Thursday 5 August 2010

Ladbrokes PLC

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2010

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Ladbrokes

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Ladbrokes plc ("the Group") today announces its results for the half year ended 30 June 2010.

Highlights

- Richard Glynn joined as Chief Executive at the end of April 2010
- Balance sheet significantly strengthened
- Machine performance is already benefiting from management initiatives
- New four-year machine supply agreement signed with Global Draw
- Continued cost control – full year UK Retail cost guidance flat on an absolute basis
- eGaming profit benefited from Sportsbook migration to Gibraltar in Q4 2009
- CanalWin(5) has been granted an online Sportsbook licence
- Resumption of dividend payments – interim dividend of 3.85 pence based on approximately 2 times cover (excluding High Rollers and the HMRC settlement)

Financial Results

- Group net revenue(1) down 2.4% to £492.1 million (H1 2009: £504.4 million)
- Group operating profit(1)(2) grew 5.1% to £103.6 million (H1 2009: £98.6 million)
- High Rollers operating profit of £8.9 million (H1 2009: £58.4 million)
- Interest(3) credit of £2.2 million including £20.0 million interest benefit from HMRC tax settlement
- Earnings per share(3) of 39.3 pence (H1 2009(4): 15.8 pence) including 30.8 pence benefit associated with HMRC tax settlement
- Cash generated by operations was £164.7 million
- Group net debt reduced to £503.7 million from £694.2 million at 31 December 2009

(1) Continuing operations excluding High Rollers.
(2) Profit before tax, finance costs and non-trading items.
(3) Before non-trading items for continuing operations.
(4) Adjusted for the bonus element of the rights issue announced on 8 October 2009.
(5) CanalWin is the joint venture with Groupe Canal+ to enter the French online market

Richard Glynn, Chief Executive, commented:

"Group operating profit, excluding High Rollers, grew by 5.1% to £103.6 million. Whilst the growth in operating profit was welcome the consumer environment remains challenging. Group net revenue excluding High Rollers fell 2.4%. The benefits of the World Cup 2010 were largely offset by the disappointing horse performance, notably at Royal Ascot.

"One of our key short term objectives has been to improve machine performance. Through increased management focus, year on year growth rates have already increased in recent months. Moreover, this morning, we are delighted to announce we have signed a four year machine supply contract with Global Draw. This contract will cover 95% of our estate and the rollout will commence in January 2011.

"Ladbrokes is in a strong financial position. The Group's cash generative nature and the recent HMRC settlement mean it has a healthy balance sheet and, following the termination of some of the 2012 bonds and issuance of 2017 bonds, an attractive debt maturity profile. It continues to enjoy a low corporate tax rate and has now resumed dividend payments.

“On joining as Chief Executive at the end of April, I embarked on a thorough review of the business, particularly its operations and processes (“Project Galvanise”). Much remains to be done but we have made a good start. The Group has strong foundations and a great brand and we are moving swiftly to address historical operational weaknesses.

“The review identified a number of key areas where we have the opportunity to improve our performance. These include a focus on the customer, improving the “e” performance, the brand effectiveness and enhancing the technology backbone of the Group. I expect these priorities, supported by targeted investment, will deliver customer satisfaction, revenue growth, margin improvement and operational efficiencies over the medium term. I look forward to sharing further detail of our progress in February.

“My immediate priority has been to realign the management structure and capabilities to enable us to drive operational improvements going forward. As a result today I am announcing the following management changes:

- I can confirm the appointment of Nick Rust from Gala Coral as Managing Director of Retail, effective early 2011. Nick is a highly experienced retail betting and gaming executive and we are very pleased that he has decided to return to Ladbrokes.

- Richard Ames will retain responsibility for Retail in the interim before taking up a central and key role as Managing Director of Consumer Operations responsible for delivery of cross-Group operations in areas such as technology, trading and business intelligence.

- I am also pleased to announce the appointment of Gary McIlraith from Alix Partners as Managing Director of Digital Channels, International and Strategy. Gary is an expert at delivering customer performance, particularly in the highly segmented online environment.

- I have decided to centralise all marketing activities and created a new role of Director of Consumer Experience. An external search is underway.

- As a consequence of the restructuring and flattening of reporting lines John O’Reilly has decided, after a very successful 18 years with Ladbrokes, to seek new challenges. He will stay with the Group until November and I would like to wish him every success in the future.

- Finally, the Board has been further strengthened by the appointment of John Kelly as Senior Independent Non-executive Director. John has an in depth knowledge of the industry having previously been CEO and Chairman of the Gala Coral Group.”

Performance Summary

Profit from continuing operations by business [(1)]	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	*Year on year change %*
UK Retail	76.9	82.1	*(6.3)*
Other European Retail	7.7	5.1	*51.0*
eGaming	29.1	20.8	*39.9*
Core Telephone Betting	(0.3)	(1.4)	*78.6*
Corporate costs[(2)]	(9.8)	(8.0)	*(22.5)*
Total excluding High Rollers	103.6	98.6	*5.1*
High Rollers	8.9	58.4	*(84.8)*
Total	112.5	157.0	*(28.3)*

(1) Profit before tax, finance costs and non-trading items
(2) Includes International development costs

Trading environment & outlook

In July, Group net revenue (excluding High Rollers) rose 8.0% year on year. Whilst this is a good start to the second half, broadly in line with expectations, the Group remains mindful of the challenging consumer environment. Excluding the World Cup 2010 effect net revenue (excluding High Rollers) fell 2.2%. We are committed to executing our strategy to re-energise Ladbrokes which, in the medium to long-term, will drive profitable growth for its stakeholders.

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Notes to editors:

The Company will be hosting an analyst presentation at the DB Auditorium (Winchester House, 75 London Wall, EC2N 2DB) at 9am this morning. This will be available to listen into by dialing +44 (0)207 138 0817 and using passcode 5479657.

Alternatively a live webcast of the presentation, with slides, will be available at the 'Investor Centre' 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)20 7111 1244 using passcode: 5479657#

For further information on Ladbrokes plc, please visit our corporate website at www.ladbrokesplc.com. High-resolution images are available to download from the media centre section under the heading 'image library'. Executive images are also available at www.vismedia.co.uk in the Ladbrokes section.

Unaudited interim results for the half year ended 30 June 2010

Continuing operations	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	Year ended 31 December 2009 £m
Net revenue (excluding High Rollers)	**492.1**	**504.4**	**963.7**
Net revenue from High Rollers	**8.1**	**60.7**	**68.5**
Net revenue	**500.2**	**565.1**	**1,032.2**
Operating profit[1] (excluding High Rollers)	**103.6**	**98.6**	**168.5**
Operating profit[1] from High Rollers	**8.9**	**58.4**	**66.9**
Operating profit[1][2]	**112.5**	**157.0**	**235.4**
Net finance income/(costs)[2]	2.2	(25.7)	(44.1)
Profit before tax and non-trading items[2]	**114.7**	**131.3**	**191.3**
Non-trading items before tax[3]	(9.6)	(1.3)	(17.2)
Profit before tax	**105.1**	**130.0**	**174.1**
Tax	242.5	(19.3)	(27.7)
Profit after tax – continuing operations	**347.6**	**110.7**	**146.4**

EBITDA[2] – continuing	139.2	184.2	288.9
Basic earnings per share[2][4] – continuing	39.3p	15.8p	21.7p
Proposed dividend per share[4][5]	3.85p	2.98p	2.98p

(1) Profit before tax, finance costs and non-trading items.

(2) Before non-trading items and discontinued operations. Non-trading items are profits or losses on disposal or impairment of non-current assets or businesses, unrealised gains and losses on derivative financial instruments, business restructuring costs and litigation and transaction costs.

(3) For the half year ended 30 June 2010 non-trading losses before tax of £9.6 million includes £8.6 million of bond termination costs, £1.1 million of litigation and transaction costs and a £0.1 million gain relating to net unrealised gains and losses on derivative financial instruments.

(4) Half year ended 30 June 2009 restated for the bonus element of the rights issue announced on 8 October 2009.

(5) The proposed interim dividend for the half year ended 30 June 2010 is 3.85p (30 June 2009: 2.98p). The 2009 full year figure did not include a final dividend.

