23 February 2016

Ladbrokes plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

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Ladbrokes plc
Preliminary results for the year ended 31 December 2015

Good progress on strategy and FY17 financial objectives – Encouraging H2 customer metrics

	Headline[1]			**Statutory**	
Year ended 31 December	**2015 £m**	2014 £m	Growth	**2015 £m**	2014 £m
Revenue	**1,195.5**	1,158.9	3.2%	**1,199.5**	1,174.6
Group operating profit [2] /(loss)	**80.6**	125.4	(35.7)%	**(15.4)**	66.2
Profit/(loss) before tax	**52.5**	98.0	(46.4)%	**(43.2)**	37.7
Profit after tax	**87.5**	93.1	6.0%	**5.1**	41.0
Basic EPS	**9.1p**	10.1p	(9.9)%	**0.5p**	4.4p
Total dividend per share	**3.0p**	8.9p	(66.3)%	**3.0p**	8.9p

- **Group net revenue:** +3.2%, H2 +5.0% with favourable Q4 sporting results.
  - **UK Retail** net revenue up 2.0% with Q4 seeing strong growth at +6.5%. H2 OTC staking growth.
  - **Digital** net revenue growth at 12.9% with Q4 up 31.4% as marketing and product investment delivered strong growth in actives and staking.
  - **Multi-channel** delivered over 35,000 actives by year end after full launch at end of August 2015 beating plan.
  - **Australia** growth strategy delivering, actives +65% and net revenue +71%[3].
- **Group operating profit[2]** of £80.6m down 35.7% reflecting our increased marketing and product investment in line with the new strategy and a c.£50m increase in gambling taxation.
- **Exceptional items** at £99.0m in line with H1 guidance, primarily retail impairments of £53.2m, merger transaction costs of £17.6m and shop closure costs of £19.8m.
- **Tax credit:** £35.0m corporation tax credit primarily from crystallisation of historic tax losses, benefits EPS.
- **Full year dividend** at 3p per share (1p interim; 2p final) in line with strategy.
- **Our 2016 expectations unchanged:** sustained product and marketing investment, to drive customer metrics.
- **Ladbrokes Coral merger** on track with Shareholder approval secured and the CMA phase 2 process underway.

Jim Mullen, Chief Executive, commented:

"I am pleased to be able to report a good start to the delivery of the strategy outlined in July. Although it remains early days there is positive progress to report. In UK Retail, self-service betting terminals are delivering growth, football is up and our Retail team are delivering strong Multi-channel growth. In Digital in Q4, increased marketing delivered more customers and more staking with Ladbrokes.com net revenue up over 25% and Australia, where the business goes from strength to strength, up over 75%[3].

"The full year figures reflect the costs needed to undertake significant investment to deliver the strategy as well as facing circa £50 million of increased taxation.

"While it is pleasing to report that after two quarters we have made a good start, we are only at the beginning of the journey. Therefore, 2016 will see the same focus on winning more recreational customers, excellent operational delivery and a performance driven approach as the basis for delivering on our clear 2017 financial targets."

Divisional Summary

Year ended 31 December	Headline net revenue[1]			Headline operating profit[1][2]		
	2015	2014		**2015**	2014	
	£m	£m	Growth	**£m**	£m	Growth
UK Retail	**827.4**	811.5	2.0%	**116.1**	119.3	(2.7)%
Digital	**242.8**	215.1	12.9%	**(23.8)**	14.0	Na
European Retail	**119.8**	122.1	(1.9)%	**14.5**	13.0	11.5%
Core Telephone Betting	**5.5**	10.2	(46.1)%	**(2.2)**	2.0	Na
Corporate costs				**(24.0)**	(22.9)	4.8%
Total before High Rollers	**1,195.5**	1,158.9	3.2%	**80.6**	125.4	(35.7)%
Total incl. High Rollers	**1,199.5**	1,174.6	2.1%	**83.9**	139.6	(39.9)%

UK Retail: improved OTC staking trends; successful SSBTs roll-out; lower staking machine growth

- H2 OTC staking growth +1.3% benefiting from increased SSBT estate which now contributes 8.3% of OTC staking in Q4 with 78.6% on football
- Gross win margin 16.2% (FY14: 16.4%)
- Football season staking +13.2%[4] and gross win +28.6%[4]
- Machines growth from lower staking slots games which contributed c.40% of gross win in Q4 (14Q4: 33%)
- Costs performance in line with guidance
- Targeted shop refurbishment programme commenced in Q1 2016

Digital: growth from investment in product and marketing; Australia momentum; strong H2 performance

- Ladbrokes.com: Q4 net revenue growth +28.4%; strongest quarterly growth since launch
  - Sportsbook staking growth +29.0% (Q4: +43.9%); mobile +69.4% (Q4:+77.3%), actives +9.9% (Q4: 25.5%)
  - Gaming growth continues with net revenue +13.3% (Q4: +10.3%) and actives +38.9% (Q4: +41.5%)
  - Multi-channel actives already over 35,000 at end of 2015; and value greater than pure Digital customers
- Australia[3]: net revenue +70.9% (Q4: +76.3%), Actives +64.7% (Q4: 60.2%); staking +62.9% (Q4: 63.0%)

European Retail: restructuring and product investment drives increased operating profit (+11.5%)

- Belgium[3]: staking growth +48.5% driven by investment in SSBTs and virtual product; net revenue +22.2%
- Ireland: return to profitability in Republic of Ireland in H2 after Examinership
- Spain: investment in regional roll out continues, good staking and revenue trends

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Snehal Shah, Group Financial Controller and Head of Investor Relations

(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) *Local currency*

(4) *2015/16 football season to 31 December 2015*

Conference call and Notes to Editors:

The Company will be hosting a teleconference to discuss the results with slides available at the 'Investor' section on www.ladbrokesplc.com at 9:30am (GST) this morning. This will be available to listen into by dialling +44 (0)20 3427 1912 – pass code: 4690121. A recording of the webcast will be available by dialling +44 (0)20 3427 0598 – pass code: 4690121 on the same day. For further information on Ladbrokes plc, please visit our corporate website at www.ladbrokesplc.com.

Chief Executive’s Review

Overview

After a short and intense internal review, it was clear that we needed to change the way we ran the business, build scale, respond faster to the customer and create a sense of urgency across the business.

In July, we announced an aggressive three year investment programme to build our UK Retail, Digital and Australian recreational customer base. The plan is based on restoring a culture of sporting passion and pride in what we do at Ladbrokes and in ensuring that the recreational customer and sports betting is front and centre in all that we do.

The plan was not without challenges and came at a cost as we sought to address urgently the need to invest more heavily in the business, with an inevitable and significant reduction in our profit expectations and cutting the dividend to finance our strategy for growth.

The fall in operating profit in 2015 highlights the reality of our situation, the significant burden of c.£50m increased tax and regulation on our industry and the financial impact of delivering the plan.

It is pleasing that after two quarters of execution of our plan, we can report progress. We take encouragement that the customer metrics and revenue growth in H2 demonstrate a good response from our customers to our focus on people, product and promotions and reflect positively on some of the cultural and operational changes that have taken place. The challenge for Ladbrokes is to build on this start and remain intensely focused on reaching or exceeding the 2017 financial targets we set out in July.

The year ended with Group operating profit of £80.6m(1), which was slightly ahead of expectations with better results in UK Retail in Q4 and somewhat stronger operational trends being the key drivers to this performance.

Within all our key strategy areas we saw improved performance in the second half, helping full year Group net revenue grow 3.2% year on year (excluding High Rollers) against a period which included the 2014 World Cup.

UK Retail in particular performed strongly and we saw an increasing contribution from our market leading Self Serving Betting Terminal (SSBT) estate and encouraging H2 OTC staking trends. Machines, where our strategy is to grow lower staking play through the regular introduction of new slots based games, also performed well.

In Digital, the Point of Consumption (POC) tax, the increased H2 marketing investment required to implement our strategy and the loss we recorded from HVCs in Q1 contributed to a significant decline in profitability. However, while the full year reflected issues both within and outside of our control, we were encouraged by the exit trends we saw under the new strategy with net revenue growth in Q4 at 31.4% and Ladbrokes.com net revenue up 28.4%.

Australia has been one of our strongest performing businesses and, despite strong competition in this market, it delivered net revenue up 70.9% in the year and up 76.3% in Q4 on local currency basis, somewhat ahead of our expectations in July.

Strategy Implementation

Following the announcement of our new strategy, the Group has focused on implementing 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 focused value propositions to our customers; and through the continuous delivery of innovative products, including, importantly, multi-channel products and services.

UK Retail

In UK Retail, we have sought to increase our appeal to a wider recreational customer base through a focus on people, product and promotions.

We have begun to engage our people on a journey that puts sports betting and sports expertise back at the heart of our offer. We have rolled out tablets to every shop to help promote better communication, training and product knowledge. We also established a retail experience programme to promote greater service standards in our retail estate and have recently begun the process to identify sports experts in every marketplace to help create the strongest sports betting proposition on the High Street.

