Ladbrokes Coral Group plc (LSE: LCL)

Final results for the year ended 31 December 2016

28 March 2017

Merger successfully completed and good momentum in the business

Year ended 31 December	Reported[1] 2016 £m	2015 £m	Proforma[2] (unaudited) 2016 £m	2015 £m	Growth
Group Revenue (£'m)	**1,507.9**	1,195.5	**2,351.9**	2,116.2	11%
Group EBITDA (£'m)[3]	**198.9**	154.0	**380.7**	332.9	14%
Group operating (loss) / profit[4] (£'m)	**(202.4)**	(18.7)	**264.3**	216.8	22%
Group (loss) / profit after tax (£'m)	**(204.3)**	2.0	*n/a*	*n/a*	*n/a*
Underlying earnings / (loss) per share (p)[5]	**6.6p**	9.6p	*n/a*	*n/a*	*n/a*
Basic (loss) / earnings per share	**(17.5p)**	0.2p	*n/a*	*n/a*	*n/a*
Total dividend per share	**3.0p**	3.0p	*n/a*	*n/a*	*n/a*

Financial highlights:

- Proforma Group revenue[2] of £2,351.9m, up 11% driven by strong growth in Digital and European Retail
- Proforma Group EBITDA[2] of £380.7m, up 14%
- Proforma Group operating profit[2]/[4] of £264.3m, up 22%; Digital operating profit +125%, European Retail operating profit +219%[6]
- This result is in-line with the profit range reported in the 18 January 2017 trading statement (£275m to £285m) after adjusting for disposed shops (+£22.0m) and the change in treatment of amortisation of acquired intangibles (-£3.6m)
- Reported Group operating loss[1] of £202.4m is stated after charging non trading items of £323.6m which includes a £194.9m non-cash impairment charge and £128.7m relating primarily to other merger and integration related costs
- Underlying EPS of 6.6p, reflects a 10% increase on 2015 after adjusting for a prior year one-off tax credit
- Full year dividend of 3p (1p interim and 2p final)
- Net Debt of £1,089.5m, 2.86x proforma EBITDA

Integration update:

- Cost synergy guidance upgraded from £65m to £100m. Revenue synergy opportunity still being assessed
- Integration progressing well, with senior teams appointed and ongoing preparation for the imminent transition to one Digital platform

Commenting on the results, Ladbrokes Coral CEO Jim Mullen said:

"This is a very successful start for the Ladbrokes Coral Group. Both Ladbrokes and Coral entered the merger in November with good momentum, and together delivered a strong full year financial performance.

As a management team we are now looking to the future. We are focussed on delivering on the full potential of the merger through the strengths of the Ladbrokes Coral brands, enhanced scale, operational efficiencies and leveraging the best of both businesses.

Our plan is simple. We are focussed on building on the leading multi-channel experience developed by both brands, utilising a rigorous approach to data driven marketing and ensuring that our product delivers a leading customer experience. We will look to leverage our existing experience in international markets to drive further growth and use our significantly increased scale in technology to develop new products and deploy across the enlarged Group. We will deliver this with a firm commitment to responsible gambling and health and safety.

The merger was the start of a journey. While we face some short term uncertainty with the triennial review, the scale, talent and agility we have in this business represent real strengths going forward. We intend to use these strengths to establish Ladbrokes Coral as both the leading, and the best, betting and gaming business."

Notes:

[(1)] *2016 reported results include results from continuing operations for Ladbrokes PLC for the 10 months to 31 October 2016 and results for Ladbrokes Coral Group plc for the 2 months to 31 December 2016. 2015 reported results include results for Ladbrokes PLC only for the 12 months to 31 December 2015. Both 2016 and 2015 include results from the 360 shops that Ladbrokes Coral Group plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group, that were mostly still held at the end of December 2016.*

[(2)] *2016 proforma results include results for both Ladbrokes PLC and the Coral Group for the 10 months to 31 October 2016 and results for Ladbrokes Coral Group plc for the 2 months to 31 December 2016. 2015 proforma results include results for both Ladbrokes plc and the Coral Group for the 12 months to 31 December 2015. Both 2016 and 2015 exclude all results from the 360 shops that Ladbrokes Coral Group plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group. These results are presented unaudited*

[(3)] *Stated pre non-trading items (see page 31)*

[(4)] *Proforma Group operating profit is stated pre non-trading items (see page 31)*

[(5)] *Underlying earnings per share are for continuing operations before non-trading items. The 2015 EPS has been represented for the change in treatment of amortisation on acquired intangible assets as disclosed on the Consolidated Income Statement*

[(6)] *Constant currency basis. Growth on a constant currency basis is calculated by translating both current and prior year performance at the average 2016 exchange rates*

Enquiries:

Ladbrokes Coral Group plc: Jim Mullen, CEO
Paul Bowtell, CFO
Donal McCabe, Group Communications Director
Paul Tymms, Director of Investor Relations

+44 (0)20 8515 5513

Conference call

The Company will be hosting a teleconference at 10:30am (BST) this morning to discuss the results with slides available on the 'Investor' section of www.ladbrokescoralplc.com.

Call details:

UK: +44 (0)20 3427 1912 or free phone 0800 279 5736
US/New York: +1 212 444 0412 or free phone 1877 280 1254
Confirmation code: 8030965

Replay will be available for seven days on the following numbers:

UK: +44 (0)20 3427 0598 or free phone 0800 358 7735
US/New York: +1 347 366 9565 or free phone 1866 932 5017
Confirmation code: 8030965

Forward looking statements

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

CEO Statement

Overview

The full year results reflect a strong financial performance with proforma Group operating profit 22% ahead of last year driven by strong growth in Digital and European Retail. As well as completing the merger and beginning to integrate the two businesses, both the Ladbrokes and Coral businesses delivered on their individual 2016 priorities. The Ladbrokes business successfully delivered positive customer metrics helping build a more sustainable and profitable business. The Coral business continued its impressive multi-channel and online growth in both the UK and Italy.

The operational focus and strategies being implemented by both businesses enabled us to enter the merger on 1 November from a position of strength. The first few months as Ladbrokes Coral saw a focus on integrating the businesses, seeking to secure the right talent in the right jobs and minimising disruption to day-to-day operations. We ended the year with our businesses performing well across all sectors despite very poor sporting results in December.

On a proforma basis in UK Retail, a 12% increase in football stakes, driven by the Euros and the rollout of Self Service Betting Terminals (“SSBTs”), helped to partially offset the continued decline in the popularity of horse and greyhound racing. Machines net revenue grew 4% year-on-year driven by lower staking slots and new B3 content. Sports margins at 17.3% were ahead of last year, and in-line with expectations, while operating costs were 3% higher than last year, resulting in operating profit 7% behind. Multi-channel, which is at the core of our UK Retail offering, delivered impressive growth in sign-ups.

The European Retail businesses posted a very strong performance with proforma operating profit over 200% ahead of last year and net revenue 12% ahead on a constant currency basis. In Italy, Eurobet Retail net revenue was 20% ahead of last year on a constant currency basis, while Ladbrokes Ireland showed the benefit of the examinership process, with like-for-like stakes up 7%. Positive staking trends were also evident in Belgium and Spain.

The Digital business continued to grow with net revenue 33% ahead of last year. Sportsbook net revenue was 51% ahead and gaming net revenue was 21% ahead. The Ladbrokes, Coral, Gala, Ladbrokes Australia and Eurobet brands made significant contributions to the performance, growing customer numbers and net revenue. Overall Digital operating profit was 125% ahead of last year.

The statutory results include a full 12 months of Ladbrokes PLC 2016 activity combined with the final two months of the Coral Group’s 2016 results. The increase in operating profit in Ladbrokes reflects the progress made during the year. An increased marketing presence, a drive for growth in football and investment in the Digital business helped deliver improved profitability in the European Retail and Digital businesses. While the merger completion brought the strength of the Coral Group in for the final two months of the year, the impact on overall Group operating profit was partially offset by the well-publicised tougher than expected sporting results in December. After charging non-trading items of £323.6m, which includes a £194.9m non-cash impairment charge and £128.7m relating primarily to other merger and integration related costs, the Group reported an operating loss of £202.4m.

Integration progress

The integration programme is progressing well. The senior management team was in place and operational from Day 1. This helped maintain focus on both delivering the 2016 plans and forging ahead with the 2017 business plan, whilst ensuring the integration and resultant efficiencies started to be delivered. Accountability for integration delivery sits with the selected leaders of each business area, with oversight and support provided by the executive team under a separate governance structure led by executive Deputy Chairman, Carl Leaver. This structure has enabled rigorous scrutiny to be applied to all areas of the integration and ensure that sufficiently stretching targets are set.