Business Review

UK Retail

UK	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	*Year on year change %*	Year ended 31 December 2009 £m
- OTC amounts staked	1,278.3	1,375.6	*(7.1)*	2,654.7
- Machines amounts staked	4,546.4	4,526.6	*0.4*	8,787.4
Amounts staked	5,824.7	5,902.2	*(1.3)*	11,442.1
- OTC gross win	211.5	231.6	*(8.7)*	427.4
- Machines gross win	148.0	143.8	*2.9*	282.5
Gross win	359.5	375.4	*(4.2)*	709.9
Adjustments to GW (1)	(26.8)	(31.8)	*15.7*	(53.2)
- OTC net revenue	207.3	219.8	*(5.7)*	412.5
- Machines net revenue	125.4	123.8	*1.3*	244.2
Net revenue	332.7	343.6	*(3.2)*	656.7
Gross profits tax	(31.1)	(34.0)	*8.5*	(63.0)
Associate income	1.7	1.7	-	3.2
Operating costs	(226.4)	(229.2)	*1.2*	(462.4)
Operating profit (2)	76.9	82.1	*(6.3)*	134.5

(1) Fair value adjustments, free bets and VAT
(2) Before non-trading items
(3) Greyhound tracks account for £5.2 million of amounts staked and £3.7 million of gross win in H1 2010 (H1 2009: £5.0 million of amounts staked and £3.2 million of gross win; FY 2009 £10.2 million of amounts staked and £6.5 million of gross win)

The economic environment remains challenging with amounts staked for the OTC business down 7.1% year on year despite the benefit of World Cup 2010.

OTC gross win for the period declined by 8.7% to £211.5 million. The overall OTC gross win margin was 16.3% versus 16.7% in the prior period. UK Retail benefited from a strong World Cup 2010 margin in the first half. This was, however, more than offset by poor horse racing results, with a loss-making Royal Ascot and an above average number of first and second favourites winning in May and June.

OTC net revenue declined 5.7% to £207.3 million. The lower gross win performance was partially offset by the planned material reduction in free bets made during the period, reflecting our decision to focus on targeted marketing.

Despite the disruption caused by the supplier trials, total machine gross win grew 2.9% during the period to £148.0 million with average gross win per gaming machine per week rising 2.8% to £723 in the first half. The performance in May and June was particularly encouraging with gross win per gaming machine per week up 7.1% reflecting strong management focus and the end of the disruption period on Barcrest machines (92% of the estate). During the period there has been a significant increase in operational focus including the redeployment of 24 regional managers to focus solely on machines. There has also been a machine re-siting initiative and, despite a lower number of shops during the period, there were on average 7,911 terminals versus 7,897 in H1 2009. At 30 June 2010 there were 7,973 machines.

The Group today announces that it has signed a four year machine supply contract with Global Draw. This contract will cover 95% of our estate and the rollout will commence in January 2011.

After adjusting for the effects of higher VAT net revenue for machines grew 1.3%.

Operating costs, which exclude gross profits tax, fell £2.8 million in the period to £226.4 million with the £4.7 million year on year additional VAT recovery partially offset by incremental advertising around World Cup 2010 and accrued bonuses during the period. The guidance for the full year remains flat on an absolute basis with savings delivered through the premium pay buyout offset by higher property, content and machine costs.

Operating profit for the period was down 6.3% at £76.9 million.

At 30 June 2010 there were 2,087 shops (30 June 2009: 2,093) in Great Britain. During the period, there were 15 openings, 16 shop closures, 6 relocations and 37 shop refurbishments. The Group expects to open 50 new licences over the full year.

Other European Retail – Ireland

Ireland	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	*Year on year change %*	Year ended 31 December 2009 £m
- OTC amounts staked	292.7	323.9	*(9.6)*	632.5
- Machines amounts staked	56.5	47.2	*19.7*	100.9
Amounts staked	349.2	371.1	*(5.9)*	733.4
- OTC gross win	39.0	43.7	*(10.8)*	82.1
- Machines gross win	2.2	1.9	*15.8*	4.2
Gross win	41.2	45.6	*(9.6)*	86.3
Net revenue	39.9	42.3	*(5.7)*	81.2
Betting tax	(3.9)	(4.4)	*11.4*	(8.2)
Operating costs	(30.3)	(32.5)	*6.8*	(64.2)
Operating profit (1)	5.7	5.4	*5.6*	8.8
Constant currency performance				
- OTC amounts staked	292.7	317.5	*(7.8)*	
- Machines amounts staked	56.5	47.2	*19.7*	
Amounts staked	349.2	364.7	*(4.3)*	
- OTC gross win	39.0	42.8	*(8.9)*	
- Machines gross win	2.2	1.9	*15.8*	
Gross win	41.2	44.7	*(7.8)*	
Net revenue	39.9	41.5	*(3.9)*	
Betting tax	(3.9)	(4.3)	*9.3*	
Operating costs	(30.3)	(31.8)	*4.7*	
Operating profit (1)	5.7	5.4	*5.6*	

(1) Before non-trading items

The economic and trading environment in Ireland remains challenging. OTC amounts staked fell 9.6% year on year or 7.8% on a constant currency basis.

Overall gross win in Ireland was down 9.6% at £41.2 million with a positive machine performance more than offset by the OTC amounts staked decline and a lower OTC gross win margin (0.2 percentage points lower than H1 2009) with poor horse racing results largely offset by a strong football margin.

The decision to spend £2.0 million less on OddsOn! freebets resulted in overall net revenue falling 5.7%.

In response to the challenging environment, the business has continued to maintain a tight focus on cost control. Sterling operating costs for Ireland fell by 6.8% to £30.3 million (H1 2009: £32.5 million) driven largely through staff scheduling efficiencies, changes to the Tote commission and a review of all head office costs. On a constant currency basis, costs were down 4.7%.

At 30 June 2010 there were 207 shops in the Republic of Ireland and 78 shops in Northern Ireland. During the period one shop was closed, one opened, seven refurbished and three relocated.

Other European Retail – Belgium

Belgium	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	*Year on year change %*	Year ended 31 December 2009 £m
Gross win	25.0	24.8	*0.8*	49.4
Net revenue	25.0	24.8	*0.8*	49.4
Duty	(8.6)	(9.2)	*6.5*	(18.5)
Operating costs	(13.5)	(13.8)	*2.2*	(27.9)
Operating profit (1)	2.9	1.8	*61.1*	3.0

(1) Before non-trading items

Gross win in Belgium was up £0.2 million at £25.0 million with lower levels of turnover offset by a slightly better margin performance. Operating profit increased significantly largely reflecting lower duty combined with continuing tight cost control. The total number of shops in Belgium was 290 at 30 June 2010 versus 304 at 30 June 2009.

Other European Retail – Spain

Spain	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	*Year on year change %*	Year ended 31 December 2009 £m
Operating loss (1)	(0.9)	(2.1)	*57.1*	(3.5)

(1) Before non-trading items

Despite the difficult economic environment in Spain, bet volumes and amounts staked in the Sportium joint venture continue to exceed expectations. Although Spain had success at World Cup 2010 the gross win margin was 18.2%. The joint venture has improved efficiencies in its corner-focused business model and the estate has continued to grow. Sportium remains the market leader in Madrid and it is expected to generate positive cash flows by the end of 2010. The corner-focused model has been designed to capitalise on any regulatory change and the Group continues to monitor regulatory progress closely.

At 30 June 2010 there were 88 corners (30 June 2009: 68) and nine standalone shops (30 June 2009: two). Sportium intends to open further corners and shops in the second half to bring the total to more than 110 locations.

eGaming

eGaming	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	*Year on year change %*	Year ended 31 December 2009 £m
Net revenue				
- Sportsbook	33.5	30.5	*9.8*	55.7
- Casino	26.5	26.8	*(1.1)*	52.0
- Poker	10.7	12.7	*(15.7)*	23.7
- Bingo	6.4	6.1	*4.9*	12.3
- Games	8.5	8.5	-	17.0
Net revenue	85.6	84.6	*1.2*	160.7
Gross profits tax	-	(4.9)	*100.0*	(7.6)
Operating costs	(56.5)	(58.9)	*4.1*	(107.0)
Operating profit (1)	29.1	20.8	*39.9*	46.1

(1) Before non-trading items

Net revenue increased by 1.2% to £85.6 million with 5.7% growth in active customers and 6.8% growth in new sign-ups. Net revenue growth in Sportsbook and Bingo was partially offset by continued weakness in Poker where the market remains challenging.

Sportsbook net revenue grew 9.8% to £33.5 million. Turnover increased by 21% driven by 26% growth in pre-event turnover and 9% growth in bet-in-play although this was partially offset by a 0.7 percentage point decline in the gross win margin to 6.5%. World Cup 2010 boosted player numbers and revenues and delivered very good gross win margins. Conversely, horse racing margins have been weak due in part to the impact of introducing Best Odds Guaranteed in August 2009 together with relatively poor results in the Grand National and, more particularly, Royal Ascot (which delivered losses in 21 of the 30 races). Active customer growth of 13% was driven by both World Cup 2010 and the next website iteration launched in January which has provided customers with improvements in functionality and content. The average monthly active player days grew by 18%.

Casino net revenue was down 1.1%, against a strong comparative period, at £26.5 million. Strong active player growth of 16% was delivered through aggressive new player recruitment activity, most notably a £50 free bet promotion in Q1 supported by a TV advertising campaign in the UK and Scandinavia. The core objective now is to maximise the life time value of the 35,000 new sign-ups. The 15% yield decline was a function of the timing of this recruitment.