Our focus has largely been on attracting the recreational football customer and we have invested heavily in marketing and sponsorships that support this aim. We have also advertised more in key media across the UK particularly in red top and TV media. Staking for the 2015/16 football season was up an encouraging 13.2% at the year end with gross win up 28.6% as the English premier league unpredictability contributed to a strong finish to the year.

Our product initiatives have been based around two key innovations in our offer, SSBTs and multi-channel.

We took the decision to create the UK's largest SSBT estate, based on the growing customer interest we had seen in the existing offer. We successfully rolled out over 3,500 new SSBTs in H2 to complement our existing offer and now have at least one in every shop with some of our busier shops, as determined by our local management teams, hosting up to eight terminals.

The range of betting opportunities and markets held on each terminal creates the ability for the customer to create their own multiple bets across a multitude of sports and international territories from the convenience of the UK High Street. The performance of the SSBT product has been strong, growing from just 3% of OTC staking in Q4 2014 to over 8% at the end of 2015. They have proved popular in growing our appeal with customers in the 18-35 year old segment whose primary interest is in football and over 75% of SSBT staking is on football. In addition, they allow customers to bet in-play thereby aligning our retail offer with services our digital customers already enjoy, and while in play accounts for over 30% of SSBT staking in Q4, we see this as an opportunity for further development. With the full roll out now complete, our attention has turned to optimising their performance through promotion of the product and enhancing the proposition. This will help them appeal to a wider range of customers as well as developing our in play business and driving more multiple bets.

Late in Q2 we launched our multi-channel (One Ladbrokes) offer following successful regional trials to attract the recreational customer and specifically targeted our launch to coincide with the football season. We are focused on growing digital actives through the combination of digital and OTC oriented technology products.

The One Ladbrokes appeal is focused on a product driven strategy and already customers can take advantage of products such as retail cash out, bet status trackers, my Accas, live scoreboards and the ability to transfer winnings online. These facilities have proved incredibly popular with over one million bet tracker checks by the year end. The product appeals typically to the younger recreational customer, 56% of signs ups are under 35, and so far we have seen the value of these customers is greater than a pure Ladbrokes.com only customer. All selling of the multi-channel offer has been via our High Street shop estate utilising a retail distribution network of over 2,000 shops. We have allied market leading product with a cost effective cash incentive to our retail colleagues to recruit customers. I have been delighted by the response of our retail teams to our multi-channel offer and they have been central to us recruiting over 35,000 new digital actives by year end. Customer recruitment continues to progress well. We believe that this combination can continue to grow our multi-channel customer base further, a view backed up by the first few weeks of 2016 and further re-enforces our view that the retail estate still has a very active role in the modern High Street.

We continue to see the benefit of investing some margin to deliver value offers to our customers in key sports through promotions such as Best Odds Guaranteed and Happy Hour or by products such as Top Prices Top Teams. Our colleagues tell us that they have driven the appeal of our retail offer as well as increased the belief of our own retail teams in our competitive proposition. It perhaps should not be a surprise that with this confidence in our people, the trends on our OTC business have improved.

Finally we have seen continued strong performance in our machine product. The key driver in this growth has been through increased play on lower stake slot games. We have grown the percentage of gross win from slots from 33% in Q4 2014 to 40% in Q4 2015. This has been a key part of our machine strategy as we move away from higher stake content and focus on lower value staking games. We launched 27 new slot games in the year compared to just five casino B2 games. Within our machine performance we also complied with all the new DCMS regulations on £50+ staking which saw a 68% reduction in that form of play.

Having prioritised establishing the largest SSBT estate in the UK in H2 2015, we are beginning to invest the £25-30m capital investment programme we set out in July across the UK Retail estate. We expect to spend up to £11m in 2016 improving the core fabric of our estate where the competitive position or local market is expected to deliver an incremental return.

Digital

In Ladbrokes.com, where we had already established a strong sports betting and gaming product, we launched our new desktop product on the Mobenga platform, introduced cash out options across all sports betting platforms and implemented the next level of IMS creating a competitive single wallet offer for customers.

We continued to focus on increasing the quality of content available to customers on our key digital products including live scoreboards and increased the ease of access to live streamed sporting events. However, as announced in July, in the second half of the year we set about to ensure that more people were aware of our product and the significant journey of improvement it had been on. As planned, we increased our marketing intensity to over 30% of net revenue, with a focus on pay per click and affiliate channels. While the overall profit performance of Ladbrokes.com reflects the impact of increased taxation and marketing and product investment, the customer trend data as we exited the year gives cause for encouragement and we will continue to invest heavily in marketing as we approach the European Football championships in June 2016.

Sportsbook has now seen eight consecutive quarters of staking growth and despite coming up against a tough prior year comparative, it ended the year up 44% in Q4. Outside of the Grand National, Boxing Day 2015 saw the highest ever number of actives, 87,000 playing on our sportsbook, crucially showing that while new tablets, laptops and phones were unwrapped on Christmas day, our applications were willingly transferred by the customer. In the few weeks since the start of the new financial year, this number looks increasingly within reach for a normal Saturday. The customer preference to access products from mobile devices continued in the year and grew from 54% of our sportsbook stakes in 2014 to 71% at year end.

While product innovation has driven the sportsbook performance, we have seen the ability to cross sell to Gaming enhanced by the delivery of the IMS single wallet functionality in the year.

In Gaming we delivered our fifth consecutive quarter of growth in Q4, with customers responding well to weekly releases of new games, a new Casino website and the introduction of Live Dealer on all mobile platforms.

As with sportsbook, the attraction of mobile play to the customer continues and it now accounts for 52% of gaming play, up from 34% in 2014.

I called Australia one of the hidden jewels in the Ladbrokes crown in July. With stakes up 63%, actives up 65% and net revenue up 71% (local currency) it has continued to go from strength to strength. The strategy in Australia is to take the team’s dedication to innovative products to build a strong customer base backed by a strong investment in brand awareness.

In the year, the business has launched partial cash out offers across all markets. It has also started to drive multi-channel growth through the innovative ‘Cash In’ feature that allows customers to instantly deposit money into their Ladbrokes account at over 1,000 participating newsagents across Australia. While the performance of the business has been encouraging across the board, we are particularly encouraged by how quickly the brand has grown reaching number three in the year among corporate bookmakers from a standing start in 2013. To keep up this momentum Ladbrokes Australia has become the official corporate bookmaker for the Melbourne Racing Club from 1 January 2016 with Sandown Racecourse being renamed Ladbrokes Park and Ladbrokes will be official sponsor for key races including the Ladbrokes Caulfield Classic and Ladbrokes Caulfield Stakes.

European Retail

In Belgium and Spain we are continuing our existing strategies for growth, building on leading retail positions to develop a multi-channel offer.

Belgium retail performance has been good with non-horse sports betting, evening openings and some investment in our estate fabric helping offset horse racing decline. The retail highlight has been our product innovation in introducing SSBTs and utilising virtual sports on them. Although there is some regulatory uncertainty over virtual sports betting in Belgium, we continue to remain positive on the potential for SSBTs in Belgium retail.

In Spain, through our joint venture, we continue to expand into new territories and saw encouraging profit growth in the more established regions such as Madrid and Aragon. In Catalunya we have achieved the number one market position in retail and saw over 200% growth in net revenue in the year. While our strategy of continuous expansion does come at a continued small operating loss, progress in established territories remains encouraging for the longer-term success of the business. We also took on the role as the official betting partner to La Liga and the raised Sportium brand profile has assisted an encouraging digital performance.

In early Q2, we took the decision to place our Republic of Ireland business into Examinership in order to establish a more viable and competitive business. We exited the process in July with a reduced estate and a reduction in workforce achieved almost entirely through a voluntary redundancy programme. The steps we took allied to a more visibly promotion led business strategy has seen the Republic return to good staking growth and profitability in the second half of 2015. Multi-channel represents an exciting opportunity for Ireland and we used our successful experience of the UK launch to roll out the product in January 2016.

Regulation and Taxation Developments

2015 showed the impact regulation and taxation can have on our business. The increases in MGD and the introduction of POC tax account for c.£50million reduction in our full year operating profit.

We also introduced new DCMS regulations around the playing of B2 games at stakes above £50 in April. This had a significant impact in reducing the higher stakes B2 play and has driven the reduction in stakes at £50+ by just under 70%.

While my central focus has been on delivering the growth in our business necessary to build scale and return value to shareholders, I have been very clear that in delivering my plan we have two non-negotiables in our approach, health and safety and responsible gambling.

We are clear that gambling should be a safe and enjoyable past time for both our colleagues and customers.

As part of this commitment we have undertaken a review of our approach to health and safety throughout the business. We have also committed to move to single scheduling as a voluntary only policy in the evenings and this is being rolled out through the estate with a target date of being fully operational by autumn. While this will have a financial cost, this is already factored into our wider view on a 2-3% rise in UK Retail operating costs in 2016.