With cost synergies now expected to deliver £35m in 2017, £90m by 2018 and £100m per annum by 2019, one of the key reasons for the merger continues to be demonstrated.

Immediate integration priorities include the transition to one unified IT system, completing the integration of functions and moving of teams out of the Rayners Lane office in Harrow, and in the longer term, implementing a new electronic point of sale (EPOS) system in the retail estate.

Sporting Headlines

While the rise and fall of Leicester City will always mark 2016 as an exceptional year of sporting surprises, in reality the year can generally be viewed as a game of two halves.

Football, through the exploits of Leicester in winning the Premier League, Portugal in winning the European Championships and stuttering runs of forms at different times of the year for the likes of Manchester United, Manchester City, Chelsea, Arsenal, Liverpool and Barcelona was as unpredictable for the pundits as it was for the punters.

On the other hand, Racing and the popular festivals were a year to forget as the worst Cheltenham Festival in living memory combined with very poor results at the Royal Ascot, Goodwood and York Ebor meetings. August was particularly painful as horse racing took on a very customer friendly tone.

The year ended with a sharp reminder that nervous times are never far away. With only six premier League draws in the calendar month, the customer was well ahead and only a home defeat for Newcastle to Sheffield Wednesday in the late kick off on Boxing Day saved the sector from a black swan day with many accumulators and multiple bets falling at the last hurdle.

Areas of Focus

The merger has created a new business with significant scale with strong businesses in established and regulated markets. In uniting our businesses and cultures, we will take the best of both and create a business well placed to exploit the opportunities we see ahead. We have five areas of focus on which our competitive edge will be built: Technology, Product; Marketing; Multi-channel; International.

- **Technology**

Ladbrokes Coral is, at heart, a bookmaking business with a commitment to excel in gaming. While technology is vital to all aspects of our business, we will operate under the principle of owning and controlling what we want to control and utilising third parties where they offer best in class for the right price.

Technological development will be led by customer preference rather than just what technology allows. An immediate priority is the roll out of a significantly enhanced EPOS (electronic point of sale) system in our retail estate. This will drive greater efficiency for retail colleagues as well as in our retail back office operations, improved compliance and responsible gambling capability, and will enable the application of CRM processes in retail more akin to our Digital businesses, throughout the retail estate.

- **Product**

Our sportsbook products benchmark well in what is rapidly becoming an increasingly homogenous market. Our products are quick and easy to use, and lead to a good customer experience. However, merger integration and technological harmonisation have meant that we have not advanced our products in some core sportsbook markets at the pace we would have liked. Therefore, we will be making sportsbook product development a major feature of our plans going forward. The imminent move to a single digital platform will give us the ability to trial and launch new product much faster. As we build a pipeline of improvements we will produce once and deploy multiple times across our main brands and geographies.

We have a leading gaming product offering, and the recent good performance of both Ladbrokes and Coral has highlighted the importance of a strong pipeline of exclusive and differentiated gaming product. Our offer is built around internally developed games mixed with the best third party content, enabling us to maintain a fresh and relevant offer.

- **Marketing**

The marketing strategies of both businesses reflected the circumstances of their time. Coral had invested heavily and was ahead of the game in recognising the multi-channel opportunity and the need for effective cross sell from sports into games, as well as utilising data and predictive modelling to enable effective deployment of its marketing spend, achieving market leading customer acquisition costs.

Ladbrokes had recently begun to invest more heavily in marketing and sponsorship to maximise brand awareness, and combined with improvements in the Ladbrokes digital product, helped deliver significant revenue growth.

Going forward the merged business will adopt a more data driven approach across all brands. This will mean more use of predictive modelling and a rigorous approach to measuring return on investment in making marketing and sponsorship decisions. While both brands will operate individual marketing strategies and continue to offer points of difference to the customer, the capability driving the marketing output will be the same.

- **Multi-channel**

Both brands had identified multi-channel as a key growth driver, launching market leading multi-channel offerings that built on the strength of their retail estates, and helped accelerate digital market share growth.

Our experience has demonstrated that multi-channel customers are worth significantly more than a single channel customer, are cheaper to acquire and demonstrate greater brand loyalty. The extension of a single wallet facility to the Grid card will bring the offer in-line with the existing Coral Connect offering, while the Ladbrokes bet tracking app will be rolled out to the Coral estate. This will give customers the ability to deposit, play and withdraw across all channels in the combined estate. With more exclusive in-house games appearing online and in shop, there will be numerous opportunities to engage the customer with new and exciting reasons to make Ladbrokes and Coral their provider of choice.

Multi-channel also helps to underpin the attraction of our retail estate. As well as the cash generative nature of retail, the multi-channel opportunity gives us a recruitment channel for more loyal and valuable customers. With pressure on retail profit margins likely to continue, we believe that multi-channel, allied to our operational scale, will allow Ladbrokes Coral to weather the potential impact on the high street of any further cost increases and changes in regulation better than the competition.

- **International**

A key focus for the business going forward will be to diversify further into more international markets. Our experience in a number of countries means we are prepared to take full advantage of relevant expansion opportunities as they arise while avoiding expensive forays into unproven markets or models.

Our existing international footprint, across a range of differing operating models, gives us the skills and experience to move into new markets. In Ladbrokes Australia and Eurobet in Italy we have two businesses that have delivered market leading growth in 2016. In Australia, we deliberately acquired a business determined to take on established players through product innovation and leading customer relationship management ("CRM"). In Italy, Eurobet's multi-channel operation utilises a franchise model that leverages local expertise and avoids a high fixed cost. Belgium operates a similar model, mixing franchise and owned shops, while Spain demonstrates that we can enter a regulating market via a joint venture with locally based business expertise.

A responsible way of doing business

Underpinning the drive in these areas is a commitment to responsible gambling and health and safety.

We are proud of the role both Ladbrokes and Coral have played in the industry's response to the growing demand for greater customer protection. We were both founding partners of the Senet Group, helping to drive greater standards in responsible gambling. Both have employed player awareness systems to help identify customers who may be displaying signs of potential problem gambling and both continue to support the industry drive for appropriate spending on research, education and treatment. We believe we have a duty to offer our products responsibly and take this responsibility seriously.

Health and safety is also a key commitment and there has been much work since we completed our merger ensuring that we learn from each other's operations, implementing the best processes from each business, alongside processes and systems that reflect the changing nature of High Street operations. Should necessary changes be identified, these will be implemented even if they bring additional costs. This includes the difficult issue of single scheduling in our shops, where in late 2016 the significant step was taken to move the Ladbrokes estate to a self-opting policy requiring approval after 7pm in the evening, in-line with the existing Coral policy.

Regulatory Development

The sector continues to face significant regulatory hurdles.

The triennial review commenced in Q4 2016. Ladbrokes Coral played a significant role in helping the industry develop its case as part of the call for evidence, helping the Association of British Bookmakers construct an industry response as well as making our own evidence based submission. We await to hear from the Department of Culture, Media and Sport (DCMS) as to when exactly they will publish their initial conclusions. However, we expect some form of update to be given in late Spring and remain encouraged by the statements that accompanied the call for evidence that have emphasised that all decisions will indeed be based on evidence.

The Government have indicated that they will be pursuing a mandatory Horse racing levy payment of 10% on all channels from April 2017. While 10% is a rate that was a surprise, we had already offered to pay for off shore business, so the principle is not one we object to. While we find it hard to justify 10% on the grounds of common interest which the levy is meant to cover, we accept that we should pay any legally set rate.

The Competition & Markets Authority have launched a wide ranging review of customer terms and conditions applied in the betting and gaming sector. The review is ongoing and we expect that the conclusions will have consequences for all operators regardless of whether they have been part of the review or not.

Internationally, we expect the Italian retail licence renewal to start in late 2017 or early 2018. In Australia, a Point of Consumption Tax is legislated to be introduced in South Australia in July 2017. The ban on greyhound racing announced by New South Wales in 2016 has subsequently been withdrawn.

Trading Update and Outlook

For the period 1 January 2017 to 19 March 2017:

Sports results have been mixed in the year to date. January was generally a positive month with the likes of Roger Federer, Lincoln City, Sutton United and Wolves all upsetting the form book. February and March more than turned the tide towards customers with the Premier League seeing more winning favourites and fewer draws than normal, before a very positive Cheltenham festival where 23 of the 28 races went the bookmakers' way. Overall this has resulted in both UK Retail OTC margins and UK Digital sportsbook margins around 1pp ahead of last year. In Italy, a run of exceptionally customer friendly football results resulted in Eurobet Retail margins 14pp behind last year and Eurobet.it margins c4pp behind.

