 weeks ended 11 April 2015 £m	Unaudited year ended 26 September 2015 £m
Operating profit from continuing operations	94.3	163.8	219.6
Operating profit from discontinued activities	8.9	31.7	46.0
Adjusted for:			
Amortisation	10.5	13.3	24.2
Depreciation	18.1	15.2	31.1
Profit on sale of non-current assets classified as held for sale	-	(90.9)	(89.0)
Impairment charges/write off of assets	-	1.4	10.3
Share based payments charge (non-cash)	-	0.7	1.4
Pension contributions in excess of pension expense	(5.5)	(2.8)	(2.8)
Changes in working capital:			
Decrease in inventories	-	0.2	0.2
(Increase) in trade and other receivables	(12.4)	(7.9)	(1.4)
Increase/(decrease) in trade and other payables	1.8	10.8	4.0
(Decrease)/increase in provisions and other financial liabilities	(6.7)	(1.1)	(2.1)
Cash generated by operations	109.0	134.4	241.5

b) Net Debt

	Unaudited 9 April 2016 £m	Unaudited 11 April 2015 £m	Unaudited 26 September 2015 £m
Current assets			
Cash and cash equivalents	162.9	222.7	236.9
Cash and cash equivalents classified as held for sale	-	10.9	11.0
Non-current liabilities			
Interest bearing loans and borrowings	(962.1)	(1,277.0)	(1,279.7)
Net debt excluding shareholder loan notes	(799.2)	(1,043.4)	(1,031.8)
GCGL shareholder loan notes	(1,020.8)	(887.6)	(945.1)
Net debt	(1,820.0)	(1,931.0)	(1,976.9)

Gala Coral Group Limited

Notes to the financial information

9 Notes to the statement of cashflows (continued)

c) Cashflows relating to exceptional items (note 3)

	Unaudited 9 April 2016 £m	Unaudited 11 April 2015 £m	Unaudited 26 September 2015 £m
Included within operating cash flow:			
Other restructuring and VAT	(16.0)	(9.8)	(25.0)
	(16.0)	(9.8)	(25.0)
Net disposal proceeds of assets held for sale	230.5	206.7	206.0
Exceptional interest received (note 4)	-	4.0	4.0
Exceptional interest paid (note 4)	(15.8)	-	-
Net cash inflow	198.7	200.9	185.0

The net disposal proceeds of assets held for sale in the current year relate to the sale of Gala Retail. The prior year proceeds relate to the sale of 2005 Propco Three Limited properties.

In addition to the above, the Group made a pension contribution of £5.5 million (11 April 2015: £2.8 million, 26 September 2015 £2.8 million) during the period as part of the agreed deficit funding arrangement.

10 Financial instruments

The Group is required to classify its financial assets and liabilities carried at fair value into categories within a hierarchy of valuation principles and methods.

No financial instruments are classified as level 1, for which fair value is based on quoted prices in active markets for identical assets.