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 also launched a responsible gambling matrix in our Ladbrokes.com business late in the year. We have continued our membership of Senet and played a key role in the wider self-exclusion pilot schemes ahead of the national scheme to be rolled out in Q2 this year. 2015 was also the first year that responsible gambling targets were included in executive remuneration, and we believe we are the only company in the industry to have done so.

Proposed merger

The proposed merger with the Coral Group was announced in July 2015 and we are grateful for the strong support from Shareholders in November. We are now actively engaged with the Competition and Markets Authority ("CMA") in the formal phase two process. We expect to see the preliminary findings of the CMA in late April with the current timetable for publication of the final report being 24 June 2016 in line with the merger timetable we set out last July.

While this process takes place, we will continue to focus on the implementation of the organic strategy and the delivery of business as usual.

Outlook

Our H2 results give us encouragement that our strategy is working. The current year has started well, as the unpredictability of the football season has thus far favoured bookmakers. Customer metrics continue to remain strong and, as a result we maintain our view for 2016. It will be a year of hard work, attention to detail and continued investment as we set about delivering against our 2017 targets.

(1) *Excludes exceptional items and High Rollers*

Audited results for the year ended 31 December 2015

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Net revenue by segment:		
UK Retail	827.4	811.5
Digital	242.8	215.1
European Retail	119.8	122.1
Core Telephone Betting	5.5	10.2
Group net revenue (exc. High Rollers)	1,195.5	1,158.9
High Rollers	4.0	15.7
Group net revenue	1,199.5	1,174.6
Group operating profit (1) (exc. High Rollers)	80.6	125.4
Group operating profit (1) from High Rollers	3.3	14.2
Profit before net finance expense, tax and exceptional items	83.9	139.6
Operating exceptional items(2)	(99.3)	(73.4)
(Loss)/profit before net finance expense and tax	(15.4)	66.2
Net finance expense(3)	(27.8)	(28.5)
(Loss)/profit before tax	(43.2)	37.7
Income tax credit(4)	48.3	3.3
Profit after tax	5.1	41.0

Impact of increased MGD, POC tax and grey market withdrawals on FY operating profit

	Year ended 31 December 2015	Year ended 31 December 2014	Year on year change
	£m	£m	%
Group operating profit(1) (exc. High Rollers)	80.6	125.4	(35.7)%
POC tax	-	(18.0)	-
Exited grey markets	-	(2.9)	-
MGD increase (from 1 March)	-	(16.9)	-
Pro forma operating profit(5)	80.6	87.6	(8.0)%

(1) *Operating profit is defined as profit before tax, net finance expense and exceptional items. Exceptional items before finance expense and taxation were £99.3m (2014: £73.4m).*

(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) *Includes £0.3m of exceptional finance income in 2015 (2014: £1.1m exceptional finance expense).*

(4) *Income tax includes a credit of £13.3m on exceptional items (2014: £8.9m).*

(5) *In order to provide a relevant comparative, FY14 EBIT has been adjusted to reflect impact of externally imposed headwinds – UK POC tax, increased MGD (from 1 March 2015) and our withdrawal from unregulated digital markets in line with the guidelines of the UK Gambling Commission as if they had applied for the equivalent period in FY14.*

Business Review

1. UK Retail

	Year ended 31 December 2015	Year ended 31 December 2014	Year on year change
	£m	£m	%
- OTC amounts staked	2,280.0	2,327.9	(2.1)%
- Machines amounts staked	11,706.4	11,838.6	(1.1)%
Amounts staked	13,986.4	14,166.5	(1.3)%
- OTC gross win	373.9	386.3	(3.2)%
- Machines gross win	464.6	437.9	6.1%
Gross win	838.5	824.2	1.7%
Adjustments to GW (1)	(11.1)	(12.7)	12.6%
- OTC net revenue	369.2	379.5	(2.7)%
- Machines net revenue	458.2	432.0	6.1%
Net revenue	827.4	811.5	2.0%
Gross profits tax	(55.0)	(56.9)	3.3%
Machine Games Duty	(110.7)	(86.3)	(28.3)%
	661.7	668.3	(1.0)%
Associate income	4.3	1.2	258%
Operating costs	(549.9)	(550.2)	0.1%
Operating profit (2)	116.1	119.3	(2.7)%

(1) *Fair value adjustments, free bets.*
(2) *Before exceptional items.*
(3) *Greyhound tracks account for £11.2m of amounts staked and £7.1m of gross win in 2015 (2014: £11.7m amounts staked and £7.6m gross win).*

Retail investment delivering revenue growth in machines and football, positive OTC staking trends in H2

Our UK Retail business performed ahead of our expectations for 2015 reflecting a stronger OTC and machines performance, continued cost control and better results driven margins in Q4. Overall, net revenue increased by 2.0% driven by strong SSBT and machine performance and operating profit declined by 2.7%, much less than the impact from the significant increase in Machines Games Duty from 1 March.

Despite the impact of the 2014 World Cup in the comparable period, OTC staking declined by only 2.1% or 0.4% on a like for like basis. Excluding the World Cup, OTC staking was in line with the prior year or up 1.7% on a like for like basis with H2 returning to growth. Football staking was down 1.5%, but excluding the World Cup period we saw underlying growth of c.14% and following the start of the English Premiership in August, football staking grew by 13.2%.

Gross win margin for the year was 16.2% (2014:16.4%). In H1 we experienced lower OTC margin reflecting the industry wide football losses in Q1 and weaker horse-racing margins from our sustained focus on value for customers and customer friendly results. However, the favourable football results towards the end of the year avoided a potentially weaker result.

SSBTs, which are included in OTC, generated stakes of £117.4m, up 144%, with over 76% coming from football. We have seen a growing staking per shop throughout the year whilst margins have been maintained at 25.6% supportive of our wider deployment strategy. In 2015, our SSBT estate grew to 6,408 (2014: 1,731).

We have successfully launched the multi-channel strategy which has delivered 35,000 digital actives by the year end. On average, they are around twice as valuable as standalone digital customers and are cheaper to recruit with over 6,200 shop colleagues benefitting from the £0.8m paid in incentives.

In H1 we launched the new regulations governing stakes above £50. This had a significant impact in reducing the higher stakes B2 play. Good engagement with our customers through implementation of the '£50 journey' and our speed to market on launching innovative lower staking B3 slots and content has seen machine revenue grow by 6.1% with strong growth in slots which now accounts for c.39% of machines gross win (2014: c.31%).

In 2015, there was an average of 8,670 gaming machines in the estate (2014: 8,966). At 31 December 2015 there were 8,586 machines (31 December 2014: 8,789). Average gross win per machine per week was £1,028 (2014: £937).

On 1 March 2015 the rate of Machine Games Duty increased from 20% to 25% resulting in a £24.4m increase in the year.

Operating costs decreased by 0.1% in 2015 reflecting shop closures, or a 2.5% increase on a like-for-like basis. This was broadly in line with the cost guidance we issued in February as we have benefitted from a sustained focus on cost efficiency through a well managed rent renewal process and delivered on our estate optimisation programmes. Our machine revenue share payments were higher than we expected reflecting the stronger performance in 2015. Marketing costs were higher by 30.4% reflecting our investment in customer acquisition and payments to our employees in support of the multi-channel programme. In 2016, we expect UK Retail operating costs to increase by c.2-3% taking account of a continued attractive rental market, staff costs increases including the impact of the national Living Wage being introduced in March 2016 as well as voluntary single scheduling, and the small reduction in the estate planned for 2016.

In 2015, we closed 56 shops as we improve the quality of our estate and remove, where commercially sensible, loss making shops from the portfolio. The closures have generated an exceptional charge of £13.4m (total cash cost £4.4m). In 2016 we expect to close around 25 shops excluding the impact of the proposed merger.

At 31 December 2015 there were 2,153 shops in Great Britain (31 December 2014: 2,209).

2. Digital

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

In 2015, Digital net revenue increased by 12.9% to £242.8m (2014: £215.1m) driven by a combination of strong customer KPIs as well as favourable sporting results in Q4 resulting in our highest ever level of quarterly net revenue in Ladbrokes.com. However, as a result of the introduction of the POC tax in the UK, substantial losses to HVC's in Ladbrokes.com in Q1 and increased marketing investment in H2 in line with the strategic plan, we recorded an operating loss before exceptional items of £23.8m (2014: profit £14.0m).

A. Ladbrokes.com and Exchanges

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Year on year change %
Net revenue			
- Sportsbook	81.0	84.8	(4.5)%
- Gaming	91.2	80.5	13.3%
- Exchanges	13.3	13.2	0.8%
Net revenue	185.5	178.5	3.9%
Betting tax	(1.1)	(1.1)	-
POC tax	(28.1)	(2.1)	Na
Operating costs	(177.0)	(158.0)	(12.0)%
Operating (loss)/profit (1)	(20.7)	17.3	Na

(1) Before exceptional items.

In Sportsbook, amounts staked increased by 29.0% (+33.5% ex World Cup) with actives increasing by 9.9%. In 2015, Mobile represented 70.5% of sportsbook stakes with mobile staking increasing by 69.4%. The gross win margin of 6.1% was 1.7 percentage points lower than 2014; this was partially due to significant losses to HVC's in Q1 but also reflects the impact of customer friendly football results in H1. As a result, Sportsbook net revenue declined by 4.5%.