Digital net revenue was 20% ahead of last year, with sportsbook net revenue 34% ahead and gaming net revenue 8% ahead (gaming net revenue 12% ahead in the sportsbook-led brands). After adjusting for the impact of the leap-year extra day in 2016, UK Retail net revenue was 1% behind last year with like-for-like OTC stakes c5%-6% behind, broadly in-line with trends reported in the second half of 2016 and in the trading statement of 18 Jan 2017.

European Retail net revenue was 26% behind last year driven by Eurobet Retail, where net revenue was 44% behind due to the customer friendly football results offsetting a 20% increase in sports stakes.

Total Group net revenue was 2% ahead of last year after adjusting UK Retail for the leap-year extra day in 2016. While the vagaries of sporting results will always be volatile in the short-term, we remain in-line with our expectations for the year.

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

Proforma results:

The reported statutory results consolidate 10 months of trading for Ladbrokes PLC and 2 months of trading for Ladbrokes Coral Group plc, consequently the consolidated financial statements only include 2 months of trading for the acquired Coral Group. As such, in order to aid the comparison of year-on-year results, the Directors have deemed it appropriate to provide and analyse proforma results for the combined Group as if it had always existed.

Given the changes in capital structure arising from the acquisition of the Coral Group, the historical interest, tax and dividend charges are not deemed to be meaningful. As a result, proforma results have only been provided down to Operating Profit.

Proforma results are stated before the impact of non-trading items (see Summary of Significant Accounting Policies), excluding the impact of the 360 divested shops, a disposal required by the CMA findings and before the impact of the discontinued High Rollers segment.

As a result of the IFRS 3 requirements to fair value acquired businesses, the historic depreciation and amortisation charge may not be representative of future charges. As such, the Directors believe that the provision of EBITDA within the proformas, and Segment Information, is appropriate as it aids the comparability of "underlying" profit for the period whilst the IFRS 3 impact on depreciation and amortisation annualises.
The tables below reconcile the reported results to proforma results for 2016 and 2015:

2016 reported results	Reported results[(1)]	Removal divested shops[(2)]	Coral trading pre acquisition[(3)]	Proforma results (unaudited)
Revenue	**1,507.9**	**(69.7)**	**913.7**	**2,351.9**
Cost of sales	(431.6)	19.5	(285.9)	(698.0)
Gross Profit	**1,076.3**	**(50.2)**	**627.8**	**1,653.9**
Operating expenses	(877.4)	35.3	(431.1)	(1,273.2)
EBITDA	**198.9**	**(14.9)**	**196.7**	**380.7**
Depreciation and amortisation	(83.8)	2.0	(40.7)	(122.5)
Share of results from joint venture and associates	6.1	-	-	6.1
Operating profit	**121.2**	**(12.9)**	**156.0**	**264.3**

2015 reported results	Reported results[(1)]	Removal divested shops[(2)]	Coral trading pre acquisition[(3)]	Proforma results (unaudited)
Revenue	**1,195.5**	**(60.6)**	**981.3**	**2,116.2**
Cost of sales	(321.4)	15.7	(308.8)	(614.5)
Gross Profit	**874.1**	**(44.9)**	**672.5**	**1,501.7**
Operating expenses	(720.1)	31.0	(479.7)	(1,168.8)
EBITDA	**154.0**	**(13.9)**	**192.8**	**332.9**
Depreciation and amortisation	(72.2)	2.2	(50.1)	(120.1)
Share of results from joint venture and associates	4.0	-	-	4.0
Operating profit	**85.8**	**(11.7)**	**142.7**	**216.8**

(1) Excludes the impact of non-trading items
(2) Removal of the impact of the 360 shops which the Group were required to sell, the results for which are disclosed in Note 3
(3) Represents trading results for the Coral Group for the periods from 1 January 2016 to 31 October 2016 and 1 January 2015 to 31 December 2015 excluding the Coral branded shops contained within the 360 shops the Group were required to sell

EBITDA is reconciled to the statutory results within a memo on the Consolidated Income Statement on page 20.

All proforma information has been stated under the Groups accounting policies, which have been applied consistently. Proforma trading reflects historical performance only and does not incorporate any benefits from synergies nor the anticipated impact on the depreciation and amortisation charge resulting from the IFRS 3 fair value exercise.

Business Review

1. Group

Year ended 31 December	Reported results[1]			Proforma results[2]		
	FY 2016 £m	FY 2015 £m	Change %	**FY 2016 £m**	FY 2015 £m	Change %
Revenue	**1,507.9**	1,195.5	26%	**2,351.9**	2,116.2	11%
Group EBITDA[3]	**198.9**	154.0	29%	**380.7**	332.9	14%
Group operating (loss)/profit[4]	**(202.4)**	(18.7)	n/a	**264.3**	216.8	22%

Proforma Group revenue[2] of £2,351.9m was 11% ahead of last year, driven by strong growth in Digital and European Retail, and proforma Group EBITDA[2] of £380.7m was 14% ahead. Proforma Group operating profit[2]/[4] of £264.3m, was 22% ahead driven by European Retail (+219% on a constant currency basis) and Digital (+122% on a constant currency basis).

Reported Group operating loss[1] of £202.4m is stated after charging non trading items of £323.6m which includes a £194.9m non-cash impairment charge and £128.7m relating primarily to other merger and integration related costs. A full analysis of the non trading items is included in the notes.

2. UK Retail

	Reported results[1]			Proforma results[2]		
	FY 2016 £m	**FY 2015 £m**	**Change %**	**FY 2016 £m**	**FY 2015 £m**	**Change %**
- OTC amounts staked	2,598.7	2,405.4	8%	3,675.9	3,831.1	(4)%
- Machines amounts staked	13,609.8	11,847.8	15%	20,012.4	19,657.8	2%
Amounts staked	**16,208.5**	**14,253.2**	**14%**	**23,688.3**	**23,488.9**	**1%**
- Coral gross win margin	16.4%	n/a	n/a	18.2%	17.2%	1.0pp
- Ladbrokes gross win margin	16.8%	16.2%	0.6pp	16.9%	16.2%	0.7pp
OTC gross win margin	**16.7%**	**16.2%**	**0.5pp**	**17.3%**	**16.6%**	**0.7pp**
- OTC gross win	433.3	388.3	12%	637.6	636.4	0%
- Machines gross win	555.1	470.1	18%	816.8	783.4	4%
Gross win	**988.4**	**858.4**	**15%**	**1,454.4**	**1,419.8**	**2%**
- OTC net revenue	424.5	383.4	11%	628.7	633.2	(1)%
- Machines net revenue	547.1	463.7	18%	802.4	771.4	4%
Net revenue	**971.6**	**847.1**	**15%**	**1,431.1**	**1,404.6**	**2%**
Gross profit	**708.0**	**626.4**	**13%**	**1,044.3**	**1,033.2**	**1%**
Operating costs	(546.3)	(469.7)	(16)%	(792.3)	(767.0)	(3)%
EBITDA[3]	**161.7**	**156.7**	**3%**	**252.0**	**266.2**	**(5)%**
Depreciation	(43.6)	(38.3)	(14)%	(62.1)	(61.0)	(2)%
Operating profit[3]	**118.1**	**118.4**	**(0)%**	**189.9**	**205.2**	**(7)%**

Proforma Results[2]:

UK Retail EBITDA[3] of £252.0m was £14.2m or 5% behind last year or 1% ahead after adjusting FY15 for the impact of regulation[6]. Operating profit[3] of £189.9m was £15.3m or 7% behind last year.

OTC net revenue was 1% behind last year with OTC stakes 4% behind. A staking decline in racing and greyhound was partially offset by growth of 12% in football stakes (5% excluding Euro 2016) primarily driven by the investment in SSBTs. OTC stakes were also adversely impacted by the more stringent anti-money laundering processes that were implemented at the start of the year.

SSBT stakes grew 79% reflecting a full year impact of the enlarged SSBT estate (Ladbrokes 6,669 units and Coral 2,346 units) at 31 December 2016, and represented 10% of total OTC stakes during Q4. SSBT coverage will be optimised during 2017, resulting in a re-balancing of units across both brands.

OTC gross win margin of 17.3% was 0.7pp ahead of last year. Football margins were 1.6pp ahead of last year, reflecting a favourable Euro 2016 and the unpredictability of the Premier League in the second half of the 2015/16 season. Horse racing margins were in-line with last year with the worst Cheltenham in living memory and very poor results at Royal Ascot, Goodwood and the York Ebor festival (the latter being the main driver of our worst ever week of horse racing results) being mostly offset by a positive Grand National result and more positive results in general racing outside the key festivals.

