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Ladbrokes plc

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2016

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LADBROKES PLC

UNAUDITED INTERIM RESULTS FOR HALF YEAR ENDED 30 JUNE 2016

Strong customer metrics across all key channels; H1 financial results ahead of our expectations benefitting from good staking and favourable sporting results

	Headline[1]			Statutory	
Half year ended 30 June	**2016 £m**	2015 £m	Growth	**2016 £m**	2015 £m
Revenue	**661.8**	585.4	+13.1%	**661.8**	588.8
Group operating profit [2] /(loss)	**52.3**	38.9	+34.4%	**37.7**	(37.2)
Profit/(loss) before tax	**39.8**	24.7	+61.1%	**25.2**	(51.4)
Profit/(loss) after tax	**34.9**	22.2	+57.2%	**20.7**	(41.4)
Basic EPS	**3.4p**	2.4p	+41.7%	**2.0p**	(4.5)p
Interim dividend per share	**1.0p**	1.0p	-	**1.0p**	1.0p

Strategy delivering growth: sustained marketing investment, popular products and accelerated delivery on multi-channel programme generating strong growth in staking, actives and revenue

Group operating profit[2] +34.4%: ahead of management's expectations, driven by delivery of growth strategy and largely beneficial sporting results

Strong free cash flow generation: net debt reduced to £227.2m (2015 H1: £414.3m). Net debt/EBITDA 1.3x (2015 H1: 2.1x)

Exceptional items: £14.5m predominantly merger related

Headline earnings per share: 3.4p +41.7%. Basic earnings per share 2.0p, up 6.5p

Merger: conditional clearance achieved in July 2016; business performance positions Ladbrokes well for merger with the Coral Group

Jim Mullen, Chief Executive, commented:

"These strong numbers show customers are responding positively to the new strategy at a time when the sporting gods have generally been on our side and we've enjoyed some helpful bookmaker friendly results. This combination has helped boost profits in the first half of the year.

"History would strongly dictate that such a run of results in our favour would see customer staking suffer, but encouragingly these numbers firmly buck that trend and combine strong staking and a good margin. However, 130 years of experience in sports betting has shown us that we will endure a run of customer friendly results and margins will normalise. Despite this assumption on results and our intention to continue investing in marketing, we have slightly increased our full year expectations.

"Encouragingly we have delivered a good performance across all the key customer metrics outlined in last year's strategic plan and that gives us confidence that we are well placed to deliver against our stated 2017 targets. We have grown recreational customers, increased our football business, attracted more multi-channel customers and grown strongly in Australia. However, we are taking nothing for granted.

"We will continue to compete hard on pricing, product and customer services and maintain a relentless focus on meeting and exceeding customer expectations. With the merger on the horizon we recognise there is a lot of hard work still to come, but this is an exciting time for Ladbrokes and we approach the opportunities ahead with a strong sense of confidence."

Divisional Summary

Half year ended 30 June	Headline net revenue[1]			Headline operating profit[1][2]		
	2016	2015		**2016**	2015	
	£m	£m	Growth	**£m**	£m	Growth
UK Retail	**436.6**	410.5	+6.4%	**63.5**	56.9	+11.6%
Digital	**158.1**	112.2	+40.9%	**(9.6)**	(11.5)	+16.5%
European Retail	**64.4**	60.0	+7.3%	**8.9**	6.2	+43.5%
Core Telephone Betting	**2.7**	2.7	-	**(0.8)**	(0.5)	(60.0)%
Corporate costs				**(9.7)**	(12.2)	+20.5%
Total before High Rollers	**661.8**	585.4	+13.1%	**52.3**	38.9	+34.4%
Total incl. High Rollers	**661.8**	588.8	+12.4%	**52.2**	41.7	+25.2%

UK Retail: **Good OTC staking trends; continued growth from SSBTs (BetStation) and machines**

- OTC staking like for like +1.3%
- Football growth continues; staking +14.7% for full EPL season[3]
- BetStation at c.10% of OTC staking, established as a key customer product
- Gross win margin 17.4% (15H1: 16.0%) as unpredictability of football results more than mitigate tough horseracing festivals
- Machines net revenue +5.3%, over 90% of gross win from stakes at or less than £50

Digital: **Positive customer metrics driven by marketing investment, product quality and multi-channel**

- Ladbrokes.com record half year net revenue, +45.5% yoy
  - Sportsbook staking +30.4%[4] and actives +38.4%
  - Sportsbook strategy delivering staking growth; yoy Mobile +44.5%, bet-in-play +43.6%[4] and football +50.6%[4]
  - Gaming delivers 7th consecutive quarter of yoy net revenue growth
  - Multi-channel: over 100,000 actives in 10 months
- Australia[5]: actives +70.6%, staking +53.7% and revenue +41.5%

European Retail[5]: **Growth following product and footprint investment**

- Belgium: staking +14.3%; SSBTs drove net revenue +17.7%
- Republic of Ireland: like for like staking +9.7% within optimised estate and more competitive offers
- Spain: investment continues in new regions, staking +41.4% and net revenue +38.7%

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Jim Mullen, Chief Executive
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(1) *Excludes exceptional items and High Rollers*

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

(3) *2015/2016 football season from August 2015 to May 2016 on a like for like basis*

(4) *Adjusted for the impact of losses following significant HVC activity in Q1 2015*

(5) *Local currency*

Conference call and Notes to Editors:

The Company will be hosting an analyst presentation at UBS, Ground Floor Conference Centre, 1 Finsbury Avenue, London EC2M 2PP at 9:30am this morning. This will be available to listen into by dialling +44 (0)203 140 8286 – pass code: 4886342.

Alternatively a live webcast of the presentation, with slides, will be available at the 'Investor' section on www.ladbrokesplc.com.

A recording of the webcast will be available, at the same location, from 12pm (UK time) the same day. Similarly a replay phone facility will be available, for 7 days, on +44 (0) 203 427 0598 – pass code: 4886342.

This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law.

Chief Executive's Review

Overview

These half year results illustrate the progress that has been made at Ladbrokes after our first full year of operations under our strategic plan. Ladbrokes is now on a better footing than it was when we announced the strategy and these numbers show the customer is responding and the positive impact it is beginning to have on our numbers.

Our whole strategy is based on delivering against our 2017 targets. In the UK, we have grown our recreational customer base and developed our multi-channel product whilst increasing footfall in retail; in Australia we have concentrated on growing our market share. Underpinning the entire performance has been the cultural return to one of sporting passion within Ladbrokes: it's at the heart of our business and gets us closer to our customers to help deliver what they want when they want it.

We fully recognise that we have had the better of the sporting results in the UK which is reflected in the strong gross win margin for the half year. More encouraging, however, are the underlying customer metrics. Staking has held up impressively despite the bookie friendly margin. One year on from unveiling our strategy we are encouraged by the progress but are not getting carried away.

While we are now ahead of our expectations for the full year we are yet to experience a customer friendly run of results in this calendar year but believe it prudent to expect them at some time.

At the half year, our Group operating profit of £52.3m, up 34.4% year on year reflects the improved customer metrics we have seen across the different divisions combined with favourable sporting results.

In this half, we have continued to bolster our marketing presence to attract recreational customers. With our sponsorship of the SPFL and the announcement of our exciting new partnership with the English FA to become its official betting partner we have continued to prioritise football as a key growth area. We have been encouraged by the customer response to our football offer and our underlying customer metrics are good; like for like staking in the 2015-16 English Premier League season grew 14.7% year on year in UK Retail and 11.7% in Ladbrokes.com and as at 30 June, football as a percentage of staking had grown by four percentage points to 19.0% of Retail OTC staking.

Our BetStation product (formerly SSBTs), in which we took a market-leading position by number of machines across the estate as part of our strategy, has continued to perform well and now account for c10% of staking in OTC. Gaming machines have continued to perform well with sustainable growth continuing to come from lower stake slots and B3 content. Over 90% of machine gross win now comes from stakes of £50 or less.

In Ladbrokes.com, the continued marketing investment required to implement our strategy has helped deliver a record half year with net revenue up 45.5%. Importantly customer metrics in sportsbook and gaming demonstrate the attractiveness of our products, their value and their reliability. With staking in sportsbook up 19.5% (30.4% adjusted for significant HVC activity in H1 2015), actives up 38.4% and mobile staking growth of 44.5% we have now delivered ten consecutive quarters of year on year growth. Gaming saw 124 new games introduced with gaming actives growing 47.9% and net revenue up 26.8%.