In July, we launched our new desktop product, powered by the Mobenga platform which gives our customers a consistent experience with our strong Mobile and tablet offers. In addition, other enhancements such as cash-out and single wallet were launched. Whilst the decline in desktop actives has been arrested, desktop staking declined by 17.9%, reflecting increasing customer preference for Mobile products.

As a result of our improved customer offer and the benefits of Ladbrokes Israel use of the Playtech IMS platform, Gaming net revenue increased by 13.3% to £91.2m and we have now seen five sequential quarters of growth in net revenue and actives.

Net revenue from Betdaq and the Ladbrokes Exchange of £13.3m increased by 0.8%.

Operating costs increased by 12.0% to £177.0m (2014: £158.0m) impacted by the increased marketing investment in H2, in line with the strategic plan. Depreciation and amortisation increased to £28.5m (2014: £27.2m) reflecting the investment in systems and product enhancements.

Point of Consumption (POC) tax came into effect from 1 December 2014 levied at a rate of 15% of net revenue. The full year impact of POC tax, a lower Sportsbook gross win margin and the increased investment in marketing has resulted in an operating loss of £20.7m (2014: profit £17.3m).

B. Australia

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Year on year change (reported) %	Year on year change (constant currency) %
Net revenue	53.2	34.6	53.8%	70.9%
Operating profit(1)	2.5	2.6	(3.8)%	6.4%

(1) Before exceptional items.

Our Australian business operates under the Ladbrokes, Bookmaker and Betstar brands. Ladbrokes Australia has continued to successfully pursue its challenger strategy building market share through effective use of affiliates and product innovation such as Live Play and the cash in option via a network of newsagents. This is being supported with increased marketing expenditure and investment in increased product capability and customer support which per the strategy, will be maintained in 2016.

The small operating profit decline is as a result of an increase in marketing investment as well as the weakening of the Australian Dollar.

Looking at performance on a constant currency basis, staking increased by 62.9% driven by a 64.7% increase in active customers and net revenue increased by 70.9% on the back of a 75.6% increase in marketing spend. Gross win margin was 9.8% (2014: 9.0%).

C. Other Regulated Operations

	Year ended 31 December 2015	Year ended 31 December 2014	Year on year change
	£m	£m	%
Net revenue	4.1	2.0	105.0%
Operating loss[(1)(2)]	(5.6)	(5.9)	5.1%

[(1)] *Before exceptional items.*
[(2)] *Includes £0.9m share of loss from Sportium.es joint venture (2014: £1.7m loss).*

Other regulated operations include our digital activities in Belgium and Spain (JV), the latter of which consolidates into the operating loss line.

Since launching in Q2 2014, we have increased our Belgium net revenue to £4.0m (2014: £1.6m), incurring start up losses as we drive for growth and capitalise on our significant and long-standing retail presence in Belgium. Belgium Digital actives increased by 141% reflecting the launch in Q2 2014.

Our digital joint venture with Sportium generated revenue growth of 86.2% on increased actives of c.114k up 43.8% and again incurred a development phase operating loss reflecting marketing investment in La Liga sponsorship and associated La Liga promotional campaigns to drive customer acquisition and scale.

In Q2 2015, we closed our Danish online business which had been loss making for some time, deploying our resources into markets where we can build scale.

3. European Retail

European Retail comprises our operations in Belgium, Ireland and Spain which are discussed in detail below. European Retail revenue was down 1.9% mainly due to the smaller estate in the Republic of Ireland following the Examinership process, and operating profit before exceptional items was £14.5m, up 11.5% on 2014.

Belgium Retail

	Year ended 31 December 2015	Year ended 31 December 2014	Year on year change (reported)	Year on year change (constant currency)
	£m	£m	%	%
Amounts staked	273.9	202.0	35.6%	48.5%
Net revenue	55.6	49.9	11.4%	22.2%
Betting tax	(8.4)	(7.7)	(9.1)%	(20.0)%
Gross profit	47.2	42.2	11.8%	22.5%
Operating costs	(37.7)	(32.6)	(15.6)%	(26.5)%
Operating profit (1)	9.5	9.6	(1.0)%	9.2%

(1) Before exceptional items.

In Belgium, we are benefitting from the substantial investment in enhancing the quality of the offering in our retail estate for customers with the introduction of virtual betting products and SSBTs. Amounts staked have increased 35.6% while gross win margins reflected lower margin virtual play at 20.3% (2014: 24.7%), meaning net revenue increased by 11.4%. Operating costs were up 15.6% with machine and virtual revenue share and night opening costs being the key drivers and operating profit at £9.5m was down £0.1m on 2014. Since the introduction of the virtual product, the Belgian regulator has restricted the amount of time that all market participants can run the product, which impacted revenues in H2. In January 2016, the regulator has ordered a 'shut-down' of the virtual offering from 1 June 2016 pending changes to the Royal decree on virtual product betting. We continue to lobby the authorities and are confident of a positive outcome for all operators over a product that contributes significant amount in tax revenues.

As at 31 December 2015 there were a total of 439 outlets including both Ladbrokes shops and newsagent outlets (2014: 361).

Spain Retail

	Year ended 31 December 2015	Year ended 31 December 2014	Year on year change
	£m	£m	%
Operating loss (1)	(1.8)	(1.0)	(80.0)%

(1) Before exceptional items.

Our Sportium retail joint venture had a record full year with amounts staked increasing by 45.3%(3) to £118.2m and gross win by 39.0%(3) to £21.6m at a GW margin of 18.2% (2014: 19.1%). In 2015, we launched in Castilla ye Leon and the Canarias and continue to develop the offer in the regions entered in 2014. Combined with the lower GW margin, this contributed towards our share of operating loss of £1.8m (2014: £1.0m).

As at 31 December 2015, Sportium services were available from a total of 1,476 outlets (2014: 1,192).

Ireland Retail

	Year ended 31 December 2015	Year ended 31 December 2014	Year on year change
	£m	£m	%
- OTC amounts staked	443.5	467.6	(5.2)%
- Machines amounts staked	141.4	141.0	0.3%
Amounts staked	584.9	608.6	(3.9)%
- OTC gross win	59.7	67.4	(11.4)%
- Machines gross win	5.6	5.6	-
Gross win	65.3	73.0	(10.5)%
Net revenue	64.2	72.2	(11.1)%
Betting tax	(6.2)	(6.6)	6.1%
Machine Games Duty	(1.4)	(1.1)	(25.0)%
Gross profit	56.6	64.5	(12.2)%
Operating costs	(49.8)	(60.1)	17.1%
Operating profit (1)	6.8	4.4	54.5%

(1) Before exceptional items.

Following the completion of the Examinership process in July, we now have an estate of 143 shops (down 53 since 31 December 2014) in the Republic of Ireland with a reduced operating cost base. Although almost 90 people left the business, we were pleased that almost all opted to do so under the voluntary redundancy scheme. Including costs of terminating leases early and legal and professional expenses, the total £10.0m cost of the Examinership process is reflected in exceptional items.

Inevitably, the reduction in the estate impacted our results, and our Republic of Ireland business saw staking decline by 7.8% and revenue by 16.5%. On a like for like basis, the remaining estate of 143 shops recorded an increase of 14.3% in amounts staked including a 20.5% increase in H2. Gross win margin of 12.5% was down 1.2 percentage points reflecting a more competitive offer for our customers primarily in horse-racing.

Overall trends in Northern Ireland were similar to the UK and with further cost efficiencies operating profit was slightly down on last year.

Overall Ireland operating profit at £6.8m was up £2.4m on 2014. At 31 December 2015, there were 77 shops in Northern Ireland (31 December 2014: 79).

4. Core Telephone Betting

	Year ended 31 December 2015	Year ended 31 December 2014	Year on year change
	£m	£m	%
Amounts staked	107.3	160.9	(33.3)%
Net revenue	5.5	10.2	(46.1)%
Gross profits tax	(0.9)	(0.2)	(350)%
Operating costs	(6.8)	(8.0)	15.0%
Operating (loss)/profit (1)	(2.2)	2.0	Na

(1) Before exceptional items

Traditional telephone betting continues to decline as we actively migrate customers to digital products and platforms. Amounts staked declined by 33.3% on 2014 but with gross win margins lower at 5.5% (2014: 7.2%), in line with trends seen across the business, net revenue declined by 46.1% and the business moved to a loss making position.

5. High Rollers

High Rollers generated an operating profit for the year of £3.3m (2014: £14.2m).

6. Social responsibility, taxation and self-regulation

2015 saw several major regulatory developments introduced into day-to-day operations. These include point of consumption taxation, changes to regulations around gaming machine staking above £50, the introduction of mandatory set limits onto gaming machines and the imposition of voluntary codes around gambling advertising.