Machines net revenue was 4% ahead of last year with lower staking B3 slots gross win growing by 10%, driven by a strong product offering including a wide range of in-house developed games. Slots now represent 41% of total machines gross win.

Multi-channel remained a highly cost-effective recruitment channel for online customers and a driver of retail footfall. In the Coral estate, 266k customers signed up to the Connect card in FY16, taking the cumulative sign-up total to over 680k with sign-up rates still at the 5k per week level throughout Q4. In-shop deposits and withdrawals to and from the online single wallet remain popular, with over 30% of Connect customers regularly using these features. In-shop Connect usage also increased, with penetration at 13% of machines stakes and 11% of OTC stakes during Q4.

In the Ladbrokes estate, 218k customers signed up to the Grid card in FY16 taking total sign-ups to 372k (the lower comparative total to Connect reflecting the later launch date in Q2 2015). The Grid app, launched in August 2015, allows customer to check their OTC bets on mobile and desktop and has to-date resulted in over 6 million bet checks. A similar product will be launched for the Coral estate in 2017. Single-wallet functionality will be launched on the Grid Card during H2 2017, bringing the Grid multi-channel offering in-line with Connect.

Operating costs were 3% higher than last year. Staff costs increased as a result of the National Living Wage and the implementation of voluntary single scheduling in the Ladbrokes estates. The second half of the year saw one-off inflationary increases in some content and maintenance contracts, combined with the incremental cost of new content (BT Sports) in the shop estate.

On an actual basis, at 31 December 2016 there were 3,913 shops in the estate (31 December 2015: 4,064). During the year, 49 shops were closed as part of normal operations. Of the 360 shops ordered to be divested as a result of the CMA's findings in to the merger of Ladbrokes plc and the Coral Group, 111 had been divested by the end of the year. On a proforma[1] basis, at 31 December 2016 there were 3,664 shops in the estate (31 December 2015: 3,704).

Reported Results[1]:

On a reported basis, EBITDA[3] of £161.7m was £5.0m or 3% ahead of last year and operating profit[3] of £118.1m was £0.3m behind last year. Ladbrokes Retail machines net revenue was 4% ahead of last year and OTC net revenue was marginally ahead. The inclusion of two months of Coral Retail results drove a 15% increase in total net revenue year-on-year and a 16% increase in operating costs.

3. European Retail

	Reported results[1]			Proforma results[2]			
	FY 2016 £m	FY 2015 £m	Change %	FY 2016 £m	FY 2015 £m	Change %	Change (constant currency) %
- Sport amounts staked	567.4	437.6	30%	894.7	729.4	23%	10%
- Virtual amounts staked	177.1	130.8	35%	297.9	259.4	15%	3%
- Other amounts staked	24.0	12.1	98%	65.6	52.8	24%	11%
Amounts staked	**768.5**	**580.5**	**32%**	**1,258.2**	**1,041.6**	**21%**	**9%**
- Eurobet OTC GW margin	14.1%	n/a	n/a	18.0%	17.0%	1.0pp	n/a
- Belgium OTC GW margin	24.4%	25.3%	(0.9)pp	24.4%	25.3%	(0.9)pp	n/a
- ROI OTC GW margin	12.1%	12.2%	(0.1)pp	12.1%	12.2%	(0.1)pp	n/a
OTC GW margin	**17.1%**	**17.5%**	**(0.4)pp**	**17.7%**	**17.3%**	**0.4pp**	n/a
- Sports gross win	96.8	76.5	27%	158.8	126.1	26%	13%
- Virtual gross win	25.9	17.0	52%	46.8	39.3	19%	7%
- Other gross win	2.3	0.4	475%	8.1	6.2	31%	16%
Gross win	**125.0**	**93.9**	**33%**	**213.7**	**171.6**	**25%**	**12%**
- Sports net revenue	94.9	75.5	26%	157.1	125.2	25%	13%
- Virtual net revenue	25.9	17.0	52%	46.8	39.3	19%	7%
- Other net revenue	2.4	0.4	500%	8.1	6.2	31%	16%
Net Revenue	**123.2**	**93.0**	**32%**	**212.0**	**170.7**	**24%**	**12%**
Gross profit	**78.9**	**66.1**	**19%**	**113.3**	**92.0**	**23%**	**11%**
Operating Costs	(58.6)	(54.1)	(9)%	(71.8)	(66.2)	(8)%	2%
EBITDA[3]	**20.3**	**12.0**	**68%**	**41.5**	**25.8**	**61%**	**42%**
Depreciation	(7.5)	(5.9)	(27)%	(15.2)	(20.2)	25%	33%
JV Income	4.0	0.9	344%	4.1	0.9	356%	296%
Operating Profit[3]	**16.8**	**7.0**	**140%**	**30.4**	**6.5**	**368%**	**219%**
Net revenue by brand:							
- Eurobet Italy	16.8	n/a	n/a	105.6	77.7	36%	20%
- Ladbrokes Belgium	67.7	55.6	22%	67.7	55.6	22%	11%
- Ladbrokes ROI	38.7	37.4	3%	38.7	37.4	3%	(6)%

European Retail comprises Eurobet Retail (Italy), Ladbrokes Belgium, Ladbrokes Ireland and the Spanish joint-venture Sportium.

Proforma Results[2]:

European Retail net revenue of £212.0m was 24% ahead of last year. EBITDA[3] of £41.5m was £15.7m or 61% ahead of last year and operating profit[3] increased by £23.9m to £30.4m. On a constant currency basis, net revenue was 12% ahead of last year and EBITDA was 42% ahead.

Eurobet Retail

Net revenue of £105.6m was 36% ahead of last year or 20% ahead on a constant currency basis. Sportsbook net revenue of £73.5m was 48% ahead of last year (31% ahead on a constant currency basis) with sportsbook stakes 40% ahead (20% excluding Euro 2016 and on a constant currency basis) primarily driven by the successful relocation of 250 shops to more profitable locations during 2015. Sportsbook gross win margin of 18.0% was 1.0pp ahead of the prior year as a result of improved football results and a positive Euro 2016.

The growth in the business enabled Eurobet Retail to challenge Lottomatica for the no 2 position in the Italian Retail market during Q4. This position was achieved despite the regularisation of two significant operators during 2016, both of which have a larger LBO estate than Eurobet.

Virtual net revenue was in-line with last year on a constant currency basis reflecting a significant outperformance of the market, which in the second half of the year was 8% down year-on-year (excluding new entrants).

Operating costs were 31% higher than last year (15% on a constant currency basis) primarily due to an increase in headcount to support the larger business and a continued investment in marketing and multi-channel.

As at 31 December 2016 there were a total of 839 outlets (2015: 828).

Ladbrokes Belgium

Belgium continues to benefit from the investment in the shop estate and in particular SSBTs which have attracted a new, younger demographic. Sportsbook staking was 23% ahead of last year (12% on a constant currency basis) with SSBTs helping offset a decline in horse racing stakes. Sportsbook gross win margin of 24.4% was 0.9pp behind last year reflecting lower margins in greyhound racing and football. Net revenue from Virtual products was 40% ahead of last year (28% on a constant currency basis) with overall net revenue 22% ahead of last year (11% ahead on a constant currency basis).

As at 31 December 2016 there were a total of 461 outlets including both Ladbrokes shops and newsagent outlets (2015: 439).

Ladbrokes Ireland

Following the completion of the Examinership process in July 2015, 53 shops were closed in the Republic of Ireland. As a result, overall staking was 5% behind last year on a constant currency basis reflecting the reduced shop estate with net revenue 6% behind. Sportsbook gross win margin of 12.1% was marginally lower than last year with sportsbook net revenue increasing 1% (8% decline on a constant currency basis). On a constant currency basis, Virtual net revenue was in-line with last year with a staking decrease being offset by a higher gross win margin.

As at 31 December 2016 there were a total of 141 shops (2015: 143).

Sportium (Spain)

On a local currency basis, stakes and gross win both increased by 39% with gross win margin of 18.2% (2015: 18.2%) driven by expansion into new regions. As at 31 December 2016, Sportium services were available from a total of 1,726 outlets (2015: 1,476).

Reported Results(1):

On a reported basis European Retail EBITDA(3) of £20.3m was £8.3m or 68% ahead of last year and operating profit(3) of £16.8m was £9.8m or 140% ahead of last year. Ladbrokes Belgium net revenue was 22% ahead of last year and Ladbrokes Ireland net revenue was 3% ahead. The inclusion of Eurobet Retail results for the last two months of the year resulted in total European net revenue 32% ahead of last year and an 9% increase in operating costs.