Our multichannel strategy has now delivered over 100,000 actives and has now been rolled out to Ireland and Belgium.

Australia continues to go from strength to strength with staking up 53.7%, actives up 70.6% and net revenue up 41.5% year on year on a local currency basis.

Sporting Headlines

The half has been notable for the ongoing unpredictability of the EPL. 5000/1 shots Leicester City, who won the league and saw us pay out c.£3m to far-sighted customers, were the perfect example of the league's unpredictability. Week in week out customers' accumulators and coupons were victims of surprise results.

This trend continued as the European Championship got underway. Despite Wales's good showing, the early exit of the other Home Nations and Republic of Ireland meant that while significant liabilities were avoided we ran the risk of customer appetite declining. However, this did not materialise. The final, ending at 0-0 after 90 minutes, with a winning goal by an unfancied substitute in extra-time was a fitting snapshot of the tournament and the season. While results were obviously welcome it was pleasing that against the European Championship in 2012, we managed to deliver 43.5% staking growth for UK Retail and 103% staking growth and 65.1% actives growth for Ladbrokes.com.

The bookie-friendly results of football helped to offset the worst Cheltenham Festival on record and a very customer-friendly Royal Ascot. The fiercely competitive nature of our industry around racing festivals ensure that when results go against you it can leave its mark. Even though Rule The World's Grand National win gave us a good result, the Aintree meeting was also costly.

Strategy Implementation

The Group has continued to implement its plan to grow recreational scale across UK Retail, Ladbrokes.com and Australia. This growth is being driven by increasing direct and brand marketing expenditure; through offering clear value propositions to our customers; and through the continuous delivery of innovative products, including, importantly, multi-channel products and services.

UK Retail

Our UK Retail performance has been good. While we have benefitted from favourable results we have not seen the overall decline in staking that our industry would normally expect. Ultimately that assures us we are attracting the right type of recreational customers who are responding to our product offerings, and that UK retail is still an attractive proposition for both customers and our business.

We have worked at leveraging the Ladbrokes brand to revitalise our retail offering: we have an increased presence in the tabloid press, we're offering clear calls to action and are staying close to the customer with relevant, consistent offers, such as "Best Odds Guaranteed +" for horseracing customers.

Football remains a key priority for us, and with competitive pricing, relevant promotions and a strong product offering we are seeing positive results.

It has also been an integral part of the growth we have seen in BetStation where football accounts for over 75% of staking. We took the bold decision last year to expand to have the largest SSBT estate on the UK High Street and as a percentage of OTC staking they now account for c.10% (vs 15H1 c.4%). Staking grew over 160% and whilst there is inevitably a degree of substitution, there is meaningful net incremental growth which we estimate to be c.30%. BetStation are now a core part of the retail environment and during the Euros we enjoyed our first ever £5 million staking week.

Multi-channel has been one of the four key pillars of the Ladbrokes strategy. We have delivered over 100,000 actives from a standing start last August with 79,000 recruited in this H1. The recent Euros saw us promote our multichannel product with over 13,000 new actives generated during this period. Retail customers converted to multi-channel continue to be more valuable than purely digital customers.

Our success in recruiting customers has been through improving the customer experience and motivating our retail colleagues who are the most effective sales people for our digital product. Over 9,400 colleagues have been rewarded so far with over 170 earning an additional £1,000 plus for their hard work.

Our strategy for machines' growth remains simple as we look to encourage low staking, recreational use with net revenue up 5.3%. We continue to develop our responsible gambling measures and along with industry partners we have introduced a range of responsible gambling features to our machines product. Ultimately, the combination of a rigorous approach to responsible machine play coupled with a clear focus on slots games and B3 play are providing a more sustainable income for the business.

Underpinning all of the encouraging results and customer trends we have seen in UK Retail has been the embedding of a sporting passion culture that is returning to our colleagues across the country. We will continue to work hard to ensure that our people share the sporting passion of our customers, allowing them to engage more authentically with each other and deliver a first rate High Street service.

Digital

Total digital net revenue increased by 40.9% to £158.1m (H1 2015: £112.2m) as customers responded to our improved brand presence, product quality and stability, and the business benefitted from favourable sporting results.

In Ladbrokes.com, we have increased our marketing spend and the improvements to our products in H1 have been driven by a customer-focus rather than a technology-focus. We have deliberately steered clear of major capital projects. Our products have evolved to reflect changing customer demands and align the Ladbrokes experience to their own expectations. The response has been positive.

During H1, Sportsbook delivered a 10th consecutive quarter of year on year growth with staking up 19.5% (30.4% adjusted for significant HVC activity in H1 2015) and actives up 38.4%. The encouraging numbers stem from a simple approach focused on three key areas: mobile growth, bet in play and football. The share of staking from mobile is now 77.8% and football growth is 50.6% whilst bet-in-play growth is 43.6% when adjusted for significant HVC activity in H1 2015.

We have also expanded our coverage of other sports: while the likes of tennis, golf and cricket remain popular, basketball is now the fourth most popular sport in our Sportsbook. The revenue derived from sports such as basketball are especially encouraging as the breadth of our recreational customer base is widened and we become less reliant on HVCs and major sporting events to deliver positive numbers.

In H1, Gaming enjoyed its 7^{th} consecutive quarter of year on year net revenue growth with positive trends across all key products. The consistent growth in Gaming actives is now being seen in net revenue (H1 up 26.8%) while delivering our non-negotiable position on responsible gambling: we have planned thoroughly for the impact of the changes such as time outs and auto self-exclusions required to fulfil our Responsible Gambling obligations and remain comfortable that their impact is in line with our expectations.

As one of our four key pillars for successful delivery of the strategy, we are pleased to see that Australia has delivered another strong set of numbers. A differentiated approach compared to our competitors Down Under has allowed us to capitalise on the excellence of our product, and the entrepreneurial abilities of our management team have been supported by a higher intensity of marketing activity. As a result, year on year revenue on a local currency basis increased by 41.5%, driven by a 70.6% increase in active customers and staking growth of 53.7%.

While Australia experiences a period of regulatory uncertainty, such as the changes to the bet-in-play product, we continue to view it as a very attractive market. Our team have led the Australian bookmaking field in delivering innovative products to customers, such as Odds Boost which up to 80% of our daily customers are taking advantage of and InfoHub which helps to make Ladbrokes the go-to bookmaker in Australia for a data-rich experience.

European Retail (local currency)

In Belgium retail, our investment in SSBTs and virtual products helped to account for staking growth of 14.3%. A slight increase in gross win margin to 20.2% helped deliver a net revenue increase of 17.7%.

Our Republic of Ireland business has seen the benefits of a more competitive estate following the Examinership process last year. Our ‘value proposition’ work has helped us reposition the brand for our Irish audience. On a like for like basis, the reduced estate of 142 shops saw staking grow 9.7%. We have invested in BetStation and the rollout of multi-channel and are encouraged by the customer response.

We continue to invest in Spain with launches in three new regions, Cantabria, Asturias and Meilla helping to explain a small EBIT loss. Our Sportium retail JV had staking growth of 41.4% and gross win growth of 38.7% which reassures us that the Spanish business will emerge from this investment phase to contribute positively to the bottom line.

Regulation Developments

While our central strategy is on delivering growth, building scale and returning value to shareholders, we are clear that we have two non-negotiables in our approach: health and safety and responsible gambling.

As part of this commitment we have undertaken a review of our approach to health and safety throughout the business. We have begun to roll out the move to single scheduling as a voluntary only policy in the evenings. Having reviewed the practical application of the policy, expected costs will be higher than planned. We are on track to have this policy operating across the UK retail estate by October. We remain convinced it is the right decision for the business.

As part of our commitment to responsible gambling we have continued to develop our retail algorithm which identifies changes in behaviour indicating potential problem gambling and assist in helping customers keep their gambling fun. It now covers all customers using cards in our retail estate on both machines and OTC products. We have now begun to develop our responsible gambling facility in Gateshead and expanded the team there to grow our ability to track multi-channel players as well as build our analytical capability. We recently had our retail algorithm independently assessed and have been making improvements to its operations based on this work. We are now looking at ways to improve our recently launched Digital matrix.