Within Ladbrokes we have continued to look to improve our operations with responsible gambling at the heart of what we do. We have introduced a new Responsible Gambling policy and continued to invest in our Gateshead Audit centre to increase its effectiveness in monitoring and managing our responsible gambling initiatives. Our work on a responsible gambling algorithm has continued and is now in operation across the Retail business. Late in H2 we also rolled out a digital matrix on responsible gambling. This work remains very much at a trial stage as we seek to learn more from its application and the interaction with customers it brings.

Our Social Responsibility committee set some key targets for the business to achieve and management are to be held to account around delivery through the inclusion of these targets in their long-term performance share plan. The targets were around the roll out of the new Responsible Gambling Policy, the introduction of the £50 staking limit, meeting our Senet obligations and the progress of our algorithm trial.

The industry continues to make strides forward in its responsible gambling approach but we remain of the belief that it cannot afford to rest on its laurels. That is why we are proud to have been a founder member of the Senet Group and to have seen it deliver a national responsible gambling advertising campaign in the year as well as a social media initiative. We also played a key role in the self exclusion trials in Chatham, Glasgow and London to investigate how we do sector wide exclusion for a customer more easily. A national scheme will be rolled out in Q2 this year.

7. Q4 Results Commentary

Group Operating profit(1) in Q4 at £27.4m was down 23.0% on Q4 2014 (£35.6m), largely reflecting the year-on-year increase in marketing investment in UK Retail, Ladbrokes.com and Australia in line with the strategic plan and the impact of POC and increased machine gaming duty which were partially offset by stronger results.

We continued to deliver strong underlying KPIs notably in mobile Sportsbook, Digital Gaming and Australia and the machines performance in UK Retail in Q4 was again better than we expected.

In UK Retail, Q4 OTC staking trends continued to improve, amounts staked were up 1.1% with gross win margins at 17.3% up by 1.7 percentage points on Q4 2014 benefitting from strong football results. On a like for like basis, adjusting for shop closures, OTC amounts staked increased by 2.5%. SSBTs recorded strong performance with staking increasing over 170% year on year reflecting the completion of our roll-out and customer adoption. Machine revenue increased by 3.7% driven by lower staking slots based games. Machine gross win per shop per week was up 6.4% and on a per terminal per week basis was £1,060 (Q4 2014: £996). Overall, UK Retail net revenue increased 6.5%.

Digital net revenue increased by 31.4%. In Ladbrokes.com, sportsbook amounts staked grew 43.9% with mobile staking up 77.3% and making up 77.4% of total Q4 staking (Q4 2014: 62.8%). Gross win margin at 7.0% (0.5 percentage points higher than Q4 2014) resulted in a rise in sportsbook net revenue of 53.8%. Ladbrokes.com Gaming growth continued with net revenue up 10.3% with further good growth in Gaming actives. Exchanges net revenue declined by 11.8%.

Australia staking was up 63.0%(2) and, with gross win margins at 11.3% (Q4 2014: 9.6%) benefitting from results and our push towards recreational customers, net revenue increased by 76.3%(2). Actives continued to grow, up 60.2% on Q4 2014.

In Belgium Retail we saw further growth in staking in Q4 up 28.8%(2) but, with the shift to lower margin virtual products and SSBTs, net revenue only increased by 26.9%(2). In Ireland, as we discussed above, the Examinership has impacted the business and we saw Republic of Ireland staking down 3.9% and overall Irish revenue declined by 3.7%.

8. Outlook and Current Trading

The year has started well with positive operating metrics continuing from Q4 2015 and a run of favourable sporting results. For the period from 1 January to 16 February 2016, net revenue (excluding high rollers) increased by 16.4%. The Group expects that margins will normalise over the year and remains confident in delivering a result in line with its expectations.

(1) *Excludes exceptional items and High Rollers*
(2) *Local currency basis*
(3) *Including Sportium Joint Venture on a 50% basis*

10.Quarterly Trends Table

YoY (except where stated)	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Group EBIT(2)	£33.0m	£35.6m	£14.3m	£24.6m	£14.3m	£27.4m
Adjusted Group EBIT(2)(4)	£21.6m	£26.9m	na	Na	na	na

UK Retail						
OTC Amounts Staked	(7.9)%	(6.8)%	(4.8)%	(5.6)%	+1.6%	+1.1%
SSBT % OTC staking	2.1%	3.1%	3.5%	3.6%	5.3%	8.3%
OTC Gross Win Margin	17.0% +2.1pp	15.6% (1.5)pp	15.7% (0.5)pp	16.2% (0.3)pp	15.5% (1.5)pp	17.3% +1.7pp
Machine Gross Win growth	+4.9%	+5.9%	+12.2%	+4.3%	+4.6%	+3.7%
Machine Gross Win per shop per week	+6.5%	+9.8%	+16.4%	+8.7%	+8.6%	+6.4%
Total Net Revenue	+6.0%	(2.4)%	+4.3%	(1.7)%	(1.0)%	+6.5%

Ladbrokes.com plus Exchanges(5)						
Total Net Revenue	+21.7%	+3.4%	(8.4)%	(5.5)%	+5.7%	+25.1%
Sportsbook Net Revenue	+58.3%	(7.0)%	(31.5)%	(23.0)%	(0.5)%	+53.8%
Sportsbook Amounts Staked	+20.9%	+29.5%	+28.8%	+12.7%	+34.1%	+43.9%
Mobile Sportsbook Amounts Staked	+113%	+114%	+62.7%	+66.5%	+69.0%	+77.3%
Sportsbook Actives	+33.7%	+14.3%	+18.5%	(5.4)%	+1.7%	+25.5%
Sportsbook Gross Win Margin	8.9% +2.2pp	6.5% (1.7)pp	4.0% (2.5)pp	6.3% (2.8)pp	6.8% (2.1)pp	7.0% +0.5pp
Gaming Net Revenue	-	+9.3%	+13.0%	+19.1%	+11.5%	+10.3%
Gaming Actives	(2.3)%	+23.3%	+34.5%	+13.2%	+29.4%	+41.5%

Ladbrokes Australia (AUD)(3)						
Net Revenue	+1650%	+253%	+132%	+73.6%	+26.3%	+76.3%
Sportsbook Amounts Staked	+432%	+38.6%	+77.8%	+52.7%	+61.4%	+63.0%
Sportsbook Actives	+274%	+144%	+138%	+65.9%	+88.8%	+60.2%
Sportsbook Gross Win Margin	+9.5% +5.6pp	9.6% +4.4pp	9.8% +2.4pp	9.5% +0.8pp	8.3% (1.2)pp	11.3% +1.7pp

Notes:

(1) Excluding High Rollers. Year on year performance except where stated
(2) Profit before tax, net finance expense and exceptional items. Stated after amortisation of customer relationships and other acquisition related intangible assets
(3) Constant currency basis; Australia quarterly data as reported, not pro forma
(4) In order to provide a relevant comparative, FY14 quarterly EBIT has been adjusted to reflect impact of externally imposed headwinds – UK point of consumption tax, increased Machine Games Duty (from 1 March) and our withdrawal from unregulated digital markets in line with the guidelines of the UK Gambling Commission as if they had applied in FY14
(5) Sportsbook and Gaming are related to Ladbrokes.com only

11. 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.

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Gross win	1,285.7	1,262.7
Adjustments (1)	(86.2)	(88.1)
Revenue	1,199.5	1,174.6

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

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

	Year ended 31 December 2015		Year ended 31 December 2014	
	Gross win £m	Net revenue £m	Gross win £m	Net revenue £m
UK Retail	838.5	827.4	824.2	811.5
Digital	316.4	242.8	288.3	215.1
European Retail	120.9	119.8	122.9	122.1
Core Telephone Betting	5.9	5.5	11.6	10.2
High Rollers	4.0	4.0	15.7	15.7
Total	1,285.7	1,199.5	1,262.7	1,174.6

Revenue

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Year on year change %
Excluding High Rollers			
Group revenue (reported)	1,195.5	1,158.9	3.2
Including High Rollers			
Group revenue (reported)	1,199.5	1,174.6	2.1

Group revenue increased by £24.9m (2.1%) to £1,199.5m (2014: £1,174.6m). Excluding High Rollers, revenue increased by £36.6m (3.2%) to £1,195.5m (2014: £1,158.9m).

The increase is mainly attributable to growth in our Australian business, strong SSBT and gaming machine performance in UK Retail, improved gaming performance within Ladbrokes.com partially offset by weaker OTC and Ladbrokes.com sportsbook margin on the back of customer friendly results in H1. Notably, 2014 covered the World Cup compared to no major football tournament in 2015.

Operating profit

Operating profit decreased by £55.7m (39.9%) to £83.9m (2014: £139.6m). The key drivers are increased marketing spend, higher gaming taxes (MGD and POC) as well as a decline in High Roller activity.

Operating profit is stated after depreciation and amortisation of £77.4m. The Group expects full year depreciation and amortisation charge for full year ended 31 December 2016 to be in the range of £80-82m.