4. Digital

	Reported results[1]			Proforma results[2]			
	FY 2016 £m	FY 2015 £m	Change %	FY 2016 £m	FY 2015 £m	Change %	Change (constant currency) %
Amounts staked	**8,599.4**	**5,564.0**	**55%**	**15,455.6**	**12,310.9**	**26%**	**24%**
Sportsbook GW margin	**8.4%**	**7.2%**	**1.2pp**	**8.5%**	**7.5%**	**1.0pp**	**1.0pp**
- Sportbook net revenue	224.3	135.8	65%	310.0	204.9	51%	46%
- Gaming net revenue	159.2	93.7	70%	356.2	294.4	21%	20%
Net Revenue	**383.5**	**229.5**	**67%**	**666.2**	**499.3**	**33%**	**31%**
Gross Profit	**266.2**	**161.3**	**65%**	**460.8**	**341.7**	**35%**	**33%**
Operating Costs	(227.3)	(155.2)	(46%)	(348.0)	(274.4)	(27%)	(25%)
EBITDA[3]	**38.9**	**6.1**	**538%**	**112.8**	**67.3**	**67%**	**66%**
Depreciation	(30.0)	(25.3)	(19)%	(42.3)	(36.0)	(18%)	(17)%
JV Income	(2.2)	(0.9)	(144)%	(2.2)	(0.9)	(144)%	(126)%
Operating Profit[3]	**6.7**	**(20.1)**	**n/a**	**68.3**	**30.4**	**125%**	**122%**

The Digital segment comprises Ladbrokes.com, Coral.co.uk, Galabingo.com, Galacasino.com, Ladbrokes.com.au (Australia), Eurobet.it (Italy), Ladbrokes.be (Belgium) and the Spanish joint-venture Sportium.es.

Proforma Results[2]:

Digital growth was strong with net revenue increasing 33% to £666.2m. Sportsbook net revenue of £310.0m was 51% ahead of last year and Gaming net revenue of £356.2m was 21% ahead. Digital EBITDA[3] of £112.8m was £45.5m or 67% ahead of last year. Operating profit[3] increased £37.9m or 125% to £68.3m.

Actives were ahead in all websites, with strong growth in all sportsbook led websites. Multichannel continued to be a key driver of Digital growth; Connect customers contributed over 50% of Coral.co.uk sportsbook net revenue and in Italy, over 35% of Eurobet.it First Time Depositors were acquired through the Eurobet Retail estate. In Australia, innovative product offerings and a positive response to the new brand campaign “Up for the Challenge” helped to grow actives by 61%.

Sportsbook net revenue of £310.0m was 51% ahead of last year. Ladbrokes.com sportsbook stakes were 20% ahead of last year (18% ahead excluding Euro 2016)[7] and Coral.co.uk sportsbook stakes were 34% ahead of last year (31% ahead excluding Euro 2016). New product launches in the year included Edit my Acca on both Ladbrokes mobile and desktop platforms and a dedicated Euro 2016 betting centre. Mobile stakes represented 79% of total Ladbrokes.com sportsbook stakes and 74% of Coral.co.uk sportsbook stakes. Ladbrokes.com.au sportsbook stakes were 68% ahead of last year (54% ahead on a constant currency basis) and Eurobet.it sportsbook stakes were 62% ahead (41% excluding Euro 2016 and on a constant currency basis)

Sports gross win margin of 8.5% was 1.0pp ahead of last year benefitting from favourable football results including Euro 2016, combined with investment in product range and improved customer management.

Gaming net revenue of £356.2m was 21% ahead of last year. Ladbrokes.com gaming benefitted from improved gaming content, additional third party games and the launch of a new Casino mobile tab. In Coral.co.uk gaming growth was driven by increased in-house content, effective cross-sell from sportsbook into gaming and increased levels of multi-channel play.

Galabingo.com staking levels were 9% ahead of last year despite a highly competitive marketplace. Gala Bingo's strong brand, gaming content including licensing deals with popular TV shows, and further improvements in CRM were the primary drivers of improved retention with an average 1pp improvement in monthly churn and higher spend per head (+3%). Galacasino.com marketing spend was intentionally reduced to improve return on investment and profitability. A new Gala Casino brand proposition was launched in Q4 2016 with the brand message "What You Want" focussing on delivering a more personalised playing experience.

Operating costs increased by 27% to £348.0m. Marketing costs increased by £44.9m to £174.6m reflecting the growth in the Digital business, the marketing investment as part of the Ladbrokes standalone strategy, and increased marketing levels around Euro 2016. Marketing as a percentage of net revenue was 26.2%.

Reported Results[(1)]:

On a reported basis, Digital EBITDA[(3)] of £38.9m was £32.8m or 538% ahead of last year and operating profit[(3)] of £6.7m was £26.8m ahead. Strong net revenue growth in the Ladbrokes brands, combined with the inclusion of the Coral Group's results for the last two months of the year resulted in net revenue growth of 67% year-on-year and a 46% increase in operating costs.

5. All Other Segments

	Reported results[(1)]			**Proforma results[(2)]**		
	FY 2016 £m	**FY 2015 £m**	**Change %**	**FY 2016 £m**	**FY 2015 £m**	**Change %**
Net Revenue	29.6	25.9	14.3%	42.6	41.6	2%
Gross Profit	23.2	20.3	12%	35.5	34.8	2%
EBITDA[(3)]	1.0	(0.5)	n/a%	3.3	1.3	154%
Depreciation	(1.9)	(1.9)	-	(2.1)	(2.1)	-
JV Income	4.3	4.0	8%	4.2	4.0	5%
Operating Profit[(3)]	3.4	1.6	113%	5.4	3.2	69%

Other operations comprise of Stadia (four greyhound stadia), On Course betting, Telephone Betting, Betdaq, Ladbrokes exchange, SIS, AGT in China and Stadium subsidiary in the USA.

Proforma Results[(2)]:

Net revenue from other operations increased 2% to £42.6m with growth in Stadia helping to offset a decline in Telephone betting. EBITDA[(3)] of £3.3m was £2.0m ahead of last year and Operating profit[(3)] was £2.2m ahead.

Reported Results[(1)]:

On a reported basis, operating profit of £3.4 was £1.8m ahead of last year.

6. Q4 Results Commentary

Proforma Results[(2)]:

Group net revenue was 6% ahead of last year driven by growth across the Digital business which saw net revenue increase 25% (19% on a constant currency basis). Digital sportsbook stakes were 37% ahead of last year (28% on a constant currency basis) while sportsbook gross win margin of 8.4% was 0.4pp ahead of ast year. In the UK facing websites, sports gross win margin was around 1pp behind expectations primarily due to the very poor sporting results in the UK in the second half of December. Digital Gaming net revenue was 20% ahead of last year.

UK Retail net revenue was 4% behind the same quarter last year. Like-for-like OTC stakes were 5% behind last year and OTC margin of 16.5% was around 2pp behind expectations, resulting in OTC net revenue 11% behind last year.

European Retail net revenue was 29% ahead of last year (7% ahead on a constant currency basis). Eurobet Retail net revenue was 37% ahead of last year (13% ahead on a constant currency basis) driven by sportsbook staking growth of 43% (18% on a constant currency basis). Ladbrokes Belgium net revenue was 26% ahead of last year (7% ahead on a constant currency basis) and Ladbrokes Republic of Ireland net revenue was 14% ahead of last year (5% decline on a constant currency basis).

Reported Results [1]:

Group net revenue was 63% ahead of last year. UK retail net revenue was 43% ahead of last year, Digital net revenue was 116% ahead, European Retail net revenue was 94% ahead and other operations net revenue was 47% ahead.