Poker net revenue fell 15.7% during the period to £10.7 million with the European poker market remaining challenging. The number of active customers in the first half fell by 30%, although this is against a comparative period which saw significant customer reactivation and incentivisation accompanying the migration to the Microgaming network. Customer yield growth of 20% is partially a function of the lower customer numbers aided by an increased focus on VIP retention. The business saw some softening in player numbers and yields during the period of World Cup 2010.

Bingo net revenue grew 4.9% to £6.4 million. While the number of customers declined 4% with a lower level of TV advertising support in 2010, this was more than offset by 9%

growth in customer yields driven through product improvements. Net revenue for Games were flat at £8.5 million with a broadly constant number of active customers and yield.

Operating costs of £56.5 million fell 4.1% compared to H1 2009, mainly reflecting a lower level of marketing spend and lower software costs. Marketing investment was 24% of net revenue in the period compared to 25% of net revenue in H1 2009. Nevertheless, new player signups grew 6.8% bolstered by the World Cup 2010 customer recruitment campaign. The adjusted cost per acquisition was 3.3% better than 2009 at £88.

Operating cost savings, the higher net revenue and the relocation savings following the decision to move to Gibraltar, resulted in operating profit rising 39.9% to £29.1 million.

The future regulatory framework for remote betting and gaming across Europe continues to lack clarity. The French and Italian Governments have begun liberalising internet betting and gaming, awarding licences and introducing competition and with it better value for customers. In Q2 Ladbrokes signed a joint venture agreement with Groupe Canal+ to target the newly regulated French online market. The Sportsbook has now received a licence from ARJEL, the French regulator, and is expected to launch under the CanalWin brand within the next month. The Italian online operation, which was entwined within the Italy retail licence, was closed in Q2 following the disposal of the retail business.

Elsewhere in Europe, Spain and Greece are expected to introduce licensing systems in the near future, whilst in Germany 2011 should bring clarity as to the future of the Interstate Treaty. In many Member States, however, regulation of internet betting and gaming remains a distant prospect, despite pressure from the European Commission in the form of infringement proceedings. In Norway (1.5% of Ladbrokes' online revenues in the first half), financial transaction blocking measures have been introduced making it difficult for consumers to use standard payment instruments to deposit and withdraw funds. In Ladbrokes' long standing case with De Lotto in the Netherlands, the Court of Justice of the EU (CJEU) earlier this year confirmed the wide discretion given to EU Member States in regulating betting and gaming policy. Consistent with its argument in the Bwin/Santa Casa case, the CJEU confirmed that Member States are free to set the objectives of their policy on betting and gaming, provided those measures are proportionate, consistent and non-discriminatory. The Dutch Supreme Court will now reconsider Ladbrokes' case applying the CJEU's interpretation of EU law.

Telephone Betting

Core Telephone (excluding High Rollers)	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	*Year on year change %*	Year ended 31 December 2009 £m
Net revenue	8.9	9.1	*(2.2)*	15.7
Gross profits tax	(1.3)	(1.5)	*13.3*	(2.4)
Operating costs	(7.9)	(9.0)	*12.2*	(16.6)
Operating loss (1)	(0.3)	(1.4)	*78.6*	(3.3)

(1) Before non-trading items

The profit from High Rollers for the period was £8.9 million (H1 2009: £58.4 million).

The Core Telephone Betting business continues to struggle to compete with offshore low tax operators and the shift of customers to the internet. Excluding High Rollers, net revenue was down 2.2% to £8.9 million with the 17.4% decline in amounts staked offset by a better gross win margin of 6.6% (H1 2009: 6.0%) and slightly lower free bets. Unique active customers fell 8.9% to 72,400 (2009: 79,500), with average monthly active player days down by 10.7% and call volumes down by 9.3%.

The Group now has a cross-channel operational initiative whereby 180 Retail shops take telephone bets. Following the announcement in November 2009, during the period the Liverpool call centre was closed. These two initiatives resulted in telephone operating costs (excluding High Rollers) falling 12.2% to £7.9 million. The Group are pleased with the digital enablement but remain open minded as to the correct shape and location of the telephone business going forward.

Corporate costs

International development costs have now been included within Corporate costs. Before non-trading items, total Corporate costs rose £1.8 million to £9.8 million. The increase is largely because the 2009 figure did not include any accrual for bonuses.

Capital structure

Following the repayment of £118.6 million of 7.125% bonds due in 2012, and the subsequent issue of £225.0 million 7.625% bonds due in 2017, the Board took the decision to unwind interest rate swaps (relating to £199.0 million of debt) which are no longer required.

The termination costs in relation to the bond of £8.6 million have been recognised as a non-trading finance charge in the half year ended 30 June 2010. There will be a £9.1 million non-trading finance charge in the second half of 2010 in relation to the unwinding of interest rate swaps.

At 30 June 2010 net debt was £503.7 million, down £190.5 million since the year end.

Taxation

On 21 April 2010 the Group announced that it had reached a settlement with HMRC which covered substantially all outstanding items in respect of tax years through to 31 December 2007. The settlement has resulted in the recognition in the 2010 income statement, within the tax charge, of a £261.9 million tax credit in relation to prior years. The finance charge has also been reduced by £20.0 million to reflect the interest consequences of the settlement.

Following the revised corporation tax rates announced in this year's emergency Budget our P&L guidance is for 19% in 2010 and 2011 reducing by circa 1% per annum thereafter to 16%, assuming that each year the appropriate finance bill is enacted which will enable the yearly staged reduction in the headline corporation tax rate. It is anticipated that the cash tax rate will remain at circa 15%.

Dividend

In line with its stated intention to resume a progressive dividend policy from the 2010 interim onwards, the Board today announces an interim dividend of 3.85 pence. This dividend is approximately 2.0 times covered by underlying earnings excluding the impact of High Rollers and the effect of the HRMC settlement. You will note that the Group is moving away from a typical one third : two thirds dividend phasing.

The dividend will be payable on 1 December 2010 to shareholders on the register on 13 August 2010.

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 for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing its financial statements.

Principal risks and uncertainties

Key risks are reviewed by the executive committee and the Board of Ladbrokes plc on a regular basis and where appropriate, actions are taken to mitigate the key risks that are identified.

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year remain unchanged from those detailed on pages 30 and 31 of the Group's Annual Report and Accounts 2009 and are as follows:

Marketplace	
General economic trends	Reduction of customers' disposable income in key markets
Consumer trends	Changing consumer trends and opportunities for betting and gaming
Market share	Competition from existing competitors or new entrants
Industry consolidation	Changes in market configuration impacting competitive advantage
Sector	
Taxes, laws, regulations and licensing	Changes to regulatory, legislative and fiscal regimes for betting and gaming in key markets could have an adverse effect on the Group's results and additional costs might be incurred in order to comply with any new laws or regulations
Increased cost of product	Increased cost of content e.g. in relation to the financing of the UK horseracing industry
Operational and bookmaking	
Bookmaking	Significant losses from individual events or betting outcomes
Revenue fluctuations	Revenue and operating results may vary significantly from period to period
Brand value	Failure to maintain brand value and reputational risk
International expansion	Market entry into new geographic regions
Key locations	External event, e.g. security, safety or health issue, causes destruction, loss of access or closure of key buildings or major staff absence, particularly at head office
Business resourcing and recruitment/retention of talent	Inability to recruit and retain qualified employees for the success of the business
Money laundering and fraud	Failure to detect money laundering and fraudulent activities
Key sporting events	Cancellation of major sports events
Technology & Communications	
Technology changes	Failure to keep pace with technological changes to meet customer demands or regulation
Technology failure	Failure of technology and advanced information systems, e.g. through human error, unauthorised access, viruses or sabotage
Data disclosure	Disclosure of customer data, e.g. through deliberate human action, human error, IT failure, unauthorised access, viruses, sabotage, disasters
Supply chain	Failure of third parties to comply with contractual obligations, particularly the delivery of sophisticated transactional processing and gaming machine systems
Financial	
Financing	Availability of debt financing and costs of borrowing
Interest rates	The cost of interest rate increases
Cost base	High fixed cost base as a proportion of total costs limits flexibility to respond to lower turnover
Pension fund	Costs increase to fund any shortfall
Hotel liabilities	Contingent liabilities in connection with hotel leases relating to the former hotels division
Tax	The cost of increases in taxation and levies