Excluding High Rollers, operating profit decreased by £44.8m (35.7%) to £80.6m (2014: £125.4m) reflecting the impact of increased MGD, the full year effect of POC tax as well as higher marketing spend in line with our strategy.

Corporate costs

Before exceptional items, total corporate costs increased by £1.1m to £24.0m (2014: £22.9m). The increase is mainly due to the inclusion of bonus provisions in 2015 partially offset by a credit of £1.6m relating to the Hilton hotel guarantees.

Finance expense

Before exceptional items, net finance expense of £28.1m was £0.7m higher than last year (2014: £27.4m) mainly due to a higher blended interest rate as a majority of the bonds were fixed rate bonds in the year.

Profit before tax

The decrease in trading profits has resulted in a 50.3% decrease in full year profit before taxation and exceptional items to £55.8m (2014: £112.2m).

Operating exceptional items before tax

Total operating exceptional items before tax of £99.3m (2014 £73.4m) includes the following:

- £58.3m (2014: £44.5m) impairment loss following review of UK retail and Ireland shops and software
- £19.8m (2014: £30.7m) of losses on closure of shops in the UK and Ireland (£13.4m loss in closure in UK Retail and £6.4m in European Retail mainly as a result of the Examinership process in the Republic of Ireland)
- £17.6m in relation to transaction costs relating to the proposed recommended merger with the Coral Group
- £3.5m credit in relation to reversal of European indirect tax liability
- £3.8m in relation to the legal and redundancy costs following the Examinership process in the Republic of Ireland
- £3.1m early settlement of contractual liability with an affiliate in Australia
- £0.2m relating to the re-measurement of the contingent considerations in respect of business combinations from 2014 (2014: £3.1m credit)

Of these, c£31.9m is expected to be payable in cash of which c£25.1m was paid in 2015 with the remainder payable in 2016 and beyond.

The total exceptional charge of £99.0m includes a £0.3m credit in relation to exceptional finance income.

Taxation

The UK tax environment has become increasingly challenging in that the tax risk associated with potential change of law could mean that previously agreed losses may never have been fully used in the future. With this backdrop, the Board considered ways in which we can crystallise the value for our shareholders and also further strengthen the balance sheet. The Board approved steps to be taken to accelerate the use of historic corporation tax losses. This has involved adjustments to prior period filings and discussions with HMRC over certain outstanding matters, and the recorded position reflects the agreed or expected outcome of these matters. Previously, the utilisation of certain losses was expected to require future restructuring activity or settlement of matters with HMRC, and as such was not considered sufficiently likely to permit recognition in previous periods.

£37.4m of previously unrecognised tax losses have been recognised with £29.3m arising from adjustments to prior years and £8.1m in the current year. We expect c£37.0m tax repayment in 2016.

Going forward, we anticipate that our accounting tax rate will be in the mid teens, more in line with comparable UK based companies.

As at 31 December 2015, the Group had £33.6 million (2014: £76.5 million) of unrecognised deferred tax assets, relating to losses, the utilisation of which is not likely at the current time. This is because the losses are within loss making holding companies which are not anticipated to make future profits.

Dividend

The Board today announces a proposed final dividend of 2.0 pence per share (2014: 4.6 pence per share) taking the full year dividend to 3.0 pence per share (2014: 8.9 pence per share). The dividend will be payable on 12 May 2016 to shareholders on the register on 24 March 2016. This is consistent with the dividend policy announced in July 2015.

Earnings per share (EPS)

Underlying
EPS (before exceptional items and High Rollers) decreased by 9.9% to 9.1 pence (2014: 10.1 pence), reflecting the reduced profit before tax and exceptional items, and corporation tax credit in the year.

Statutory
EPS (before exceptional items) decreased 19.0% to 9.4 pence (2014: 11.6 pence), reflecting the reduced profit before tax. EPS (including the impact of exceptional items) was 0.5 pence (2014: 4.4 pence). Fully diluted EPS (including the impact of exceptional items) was 0.5 pence (2014: 4.4 pence) after adjustment for outstanding share options.

Cash flow, capital expenditure, borrowings and banking facilities

Cash generated by operations was £165.2m (2014: £159.0m). After net finance expense paid of £26.6m (2014: £26.4m), income taxes paid of £2.3m (2014: £2.1m) and £66.1m (2014: £59.9m) on capital expenditure and intangible additions; cash inflow was £70.2m (2014: £65.4m). Net proceeds from the share placing of £112.9m were mostly used to pay down borrowings. Post dividend payment of £52.3m (2014: £81.4m) and other net cash outflows of £15.7m (2014: £4.6m), net debt at the end of the period decreased by £115.1m.

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

At 31 December 2015, gross borrowings of £332.4m less the net of cash and short-term deposits of £28.3m resulted in a net debt of £304.1m (2014: £419.2m). Gross borrowings at 31 December 2015 consists of a £225m, 7.625% bond maturing in 2017 and a £100m, 5.125% retail bond maturity in 2022.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Principal risks and uncertainties

Key risks are reviewed by the Executive Committee (made up of executive directors and senior executives) 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 Board has overall responsibility for risk management as an integral part of strategic planning

The principal risks and uncertainties which could impact the Group are detailed on pages 26 and 30 of the Group's Annual Report and Accounts 2015 and 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:

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 economic environment, the European Union, changes in consumer leisure spend and international expansion.

Financial

The availability of debt financing and costs of borrowing, taxation and the pension fund liability.

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

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

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. 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.

Operational and bookmaking

Trading, liability management and pricing

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

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.

Recruitment and retention of key employees and succession planning

Our people are our greatest asset. We aim to be an employer of choice for talented and passionate people and we need a high level of competence across the business to meet our objectives and respond to changing market needs.

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. In particular, any damage to, or failure of online systems and servers, electronic point of sale systems and electronic display systems could result in interruptions to financial controls and customer service systems.

Data management

Ladbrokes processes sensitive personal customer data (including name, address, age, bank details and betting and gaming history) as part of its business and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates. Ladbrokes is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation. This could also result in prosecutions including financial penalties and the loss of the goodwill of its customers and 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 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 and by relatively low barriers to entry for new participants. In addition, Ladbrokes faces competition from market participants 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 could expose the company (and individual employees and directors) to material civil/criminal action with the associated financial and reputational consequences

Consolidated income statement

	Year ended 31 December 2015			Year ended 31 December 2014		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Continuing operations						
Revenue	1,199.5	–	1,199.5	1,174.6	-	1,174.6
Operating expenses before depreciation and amortisation	(1,042.2)	(27.9)	(1,070.1)	(957.1)	(16.2)	(973.3)
Share of results from joint venture and associates	4.0	–	4.0	(0.2)	-	(0.2)
Depreciation, amortisation and amounts written off non-current assets	(77.4)	(71.4)	(148.8)	(77.7)	(57.2)	(134.9)
Profit/(loss) before tax and net finance expense	83.9	(99.3)	(15.4)	139.6	(73.4)	66.2
Finance expense	(28.2)	(0.1)	(28.3)	(27.5)	(1.1)	(28.6)
Finance income	0.1	0.4	0.5	0.1	-	0.1
Profit/(loss) before tax	55.8	(99.0)	(43.2)	112.2	(74.5)	37.7
Income tax credit/(expense)	35.0	13.3	48.3	(5.6)	8.9	3.3
Profit for the year	90.8	(85.7)	5.1	106.6	(65.6)	41.0
Attributable to:						
- equity holders of the parent	90.8	(85.7)	5.1	106.6	(65.6)	41.0
- non-controlling interests	-	-	-	-	-	-
Earnings per share on profit for the year:						
- basic	9.4p		0.5p	11.6p		4.4p
- diluted	9.3p		0.5p	11.5p		4.4p
Proposed dividends (note 6)	2.0p		2.0p	4.6p		4.6p

Consolidated statement of comprehensive income

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Profit for the year	5.1	41.0
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss:		
Currency translation differences	(5.8)	(3.6)
Total items that will be reclassified to profit or loss:	(5.8)	(3.6)
Items that will not be reclassified to profit or loss:		
Re-measurement of defined benefit pension scheme	3.2	1.6
Tax on re-measurement of defined benefit pension scheme	(0.6)	2.7
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(0.6)	-
Total items that will not be reclassified to profit or loss	2.0	4.3
Other comprehensive (expense)/income for the year, net of tax	(3.8)	0.7
Total comprehensive income for the year	1.3	41.7
Attributable to:		
- equity holders of the parent	1.3	41.7
- non-controlling interests	-	-