Financial Review

Results from Continuing Operations	Reported results[1]		Proforma results[2]	
	FY 2016 £m	**FY 2015 £m**	**FY 2016 £m**	**FY 2015 £m**
Revenue	**1,507.9**	**1,195.5**	**2,351.9**	**2,116.2**
Gross profit	**1,076.3**	**874.1**	**1,653.9**	**1,501.7**
EBITDA				
UK Retail (underlying)	*146.8*	*142.8*	*252.0*	*266.2*
UK Retail (divested)	*14.9*	*13.9*	-	-
UK Retail	**161.7**	**156.7**	**252.0**	**266.2**
European Retail	20.3	12.0	41.5	25.8
Digital	38.9	6.1	112.8	67.3
Other	1.0	(0.5)	3.3	1.3
Corporate	(23.0)	(20.3)	(28.9)	(27.7)
EBITDA	**198.9**	**154.0**	**380.7**	**332.9**
Operating profit (pre non-trading items)				
UK Retail (underlying)	*105.2*	*106.7*	*189.9*	*205.2*
UK Retail (divested)	*12.9*	*11.7*	-	-
UK Retail	**118.1**	**118.4**	**189.9**	**205.2**
European Retail	16.8	7.0	30.4	6.5
Digital	6.7	(20.1)	68.3	30.4
Other	3.4	1.6	5.4	3.2
Corporate	(23.8)	(21.1)	(29.7)	(28.5)
Operating profit (pre non-trading items)	**121.2**	**85.8**	**264.3**	**216.8**
Non-trading items	(323.6)	(104.5)		
Operating loss	**(202.4)**	**(18.7)**		
Net Finance expense (before non-trading items)	(32.5)	(28.1)		
Non-trading Finance income	21.6	0.3		
Loss before tax	**(213.3)**	**(46.5)**		
Tax	9.0	48.5		
(Loss)/profit after tax	**(204.3)**	**2.0**		

For the year ended 31 December 2016, the Group reported an operating profit from continuing trading operations of £121.2m (2015: £85.8m). The Group also reported a non-trading operating loss of £323.6m (2015: £104.5m), resulting in a net operating loss of £202.4m (2015: £18.7m). The statutory loss after tax from continuing operations was £204.3m (2015: profit of £2.0m). The loss for the year is a result of non-trading charges that relate primarily to costs associated with the merger or a non-cash impairment charge. A more detailed explanation of these charges is provided within the operating profit section of the Financial Review.

As in the business review, proforma information has also been presented.

Revenue

	Reported results[1]		Proforma results[2]	
	FY 2016 £m	**FY 2015 £m**	**FY 2016 £m**	**FY 2015 £m**
UK Retail (underlying)	*901.9*	*786.5*	*1,431.1*	*1,404.6*
UK Retail (divested)	*69.7*	*60.6*	*-*	*-*
UK Retail	**971.6**	**847.1**	**1,431.1**	**1,404.6**
European Retail	123.2	93.0	212.0	170.7
Digital	383.5	229.5	666.2	499.3
Other	29.6	25.9	42.6	41.6
	1,507.9	**1,195.5**	**2,351.9**	**2,116.2**

Group proforma[2] revenue increased by £235.7m or 11% to £2,351.9m (2015: £2,116.2m) with growth in all segments. UK Retail revenue growth of £26.5m or 2% was driven by 4% growth in machines offset by the continued decline in horse racing and greyhound OTC stakes. European Retail net revenue was 24% ahead (12% on a constant currency basis), with a strong stakes performance in both Eurobet and Ladbrokes Belgium. Digital net revenue was 33% ahead (31% on a constant currency basis) with positive momentum in all websites.

Reported Group revenue increased by £312.4m or 26% as a result of growth in all major Ladbrokes branded businesses and the benefit of two months of trading for the Coral Group, which contributed £182.6m of revenue.

EBITDA

Proforma[2] EBITDA increased by £47.8m or 14% with significant growth in both European Retail and Digital which have both benefitted from the growth in revenue, improvements in operational gearing and the impact of Euro 2016. Despite the uplift in EBITDA from Euro 2016, UK Retail proforma[2] EBITDA has declined year-on-year with the increase in revenue more than offset by inflationary cost pressures, particularly in payroll and content and changes in the regulatory environment.

Operating profit

After charging depreciation and amortisation of £83.8m (2015: £72.2m) reported operating profit (pre non-trading items) increased by £35.4m or 29% to £121.2m. On a proforma[2] basis operating profit (pre non-trading items) increased £47.5m or 22%.

Non-trading items of £323.6m relate primarily to costs directly associated with the merger and a non-cash impairment charge. The table below summarises the non-trading items for both 2016 and 2015:

	Non-trading items	
	2016	**2015**
Merger related costs (excluding impairment)	(118.5)	(17.6)
Impairment losses (non-cash)	(194.9)	(71.4)
Indirect tax settlement	17.8	3.5
Amortisation of acquired intangibles (non-cash)	(23.1)	(5.2)
Other non-trading items	(4.9)	(13.8)
	(323.6)	**(104.5)**

Merger related costs include deal expenses, integration costs, the settlement of the Playtech contingent consideration and the loss on shops the Group were required to sell as part of the CMA findings on the merger.

The 2016 impairment charge has arisen primarily on assets rendered obsolete as a product of the merger and on assets within the Retail estates. Assets which have become obsolete include software that will be replaced as the

Ladbrokes branded UK Digital business moves on to the new combined Group infrastructure. Given the continued decline in OTC stakes and regulatory pressure on FOBTs, the Group has reassessed the useful economic life of Retail licences which are now assessed at 15 years, rather than an indefinite life. In light of this change in estimate, the directors have also revisited their approach to impairment where a marginal cost approach to shop cashflows had previously been adopted. Following an assessment of the historical trends in OTC stakes, particularly horses and greyhounds, and the regulatory backdrop the Directors have deemed it appropriate to move towards a fully costed approach to individual shop cashflows for the purposes of the impairment review resulting in an impairment charge during 2016. The combined effect of these changes, along with other asset impairments has resulted in a 2016 impairment charge of £194.9m.

Non-trading items also include the settlement on an indirect tax case and the amortisation of acquired intangibles, predominantly those arising on the acquisition of the Coral Group.

Post the impact of non-trading items, the Group reported an operating loss of £202.4m (2015: £18.7m loss).

Finance expense

Before the impact of non-trading items, the net finance expense of £32.5m (2015: £28.1m) was £4.4m higher than last year reflecting the incremental interest cost of the debt drawn down used as part of the merger. During the year, the Group also incurred £5.9m of non-trading interest (2015: £0.1m) relating primarily to the write-off of debt facility fees and received £27.5m (£2015: £0.4m) of interest on VAT claims.

Profit before tax

Profit before tax (pre non-trading items) of £88.7m (2015: £57.7m) increased by £31.0m versus the prior year. Post non-trading items, the loss before tax was £213.3m (2015: £46.5m loss).

Taxation

The effective tax rate on the profit on continuing trading items was 13%. The rate in 2016 benefits from further recognition of deferred tax assets on losses, partially offset by a reassessment of the deferred tax rate on the pension surplus. The effective tax rate on the overall loss including non-trading items was 4%, reflecting the impact of non-deductible impairment and merger related costs.

The Group paid £17.0m of corporate income taxes in 2016 but received a UK tax refund of £35.1m following the adjustments to prior period filings for which an income statement credit was recognised in 2015, this resulted in net taxes received of £18.1m.

£38.3m of deferred tax assets on losses were acquired through the merger, taking the total 2016 deferred tax assets on losses to £56.5m. The Group had a further £57.4m of unrecognised deferred tax assets in respect of tax losses in holding companies which cannot currently be utilised.

Dividend

The Board today announces a proposed final dividend of 2.0 pence per share (2015: 2.0 pence per share) taking the full year dividend to 3.0 pence per share (2015: 3.0 pence per share). The dividend will be payable on 18 May 2017 to shareholders on the register on 7 April 2017. This is consistent with the dividend policy announced in the prospectus published on 27 October 2016.

Earnings per share (EPS)

EPS from continuing operations (pre non-trading items) was 6.6 pence (2015: 9.6 pence). Statutory EPS was a loss of 17.5 pence (2015: profit of 0.2 pence) per share reflecting the impact of non-trading charges of £281.4m.

Cash flow, capital expenditure, borrowings and banking facilities

Cash generated by operations increased by £47.7m to £212.9m (2015: £165.2m). After net finance expense paid of £35.9m (2015: £26.6m) and income taxes received of £18.1m (2015: £2.3m paid) cash generated from operating activities was £195.1m (2015: £136.3m). During the year the Group invested a further £79.7m in capital (2015: £66.1m) and £1.5m in joint ventures and associates (2015: £2.8m). After the receipt of proceeds on divested shops of £51.5m, net cash inflow before financing activities was £170.1m (2015: £67.4m).

During the year the Group used new borrowings of £834.0m and excess operating cash, including that acquired with the Coral business (£90.8m), to repay borrowings within the Coral Group acquisition Balance Sheet of £985.0m. In the prior year proceeds from the share placing of £112.8m were used to repay borrowings.

Post dividend payments of £30.4m (2015: £52.3m) and other net cash outflows of £0.2m (2015: £6.3m), total cash inflow for the year was £74.5m (2015: £7.8m).

At 31 December 2016 net debt was £1,089.5m (2015: £304.1m) reflecting a net debt to proforma(2) EBITDA ratio of 2.86x.