We have continued our membership of Senet and played a key role in the wider industry self-exclusion pilot scheme roll out in Q2 this year. We have also introduced industry initiatives such as a reduction in the auto pop-up time limit from 30 to 20 minutes and a stake auto pop-up reduction from £250 to £150 on our machines.

The Board have once again signed off responsible gambling remuneration targets for 2016 and we believe we are the only company in the industry to do so.

In Belgium, regulatory uncertainty over virtual betting remains, but we do not expect this to have any material impact in the remainder of the financial year.

Australia has seen several bursts of regulatory activity with the New South Wales Government banning greyhound racing in July and the lack of clarity around the legality of the bet-in-play product being decided with a ban earlier in the period. While regulatory complexity will continue in Australia, neither of these two decisions is viewed as having a major impact on our business.

Merger Update

While our organic strategy continues to deliver we also have the exciting opportunity provided by the potential merger with the Coral Group.

The recent publication of the final conclusions by the CMA that the merger can proceed subject to 350-400 shop disposals to ease competition concerns is a significant step forward for the merger. We are now engaging with potential buyers and remain hopeful that a competitive process can be successfully completed by the end of Q3. The timetable from then would be for completion in autumn with significant restructuring of the organisation taking place in Q4.

Trading Update and Outlook

Our H1 results give us encouragement that our strategy is working. The traditional relationship between staking and favourable results was not so evident in H1 and although we enjoyed the better of the sporting results we were even more pleased to see the customer continuing to respond to the delivery of our strategy.

H2 has started much like H1 2016. We have had a strong finish to Euro 2016, whereas the Goodwood and Galway festivals have heavily favoured customers. For the five week period ended 2 August 2016, Group net revenue (excluding High Rollers) was up 14.5% year on year.

2016 is a year of investment in growing our recreational customer base and the Group will therefore elect to invest a proportion of incremental profit in further customer acquisition. Taking into account our H1 performance, management's expectations for the current financial year have increased slightly.

We are confident that our business is in a better position than it was to withstand the vagaries of sporting results. There remains much to do, notwithstanding the merger, to ensure Ladbrokes remains where we want to be as we head towards 2017 with sustained confidence.

Unaudited interim results for the half year ended 30 June 2016

	Half year ended 30 June 2016 £m	Half year ended 30 June 2015 £m
Net revenue by segment:		
UK Retail	436.6	410.5
Digital	158.1	112.2
European Retail	64.4	60.0
Core Telephone Betting	2.7	2.7
Group net revenue (exc. High Rollers)	661.8	585.4
High Rollers	-	3.4
Group net revenue	661.8	588.8
Group operating profit [1] (exc. High Rollers)	52.3	38.9
Group operating (loss)/profit [1] from High Rollers	(0.1)	2.8
Profit before net finance expense, tax and exceptional items	52.2	41.7
Operating exceptional items[2]	(14.5)	(78.9)
Profit/(loss) before net finance expense and tax	37.7	(37.2)
Net finance expense	(12.5)	(14.2)
Profit/(loss) before tax	25.2	(51.4)
Income tax (expense)/credit [3]	(4.5)	10.0
Profit/(loss) after tax	20.7	(41.4)

(1) *Operating profit is defined as profit before tax, net finance expense and exceptional items. Exceptional items before finance expense and taxation were £14.5m (2015: £78.9m).*

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

(3) *Income tax includes a credit of £0.4m on exceptional items (2015: credit of £12.8m).*

Business Review

1. UK Retail

	Half year ended 30 June 2016	Half year ended 30 June 2015	Year on year change
	£m	£m	
- OTC amounts staked	1,146.3	1,145.4	0.1%
- Machines amounts staked	5,948.5	5,898.4	0.8%
Amounts staked	7,094.8	7,043.8	0.7%
- OTC gross win	202.8	185.4	9.4%
- Machines gross win	241.5	230.7	4.7%
Gross win	444.3	416.1	6.8%
Adjustments to gross win (1)	(7.7)	(5.6)	(37.5)%
- OTC net revenue	197.6	183.5	7.7%
- Machines net revenue	239.0	227.0	5.3%
Net revenue	436.6	410.5	6.4%
Gross profits tax	(29.9)	(27.2)	(9.9)%
Machine Games Duty	(59.6)	(53.0)	(12.5)%
	347.1	330.3	5.1%
Associate income	1.8	1.6	12.5%
Operating costs	(285.4)	(275.0)	(3.8)%
Operating profit (2)	63.5	56.9	11.6%

(1) *Fair value adjustments, free bets.*
(2) *Before exceptional items.*
(3) *Greyhound tracks account for £6.0m of amounts staked and £3.9m of gross win in 2016 (2015: £5.6m amounts staked and £3.6m gross win).*

H1 delivered a strong margin led OTC performance and machines growth. Net revenue for the period was 6.4% higher supported by strong growth in BetStation and operating profit increased 11.6% despite the increased rate of Machine Games Duty. OTC staking continued to prove resilient, growing 1.3% on a like for like basis despite higher margins, primarily in football. Staking in traditional racing products continued to decline exacerbated by a rise in the number of UK horse racing cancellations.

OTC gross win margin of 17.4% (H1 2015: 16.0%) benefitted from our continued focus on football, the unpredictability of the Premier League and favourable results in Euro 2016 which more than offset customer friendly Cheltenham and Royal Ascot festivals.

Staking through BetStation, which is included in OTC, grew 164.4% reflecting the enlarged BetStation estate and strong customer adoption. BetStation now represent c.10% of OTC staking (H1 2015: c.4%) with over 75% of staking coming from football. At 30 June 2016 there were 6,458 BetStation (H1 2015: 2,810).

We have continued to drive our multi-channel offer, signing up an additional 79,000 digital customers in H1 2016.

Machines net revenue grew 5.3% driven by our sustained focus on introducing and promoting lower staking slots and B3 content. Machine gross win per terminal per week in H1 2016 was £1,083 (H1 2015: £1,022).

Operating costs increased by 3.8% or by 5.3% on a like for like basis reflecting higher revenue share payments on machines and BetStation, higher staff costs from the impact of the National Living Wage, implementation of voluntary single scheduling as well as higher colleague bonus charges owing to the strong performance in H1. Marketing costs were higher by 13.6% reflecting our investment in customer acquisition through our multi-channel programme. We expect full year operating costs to increase c.4-5%.

In H1 2016, we closed 6 shops as we improve the quality of our estate and remove, where commercially sensible, loss making shops from the portfolio. Our target for 2016 remains c.25 closures excluding the impact of the proposed merger.

At 30 June 2016, there were 2,147 shops in Great Britain (30 June 2015: 2,169). At 30 June 2016 there were 8,560 gaming machines (30 June 2015: 8,643) reflecting shop closures.

2. Digital

The Digital segment comprises all of our Digital operations including Ladbrokes.com and digital Exchanges; Ladbrokes Australia; and other regulated operations including our operations in Belgium and our digital joint venture Sportium.es.

In H1 2016, Digital net revenue increased by 40.9% to £158.1m (H1 2015: £112.2m) reflecting strong underlying KPIs and favourable sporting results mainly in the U.K. However, as a result of the sustained marketing investment in H1, in line with our strategic plan, we recorded an operating loss before exceptional items, including our share of the digital joint venture Sportium.es, of £9.6m albeit an improvement on H1 2015.

Ladbrokes.com and Exchanges

	Half year ended 30 June 2016	Half year ended 30 June 2015	Year on year change
	£m	£m	%
Net revenue			
- Sportsbook	58.3	34.5	69.0%
- Gaming	54.9	43.3	26.8%
- Exchanges	6.4	6.8	(5.9)%
Net revenue	119.6	84.6	41.4%
Betting tax	(1.1)	(0.4)	(175.0)%
POC tax	(18.7)	(12.6)	(48.4)%
Operating costs	(109.4)	(82.6)	(32.4)%
Operating loss (1)	(9.6)	(11.0)	12.7%

(1) Before exceptional items.

Sportsbook staking increased by 19.5% (up 30.4% excluding the impact of significant HVC activity in Q1 2015) and sportsbook actives were up 38.4%. Mobile staking increased by 44.5% and represented 77.8% of H1 sportsbook staking. The gross win margin of 7.7% benefitted from favourable results, primarily in football, and as a result sportsbook net revenue increased by 69.0% (up 48.0% excluding the impact of significant HVC activity in Q1 2015).