Financial Review

Revenue and profit before tax	Half year ended 30 June 2010 Revenue	Half year ended 30 June 2010 Profit[1]	Half year ended 30 June 2009 Revenue	Half year ended 30 June 2009 Profit[1]	Year ended 31 December 2009 Revenue	Year ended 31 December 2009 Profit[1]
Continuing operations:	£m	£m	£m	£m	£m	£m
UK Retail	332.7	76.9	343.6	82.1	656.7	134.5
Other European Retail	64.9	7.7	67.1	5.1	130.6	8.3
eGaming	85.6	29.1	84.6	20.8	160.7	46.1
Core Telephone Betting[2]	8.9	(0.3)	9.1	(1.4)	15.7	(3.3)
High Rollers[2]	8.1	8.9	60.7	58.4	68.5	66.9
	500.2	122.3	565.1	165.0	1,032.2	252.5
Corporate costs[3]	-	(9.8)	-	(8.0)	-	(17.1)
	500.2	112.5	565.1	157.0	1,032.2	235.4
Net finance costs	-	(17.8)	-	(25.7)	-	(44.1)
Interest income on corporation tax settlement	-	20.0	-	-	-	-
Revenue and profit before tax	500.2	114.7	565.1	131.3	1,032.2	191.3
Discontinued operations:						
Italy Retail	8.3	(9.1)	14.8	(4.4)	26.9	(9.9)
Casino	-	-	3.0	(0.3)	4.6	(0.9)
	8.3	(9.1)	17.8	(4.7)	31.5	(10.8)
Net finance costs	-	-	-	(0.3)	-	0.1
Revenue and loss before tax	8.3	(9.1)	17.8	(5.0)	31.5	(10.7)
Group revenue and profit before tax	508.5	105.6	582.9	126.3	1,063.7	180.6

(1) Profit is before non-trading items.
(2) In the published interim results for the half year ended 30 June 2009 Core Telephone Betting and High Rollers were presented as one segment: Telephone Betting.
(3) In the published interim and preliminary results for 2009 Corporate costs and International development costs were disclosed separately. These are now combined as Corporate costs.

Trading summary – Continuing operations

Revenue
Revenue from continuing operations decreased by £64.9 million (11.5%) to £500.2 million (H1 2009: £565.1 million). Excluding High Rollers, revenue decreased by £12.3 million (2.4%) to £492.1 million (H1 2009: £504.4 million) mainly as a result of reduced OTC performance in the UK Retail estate and a decline in revenue in Other European Retail.

Profit before finance costs, tax and non-trading items
Profit before finance costs, tax and non-trading items decreased by £44.5 million (28.3%) to £112.5 million (H1 2009: £157.0 million). Excluding High Rollers, profit before finance costs, tax and non-trading items increased by £5.0 million (5.1%) to £103.6 million (H1 2009: £98.6 million) reflecting increased profit in Other European Retail and eGaming partially offset by a lower profit in UK Retail and higher Corporate costs.

Finance costs
The net finance costs of £17.8 million were £7.9 million lower than last year (H1 2009: £25.7 million) mainly reflecting lower average net debt. There was also interest income of £20.0 million in respect of an interest rebate following the HMRC tax settlement.

Profit before tax
The decrease in trading profits partially offset by favourable net interest in the period has resulted in a 12.6% decrease in first half profit for continuing operations before taxation and non-trading items to £114.7 million (H1 2009: £131.3 million).

Non-trading items before tax
Operating non-trading losses of £1.1 million relate to transaction costs. Finance non-trading costs of £8.5 million include £8.6 million in relation to bond termination costs and £0.1 million income relating to net unrealised gains and losses on derivative financial instruments.

Taxation
On 21 April 2010 the Group reached a settlement with HMRC which covered substantially all outstanding items in respect of tax years through to 31 December 2007. The settlement resulted in the recognition in the 2010 income statement, within the tax charge, of a £261.9 million tax credit in relation to prior years. Additionally the Group received cash of £80.0 million in respect of corporation tax repayable from HMRC.

Excluding the corporation tax settlement, the Group taxation charge for continuing operations before non-trading items of £21.8 million represents an effective tax rate of 19.0% (H1 2009: 15.0%; year ended 31 December 2009: 15.0%). The effective tax rate of 19.0% is a best estimate of the annual tax rate for 2010, excluding the HMRC settlement.

Discontinued operations
The £9.1 million trading loss in discontinued operations includes the loss before interest, tax and non-trading items from Italy. The Italian business was sold on 31 May 2010 for estimated net proceeds of £1.9 million subject to any final working capital adjustment. The total loss on disposal of the Italy business was £15.8 million.

The Paddington Casino licence was sold for £4.3 million on 22 January 2010.

Earnings per share (EPS) – Continuing operations
EPS (before non-trading items) increased 148.7% to 39.3 pence (H1 2009 restated: 15.8 pence), reflecting the benefit of the corporation tax settlement. EPS (including the impact of non-trading items) was 38.5 pence (H1 2009 restated: 15.7 pence). Fully diluted EPS (including the impact of non-trading items) was 38.4 pence (H1 2009 restated: 15.6 pence) after adjustment for outstanding share options.

EPS (before non-trading items and excluding the benefit of the corporation tax settlement) decreased 46.2% to 8.5 pence (H1 2009 restated: 15.8 pence), reflecting the decreased profit before tax, the increased underlying corporation tax rate and higher weighted average number of shares.

Earnings per share (EPS) – Group
EPS (before non-trading items) increased 154.3% to 38.4 pence (H1 2009 restated: 15.1 pence), reflecting the benefit of the corporation tax settlement. EPS (including the impact of non-trading items) was 35.7 pence (H1 2009 restated: 10.6 pence). Fully diluted EPS (including the impact of non-trading items) was 35.5 pence (H1 2009 restated: 10.5 pence) after adjustment for outstanding share options.

EPS (before non-trading items and excluding the corporation tax benefit of the corporation tax settlement) decreased 50.3% to 7.5 pence (H1 2009 restated: 15.1 pence), reflecting the decreased profit before tax, the increased underlying corporation tax rate and higher weighted average number of shares .

Cash flow, capital expenditure and borrowings
Cash generated by operations was £164.7 million. After net finance costs of £23.6 million, income taxes received of £67.9 million and £17.6 million on capital expenditure and intangible additions, cash inflow was £191.4 million.

At 30 June 2010, gross borrowings of £551.3 million less cash and cash equivalents of £47.6 million have resulted in a net debt of £503.7 million.

Revenue recognition – reconciliation to gross win
The Group reports the gains and losses on all betting and gaming activities as revenue in accordance with IAS 39, which is measured at the fair value of the consideration received or receivable from customers less fair value adjustment for free bets, promotions and bonuses. Gross win includes free bets, promotions and bonuses, as well as VAT payable on machine income.

A reconciliation of gross win to revenue for continuing operations is shown below.

	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	Year ended 31 December 2009 £m
Gross win	539.4	614.9	1,118.9
Free bets, promotions, bonuses	(17.0)	(30.8)	(49.3)
VAT	(22.2)	(19.0)	(37.4)
Revenue	500.2	565.1	1,032.2

The table below sets out the gross win for each division.

Gross win	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	Year ended 31 December 2009 £m
UK Retail	359.5	375.4	709.9
Other European Retail	66.2	70.4	135.7
eGaming	97.8	98.2	184.3
Core Telephone Betting[1]	9.1	10.0	16.6
High Rollers[1]	6.8	60.9	72.4
Total	539.4	614.9	1,118.9

(1) In the published interim results for the half year ended 30 June 2009 Core Telephone Betting and High Rollers were presented as one segment: Telephone Betting.

The table below sets out the net revenue for each division.

Net revenue	Half year ended 30 June 2010	Half year ended 30 June 2009	Year ended 31 December 2009
	£m	£m	£m
UK Retail	332.7	343.6	656.7
Other European Retail	64.9	67.1	130.6
eGaming	85.6	84.6	160.7
Core Telephone Betting(1)	8.9	9.1	15.7
High Rollers(1)	8.1	60.7	68.5
Total	500.2	565.1	1,032.2

(1) In the published interim results for the half year ended 30 June 2009 Core Telephone Betting and High Rollers were presented as one segment: Telephone Betting.