Going concern

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

(1) *2016 reported results include results from continuing operations for Ladbrokes PLC for the 10 months to 31 October 2016 and results for Ladbrokes Coral plc for the 2 months to 31 December 2016. 2015 reported results include results for Ladbrokes PLC only for the 12 months to 31 December 2015. Both 2016 and 2015 include results from the 360 shops that Ladbrokes Coral plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group, that were mostly still held at the end of December 2016.*

(2) *2016 proforma results include results for both Ladbrokes PLC and the Coral Group for the 10 months to 31 October 2016 and results for Ladbrokes Coral plc for the 2 months to 31 December 2016. 2015 proforma results include results for both Ladbrokes plc and the Coral Group for the 12 months to 31 December 2015. Both 2016 and 2015 exclude all results from the 360 shops that Ladbrokes Coral plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group.*

(3) *Stated pre non-trading items (see page 31)*

(4) *Proforma Group operating profit is stated pre non-trading items (see page 31)*

(5) *Underlying earnings per share are for continuing operations before non-trading items*

(6) *FY15 EBITDA (pre-non trading items) has been rebased for the estimated impact of DCMS high stakes restriction that was implemented in April 2015, and the 5% increase in MGD introduced in March 2015*

(7) *Excluding the impact of significant high value customer (HVC) activity in Q1 2015, Ladbrokes.com sportsbook stakes were 25% ahead of last year (23% ahead excluding Euro 2016).*

<u>Principal risks and uncertainties</u>

Key risks are reviewed by the Executive Committee (made up of executive directors and senior executives) and the Board of Ladbrokes Coral Group 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 page 37 of the Group's Annual Report and Accounts 2016 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 Coral faces. Failure to achieve the strategy has the potential to affect the business and its performance.

Principal risks faced by Ladbrokes Coral 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 Coral 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 Coral and additional costs might be incurred in order to comply with any new laws or regulations in multiple jurisdictions.

Increased cost of product

Ladbrokes Coral 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 Coral enters into contracts for the distribution of television pictures, audio and other data that are broadcast into Ladbrokes Coral's betting shops. A number of these are under negotiation at any one time.

Operational and bookmaking

Trading, liability management and pricing

Ladbrokes Coral 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 Coral has a number of key sites, in particular in Greater London in Rayners Lane and Stratford, and its head office in Victoria, 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.

Failure to Integrate

Integration takes longer, the level of synergy savings reduces and the cost of delivering the synergies increases. Difficulties experienced during the integration or challenges to realising synergies could potentially result in disruption to business operations, loss of customers, suppliers or key personnel; which could have a material adverse effect on the business, results of operations or financial health of the new merged company.

Information technology and communications

Technology failure

Ladbrokes Coral 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. The Group's technology function is undertaking a significant programme of complex work throughout the merger.

Data management

Ladbrokes Coral 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 Coral 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 could deter new customers.

Failure in the supply chain

Ladbrokes Coral 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 Coral 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 Coral 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

For the year ended 31 December	2016 Trading items £m	2016 Non-trading items £m	2016 Total £m	2015 Trading items £m	2015 Non-trading items £m	2015 Total £m
Continuing operations						
Revenue	1,507.9	–	1,507.9	1,195.5	–	1,195.5
Cost of sales	(431.6)	–	(431.6)	(321.4)	–	(321.4)
Gross profit	1,076.3	–	1,076.3	874.1	–	874.1
Operating expenses, depreciation and amortisation	(961.2)	(323.6)	(1,284.8)	(792.3)	(104.5)	(896.8)
Group operating profit/(loss) before share of results from joint ventures and associates	115.1	(323.6)	(208.5)	81.8	(104.5)	(22.7)
Share of results from joint venture and associates	6.1	–	6.1	4.0	–	4.0
Group operating profit/(loss)	121.2	(323.6)	(202.4)	85.8	(104.5)	(18.7)
Finance expense	(33.6)	(5.9)	(39.5)	(28.2)	(0.1)	(28.3)
Finance income	1.1	27.5	28.6	0.1	0.4	0.5
Profit/(loss) before tax	88.7	(302.0)	(213.3)	57.7	(104.2)	(46.5)
Income tax (expense)/credit	(11.6)	20.6	9.0	35.2	13.3	48.5
Profit/(loss) for the year from continuing operations	77.1	(281.4)	(204.3)	92.9	(90.9)	2.0
Discontinued operations						
Profit for the year from discontinued operations after tax	–	–	–	3.1	–	3.1
Profit/(loss) for the year	77.1	(281.4)	(204.3)	96.0	(90.9)	5.1

Attributable to:						
Equity holders of the parent	77.1	(281.4)	(204.3)	96.0	(90.9)	5.1
Earnings per share on profit/(loss) for the year from continuing and discontinued operations						
– from continuing operations	6.6p	–	(17.5)p	9.6p	–	0.2p
– from discontinuing operations	–	–	-	0.3p	–	0.3p
From profit/(loss) for the year	6.6p	–	(17.5)p	9.9p	–	0.5p
Diluted earnings per share on profit/(loss) for the year from continuing and discontinued operations						
– from continuing operations	6.5p	–	(17.5)p	9.6p	–	0.2p
– from discontinuing operations	–	–	–	0.3p	–	0.3p
From profit/(loss) for the year	6.5p	–	(17.5)p	9.9p	–	0.5p
Proposed dividends	2.0p	–	2.0p	2.0p	–	2.0p

Memo

EBITDA	198.9	(300.5)	(101.6)	154.0	(99.3)	54.7
Depreciation and amortisation	(83.8)	(23.1)	(106.9)	(72.2)	(5.2)	(77.4)
Share of results from joint ventures and associates	6.1	–	6.1	4.0	-	4.0
Group operating profit/(loss)	121.2	(323.6)	(202.4)	85.8	(104.5)	(18.7)

The Group has revised its presentation of Trading Items as set out in Note 4, principally to exclude the amortisation of acquired intangible assets. The 2015 results and Adjusted EPS have been represented to a consistent basis. In addition 2015 has been represented for the treatment of High Rollers as Discontinued following the decision to cease this business in 2016.

Consolidated statement of comprehensive income

For the year ended 31 December	£m	2016 £m	£m	2015 £m
(Loss)/profit for the year		(204.3)		5.1
Other comprehensive income/(expense):				
Items that may be reclassified to profit or loss:				
Currency translation differences		3.4		(5.8)
Total items that may be reclassified to profit or loss		3.4		(5.8)
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit pension scheme	(0.9)		3.2	
Tax on remeasurement of defined benefit pension scheme	(2.5)		(0.6)	
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(0.2)		(0.6)	
Total items that will not be reclassified to profit or loss		(3.6)		2.0
Other comprehensive income/(expense) for the year, net of tax		(0.2)		(3.8)
Total comprehensive (expense)/income for the year		(204.5)		1.3

Attributable to:		
Equity holders of the parent	(204.5)	1.3
Non-controlling interests	–	–

Consolidated balance sheet

At 31 December	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Goodwill	9	1,070.4	157.2
Intangible assets	9	1,592.9	517.1
Property, plant and equipment	11	228.3	177.9
Interest in joint venture		15.3	11.5
Interest in associates and other investments		26.1	21.3
Other financial assets		1.6	11.4
Deferred tax assets		8.4	0.7
Retirement benefit asset		131.7	76.3
		3,074.7	973.4
Current assets			
Trade and other receivables		126.5	52.3
Inventory		1.6	1.2
Corporation tax recoverable		8.7	47.1
Derivative financial instruments		0.1	0.2
Cash and short-term deposits		146.2	68.4
		283.1	169.2
Assets of disposal group classified as assets held for sale	12	34.6	-
Total assets		3,392.4	1,142.6
Liabilities			
Current liabilities			
Bank overdraft		(1.7)	–
Interest bearing loans and borrowings		(399.4)	–
Trade and other payables		(503.8)	(237.1)
Corporation tax liabilities		(12.1)	(4.2)
Other financial liabilities		(14.1)	(5.3)
Lease liabilities		(2.6)	(4.9)
Provisions		(36.1)	(9.2)
		(969.8)	(260.7)
Non-current liabilities			
Interest bearing loans and borrowings		(749.6)	(323.1)
Other financial liabilities		(38.2)	(35.6)
Deferred tax liabilities		(184.2)	(52.7)
Lease liabilities		(2.0)	(4.4)
Provisions		(13.4)	(9.6)
		(987.4)	(425.4)
Total liabilities		(1,957.2)	(686.1)
Net assets		1,435.2	456.5
Shareholders' equity			
Issued share capital		551.4	297.5
Share Premium		335.1	302.9
Merger Reserve		921.7	–
Treasury and own shares		(110.6)	(112.3)
Accumulated losses		(262.3)	(28.1)
Foreign currency translation reserve		(0.2)	(3.6)
Equity attributable to owners of the parent		1,435.1	456.4
Non-controlling interests		0.1	0.1
Total equity		1,435.2	456.5