Gaming saw its seventh consecutive quarter of year on year net revenue growth with positive trends across all products. Net revenue was up 26.8% to £54.9m benefitting from increased cross-sell and CRM.

Revenue from Betdaq and the Ladbrokes Exchange declined by 5.9% in H1 2016.

Operating costs increased by 32.4% to £109.4m (H1 2015: £82.6m) reflecting the increased marketing investment in line with our strategic plan. Fixed costs increased by £4.0m, primarily as a result of higher streaming and staff costs. Ladbrokes.com and Exchanges marketing expense in H1 was 35.5% of net revenue (H1 2015: 28.4%).

Despite net revenue being up 41.4% increased marketing investment resulted in Ladbrokes.com and Exchanges having an operating loss of £9.6m (2015: loss £11.0m).

Australia

	Half year ended 30 June 2016 £m	Half year ended 30 June 2015 £m	Year on year change (reported) %	Year on year change (local currency) %
Net revenue	35.5	25.4	39.8%	41.5%
Operating profit[1]	2.1	2.7	(22.2)%	(23.1)%

[1] Before exceptional items.

Our Australian business operates under the Ladbrokes, Bookmaker and Betstar brands. The increased marketing investment outlined in the strategy coupled with innovative product offerings such as InfoHub has enabled Ladbrokes Australia to continue to successfully build market share.

On a local currency basis, staking increased by 53.7% driven by a 70.6% increase in active customers and net revenue increased by 41.5% on a 9.8% gross win margin (H1 2015: 9.6%).

Other Regulated Operations

	Half year ended 30 June 2016 £m	Half year ended 30 June 2015 £m	Year on year change %
Net revenue	3.0	2.2	36.4%
Operating loss[1][2]	(2.1)	(3.2)	34.4%

[1] Before exceptional items.
[2] Includes £0.6m share of loss from Sportium.es joint venture (2015: £0.7m loss).

Other regulated operations includes our digital activities in Belgium and Spain (JV).

Belgium net revenue increased to £3.0m (H1 2015: £2.1m) however we incurred start up losses as we continue to invest and capitalise on our large retail presence in Belgium. Belgium actives were up 37.7%. In June, the Belgian federal government announced that on-line gaming will be subject to a 21% VAT which will come into force in August 2016. We expect this will have a small negative impact for 2016 as we will be able to recover input VAT.

Our digital joint venture with Sportium generated revenue growth of 59.6% on increased actives of c.88,000, up 24.5% and again incurred a development phase operating loss.

3. European Retail

European Retail comprises our operations in Belgium, Spain and Ireland which are discussed in detail below. European Retail revenue was up 7.3% and operating profit before exceptional items was £8.9m, up 43.5% on H1 2015.

Belgium Retail

	Half year ended 30 June 2016	Half year ended 30 June 2015	Year on year change (reported)	Year on year change (local currency)
	£m	£m	%	%
Amounts staked	158.2	134.3	17.8%	14.3%
Net revenue	32.0	26.4	21.2%	17.7%
Betting tax	(4.8)	(4.0)	(20.0)%	(16.7)%
Gross profit	27.2	22.4	21.4%	17.5%
Operating costs	(22.5)	(17.9)	(25.7)%	(22.4)%
Operating profit (1)	4.7	4.5	4.4%	-

(1) Before exceptional items.

In Belgium, our investment in SSBTs and virtual products helped deliver staking growth of 17.8%. Gross win margin increased 0.5ppts to 20.2% translating into net revenue growth of 21.2%. Operating costs were up 25.7% with SSBTs and virtual revenue share and night opening costs being the key drivers. Operating profit at £4.7m was up £0.2m.

As at 30 June 2016 there were a total of 456 outlets including both Ladbrokes shops and newsagent outlets (30 June 2015: 447).

Spain Retail

	Half year ended 30 June 2016	Half year ended 30 June 2015	Year on year change
	£m	£m	%
Operating loss (1)	(0.2)	(0.8)	75.0%

(1) Before exceptional items.

Our Sportium retail joint venture had staking growth of 41.4% and gross win growth of 38.7%. There was growth across all existing regions and our continued investment in existing regions as well as launching into new regions meant we incurred a small operating loss.

Sportium Retail was launched into 3 new regions in the first half and as at 30 June 2016, Sportium services were available from a total of 1,672 outlets (30 June 2015: 1,291).

Ireland Retail

	Half year ended 30 June 2016	Half year ended 30 June 2015	Year on year change
	£m	£m	%
- OTC amounts staked	218.1	235.9	(7.5)%
- Machines amounts staked	74.4	68.5	8.6%
Amounts staked	292.5	304.4	(3.9)%
- OTC gross win	30.3	31.4	(3.5)%
- Machines gross win	3.0	2.7	11.1%
Gross win	33.3	34.1	(2.3)%
Net revenue	32.4	33.6	(3.6)%
Betting tax	(3.1)	(3.2)	3.1%
Machine Games Duty	(0.8)	(0.6)	(33.3)%
Gross profit	28.5	29.8	(4.4)%
Operating costs	(24.1)	(27.3)	11.7%
Operating profit [(1)]	4.4	2.5	76.0%

[(1)] Before exceptional items.

Our Irish business saw OTC staking decline 7.5% reflecting the smaller estate of shops in the Republic of Ireland following the conclusion of the Examinership process in July last year. On a like for like basis, the reduced estate saw staking grow 9.7% and net revenue increased 2.0%.

Product trends in Northern Ireland were similar to the UK and operating profit was slightly down on last year mainly due to adverse horse racing results.

Overall Ireland operating profit at £4.4m was up 76.0% on H1 2015 reflecting the Republic of Ireland's return to profitability vs. H1 2015. At 30 June 2016 there were 77 shops in Northern Ireland (30 June 2015: 79) and 142 shops in the Republic of Ireland (30 June 2015: 192).

4. Telephone Betting

	Half year ended 30 June 2016	Half year ended 30 June 2015	Year on year change
	£m	£m	%
Amounts staked	49.8	56.0	(11.1)%
Net revenue	2.7	2.7	-
Gross profits tax	(0.5)	(0.1)	(400.0)%
Operating costs	(3.0)	(3.1)	3.2%
Operating loss [(1)]	(0.8)	(0.5)	(60.0)%

[(1)] Before exceptional items

Telephone Betting continues its long term decline with many customers migrating to digital products and platforms. Amounts staked declined by 11.1% on H1 2015 but with gross win margins higher at 5.8% (H1 2015: 5.2%) net revenue was flat and the business recorded a small operating loss.

5. High Rollers

High Rollers generated an operating loss for the period of £0.1m (H1 2015 profit: £2.8m).

6. Quarterly Trends Table

YoY (except where stated)	**Q1 2015**	**Q2 2015**	**Q3 2015**	**Q4 2015**	**Q1 2016**	**Q1 2016 excluding HVC[(1)]**	**Q2 2016**
UK Retail							
OTC Amounts Staked	(4.8)%	(5.6)%	+1.6%	+1.1%	(1.3)%	na	+1.4%
SSBT % OTC staking	3.5%	3.6%	5.3%	8.3%	9.8%	na	9.3%
OTC Gross Win Margin	15.7% (0.5)pp	16.2% (0.3)pp	15.5% (1.5)pp	17.3% +1.7pp	17.5% +1.8pp	na	17.4% +1.2pp
Machine Gross Win growth	+12.2%	+4.3%	+4.6%	+3.7%	+1.5%	na	+7.9%
Machine Gross Win per shop per week	+16.4%	+8.7%	+8.6%	+6.4%	+4.1%	na	+9.3%
Total Net Revenue	+4.3%	(1.7)%	(1.0)%	+6.5%	+4.1%	na	+8.6%

Ladbrokes.com plus Exchanges[(2)]							
Total Net Revenue	(8.4)%	(5.5)%	+5.7%	+25.1%	+57.2%	+38.4%	+29.5%
Sportsbook Net Revenue	(31.5)%	(23.0)%	(0.5)%	+53.8%	+122%	+59.0%	+39.4%
Sportsbook Amounts Staked	+28.8%	+12.7%	+34.1%	+43.9%	+12.4%	+35.2%	+26.5%
Mobile Sportsbook Amounts Staked	+62.7%	+66.5%	+69.0%	+77.3%	+57.6%	na	+35.0%
Sportsbook Actives	+18.5%	(5.4)%	+1.7%	+25.5%	+27.8%	na	+42.4%
Sportsbook Gross Win Margin	4.0% (2.5)pp	6.3% (2.8)pp	6.8% (2.1)pp	7.0% +0.5pp	7.9% +3.9pp	7.9% +1.6pp	7.5% +1.2pp
Gaming Net Revenue	+13.0%	+19.1%	+11.5%	+10.3%	+27.3%	na	+26.3%
Gaming Actives	+34.5%	+13.2%	+29.4%	+41.5%	+43.8%	na	+50.6%