Unaudited financial statements
Interim consolidated income statement

	Half year ended 30 June 2010		Half year ended 30 June 2009		Year ended 31 December 2009	
	Before non-trading items[(1)] £m	Total £m	Before non-trading items[(1)] £m	Total £m	Before non-trading items[(1)] £m	Total £m
Continuing operations						
Amounts staked[(2)]	7,566.3	7,566.3	7,659.5	7,659.5	15,027.7	15,027.7
Revenue	500.2	500.2	565.1	565.1	1,032.2	1,032.2
Cost of sales before depreciation and amortisation	(324.0)	(324.0)	(342.2)	(342.2)	(668.9)	(670.2)
Administrative expenses	(38.5)	(39.6)	(39.1)	(39.1)	(75.5)	(79.4)
Share of results from joint ventures and associates	1.5	1.5	0.4	0.4	1.1	1.1
EBITDA	139.2	138.1	184.2	184.2	288.9	283.7
Depreciation and amounts written off non-current assets	(26.7)	(26.7)	(27.2)	(27.2)	(53.5)	(64.5)
Profit before tax and finance costs	112.5	111.4	157.0	157.0	235.4	219.2
Finance costs	(18.3)	(27.7)	(25.7)	(83.3)	(46.7)	(103.5)
Finance income	20.5	21.4	-	56.3	2.6	58.4
Profit before taxation	114.7	105.1	131.3	130.0	191.3	174.1
Income tax credit/(expense)	240.1	242.5	(19.7)	(19.3)	(28.6)	(27.7)
Profit for the period – continuing operations	354.8	347.6	111.6	110.7	162.7	146.4
Discontinued operations						
Loss for the period from discontinued operations	(8.7)	(25.8)	(4.9)	(36.0)	(10.5)	(72.0)
Profit for the period	346.1	321.8	106.7	74.7	152.2	74.4
Attributable to:						
Equity holders of the parent	346.1	321.8	106.7	74.7	152.2	74.4
Non-controlling interests	-	-	-	-	-	-
	346.1	321.8	106.7	74.7	152.2	74.4
Earnings per share from continuing operations[(3)]:						
- basic	39.3p	38.5p	15.8p	15.7p	21.7p	19.5p
- diluted	39.2p	38.4p	15.7p	15.6p	21.6p	19.4p
Earnings per share on profit for the period[(3)]:						
- basic	38.4p	35.7p	15.1p	10.6p	20.3p	9.9p
- diluted	38.2p	35.5p	15.1p	10.5p	20.2p	9.9p
Proposed dividends[(4)]	3.85p	3.85p	2.98p	2.98p	-	-

(1) Non-trading items are profits or losses on disposal or impairment of non-current assets or businesses; unrealised gains and losses on derivative financial instruments; business restructuring costs and litigation and transaction costs. Details of the non-trading items are given in note 4 and of discontinued operations in note 6 to the financial statements.

(2) Amounts staked does not represent the Group's statutory revenue and comprises the total amounts staked by customers on betting and gaming activities.

(3) Earnings per share in the half year ended 30 June 2009 has been restated to reflect the bonus element of the rights issue announced on 8 October 2009.

(4) The dividends paid in the half years ended 30 June 2010 and 30 June 2009 were £nil and £54.4 million (7.71p per share) respectively. An interim dividend of 3.85p per share (2009: 2.98p) was declared by the directors on 5 August 2010. These financial statements do not reflect this dividend payable. The 2009 interim dividend has been restated to reflect the bonus element of the rights issue announced on 8 October 2009.

Interim consolidated statement of comprehensive income

	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	Year ended 31 December 2009 £m
Profit for the period	321.8	74.7	74.4
Currency translation differences	(10.7)	(20.9)	(14.3)
Currency translation differences reclassified on disposal	(10.8)	-	-
Net investment hedges	-	10.4	10.4
Tax on net investment hedges	-	(2.9)	(2.9)
Total foreign currency translation expense net of tax	(21.5)	(13.4)	(6.8)
Actuarial losses on defined benefit pension scheme	(8.0)	(21.8)	(9.4)
Tax on actuarial losses on defined benefit pension scheme	2.2	6.1	2.6
Total actuarial losses on defined benefit pension scheme net of tax	(5.8)	(15.7)	(6.8)
Net (losses)/gains on cash flow hedges	(0.4)	0.4	2.0
Tax on net (losses)/gains on cash flow hedges	0.1	(0.1)	(0.5)
Total net (losses)/gains on cash flow hedges net of tax	(0.3)	0.3	1.5
Other comprehensive loss for the period	(27.6)	(28.8)	(12.1)
Total comprehensive income for the period	294.2	45.9	62.3
Attributable to:			
Equity holders of the parent	294.2	45.9	62.3
Non-controlling interests	-	-	-
	294.2	45.9	62.3

Interim consolidated balance sheet

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
ASSETS			
Non-current assets			
Goodwill and intangible assets	611.2	614.3	614.2
Property, plant and equipment	216.2	240.0	230.3
Interest in joint ventures	2.9	2.3	2.6
Interests in associates and other investments	12.2	11.9	10.5
Other financial assets	12.2	6.8	6.9
Deferred tax assets	74.0	18.1	28.7
Retirement benefit asset	9.1	0.7	15.0
	937.8	894.1	908.2
Current assets			
Trade and other receivables	84.4	131.6	104.5
Derivatives	-	50.8	0.4
Cash and short-term deposits	47.9	17.1	24.8
	132.3	199.5	129.7
Assets of disposal group classified as held for sale	-	73.9	44.9
Total assets	**1,070.1**	**1,167.5**	**1,082.8**
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	(0.4)	(422.6)	(26.1)
Derivatives	-	(2.1)	(0.1)
Trade and other payables	(132.5)	(178.1)	(126.9)
Corporation tax liabilities	(16.7)	(141.5)	(147.0)
Other financial liabilities	(1.4)	(2.8)	(1.7)
Provisions	(2.3)	(2.7)	(2.8)
	(153.3)	(749.8)	(304.6)
Non-current liabilities			
Interest-bearing loans and borrowings	(551.2)	(598.2)	(689.3)
Derivatives	-	(10.8)	(9.2)
Other financial liabilities	(12.0)	(9.1)	(12.0)
Deferred tax liabilities	(99.4)	(103.5)	(100.5)
Provisions	(12.0)	(10.2)	(13.7)
	(674.6)	(731.8)	(824.7)
Liabilities of disposal group classified as held for sale	-	(18.6)	(13.9)
Total liabilities	**(827.9)**	**(1,500.2)**	**(1,143.2)**
Net assets/(liabilities)	**242.2**	**(332.7)**	**(60.4)**
EQUITY			
Issued share capital	265.7	179.4	264.6
Share premium account	194.1	2,137.4	189.5
Treasury and own shares	(115.0)	(112.6)	(112.5)
Retained earnings	(110.3)	(2,559.1)	(430.8)
Foreign currency translation reserve	7.3	22.2	28.8
	241.8	(332.7)	(60.4)
Non-controlling interests	0.4	-	-
Total equity shareholders’ funds/(deficit)	**242.2**	**(332.7)**	**(60.4)**

Interim consolidated statement of changes in equity

	Issued share capital £m	Share premium account £m	Treasury and own shares £m	Retained earnings[1] £m	Foreign currency translation reserve £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2009	**179.2**	**2,135.8**	**(114.3)**	**(2,564.3)**	**35.6**	**(328.0)**	**-**	**(328.0)**
Profit for the period	-	-	-	74.7	-	74.7	-	74.7
Other comprehensive loss	-	-	-	(15.4)	(13.4)	(28.8)	-	(28.8)
Total comprehensive income	-	-	-	59.3	(13.4)	45.9	-	45.9
Issue of shares	0.1	0.2	-	-	-	0.3	-	0.3
Share-based payment awards	0.1	1.4	-	(1.5)	-	-	-	-
Cost of share-based payments	-	-	-	1.8	-	1.8	-	1.8
Net decrease in shares held in ESOP trusts	-	-	1.7	-	-	1.7	-	1.7
Equity dividends	-	-	-	(54.4)	-	(54.4)	-	(54.4)
At 30 June 2009	**179.4**	**2,137.4**	**(112.6)**	**(2,559.1)**	**22.2**	**(332.7)**	**-**	**(332.7)**
At 1 July 2009	**179.4**	**2,137.4**	**(112.6)**	**(2,559.1)**	**22.2**	**(332.7)**	**-**	**(332.7)**
Loss for the period	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Other comprehensive income	-	-	-	10.1	6.6	16.7	-	16.7
Total comprehensive income	-	-	-	9.8	6.6	16.4	-	16.4
Issue of shares	-	0.1	-	-	-	0.1	-	0.1
Cost of share-based payments	-	-	-	2.1	-	2.1	-	2.1
Rights issue	85.2	200.4	-	-	-	285.6	-	285.6
Rights issue costs	-	(11.0)	-	-	-	(11.0)	-	(11.0)
Share premium cancellation	-	(2,137.4)	-	2,137.4	-	-	-	-
Net decrease in shares held in ESOP trusts	-	-	0.1	-	-	0.1	-	0.1
Equity dividends	-	-	-	(21.0)	-	(21.0)	-	(21.0)
At 31 December 2009	**264.6**	**189.5**	**(112.5)**	**(430.8)**	**28.8**	**(60.4)**	**-**	**(60.4)**
At 1 January 2010	**264.6**	**189.5**	**(112.5)**	**(430.8)**	**28.8**	**(60.4)**	**-**	**(60.4)**
Profit for the period	-	-	-	321.8	-	321.8	-	321.8
Other comprehensive loss	-	-	-	(6.1)	(21.5)	(27.6)	-	(27.6)
Total comprehensive income	-	-	-	315.7	(21.5)	294.2	-	294.2
Issue of shares	1.1	4.6	-	-	-	5.7		5.7
Cost of share-based payments	-	-	-	2.3	-	2.3	-	2.3
Movement in shares held in ESOP trusts	-	-	(2.5)	2.5	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	0.4	0.4
At 30 June 2010	**265.7**	**194.1**	**(115.0)**	**(110.3)**	**7.3**	**241.8**	**0.4**	**242.2**