Consolidated balance sheet

	Notes	31 December 2015 £m	31 December 2014 £m
ASSETS			
Non-current assets			
Goodwill and intangible assets		674.3	742.0
Property, plant and equipment		177.9	187.4
Interest in joint venture		11.5	9.1
Interests in associates and other investments		21.3	18.0
Other financial assets		11.4	7.2
Deferred tax assets		0.7	-
Retirement benefit asset		76.3	69.5
		973.4	1,033.2
Current assets			
Trade and other receivables		53.5	57.2
Corporation tax recoverable		47.1	12.0
Derivative financial instrument		0.2	-
Cash and short-term deposits	9	68.4	62.0
		169.2	131.2
TOTAL ASSETS		**1,142.6**	**1,164.4**
LIABILITIES			
Current liabilities			
Bank overdraft		-	(1.0)
Trade and other payables		(242.4)	(205.9)
Corporation tax liabilities		(4.2)	(7.4)
Other financial liabilities		-	(1.1)
Lease liabilities		(4.9)	-
Provisions		(9.2)	(6.4)
		(260.7)	(221.8)
Non-current liabilities			
Interest bearing loans and borrowings	9	(323.1)	(439.3)
Other financial liabilities		(35.6)	(42.5)
Deferred tax liabilities		(52.7)	(64.1)
Lease liabilities		(4.4)	-
Provisions		(9.6)	(5.0)
		(425.4)	(550.9)
TOTAL LIABILITIES		**(686.1)**	**(772.7)**
NET ASSETS		**456.5**	**391.7**
EQUITY			
Issued share capital		297.5	270.5
Share premium		302.9	214.9
Treasury and own shares		(112.3)	(116.1)
Retained earnings		(28.1)	20.1
Foreign currency translation reserve		(3.6)	2.2
Equity shareholders' funds		**456.4**	**391.6**
Non-controlling interests		0.1	0.1
TOTAL SHAREHOLDERS' EQUITY		**456.5**	**391.7**

Consolidated statement of changes in equity

	Issued share capital[3] £m	Share premium[3] £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 2014	**269.5**	**212.9**	**(116.7)**	**55.5**	**5.8**	**427.0**	**1.3**	**428.3**
Profit for the year	-	-	-	41.0	-	41.0	-	41.0
Other comprehensive income	-	-	-	4.3	(3.6)	0.7	-	0.7
Total comprehensive income	-	-	-	45.3	(3.6)	41.7	-	41.7
Issue of shares	1.0	2.0	-	-	-	3.0	-	3.0
Share-based payments charge	-	-	-	2.8	-	2.8	-	2.8
Net movement in shares held in ESOP trusts	-	-	0.6	(3.3)	-	(2.7)	-	(2.7)
Equity dividends	-	-	-	(81.4)	-	(81.4)	-	(81.4)
Non-controlling interests	-	-	-	1.2	-	1.2	(1.2)	-
At 31 December 2014	**270.5**	**214.9**	**(116.1)**	**20.1**	**2.2**	**391.6**	**0.1**	**391.7**
At 1 January 2015	**270.5**	**214.9**	**(116.1)**	**20.1**	**2.2**	**391.6**	**0.1**	**391.7**
Profit for the year	-	-	-	5.1	-	5.1	-	5.1
Other comprehensive income/(expense)	-	-	-	2.0	(5.8)	(3.8)	-	(3.8)
Total comprehensive income	-	-	-	7.1	(5.8)	1.3	-	1.3
Issue of shares, net of transaction costs[2]	27.0	88.0	-	-	-	115.0	-	115.0
Share-based payments charge	-	-	-	3.1	-	3.1	-	3.1
Net movement in shares held in ESOP trusts	-	-	3.8	(6.1)	-	(2.3)	-	(2.3)
Equity dividends	-	-	-	(52.3)	-	(52.3)	-	(52.3)
At 31 December 2015	**297.5**	**302.9**	**(112.3)**	**(28.1)**	**(3.6)**	**456.4**	**0.1**	**456.5**

[1] The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.
[2] The issue of shares has been disclosed net of transaction costs of £2.6m.
[3] At 31 December 2015 there were 1,018,252,501 shares in issue, excluding treasury shares (2014: 922,864,761).

Consolidated statement of cash flows

	Notes	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Net cash generated from operating activities	10	136.2	130.5
Cash flows from investing activities:			
Interest received		0.1	0.1
Dividends received from associates		-	1.2
Payments for intangible assets		(37.9)	(39.8)
Purchase of property, plant and equipment		(28.2)	(20.1)
Proceeds from the sale of property, plant and equipment		-	5.2
Acquisition of businesses, net of cash acquired		-	(10.4)
Purchase of interest in joint venture		(2.8)	(4.1)
Net cash used in investing activities		(68.8)	(67.9)
Cash flows from financing activities:			
Proceeds from issue of shares		113.4	0.8
Purchase of ESOP shares		(0.6)	(0.6)
Proceeds from borrowings, net of issue costs		-	98.7
Finance lease payments		(3.1)	-
Repayment of borrowings		(117.0)	(82.0)
Dividends paid	6	(52.3)	(81.4)
Net cash used in financing activities		(59.6)	(64.5)
Net increase/(decrease) in cash and cash equivalents		7.8	(1.9)
Effect of changes in foreign exchange rates		(0.4)	0.2
Cash and cash equivalents at beginning of the year		61.0	62.7
Cash and cash equivalents at end of the year		68.4	61.0
Cash and cash equivalents comprise:			
Cash and short-term deposits		28.3	21.1
Customer funds		40.1	40.9
Bank overdraft		-	(1.0)
		68.4	61.0

Notes to financial information

1. Corporate information

Ladbrokes plc (the Company) is a public 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.

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 22 February 2016.

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 consolidated financial statements of the Group have been 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 consolidated financial statements have been prepared in accordance with the accounting policies followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2015 or 31 December 2014. The annual report and financial statements for the year ended 31 December 2015 were approved by the Board of Directors on 22 February 2016 along with this preliminary announcement, but have not yet been delivered to the Registrar of Companies. The auditors' report (from PricewaterhouseCoopers LLP) on the statutory accounts for the year ended 31 December 2015 was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 have been delivered to the Registrar of Companies. The auditors' report (from PricewaterhouseCoopers LLP) on the statutory accounts for the year ended 31 December 2014 was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The 2015 Annual Report and Accounts, together with details of the Annual General Meeting, will be despatched to shareholders at the end of March 2016. The Annual General Meeting will take place at Deutsche Bank AG, London at 11am on 5 May 2016.

(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;
- changes in the fair value of contingent consideration; and
- the related tax effect of 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.

(d) Changes in accounting policies

From 1 January 2015 the Group has applied, for the first time, certain standards, interpretations and amendments. These include Annual Improvements to IFRSs – 2010-2012 Cycle and 2011-2013 Cycle and Defined Benefit Plans: Employee Contribution - Amendments to IAS 19.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Notes to financial information

2. Basis of preparation (continued)

The following new standards, interpretations and amendments have been issued but are not effective for the financial year beginning 1 January 2015 (as not yet EU endorsed) and have not been early adopted. The Group is assessing the impact of these standards:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from contracts with customers'
- IFRS 16 'Leases'

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 and Betdaq.
- Core Telephone Betting: comprises activities 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 income and 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 year ended 31 December 2015 were as follows:

	Revenue £m	Profit before tax and exceptional items £m	Profit before tax and after exceptional items £m
UK Retail	827.4	116.1	88.6
Digital	242.8	(23.8)	(27.5)
European Retail	119.8	14.5	(35.4)
Core Telephone Betting	5.5	(2.2)	(2.4)
High Rollers	4.0	3.3	3.3
Segment revenue and profit	1,199.5	107.9	26.6
Corporate costs		(24.0)	(42.0)
Profit before tax and net finance expense		83.9	(15.4)
Net finance expense		(28.1)	(27.8)
Group revenue and profit	1,199.5	55.8	(43.2)

The segment results for the year ended 31 December 2014 were as follows:

	Revenue £m	Profit before tax and exceptional items £m	Profit before tax and after exceptional items £m
UK Retail	811.5	119.3	77.9
Digital	215.1	14.0	(15.4)
European Retail	122.1	13.0	6.1
Core Telephone Betting	10.2	2.0	2.0
High Rollers	15.7	14.2	14.2
Segment revenue and profit	1,174.6	162.5	84.8
Corporate costs		(22.9)	(18.6)
Profit before tax and net finance expense		139.6	66.2
Net finance expense		(27.4)	(28.5)
Group revenue and profit	1,174.6	112.2	37.7

Notes to financial information

4. Exceptional items

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Impairment loss[1]	(58.3)	(44.5)
Loss on closure[2]	(19.8)	(30.7)
Corporate transaction costs[3]	(17.6)	(0.5)
Fair value adjustment to contingent consideration[4]	(0.2)	3.1
European indirect tax liability[5]	3.5	(5.7)
Examinership costs[6]	(3.8)	-
Early termination of contract[7]	(3.1)	-
Exceptional finance income/(charge)	0.3	(1.1)
Digital - exit costs	-	(3.8)
Net pension curtailment gain	-	4.8
Profit on sale and leaseback	-	3.9
Total before tax	(99.0)	(74.5)
Exceptional tax credit	13.3	8.9
Exceptional items after taxation	(85.7)	(65.6)

(1) Impairment loss of £58.3m comprises a £51.8m impairment of shop licences, impairment of £1.4m of shop assets and a £5.1m asset impairment of which £4.9m relates to software. The total £53.2m shop impairment has arisen as a result of the annual licence impairment review and includes a £13.5m charge in UK Retail and a £39.7m charge in European Retail (Ireland). The £5.1m asset impairment relates to assets no longer in use.