Ladbrokes Australia (AUD)[(3)]							
Net Revenue	+132%	+73.6%	+26.3%	+76.3%	+38.4%	na	+44.4%
Sportsbook Amounts Staked	+77.8%	+52.7%	+61.4%	+63.0%	+51.5%	na	+55.7%
Sportsbook Actives	+138%	+65.9%	+88.8%	+60.2%	+86.9%	na	+66.8%
Sportsbook Gross Win Margin	9.8% +2.4pp	9.5% +0.8pp	8.3% (1.2)pp	11.3% +1.7pp	9.8% flat	na	9.8% +0.3pp

Notes:

(1) Adjusted for the impact of losses following significant HVC activity in Q1 2015
(2) Sportsbook and Gaming are related to Ladbrokes.com only
(3) Local currency basis; Australia quarterly data as reported, not pro forma

Financial review

Trading summary

Revenue recognition – reconciliation to gross win

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

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

	Half year ended 30 June 2016 £m	Half year ended 30 June 2015 £m
Gross win	723.5	628.0
Adjustments [1]	(58.1)	(36.6)
GST	(3.6)	(2.6)
Revenue	661.8	588.8

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

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

	Half year ended 30 June 2016		Half year ended 30 June 2015	
	Gross win £m	Net revenue £m	Gross win £m	Net revenue £m
UK Retail	444.3	436.6	416.1	410.5
Digital	211.0	158.1	145.1	112.2
European Retail	65.3	64.4	60.5	60.0
Telephone Betting	2.9	2.7	2.9	2.7
High Rollers	-	-	3.4	3.4
Total	723.5	661.8	628.0	588.8

Revenue

Group revenue increased by £73.0m (12.4%) to £661.8m (H1 2015: £588.8m). Excluding High Rollers, revenue increased by £76.4m (13.1%) to £661.8m (H1 2015: £585.4m).

The increase is mainly attributable to higher Digital Sportsbook staking, higher UK Retail OTC and Digital sportsbook gross win margins, strong growth in machine performance in UK Retail, improved gaming performance in Digital and the Euro 2016 Championship.

Operating profit [1]

Operating profit increased by £10.5m (25.2%) to £52.2m (H1 2015: £41.7m).

Operating profit is stated after depreciation and amortisation of £39.6m (H1 2015: £39.1m). The Group expects full year depreciation and amortisation charge to be in the range of £82-84m.

Excluding High Rollers, operating profit [1] increased by £13.4m (34.4%) to £52.3m (H1 2015: £38.9m) reflecting increased profits from all segments apart from Telephone Betting.

Margins in H1 have benefitted from results and were ahead of our expectations. Therefore, the 40:60 guidance for H1:H2 operating profit we provided in February 2016 is no longer applicable.

Corporate costs

Before exceptional items, total corporate costs decreased by £2.5m to £9.7m (H1 2015: £12.2m). The decrease is primarily due to the inclusion of redundancy costs in relation to the International head office team in the comparable period and reversal of provisions in the current period.

The Group expects corporate costs before exceptional items for 2016 to be broadly in line with the charge in the full year ended 31 December 2015.

Finance expense

Before exceptional items, net finance expense of £12.5m was £1.7m lower than last year (H1 2015: £14.2m) reflecting a lower average net debt in the period.

Profit before tax

The improved trading performance has resulted in a 44.4% increase in first half profit before taxation and exceptional items to £39.7m (H1 2015: £27.5m).

Exceptional items before tax

Total exceptional items before tax of £14.5m (H1 2015: £78.9m) comprises the following:

- £5.6m in relation to transaction costs relating to the proposed merger with the Coral Group (H1 2015: £3.8m)
- £6.5m in relation to integration planning costs relating to the proposed merger with the Coral Group
- £3.4m in relation to provisions for contract disputes
- £0.8m credit in relation to closure of shops in the UK and Ireland (H1 2015: charge of £17.1m) following release of provision in respect of prior year closures
- £0.2m credit relating to the re-measurement of the contingent considerations in respect of business combinations from 2014 (H1 2015: £1.8m credit)

In H2, the Group expects to incur further exceptional items from UK shop closures, transaction advisory and financing fees in respect of the proposed merger with Coral Group, as well as merger related integration planning costs.

Taxation

The Group taxation charge before exceptional items was £4.9m. This represents an effective tax charge of 12.3% (H1 2015: 10.2%). There was a tax credit of £0.4m in relation to exceptional items in H1 2016 (H1 2015: £12.8m credit). The estimate of the full year effective taxation rate remains broadly in line with previous guidance to the market in February 2016.

Dividend

The Board today announces an interim dividend of 1.0 pence per share. The dividend will be payable on 10 November 2016 to shareholders on the register on 23 September 2016.

Earnings per share (EPS)

Underlying
EPS (before exceptional items and High Rollers) increased by 41.7% to 3.4 pence (H1 2015: 2.4 pence), reflecting the increased profit before tax and exceptional items.
Statutory
EPS (before exceptional items) increased 25.9% to 3.4 pence (H1 2015: 2.7 pence), reflecting the increased profit before tax. EPS (including the impact of exceptional items) was 2.0 pence (H1 2015: (4.5) pence). Fully diluted EPS (including the impact of exceptional items) was 2.0 pence (H1 2015: (4.5) pence) after adjustment for outstanding share options.

Cash flow, capital expenditure, borrowings and banking facilities

Cash generated by operations was £117.0m. After net finance expense paid of £14.1m, income taxes received of £34.6m and £31.8m incurred on capital expenditure and intangible additions; cash inflow was £105.7m. Post dividend payment of £20.3m and other net cash outflows of £8.5m, net debt at the end of the period decreased by £76.9m.

The Group expects capital expenditure for full year ended 31 December 2016 to be in the range of £90-£95m.

At 30 June 2016, gross borrowings of £323.6m and lease liabilities of £4.6m less the net of cash and short-term deposits of £101.0m resulted in a net debt of £227.2m (31 December 2015: £304.1m).

Going concern

In assessing the going concern basis, the directors considered the Group's business activities, the financial position of the Group and the Group's financial risk management objectives and policies. The directors consider that the Group has adequate resources to continue in operational existence and that it is therefore appropriate to adopt the going concern basis in preparing the unaudited interim financial statements for the half year ended 30 June 2016.

[1] *Profit before tax, net finance expense and exceptional items.*

Principal risks and uncertainties

Key risks are reviewed by the Executive Committee (made up of executive directors and senior management) and the Audit Committee advises the Board of Ladbrokes plc on a regular basis and where appropriate, actions are taken to mitigate the key risks that are identified. The Board has overall responsibility for risk management as an integral part of strategic planning.

The principal risks and uncertainties which could have a significant effect on the Group are as follows:

Strategy

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

Principal risks faced by Ladbrokes that are comparable to those faced by most other businesses and not set out in any order of priority:

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

Marketplace and operational

Changes in the general economic environment, changes in consumer leisure spend, and international expansion could impact demand for the Group's products and services. Whist the UK's decision to exit the European Union has currently caused economic and political uncertainty, the Group has not noted any material adverse changes in customer behaviour. The vote has also led to a weakening of Sterling and to date this has not had a material impact on the Group's results. The uncertainty and market volatility seems likely to continue for a period of time and the Group's Executive Committee continues to monitor political developments to identify and assess medium to long term implications of the UK exiting the European Union and the impact that it may have on our business.

Financial

The costs of borrowing, taxation and the pension fund liability could increase and/or debt financing could cease to be available. The Group is subject to risks resulting from currency and interest rate fluctuations.