(1) At 30 June 2010, there are £9.6 million of deferred losses on cash flow hedges within Retained earnings

Interim consolidated statement of cash flows

	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	Year ended 31 December 2009 £m
Net cash flows from operating activities[(1)]	**205.9**	**94.7**	**132.5**
Cash flows from investing activities			
Interest received	3.1	-	3.2
Dividends received from associate	-	-	3.3
Payments for intangible assets	(4.8)	(7.1)	(13.0)
Purchase of property, plant and equipment	(12.8)	(14.8)	(38.3)
Proceeds from the sale of property, plant and equipment	0.4	0.9	1.4
Proceeds from Casino licence disposal	4.3	-	-
Purchase of interest in joint ventures	(0.8)	(3.1)	(4.1)
Costs of disposal of discontinued operations	(1.6)	-	(1.3)
Cash disposed with discontinued operations	(1.7)	-	-
Purchase of interest in associates and other investments	-	-	(0.4)
	(13.9)	(24.1)	(49.2)
Cash flows from financing activities			
Proceeds from issue of shares	5.6	0.3	0.3
Proceeds from rights issue	-	-	274.6
Proceeds from borrowings	221.5	6.0	73.7
Purchase of ESOP shares	(5.6)	(1.4)	(1.2)
Repayment of borrowings	(393.9)	(27.9)	(351.6)
Dividends paid	-	(54.4)	(75.4)
	(172.4)	(77.4)	(79.6)
Net increase/(decrease) in cash and cash equivalents	19.6	(6.8)	3.7
Net foreign exchange difference	-	(0.7)	(0.7)
Cash and cash equivalents at beginning of the period	28.0	25.0	25.0
Cash and cash equivalents at end of the period	**47.6**	**17.5**	**28.0**
Cash and cash equivalents comprise:			
Cash at bank and in hand and current asset investments	47.9	20.9	30.1
Bank overdraft	(0.3)	(3.4)	(2.1)
	47.6	17.5	28.0
Analysed as:			
Continuing operations	47.6	13.7	22.7
Discontinued operations	-	3.8	5.3
	47.6	17.5	28.0

[(1)] See note 11 for a reconciliation between profit before tax and finance costs and net cash flows from operating activities.

Notes to the financial statements

1. Corporate information

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

The interim consolidated financial statements of the Group for the half year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 5 August 2010.

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 2009 were prepared in accordance with International Financial Standards ("IFRS") as adopted by the European Union. The interim condensed consolidated financial statements for the half year ended 30 June 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements at 31 December 2009.

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 2009 except for the adoption of new standards and interpretations as noted below:

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests, the accounting for transactions costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The Group has applied these revised standards from 1 January 2010. The changes to IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

There have been a number of other new and amended standards and interpretations effective in the period, including IAS 39 Financial Instruments: Recognition and Measurement, IFRS 2 Share-based Payment, the Improvements to IFRS (2009), IFRIC 17 Distributions of Non-cash Assets to Owners and IFRIC 18 Transfers of Assets from Customers, none of which are expected to have a significant impact on the results or financial position of the Group.

In addition, the Group is currently assessing the impact of other new and amended standards and interpretations that are not yet effective, including IAS 32 Financial Instruments: Presentation (amendment), IAS 24 Related Party Disclosures (Revised), IFRS 9 Financial Instruments, IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) and IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The interim financial information was approved by a duly appointed and authorised committee of the Board of Directors on 5 August 2010 and is unaudited. The auditors have carried out a review and their report is set out on page 40.

The financial information set out in this document in respect of the year ended 31 December 2009 does not constitute the Group's statutory accounts for the year ended 31 December 2009. The auditor's report on the statutory accounts for the year ended 31 December 2009 was unqualified and did not contain a statement under section 498 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 have been delivered to the Registrar of Companies.

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

- profits or losses on disposal or impairment of non-current assets or businesses;
- unrealised gains and losses on derivatives and financial instruments;
- business restructuring costs; and
- litigation and transaction costs.

The non-trading items have been included within the appropriate classifications in the consolidated income statement.

The Group has restated its comparative dividend and earnings per share for the half year ended 30 June 2009 to reflect the bonus element of the rights issue announced on 8 October 2009.

3. Segment information

Management has determined the Group's operating segments based on the reports reviewed by the Board of Directors to make strategic decisions.

The Group's continuing businesses are organised and managed according to the nature of the services provided, which permits aggregation of the Group's operating segments into five reportable segments. The Group's reportable segments are:

- UK Retail: comprises betting activities in the shop estate in Great Britain.
- Other European Retail: comprises all activities connected with the Ireland (North and South), Belgium and Spain shop estates.
- eGaming: comprises betting and gaming activities from online operations.
- Core Telephone Betting: comprises activities relating to bets taken on the telephone, excluding High Rollers.
- High Rollers: comprises activities relating to bets taken on the telephone from High Rollers.

The discontinued operations comprise Italy Retail in 2010. It also included Casino and Hotels in 2009.

The Board assesses the performance of operating segments based on a measure of profit before interest and tax. This measurement basis excludes the effect of non-trading income and expenditure from the operating segments.

3. Segment information (continued)

Half year ended 30 June 2010	Revenue £m	Profit before taxation and non-trading items £m	Profit before taxation and after non-trading items £m
Continuing operations:			
UK Retail	332.7	76.9	77.0
Other European Retail	64.9	7.7	7.7
eGaming	85.6	29.1	27.9
Core Telephone Betting	8.9	(0.3)	(0.3)
High Rollers	8.1	8.9	8.9
Segment revenue and profit	500.2	122.3	121.2
Corporate costs		(9.8)	(9.8)
Profit before tax and net finance costs		112.5	111.4
Net finance income/(costs)		2.2	(6.3)
Profit before taxation (continuing operations)		114.7	105.1
Discontinued operations:			
Italy Retail	8.3	(9.1)	(26.2)
	8.3	(9.1)	(26.2)
Net finance costs		-	-
Loss before taxation (discontinued operations)		(9.1)	(26.2)
Group revenue and profit	508.5	105.6	78.9

3. Segment information (continued)

Half year ended 30 June 2009	Revenue £m	Profit before taxation and non-trading items £m	Profit before taxation and after non-trading items £m
Continuing operations:			
UK Retail	343.6	82.1	82.1
Other European Retail	67.1	5.1	5.1
eGaming	84.6	20.8	20.8
Core Telephone Betting[(1)]	9.1	(1.4)	(1.4)
High Rollers[(1)]	60.7	58.4	58.4
Segment revenue and profit	565.1	165.0	165.0
Corporate costs[(2)]		(8.0)	(8.0)
Profit before tax and net finance costs		157.0	157.0
Net finance costs		(25.7)	(27.0)
Profit before taxation (continuing operations)		131.3	130.0
Discontinued operations			
Italy Retail	14.8	(4.4)	(32.2)
Casino	3.0	(0.3)	(3.6)
	17.8	(4.7)	(35.8)
Net finance costs		(0.3)	(0.3)
Loss before taxation (discontinued operations)		(5.0)	(36.1)
Group revenue and profit	582.9	126.3	93.9

[(1)] *In the published interim results for the half year ended 30 June 2009 Core Telephone Betting and High Rollers were presented as one segment: Telephone Betting.*

[(2)] *In the published interim results for the half year ended 30 June 2009 Corporate costs were shown separately as International development costs and Corporate costs.*

3. Segment information (continued)

Year ended 31 December 2009	Revenue £m	Profit before taxation and non-trading items £m	Profit before taxation and after non-trading items £m
Continuing operations:			
UK Retail	656.7	134.5	124.1
Other European Retail	130.6	8.3	4.5
eGaming	160.7	46.1	46.1
Core Telephone Betting	15.7	(3.3)	(4.3)
High Rollers	68.5	66.9	66.9
Segment revenue and profit	1,032.2	252.5	237.3
Corporate costs(1)		(17.1)	(18.1)
Profit before tax and net finance costs		235.4	219.2
Net finance costs		(44.1)	(45.1)
Profit before taxation (continuing operations)		191.3	174.1
Discontinued operations			
Italy Retail	26.9	(9.9)	(74.6)
Casino	4.6	(0.9)	(6.9)
Hotels	-	-	(0.3)
	31.5	(10.8)	(81.8)
Net finance costs		0.1	0.1
Loss before taxation (discontinued operations)		(10.7)	(81.7)
Group revenue and profit	1,063.7	180.6	92.4

(1) *In the published preliminary results for the year ended 31 December 2009 Corporate costs were shown separately as International development costs and Corporate costs.*

4. Non-trading items

Continuing operations:	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	Year ended 31 December 2009 £m
Bond termination costs [1]	(8.6)	-	-
Net unrealised gains on derivatives and (losses)/gains on retranslation of foreign currency borrowings	0.1	(1.3)	(1.0)
Litigation and transaction costs	(1.1)	-	-
Loss on closure of UK Retail shops	-	-	(4.1)
Impairment loss	-	-	(6.1)
Loss on closure of Other European Retail (Ireland) shops	-	-	(2.1)
Business restructuring costs	-	-	(3.9)
Total non-trading items before taxation	(9.6)	(1.3)	(17.2)
Non-trading tax credit	2.4	0.4	0.9
Non-trading items after taxation	(7.2)	(0.9)	(16.3)

(1) *The Group bought back £118.6 million of the £250 million 7.125% bonds maturing in 2012 and replaced them with the £225 million 7.625% bonds maturing in 2017. The early repayment premium on the 2012 bonds of £8.6 million is reported as a non-trading item above.*

Non-trading items relating to discontinued operations are shown in note 6.