(2) The £19.8m loss on closure includes a £13.4m loss on closure of UK Retail shops and a £6.4m loss on closure of European Retail shops. These include a loss on disposal of intangible assets of £7.8m, a loss on disposal of property, plant and equipment of £5.3m and cost accruals of £6.7m.

(3) The Group incurred corporate transaction costs of £17.6m in relation to the proposed merger with the Gala Coral Group.

(4) The fair value of the contingent consideration in respect of the business combinations with Playtech and Betdaq has been remeasured at 31 December 2015. This resulted in an overall charge to the income statement of £0.2m.

(5) At 31 December 2014 a provision was made for a liability arising from European indirect tax changes. A subsequent settlement has been agreed which has resulted in an exceptional credit of £3.5m.

(6) Legal and redundancy costs of £3.8m in relation to Examinership in Republic of Ireland.

(7) Early settlement of a contractual agreement with an affiliate in Australia.

Operating expenses include corporate transaction costs, the fair value adjustment to contingent consideration, the provision for gaming European indirect tax liability, Examinership costs, the early termination of contract and £6.7m of costs relating to the shop closures.

In addition to the defined exceptional items set out in note 2 the Group considered the credits arising on the reversal of the provision for European indirect tax liability, Examinership costs and early termination of contract to be of sufficient materiality to be separately identified and of a nature unrelated to the underlying trading performance of the Group in the year.

The cash flow effect of the exceptional items was an outflow of £25.1m in the year.

5. Taxation

The total tax credit was £48.3m (2014: £3.3m). Excluding the tax credit on exceptional items, the total tax credit was £35.0m (2014: £5.6m expense). The tax credit arises as a result of £37.4m of previously unrecognised tax losses being recognised with £29.3m arising from adjustments to prior years and £8.1m in the current year. We expect c£37.0m tax repayment in 2016.

As at 31 December 2015, the Group had £33.6m (2014: £76.5m) of unrecognised deferred tax assets, relating to losses, the utilisation of which is not likely at the current time. This is because the losses are within loss making holding companies which are not anticipated to make future profits. There are no significant taxable temporary differences associated with investments in subsidiaries.

The standard rate of UK Corporation Tax was reduced from 23% to 21% from 1 April 2014. This was further reduced to 20% from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.25%. It was also 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.

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 18%. Although the reduction to 18% is effective from 1 April 2020, this was substantively enacted on 26 October 2015.

6. Dividends

	Year ended 31 December 2015	Year ended 31 December 2014
The total ordinary dividend is made up as follows:		
- interim dividend paid	1.0p	4.3p
- final dividend declared (1)	2.0p	4.6p
	3.0p	8.9p

(1) *A final dividend of 2.0 pence (2014: 4.6 pence) per share, amounting to £20.4m (2014: £42.1m) in respect of the year ended 31 December 2015 was declared by the directors on 22 February 2016. The total amount payable in respect of the final dividend is based on the expected number of shares in issue on 24 March 2016. The 2015 interim dividend of 1.0 pence per share (£10.2m) was paid on 12 November 2015.*

7. Earnings per share

Basic earnings per share has been calculated by dividing the profit for the year attributable to shareholders of the Company of £5.1m (2014: £41.0m) by the weighted average number of shares in issue during the year of 966.4m (2014: 921.4m).

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.

	Year ended 31 December	
	2015	2014
	£m	£m
Profit attributable to shareholders	5.1	41.0
Exceptional items, net of tax (note 4)	85.7	65.6
Adjusted profit attributable to shareholders	90.8	106.6
Weighted average number of shares (ms):		
Shares for basic earnings per share	966.4	921.4
Potentially dilutive share options and contingently issuable shares	5.8	2.5
Shares for diluted earnings per share	972.2	923.9

	Year ended 31 December			
	Before exceptional items		After exceptional items	
Stated in pence	2015	2014	2015	2014
Basic earnings per share	9.4	11.6	0.5	4.4
Diluted earnings per share	9.3	11.5	0.5	4.4

Notes to financial information

8. Non-current assets

During the year, there were additions in intangible assets of £41.4m (2014: £67.2m) with nil (2014: £12.6m) from business combinations and property, plant and equipment of £34.3m (2014: £16.4m).

At 31 December 2015 the Group had not entered into contractual commitments for the acquisition of property, plant and equipment (2014: £nil).

9. Net debt

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

	31 December 2015 £m	31 December 2014 £m
Current assets		
Cash and short-term deposits	28.3	21.1
Current liabilities		
Bank overdrafts	-	(1.0)
Current obligations under finance leases	(4.9)	-
Non-current liabilities		
Non-current obligations under finance leases	(4.4)	-
Interest bearing loans and borrowings	(323.1)	(439.3)
Net debt	(304.1)	(419.2)

Cash and short term deposits presented on the balance sheet of £68.4m (2014: £62.0m) include customer funds of £40.1m (2014: £40.9m).

10. Note to the statement of cash flows

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Profit before tax and net finance expense	(15.4)	66.2
Non cash exceptional items	74.2	65.4
Depreciation of property, plant and equipment	39.6	43.9
Amortisation of intangible assets	37.8	33.8
Share-based payments charge	4.1	2.8
Increase in other financial assets	(3.8)	(1.3)
Decrease/(increase) in trade and other receivables	3.4	(3.7)
Decrease in other financial liabilities	(3.1)	(11.3)
Increase/(decrease) in trade and other payables	38.6	(27.9)
Decrease in provisions	(1.4)	-
Contribution to retirement benefit scheme	(3.6)	(8.9)
Share of results from joint venture	(0.1)	1.6
Share of results from associates	(3.9)	(1.4)
Other items	(1.2)	(0.2)
Cash generated by operations	165.2	159.0
Income taxes paid	(2.3)	(2.1)
Finance expense paid	(26.7)	(26.4)
Net cash generated from operating activities	136.2	130.5

Notes to financial information

11. Related party transactions

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

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Equity investment		
- Joint venture [(1)]	2.8	4.1
Loans		
- Movement in loan balance with joint venture partner	-	(1.6)
- Movement in loan balance with joint venture	0.1	-
Dividends received		
- Associates [(2)]	-	1.2
Sundry expenditures		
- Associates [(3)]	52.1	51.0

[(1)] *Equity investment in Sportium Apuestas Deportivas SA.*
[(2)] *Dividend received from Satellite Information Services (Holdings) Limited.*
[(3)] *Payments in the normal course of business made to Satellite Information Services (Holdings) Limited.*

The following table provides related party outstanding balances.

	31 December 2015 £m	31 December 2014 £m
Loan balances outstanding		
- Joint venture	0.6	0.5
Other receivables outstanding		
- Associates	1.6	1.4
- Joint venture	1.6	1.2

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 £560.8m (2014: £679.6m), with a maximum indemnity receivable of the same amount. Included in the maximum liability exposure is £402.1m (2014: £434.8m) in relation to the turnover based element of the hotel rentals and £158.7m (2014: £244.8m) 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 31 December 2015 is £210.3m (2014: £258.7m). Included in the net present value of the maximum exposure is £141.4m (2014: £149.1m) in relation to the turnover based element of the hotel rentals and £68.9m (2014: £109.6m) 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.

12. Financial guarantees (continued)

At 31 December 2015 the Group has recognised a financial liability of £3.2 million (2014: £4.8million) in respect of these guarantees. The liability has reduced in 2015 as a result of the Group being released from its obligations for one of its hotels, the liability on which was due to expire in 2029. The key assumption in the probability model is the hotels default rate. A rate of 1.5% has been used at 31 December 2015 (2014: 1.5%). The £1.6 million credit has been included within the Group's corporate costs. The table below provides a breakdown of the movement in the liability since 1 January 2015:

	Liability £m
At 1 January 2015	4.8
Reduction due to release from one hotel guarantee	(1.6)
At 31 December 2015	3.2

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

13. Contingent considerations for business combinations

Betdaq

The estimated fair value of the contingent consideration at 31 December 2015 is £0.8m (31 December 2014: £2.5m), which is classified at Level 3 in the fair value hierarchy. The change in the 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 (9.8x) and the discount rate applied (13.5%). 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 £1.5m and a decrease of 2% in the discount rate would result in an increase in contingent consideration of £0.1m. A decrease in the EBITDA multiple of 2x would result in a decrease in contingent consideration of £0.2m.

Playtech

The estimated fair value of the contingent consideration at 31 December 2015 is £31.5m (31 December 2014: £29.6m), which is classified at Level 3 in the fair value hierarchy. The change in the 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 with an estimated uplift for the benefits of the transaction, the predicted Ladbrokes plc EBITDA multiple in 2017 (9.8x); and the discount rate applied (a range of 13.7% to 20.7%, 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 £12.6m and a decrease of 2% in the discount rate would result in an increase in contingent consideration of £1.3m. An increase of 1x in the EBITDA multiple would increase the contingent consideration by £3.5m.