Specific risks which are either unique or material to Ladbrokes or apply to the industry it operates in and not set out in any order of priority:

Betting and gaming industry

Taxes, laws, regulations, licensing and regulatory compliance

Taxes, laws and regulatory, licensing, legislative and fiscal regimes for betting and gaming in key markets around the world can change, sometimes at short notice. Such changes could benefit or have an adverse effect on Ladbrokes and additional costs might be incurred in order to comply with any new laws or regulations. In addition, Ladbrokes' systems and controls to ensure regulatory compliance (including in relation to anti-money laundering) may fail or be found to be inadequate, which could result in criminal or civil claims.

Increased cost of product

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

Operational and bookmaking

Trading, liability management and pricing

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

Loss of key locations

Ladbrokes has a number of key sites, in particular Imperial House at Rayners Lane in London, its head office and main operations centre, its premises in Europort in Gibraltar from where online betting and gaming operations are based, and in Tel Aviv, Israel from where our Digital marketing operates and our operations in Australia. The unplanned unavailability of any of the key sites could have an adverse effect on the Group.

Recruitment and retention of key employees and succession planning

There is competition in the betting and gaming industry for skilled personnel. The loss of any of the Group's key personnel or inability to continue to recruit, motivate and retain highly experienced and qualified employees could have an adverse effect on the Group.

Information technology and communications

Technology failure

Ladbrokes' operations are highly dependent on technology and advanced information systems and there is a risk that such technology or systems could fail or be subject to cyber attacks or be disrupted. 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. In addition, technological developments could require upgrades or replacement of the Group's technology and systems.

Data management

Ladbrokes processes a large amount of sensitive personal customer data (including name, address, age, bank details and betting and gaming history) as part of its business and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates. Ladbrokes is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation including the new General Data Protection Regulation (EU) (GDPR) when such regulation comes into force in 2018. This could also result in prosecutions including financial penalties and the loss of the goodwill of its customers and could deter new customers.

Failure in the supply chain

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

Marketplace

Competition

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

Health and Safety

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

Further information in relation to these principal risks and uncertainties can be found on pages 26 and 30 of the Group's Annual Report and Accounts 2015.

Statement of Directors' Responsibilities

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

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

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

By order of the Board

J J Mullen	J Kelly
Chief Executive	Chairman

3 August 2016

Independent review report to Ladbrokes plc

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed Ladbrokes plc's condensed consolidated financial statements (the "interim financial statements") in the interim report of Ladbrokes plc for the 6 month period ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2016;
- the condensed consolidated income statement and statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
3 August 2016

Notes:

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

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

Unaudited financial statements
Interim consolidated income statement

	Half year ended 30 June 2016			Half year ended 30 June 2015		
	Before exceptional items £m	Exceptional items[1] £m	Total £m	Before exceptional items £m	Exceptional items[1] £m	Total £m
Revenue	661.8	-	661.8	588.8	-	588.8
Operating expenses before depreciation and amortisation	(572.1)	(13.5)	(583.4)	(509.2)	(10.2)	(519.4)
Share of results from joint venture and associates	2.1	-	2.1	1.2	-	1.2
Depreciation, amortisation and amounts written off non-current assets	(39.6)	(1.0)	(42.8)	(39.1)	(68.7)	(107.8)
Profit / (loss) before tax and net finance expense	52.2	(14.5)	37.7	41.7	(78.9)	(37.2)
Finance expense	(13.3)	-	(13.3)	(14.2)	-	(14.2)
Finance income	0.8	-	0.8	-	-	-
Profit / (loss) before tax	39.7	(14.5)	25.2	27.5	(78.9)	(51.4)
Income tax (expense) / credit	(4.9)	0.4	(4.5)	(2.8)	12.8	10.0
Profit / (loss) for the period	34.8	(14.1)	20.7	24.7	(66.1)	(41.4)
Attributable to:						
- equity holders of the parent	34.8	(14.1)	20.7	24.7	(66.1)	(41.4)
- non-controlling interests	-	-	-	-	-	-
	34.8	(14.1)	20.7	24.7	(66.1)	(41.4)
Earnings per share on profit / (loss) for the period:						
- basic	3.4p	-	2.0p	2.7p	-	(4.5)p
- diluted	3.4p	-	2.0p	2.7p	-	(4.5)p
Proposed dividends	1.0p	-	1.0p	1.0p	-	1.0p

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

Interim consolidated statement of comprehensive income

	Half year ended 30 June 2016 £m	Half year ended 30 June 2015 £m
Profit / (loss) for the period	20.7	(41.4)
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss:		
Currency translation differences	11.4	(8.2)
Total items that will be reclassified to profit or loss	11.4	(8.2)
Items that will not be re-classified to profit or loss:		
Re-measurement of defined benefit pension scheme	15.5	3.1
Tax on re-measurement of defined benefit pension scheme	(2.8)	(0.6)
Total items that will not be reclassified to profit or loss	12.7	2.5
Other comprehensive income / (expense) for the period, net of tax	24.1	(5.7)
Total comprehensive income / (expense) for the period	44.8	(47.1)
Attributable to:		
- equity holders of the parent	44.8	(47.1)
- non-controlling interests	-	-

Interim consolidated balance sheet

	30 June 2016 £m	31 December 2015 £m
ASSETS		
Non-current assets		
Goodwill and intangible assets	682.5	674.3
Property, plant and equipment	173.6	177.9
Interest in joint venture	13.9	11.5
Interest in associates and other investments	24.1	21.3
Other financial assets	8.0	11.4
Deferred tax assets	8.0	0.7
Retirement benefit asset	93.5	76.3
	1,003.6	973.4
Current assets		
Trade and other receivables	61.9	53.5
Corporation tax recoverable	4.8	47.1
Derivative financial instrument	-	0.2
Cash and short-term deposits	149.5	68.4
	216.2	169.2
TOTAL ASSETS	**1,219.8**	**1,142.6**
LIABILITIES		
Current liabilities		
Interest bearing loans and borrowings	(224.6)	-
Trade and other payables	(293.5)	(242.4)
Corporation tax liabilities	(4.8)	(4.2)
Lease liabilities	(1.5)	(4.9)
Provisions	(11.1)	(9.2)
	(535.5)	(260.7)
Non-current liabilities		
Interest bearing loans and borrowings	(99.0)	(323.1)
Other financial liabilities	(35.4)	(35.6)
Deferred tax liabilities	(59.6)	(52.7)
Lease liabilities	(3.1)	(4.4)
Provisions	(3.5)	(9.6)
	(200.6)	(425.4)
TOTAL LIABILITIES	**(736.1)**	**(686.1)**
NET ASSETS	**483.7**	**456.5**
EQUITY		
Issued share capital	297.6	297.5
Share premium	303.1	302.9
Treasury and own shares	(111.3)	(112.3)
Retained earnings	(13.6)	(28.1)
Foreign currency translation reserve	7.8	(3.6)
Equity shareholders' funds	**483.6**	**456.4**
Non-controlling interests	0.1	0.1
TOTAL SHAREHOLDERS' EQUITY	**483.7**	**456.5**

Interim consolidated statement of changes in equity

	Issued share capital £m	Share premium £m	Treasury and own shares £m	Retained earnings £m	Foreign currency translation reserve[1] £m	Attributable to the equity shareholders of the Company £m	Non-controlling interest £m	Total share-holders equity £m
At 1 January 2015	**270.5**	**214.9**	**(116.1)**	**20.1**	**2.2**	**391.6**	**0.1**	**391.7**
Loss for the period	-	-	-	(41.4)	-	(41.4)	-	(41.4)
Other comprehensive income/(expense)	-	-	-	2.5	(8.2)	(5.7)	-	(5.7)
Total comprehensive income	-	-	-	(38.9)	(8.2)	(47.1)	-	(47.1)
Issue of shares	-	0.1	-	-	-	0.1	-	0.1
Share-based payments charge	-	-	-	2.2	-	2.2	-	2.2
Net movement in shares held in ESOP trusts	-	-	1.2	(1.2)	-	-	-	-
Equity dividends	-	-	-	(42.1)	-	(42.1)	-	(42.1)
Non-controlling interests	-	-	-	-	-	-	-	-
At 30 June 2015	**270.5**	**215.0**	**(114.9)**	**(59.9)**	**(6.0)**	**304.7**	**0.1**	**304.8**
At 1 January 2016	**297.5**	**302.9**	**(112.3)**	**(28.1)**	**(3.6)**	**456.4**	**0.1**	**456.5**
Profit for the period	-	-	-	20.7	-	20.7	-	20.7
Other comprehensive income	-	-	-	12.7	11.4	24.1	-	24.1
Total comprehensive income	-	-	-	33.4	11.4	44.8	-	44.8
Issue of shares	0.1	0.2	-	-	-	0.3	-	0.3
Share-based payments charge	-	-	-	3.0	-	3.0	-	3.0
Net movement in shares held in ESOP trusts	-	-	1.0	(1.6)	-	(0.6)	-	(0.6)
Equity dividends	-	-	-	(20.3)	-	(20.3)	-	(20.3)
Non-controlling interests	-	-	-	-	-	-	-	-
At 30 June 2016	**297.6**	**303.1**	**(111.3)**	**(13.6)**	**7.8**	**483.6**	**0.1**	**483.7**