5. Taxation

The total tax credit on continuing operations was £242.5 million (Half year ended 30 June 2009: charge of £19.3 million; year ended 31 December 2009: charge of £27.7 million).

The corporation tax settlement reached with HMRC, in April 2010, resulted in a £261.9 million prior year tax credit, of which £46.0 million related to the recognition of a deferred tax asset. This asset primarily reflected the recognition of tax losses available for offset in future periods. The tax credit has been offset against the current year tax charge of £21.8 million and a taxation credit of £2.4 million on non-trading items. This resulted in a cash repayment of £80.0 million of corporation tax by HMRC, which is offset by current year payments of £12.1 million. There was also interest income of £20.0 million in respect of an interest rebate following the HMRC tax settlement.

The Chancellor, in the Budget on 22 June 2010, announced reductions in the main rate of corporation tax, and rates of capital allowances, but as the legislation was not substantially enacted by 30 June 2010, the figures shown within these accounts are calculated in accordance with existing rates. Whilst detailed calculations have not been made at this stage, if the reduction in the corporation tax rate from 28% to 24% had been enacted in totality at 30 June 2010 the effect would have been to reduce the deferred tax liability by approximately £15 million and to reduce the deferred tax assets by approximately £10 million.

6. <u>Discontinued operations</u>

On 31 May 2010, the Group completed the sale of its Italian operations. The effect of the disposal is as follows:

	30 June 2010
	£m
Sale proceeds	1.9
Net assets sold	(26.9)
Cost of disposal	(1.6)
Currency translation differences reclassified on disposal	10.8
Loss on disposal	(15.8)

The net cash consideration receivable is subject to adjustment based on the actual net financial position of the Italian business at the time of completion of the sale. The net financial position takes in to account the working capital, assets and liabilities at 31 May 2010. This is expected to be agreed with the purchaser in the second half of the year.

The Group's Casino operation was closed on 12 November 2009 and the licence was sold for £4.3 million on 22 January 2010.

Loss from discontinued operations comprises the following:

	Half year ended 30 June 2010		Half year ended 30 June 2009			Year ended 31 December 2009			
	Italy Retail	**Total**	Italy Retail	Casino	**Total**	Italy Retail	Casino	Hotels	**Total**
	£m	**£m**	£m	£m	**£m**	£m	£m	£m	**£m**
Revenue	8.3	**8.3**	14.8	3.0	**17.8**	26.9	4.6	-	**31.5**
Expenses	(17.4)	**(17.4)**	(19.2)	(3.3)	**(22.5)**	(36.8)	(5.5)	-	**(42.3)**
Loss before tax, finance costs and non-trading items	(9.1)	**(9.1)**	(4.4)	(0.3)	**(4.7)**	(9.9)	(0.9)	-	**(10.8)**
Net finance (costs)/income	-	**-**	(0.3)	-	**(0.3)**	0.1	-	-	**0.1**
Loss before tax and non-trading items	(9.1)	**(9.1)**	(4.7)	(0.3)	**(5.0)**	(9.8)	(0.9)	-	**(10.7)**
Impairment loss	-	**-**	(27.8)	(3.3)	**(31.1)**	(64.1)	-	-	**(64.1)**
Loss on closure of Casino	-	**-**	-	-	**-**	-	(6.0)	-	**(6.0)**
Loss on disposal of business/assets	(15.8)	**(15.8)**	-	-	**-**	(0.6)	-	-	**(0.6)**
Litigation and transaction costs	(1.3)	**(1.3)**	-	-	**-**	-	-	**-**	**-**
Loss on financial guarantee contracts	-	**-**	-	-	**-**	-	-	(0.3)	**(0.3)**
Loss before tax	(26.2)	**(26.2)**	(32.5)	(3.6)	**(36.1)**	(74.5)	(6.9)	(0.3)	**(81.7)**
Taxation	0.4	**0.4**	-	0.1	**0.1**	9.1	0.6	-	**9.7**
Loss for the period	(25.8)	**(25.8)**	(32.5)	(3.5)	**(36.0)**	(65.4)	(6.3)	(0.3)	**(72.0)**
Loss for the period before non-trading items	(8.7)	**(8.7)**	(4.7)	(0.2)	**(4.9)**	(9.8)	(0.7)	-	**(10.5)**

6. Discontinued operations (continued)

Following the sale of Italy Retail and the closure of the Casino, the Group has no assets or liabilities classified as held for sale. The major classes of assets and liabilities of the Italian Retail and the Casino held for sale at 30 June 2009 and 31 December 2009 were as follows:

	30 June 2009 Total £m	31 December 2009 Total £m
Assets		
Non-current assets		
Goodwill and intangible assets	40.0	11.5
Property, plant and equipment	21.6	21.4
Other financial assets	1.0	1.1
	62.6	34.0
Current assets		
Trade and other receivables	7.5	5.6
Cash and short-term deposits	3.8	5.3
	11.3	10.9
Total assets held for sale	73.9	44.9
Liabilties		
Current liabilities		
Trade and other payables	(10.7)	(8.6)
Corporation tax liabilities	(1.1)	(0.4)
	(11.8)	(9.0)
Non current liabilities		
Other financial liabilities	(6.8)	(4.9)
Total liabilities held for sale	(18.6)	(13.9)
Net assets held for sale	55.3	31.0

7. Dividends paid and proposed

Pence per share – proposed	Half year ended 30 June 2010 Pence	Restated half year ended 30 June 2009 Pence	Year ended 31 December 2009 Pence
Interim	3.85	2.98	2.98
Final	-	-	-
	3.85	2.98	2.98

No dividends were paid in the half year ended 30 June 2010. The dividend paid in the half year ended 30 June 2009 was £54.4 million (7.71 pence per share). An interim dividend of 3.85 pence per share (2009: 2.98 pence) was declared by the directors at their meeting on 5 August 2010. These financial statements do not reflect this dividend payable. The 2009 interim dividend has been restated to reflect the bonus element of the rights issue announced on 8 October 2009.

8. Earnings per share

Basic earnings per share has been calculated by dividing the profit attributable to shareholders of the Company of £309.5 million (30 June 2009: £74.7 million, 31 December 2009: £74.4 million) by the weighted average number of shares in issue during the half year of 902.1 million (30 June 2009 restated: 706.0 million, 31 December 2009: 751.4 million). The weighted average number of shares outstanding and the dilutive impact for 30 June 2009 have been adjusted to reflect the bonus element of the rights issue announced on 8 October 2009.

The calculation of adjusted earnings per share before non-trading items is included as it provides a better understanding of the underlying performance of the Group. Non-trading items are defined in note 2 and disclosed in notes 4 and 6.

Continuing operations	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	Year ended 31 December 2009 £m
Profit attributable to shareholders	347.6	110.7	146.4
Non-trading items net of tax	7.2	0.9	16.3
Adjusted profit attributable to shareholders	354.8	111.6	162.7
Discontinued operations			
Loss attributable to shareholders	(25.8)	(36.0)	(72.0)
Non-trading items net of tax	17.1	31.1	61.5
Adjusted loss attributable to shareholders	(8.7)	(4.9)	(10.5)
Group			
Profit attributable to shareholders	321.8	74.7	74.4
Non-trading items net of tax	24.3	32.0	77.8
Adjusted profit attributable to shareholders	346.1	106.7	152.2

Weighted average number of shares (millions):	Half year ended 30 June 2010	Restated Half year ended 30 June 2009	Year ended 31 December 2009
Shares for basic earnings per share	902.1	706.0	751.4
Potentially dilutive share options and contingently issuable shares	3.8	2.6	1.9
Shares for diluted earnings per share	905.9	708.6	753.3

8. Earnings per share (continued)

Earnings per share (pence)	**Before non-trading items**			**After non-trading items**		
	Half year ended 30 Jun 2010	Restated Half year ended 30 Jun 2009	Year ended 31 Dec 2009	Half year ended 30 Jun 2010	Restated Half year ended 30 Jun 2009	Year ended 31 Dec 2009
Continuing operations						
Basic earnings per share	39.3	15.8	21.7	38.5	15.7	19.5
Diluted earnings per share	39.2	15.7	21.6	38.4	15.6	19.4
Group						
Basic earnings per share	38.4	15.1	20.3	35.7	10.6	9.9
Diluted earnings per share	38.2	15.1	20.2	35.5	10.5	9.9

9. Property, plant and equipment

During the half year ended 30 June 2010, the Group acquired assets with a cost of £12.8 million (half year ended 30 June 2009: £15.2 million, year ended 31 December 2009: £37.4 million).

Assets with a net book value of £0.4 million were disposed of by the Group during the half year ended 30 June 2010 (half year ended 30 June 2009: £1.7 million, year ended 31 December 2009: £5.7 million).

At 30 June 2010 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2.3 million (30 June 2009: £3.3 million, 31 December 2009: £1.3 million).

10. Net debt

The Group's net debt is as follows:

	Half year ended 30 June 2010		Half year ended 30 June 2009			Year ended 31 December 2009		
	Continuing	**Total**	Continuing	Discontinued	**Total**	Continuing	Discontinued	**Total**
	£m	**£m**	£m	£m	**£m**	£m	£m	**£m**
Current assets								
Derivatives	-	**-**	50.8	-	**50.8**	0.4	-	**0.4**
Cash and short-term deposits	47.9	**47.9**	17.1	3.8	**20.9**	24.8	5.3	**30.1**
Current liabilities								
Bank overdrafts	(0.3)	**(0.3)**	(3.4)	-	**(3.4)**	(2.1)	-	**(2.1)**
Interest bearing loans and borrowings	(0.1)	**(0.1)**	(419.2)	-	**(419.2)**	(24.0)	-	**(24.0)**
Derivatives	-	**-**	(2.1)	-	**(2.1)**	(0.1)	-	**(0.1)**
Non current liabilities								
Interest bearing loans and borrowings	(551.2)	**(551.2)**	(598.2)	-	**(598.2)**	(689.3)	-	**(689.3)**
Derivatives	-	**-**	(10.8)	-	**(10.8)**	(9.2)	-	**(9.2)**
Net debt	(503.7)	**(503.7)**	(965.8)	3.8	**(962.0)**	(699.5)	5.3	**(694.2)**

11. Note to the statement of cash flows

	Half year ended 30 June 2010	Half year ended 30 June 2009	Year ended 31 December 2009
	£m	£m	£m
Profit before tax and finance costs - continuing[1]	112.5	157.0	235.4
Loss before tax and finance costs - discontinued[1]	(9.1)	(4.7)	(10.8)
Profit before tax and finance costs[1]	103.4	152.3	224.6
Depreciation - continuing	23.9	24.0	46.8
Depreciation - discontinued	-	1.3	1.3
Amortisation of intangible assets	2.8	3.2	6.7
Cost of share-based payments	2.3	1.8	3.9
Increase in other financial assets	(0.7)	(2.7)	(3.2)
Decrease/(increase) in trade and other receivables	30.5	(19.8)	(17.2)
(Decrease)/increase in other financial liabilities	(4.9)	1.5	3.5
Increase/(decrease) in trade and other payables	16.0	(17.8)	(36.4)
(Decrease)/increase in provisions	(2.2)	(1.6)	1.1
Contribution to retirement benefit scheme	(3.4)	(3.5)	(7.0)
Share of results from joint ventures	0.2	1.3	2.1
Share of results from associates	(1.7)	(1.7)	(3.2)
Other items	(1.5)	1.7	3.0
Cash generated by operations	164.7	140.0	226.0
Income taxes received/(paid)	67.9	(23.8)	(37.1)
Finance costs paid	(26.7)	(21.5)	(56.4)
Net cash inflow from operating activities	**205.9**	**94.7**	**132.5**

(1) Before non-trading items

11. Note to the statement of cash flows (continued)

Cash and short-term deposits in the balance sheet comprises:

	Half year ended 30 June 2010	Half year ended 30 June 2009	Year ended 31 December 2009
	£m	£m	£m
Continuing operations			
Cash at bank and in hand	47.9	17.1	24.8
Discontinued operations			
Cash at bank and in hand	-	3.8	5.3
Total Group	47.9	20.9	30.1

Cash and cash equivalents in the statement of cash flows comprises cash at bank and other short-term highly liquid investments with a maturity of three months or less and overdrafts:

	30 June 2010	30 June 2009	31 December 2009
	£m	£m	£m
Continuing operations			
Cash at bank and in hand	47.9	17.1	24.8
Bank overdrafts (included in current liabilities)	(0.3)	(3.4)	(2.1)
	47.6	13.7	22.7
Discontinued operations			
Cash at bank and in hand	-	3.8	5.3
Total Group	**47.6**	**17.5**	**28.0**

12. 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 2010 £m	Half year ended 30 June 2009 £m	Year ended 31 December 2009 £m
Equity investment			
- Joint ventures[1]	0.8	3.1	4.1
- Associates	-	-	0.4
Additional loans provided			
- Joint venture partners	0.7	2.7	2.9
Dividends received			
- Associates	-	-	3.3
Sundry expenditures			
- Associates	16.8	16.1	35.7

(1) The £0.8 million investment in the half year ended 30 June 2010 was in relation to the Group's joint venture investment in Sportium Apuertas Deportivas SA. During the half year ended 30 June 2010, the Group also entered into a 50% joint venture with Groupe CANAL+ to launch online betting and gaming services in France.

During the half year ended 30 June 2010, the Group purchased a 60% interest in Main Street 684 (PTY) Limited, a venture with KaiRo (International) Holdings Limited to launch an online sportsbook in South Africa. The results of the venture are fully consolidated in the Group financial statements with a deduction for the non-controlling interest.

The following table provides related party outstanding balances.

	Half year ended 30 June 2010 £m	Half year ended 30 June 2009 £m	Year ended 31 December 2009 £m
Loan balances outstanding			
- Joint venture partners	5.7	5.3	5.5
Other payables outstanding			
- Associates	2.3	2.2	-
Other receivables outstanding			
- Associates	0.3	-	2.3

13. Contingent liabilities

The following contingent liabilities exist at 30 June 2010:

Guarantees have been given in the ordinary course of business in respect of loans and derivative contracts granted to subsidiaries amounting to £555.4 million (30 June 2009: £1,013.9 million, 31 December 2009: £715.4 million). In addition, subsidiaries have guaranteed loans of £0.1 million (30 June 2009: £0.2 million, 31 December 2009: £0.2 million) given in the normal course of business to other subsidiary companies.

Bank guarantees have been issued on behalf of subsidiaries and joint ventures with a value of £41.4 million (30 June 2009: £32.9 million, 31 December 2009: £42.7 million).

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 2010 and 2042 and the lease liabilities comprise a combination of minimum contractual and turnover based elements.

The maximum liability exposure in respect of the guarantees for all periods up to 2042 is £917.1 million (30 June 2009: £928.9 million, 31 December 2009: £933.0 million), with a maximum indemnity receivable of the same amount. Included in the maximum liability exposure is £511.6 million (30 June 2009: £522.9 million, 31 December 2009: £517.2 million) in relation to the turnover based element of the hotel rentals and £405.5 million (30 June 2009: £406.0 million, 31 December 2009: £415.8 million) 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 2010 is £392.4 million (30 June 2009: £415.9 million, 31 December 2009: £407.7 million). Included in the net present value of the maximum exposure is £195.5 million (30 June 2009: £213.4 million, 31 December 2009: £201.0 million) in relation to the turnover based element of the hotel rentals and £196.9 million (30 June 2009: £202.5 million, 31 December 2009: £206.7 million) 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.

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.

At 30 June 2010 the Group has recognised a financial liability of £9.3 million (30 June 2009: £9.0 million, 31 December 2009: £9.3 million) in respect of these guarantees.

The key assumption in the probability model is the hotels default rate. A rate of 2.2% has been used at 30 June 2010 (30 June 2009: 1.2%, 31 December 2009: 2.2%). A 0.5 percentage point increase in the default rate would increase the financial liability by £1.7 million.

Statement of Director's 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 4.2.7 and DTR 4.2.8, 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.

The directors of Ladbrokes plc are listed in the Group's annual report and accounts for the year ended 31 December 2009. Since that date Richard Glynn has replaced Christopher Bell as Chief Executive and Nicholas Jones and Henry Staunton have resigned as non-executive directors. A list of current directors is maintained on the Ladbrokes plc website www.ladbrokesplc.co.uk.

By order of the Board

R Glynn B G Wallace

5 August 2010

Independent review report to Ladbrokes plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 30 June 2010 which comprises the Interim consolidated income statement, Interim consolidated statement of comprehensive income, Interim consolidated balance sheet, Interim consolidated statement of changes in equity, Interim statement of consolidated cash flows and the related notes 1 to 13. 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 condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report 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 and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
5 August 2010