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

Interim consolidated statement of cash flows

	Notes	Half year ended 30 June 2016 £m	Half year ended 30 June 2015 £m
Net cash generated from operating activities	10	137.5	76.2
Cash flows from investing activities:			
Purchase of intangible assets		(16.9)	(13.8)
Purchase of property, plant and equipment		(14.9)	(13.6)
Proceeds from sales of plant, property and equipment		-	0.5
Purchase of interest in joint venture		(0.4)	(1.9)
Net cash used in investing activities		(32.2)	(28.8)
Cash flows from financing activities:			
Proceeds from issue of ordinary shares		0.3	0.1
Purchase of ESOP shares		(0.6)	-
Finance lease payments		(4.8)	-
Repayment of borrowings		-	(4.5)
Equity dividends paid	6	(20.3)	(42.1)
Net cash used in financing activities		(25.4)	(46.5)
Net increase in cash and cash equivalents		79.9	0.9
Effect of changes in foreign exchange rates		1.2	(0.6)
Cash and cash equivalents at beginning of the period		68.4	61.0
Cash and cash equivalents at end of the period		149.5	61.3
Cash and cash equivalents comprise:			
Cash and short-term deposits		101.0	24.0
Customer funds		48.5	40.3
Bank overdraft		-	(3.0)
		149.5	61.3

Notes to financial information

1. Corporate information

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

2. Basis of preparation

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

(b) The Group's annual financial statements for the year ended 31 December 2015 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 half year ended 30 June 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority.

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 2015 other than 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 3 August 2016 and is unaudited.

The financial information does not amount to full statutory accounts within the meaning of section 434 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 Ladbrokes plc for the year ended 31 December 2015 which was prepared in accordance with IFRS as adopted by the European Union and were filed with the Registrar of Companies. This report is available either on request from the Company's registered office or to download from www.ladbrokesplc.com. The auditors' report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

A number of amendments to IFRSs became effective for the financial year beginning 1 January 2016 however these have had no material impact on the financial statements.

Notes to financial information

2. Basis of preparation (continued)

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

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

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

The exceptional items have been included within the appropriate classifications in the consolidated income statement.

3. Segment information

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

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

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

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

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

Notes to financial information

3. Segment information (continued)

The segment results for the half year ended 30 June 2016 were as follows:

	Revenue	Profit / (loss) before tax and exceptional items	Profit / (loss) before tax and after exceptional items
	£m	£m	£m
UK Retail	436.6	63.5	64.3
Digital	158.1	(9.6)	(12.8)
European Retail	64.4	8.9	8.9
Core Telephone Betting	2.7	(0.8)	(0.8)
High Rollers	-	(0.1)	(0.1)
Segment revenue and profit	661.8	61.9	59.5
Corporate costs		(9.7)	(21.8)
Profit before tax and net finance expense		52.2	37.7
Net finance expense		(12.5)	(12.5)
Group revenue and profit before tax	661.8	39.7	25.2

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

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

Assets and liabilities for reportable segments are not disclosed as they are not regularly reported to the chief operating decision maker.

Notes to financial information

4. Exceptional items

	Half year ended 30 June 2016 £m	Half year ended 30 June 2015 £m
Corporate transaction costs (1)	(5.6)	(3.8)
Integration planning costs (2)	(6.5)	-
Provision for contract disputes	(3.4)	-
Gain / (loss) on closure (3)	0.8	(17.1)
Fair value adjustment to contingent consideration (4)	0.2	1.8
Impairment loss	-	(58.3)
Examinership costs	-	(2.1)
Early termination of contract	-	(2.9)
European indirect tax liability	-	3.5
Total before tax	(14.5)	(78.9)
Exceptional tax credit	0.4	12.8
Total after tax	(14.1)	(66.1)

(1) The Group incurred £5.6m of costs in relation to the proposed merger with the Coral Group.
(2) Integration planning costs of £6.5m have been incurred in relation to the proposed merger with the Coral Group.
(3) The £0.8m gain on closure relates to UK Retail. This gain includes a loss on disposal of intangible assets of £0.7m, a loss on disposal of property, plant and equipment of £0.3m and release of £1.8m in respect of onerous lease provisions for prior shop closures.
(4) The fair value of the contingent consideration in respect of the business combinations with Playtech and Betdaq has been remeasured at 30 June 2016. This resulted in an overall credit to the income statement of £0.2m.

Operating expenses include corporate transaction costs, integration planning costs, the fair value adjustment to contingent consideration, the provision for contract disputes and a £1.8m credit relating to shop closures.

In addition to the defined exceptional items, set out in note 2, the Group considered the integration planning costs and a provision in relation to contract disputes to be of sufficient materiality, to be separately identified, and of a nature unrelated to the underlying trading performance of the Group in the half year.

5. Taxation

The tax charge for the half year ended 30 June 2016 was £4.5m (30 June 2015: credit of £10.0m) of which a credit of £0.4m (30 June 2015: credit of £12.8m) related to exceptional items.

In 2015 it was announced that the standard rate of UK Corporation Tax will be reduced from 20% to 19% from 1 April 2017, with a further reduction to 18% from 1 April 2020. However, the Chancellor, in his Budget on 16 March 2016, announced that the main rate of corporation tax will be cut further to 17% from 1 April 2020.

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 18%; applicable at the balance sheet date. Whilst detailed calculations have not been prepared at this stage, it is estimated that the impact of the future corporation tax rate reductions to 17% would be to reduce the deferred tax liabilities by approximately £4.0m and to reduce the deferred tax assets by approximately £1.2m.

Net deferred tax liability of £51.6m consists of £20.7m of deferred tax asset which has been offset against a deferred tax liability of £72.3m due to the right of offset.

Notes to financial information

6. Dividends

	Half year ended 30 June 2016 Pence	Half year ended 30 June 2015 Pence
Interim	1.0	1.0
	1.0	1.0

An interim dividend of 1.0 pence per share (30 June 2015: 1.0 pence) was declared by the directors at their meeting on 2 August 2016. These financial statements do not reflect this dividend payable. The 2015 final dividend of 2.0 pence per share (£20.3m) was paid in the half year ended 30 June 2016 (30 June 2015: £42.1m).

7. Earnings per share

Basic earnings per share has been calculated by dividing the profit attributable to shareholders of the Company of £20.7m (30 June 2015: loss of £41.4m) by the weighted average number of shares in issue during the half year of 1,018.4m (30 June 2015: 923.0m).

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

	Half year ended 30 June 2016 £m	Half year ended 30 June 2015 £m
Profit / (loss) attributable to shareholders	20.7	(41.4)
Exceptional items after tax (note 4)	14.1	66.1
Adjusted profit attributable to shareholders	34.8	24.7
Weighted average number of shares (million):		
Shares for basic earnings per share	1,018.4	923.0
Potentially dilutive share options and contingently issuable shares	9.9	3.9
Shares for diluted earnings per share	1,028.3	926.9

	Half year ended 30 June			
	Before exceptional items		**After exceptional items**	
Stated in pence	2016	2015	2016	2015
Basic earnings per share	3.4	2.7	2.0	(4.5)
Diluted earnings per share	3.4	2.7	2.0	(4.5)

Notes to financial information

8. Non-current assets

During the half year ended 30 June 2016, the Group acquired intangible assets at a cost of £15.4m (30 June 2015: £13.8m) and plant, property and equipment of £17.6m (30 June 2015: £18.8m).

At 30 June 2016 the Group had no contractual commitments for the acquisition of property, plant and equipment (31 December 2015: £nil).

9. Net debt

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

	30 June 2016 £m	31 December 2015 £m
Current assets		
Cash and short-term deposits	101.0	28.3
Current liabilities		
Lease liabilities	(1.5)	(4.9)
Interest bearing loans and borrowings	(224.6)	-
Non-current liabilities		
Interest bearing loans and borrowings	(99.0)	(323.1)
Lease liabilities	(3.1)	(4.4)
Net debt	(227.2)	(304.1)

Cash and short-term deposits presented on the balance sheet of £149.5m (31 December 2015: £68.4m) include customer funds of £48.5m (31 December 2015: £40.1m)

As at 30 June 2016 £346.8m of committed bank facilities were undrawn.

Notes to financial information

10. Note to the statement of cash flows

	Half year ended 30 June 2016 £m	Half year ended 30 June 2015 £m
Profit / (loss) before tax and net finance expense	37.7	(37.2)
Non-cash exceptional items	6.2	77.4
Depreciation of property, plant and equipment	20.4	20.1
Amortisation of intangible assets	19.2	19.0
Share-based payments charge	3.0	2.2
Increase in trade and other receivables	(1.8)	(2.2)
Decrease in other financial liabilities	-	(2.4)
Increase in trade and other payables	40.8	26.1
Decrease in provisions	(5.3)	(2.4)
Contribution to retirement benefit scheme	(0.8)	(2.4)
Share of results from joint venture	(0.4)	0.3
Share of results from associates	(1.7)	(1.5)
Other items	(0.3)	0.5
Cash generated by operations	117.0	97.5
Income taxes received / (paid)	34.6	(7.8)
Net finance expense paid	(14.1)	(13.5)
Net cash inflow from operating activities	137.5	76.2

11. Related party transactions

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

	Half year ended 30 June 2016 £m	Half year ended 30 June 2015 £m
Equity investment		
- Joint venture [1]	0.4	1.9
- Associates	1.1	-
Sundry expenditures		
- Associates [2]	26.3	26.4

[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 2016 £m	31 December 2015 £m
Loan balances outstanding		
- Joint venture	0.6	0.6
Other receivables/(payables) outstanding		
- Associates	(3.0)	1.6
- Joint venture	1.6	1.6

Notes to financial information

12. Financial guarantees

The Group has given guarantees to third parties in respect of lease liabilities of former subsidiaries within the disposed hotels division. The Group received an indemnity from Hilton Hotels Corporation (HHC), at the time of the hotels disposal, in relation to any loss the Group may subsequently incur under these third party guarantees. The guarantees expire between 2017 and 2042 and the lease liabilities comprise a combination of minimum contractual and turnover based elements. The undiscounted maximum liability exposure in respect of the guarantees for all years up to 2042 is £550.2m (31 December 2015: £560.8m), with a maximum indemnity receivable of the same amount. Included in the maximum liability exposure is £395.7m (31 December 2015: £402.1m) in relation to the turnover based element of the hotel rentals and £154.5m (31 December 2015: £158.7m) in relation to the minimum contractual based element. The maximum liability represents the total of all guaranteed rentals under the non-cancellable agreements into which the Group has entered.

The net present value of the maximum exposure at 30 June 2016 is £201.9m (31 December 2015: £210.3m). Included in the net present value of the maximum exposure is £136.1m (31 December 2015: £141.4m) in relation to the turnover based element of the hotel rentals and £65.8m (31 December 2015: £68.9m) in relation to the minimum contractual based element.

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

At 30 June 2016 the Group has recognised a financial liability of £3.2m (31 December 2015: £3.2m) in respect of these guarantees. The key assumption in the probability model is the hotels default rate. A rate of 1.5% has been used at 30 June 2016 (31 December 2015: 1.5%).

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

A 0.5 percentage point increase in the default rate would increase the financial liability by £1.0m. A 1.0 percentage point increase in the discount rate would reduce the financial liability by £0.2m.

Notes to financial information

13. Financial instruments

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2016, by level of fair value hierarchy. All assets and liabilities measured at fair value are measured as level 3 (fair value is measured using techniques where the significant inputs are not based on observable market data).

30 June 2016	Level 1 £m	Level 2 £m	Level 3 £m
Assets measured at fair value			
Other financial assets	-	-	3.4
Liabilities measured at fair value			
Ante-post liabilities	-	-	(9.0)
Other non-current financial liabilities	-	-	(35.3)
Total	-	-	(44.3)
Net liabilities measured at fair value	-	-	(40.9)

Carrying amounts versus fair values

Assets and liabilities designated at fair value through profit or loss and available for sale financial assets are carried at fair value. The fair value of cash at bank and in hand approximates to book value due to its short-term maturity. The fair value of the £225m 7.625% bond at 30 June 2016 was £231.9m (31 December 2015: £239.7m). The fair value of the £100m 5.125% bond at 30 June 2016 was £101.7m (31 December 2015: £98.3m). The amortised cost of interest bearing loans and borrowings, with the exception of the £225m 7.625% bond and the £100m 5.125% bond, and the carrying value of all other assets and liabilities approximates to fair value.

Trade and other payables

Included in trade and other payables are £9.0m of ante-post liabilities (31 December 2015: £5.3m). Changes in the fair value of these instruments are recorded in the consolidated income statement.

Other non-current financial liabilities

Included within other non-current financial liabilities is contingent consideration associated with previous business combinations of £32.1m (31 December 2015: £32.3m), classified as level 3 financial instruments, as its fair value is measured using techniques where the significant inputs are not based on observable market data. Financial guarantees are also classified as level 3 financial instruments; a description of the valuation techniques, significant inputs and assumptions is described in note 12.

a) Betdaq

The estimated fair value of the contingent consideration at 30 June 2016 is £nil (31 December 2015: £0.8m), which is classified at Level 3 in the fair value hierarchy. The change in fair value since the acquisition date has been recorded in the income statement within exceptional items.

Betdaq contingent consideration is linked to the performance of the business over a four year period and is capped at €535.0m. The fair value of the contingent consideration has been estimated using a discounted cash flow analysis at the acquisition date. The key assumptions in estimating the fair value are the EBITDA projections of the Betdaq business for 2016, the predicted Ladbrokes plc EBITDA multiple in 2016 (9.1x) and the discount rate applied (14.4%). All of these assumptions have been applied on a probability-weighted basis.

The contingent consideration is sensitive to changes in these assumptions. For example, an increase of 10% in EBITDA projections would result in an increase in contingent consideration of £1.4m.

Notes to financial information

13. Financial instruments (continued)

b) Playtech

The estimated fair value of the contingent consideration at 30 June 2016 is £32.1m (31 December 2015: £31.5m), which is classified at Level 3 in the fair value hierarchy. The change in fair value since the acquisition date has been recorded in the income statement within exceptional items. This valuation does not include the impact of the updated agreement which is contingent on merger completion.

The fair value of the contingent consideration in relation to Playtech has been estimated using a discounted cash flow analysis at the acquisition date. The key assumptions in estimating the fair value are a range of EBITDA projections of the Digital business for 2017, which are based on the projections in place at the time of the acquisition and then updated with an estimated uplift for the benefits of the transaction, the predicted Ladbrokes plc EBITDA multiple in 2017 (9.1x); and the discount rate applied (a range of 20.7% to 13.5%, depending on the year). All of these assumptions have been applied on a probability-weighted basis.

The contingent consideration is sensitive to changes in these assumptions. For example, an increase of 10% in EBITDA projections would result in an increase in contingent consideration of £13.5m and a decrease of 2% in the discount rate would result in an increase in contingent consideration of £1.0m. An increase of 1x in the EBITDA multiple would increase the contingent consideration by £3.9m.

14. Post balance sheet events

On 26 July 2016 the CMA (Competition & Markets Authority) issued its final findings report, with completion subject to adherence to a set of conditions, primarily the sale of 350-400 shops.

The group has in place facilities of £1,350,000,000 which are contingent on the completion of the proposed merger with the Coral Group. The facilities comprise 3 tranches, one term loan with a maturity, subject to extension options, of July 2018 and two revolving credit facilities with maturities of June 2019 and October 2020 respectively. On the completion of the merger, bilateral revolving credit facilities of £350,000,000 will be cancelled.

The Facilities Agreement was amended in June 2016. The amendment allows for borrowings under the £600,000,000 term loan tranche to be extended, at the option of the borrower, for an additional period of 6 months to July 2018.