Consolidated statement of changes in equity

	Issued share capital £m	Share premium £m	Merger Reserve £m	Treasury and own shares £m	Retained earnings/ (Accumulated losses) £m	Foreign currency translation reserve[1] £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
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/(expense)	–	–		–	7.1	(5.8)	1.3	–	1.3
Issue of shares, net of transaction costs	27.0	88.0	–	–	–	–	115.0	–	115.0
Share-based payments charge	–	–	–	–	3.1	–	3.1	–	3.1
ESOP purchase of shares	–	–	–	(0.6)	–	–	(0.6)	–	(0.6)
Vesting of shares held in ESOP	–	–	–	6.1	(6.1)	–	–	–	–
Allotment of shares held in ESOP	–	–	–	(1.7)	–	–	(1.7)	–	(1.7)
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
At 1 January 2016	297.5	302.9	–	(112.3)	(28.1)	(3.6)	456.4	0.1	456.5
Loss for the year	–	–	–	–	(204.3)	–	(204.3)	–	(204.3)
Other comprehensive income/(expense)	–	–	–	–	(3.6)	3.4	(0.2)	–	(0.2)
Total comprehensive income/(expense)	–	–	–	–	(207.9)	3.4	(204.5)	–	(204.5)
Issue of shares, net of transaction costs	253.9	32.2	921.7	–	–	–	1,207.8	–	1,207.8
Share-based payments charge	–	–	–	–	6.5	–	6.5	–	6.5
ESOP purchase of shares	–	–	–	(0.7)	–	–	(0.7)	–	(0.7)
Net movement in shares held in ESOP trusts	–	–	–	2.4	(2.4)	–	–	–	–
Equity dividends	–	–	–	–	(30.4)	–	(30.4)	–	(30.4)
At 31 December 2016	551.4	335.1	921.7	(110.6)	(262.3)	(0.2)	1,435.1	0.1	1,435.2

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

(2) *At 31 December 2016 there were 1,914,448,905 shares in issue, excluding treasury shares (2015: 1,018,252,501).*

Consolidated statement of cash flows

For the year ended 31 December	2016 £m	2015 £m
Net cash flows from operating activities	194.2	136.2
Cash flows from investing activities:		
Interest received	0.9	0.1
Dividends received from associates	4.7	–
Purchase of intangible assets	(41.9)	(37.9)
Purchase of property, plant and equipment	(37.8)	(28.2)
Proceeds from the sale of property, plant and equipment including disposal of shops	51.5	–
Cash acquired on acquisition of businesses	90.8	–
Purchase of interest in joint venture and other investments	(1.5)	(2.8)
Net cash used in investing activities	66.7	(68.8)
Cash flows from financing activities:		
Proceeds from issue of ordinary shares	0.6	113.4
Purchase of ESOP shares	(0.7)	(0.6)
Proceeds from borrowings, net of issue costs	834.0	–
Finance lease payments	(4.9)	(3.1)
Repayment of borrowings of Coral Group on acquisition	(985.0)	-
Repayment of other borrowings	-	(117.0)
Dividends paid	(30.4)	(52.3)
Net cash used in financing activities	(186.4)	(59.6)
Net increase in cash and cash equivalents	74.5	7.8
Effect of changes in foreign exchange rates	1.6	(0.4)
Cash and cash equivalents at beginning of the year	68.4	61.0
Cash and cash equivalents at end of the year	144.5	68.4

Notes to financial information

1. Corporate information

Ladbrokes Coral Group 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 2016 were authorised for issue in accordance with a resolution of the directors on 27 March 2017.

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 2016.

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2016 or 31 December 2015. The annual report and financial statements for the year ended 31 December 2016 were approved by the Board of Directors on 27 March 2017 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 2017 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 2015 have 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.

The 2016 Annual Report and Accounts, together with details of the Annual General Meeting, will be despatched to shareholders at the end of March 2017. The Annual General Meeting will take place at Deutsche Bank AG, London at 11am on 4 May 2017.

(c) The 2015 comparative balance sheet has been represented to disclose inventory as a separate item. Previously inventory had been included within trade and other receivables (£1.2m). Antepost liabilities previously disclosed within other creditors have also been represented to financial liabilities (£5.3m).

The 2015 consolidated income statement has been represented to disclose separately cost of sales, gross profit and operating costs. Secondly amortisation of acquired intangibles has been presented as a non-trading item (£5.2m).

Finally operating segments have been represented to reflect the new reporting and management structure in the combined Group.

The above changes have no impact on the reported profit for the year ended 31 December 2015 or the financial position at that date.

Notes to financial information

2. Significant accounting policies

Revenue

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, promotions and bonuses.

For licensed betting offices, on course betting, Core Telephone Betting, mobile betting, Digital businesses (including sportsbook, betting exchange, casino, games, other number bets), revenue represents gains and losses, being the amounts staked and fees received, less total payouts. Open betting positions are carried at fair value and gains and losses arising on these positions are recognised in revenue. Vending income is also included within Revenue.

Revenue from the online poker business reflects the net income (rake) earned from poker games completed by the year end.

In the case of the greyhound stadia, revenue represents income arising from the operation of the greyhound stadia in the year, including sales of refreshments, net of VAT.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the separately identifiable assets, liabilities and contingent liabilities at the date of acquisition.

In accordance with IFRS 3 Business Combinations, goodwill is not amortised but reviewed for impairment at the first reporting period after acquisition and then annually and as such, is stated at cost less any provision for impairment of value. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed. On acquisition, any goodwill acquired is allocated to cash generating units for the purpose of impairment testing.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposal is included in the carrying amount of the assets when determining the gain or loss on disposal.

Intangible assets

Intangible assets acquired separately are capitalised at cost and those acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs relating to internally generated intangible assets, principally software costs, are capitalised if the criteria for recognition as assets are met. Other expenditure is charged in the year in which the expenditure is incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of these intangible assets are assessed to be either finite or indefinite. All indefinite lived assets are subject to an annual impairment review from the year of acquisition. Where amortisation is charged on assets with finite lives, this expense is taken to the consolidated income statement through the 'depreciation, amortisation and amounts written off non-current assets' line item. Useful lives are reviewed on an annual basis.

During the year the Group revisited the estimation of the useful economic lives of intangible assets. From 1 November it was determined that Retail Licenses have a 15 year useful economic life (see note 10) with the exception of Italian licences which have a pre-determined life. This change has been made prospectively. During 2016 £4.3m of amortisation on licences was charged to the income statement within non-trading items, the charge for 2017 is expected to be £32.3m.

A summary of the useful lives applied to the Group's intangible assets is as follows:

- Licences: 9-15 years
- Software: 2-5 years
- Customer relationships: 1-15.5 years
- Brand: 3-15 years or not depreciated or revalued
- Domain names: 10 years

2. Significant accounting policies (continued)

An intangible asset is derecognised on disposal, with any gain or loss arising (calculated as the difference between the net disposal proceeds and the carrying amount of the item) included in the consolidated income statement in the year of disposal.

Financial liabilities

Financial liabilities comprise trade and other payables, interest bearing loans and borrowings, contingent consideration, ante-post bets, guarantees and derivative financial instruments. On initial recognition, financial liabilities are measured at fair value plus transaction costs where they are not categorised as financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include contingent consideration, derivative financial instruments, ante-post bets and guarantees.

Trade and other payables are held at amortised cost and include amounts due to clients representing customer deposits and winnings, which is offset by an equal and opposite amount within cash and cash equivalents.
Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the consolidated income statement. Subsequently, the fair values are remeasured and gains and losses from changes therein are recognised in the consolidated income statement.

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the consolidated income statement. Subsequently, the fair values are remeasured and gains and losses from changes therein are recognised in the consolidated income statement.

All interest bearing loans and borrowings are initially recognised at fair value net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

The Group has provided financial guarantees to third parties in respect of lease obligations of certain of the Group's former subsidiaries within the disposed hotels division. Financial guarantee contracts are classified as financial liabilities and are measured at fair value by estimating the probability of the guarantees being called upon and the related cash outflows from the Group.

Non-trading items

To assist in understanding its underlying performance, the Group has defined the following items of pre-tax income and expense which are non-trading in nature as they either reflect items which are exceptional in nature or size or are associated with the amortisation of acquired intangibles. Items treated as non-trading include:

- profits or losses on disposal, closure or impairment of assets or businesses;
- unrealised gains and losses on derivative financial instruments;
- corporate transaction and restructuring costs;
- amortisation of acquired intangibles
- 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 non-trading or exceptional by virtue of their nature or size.

The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group.

The non-trading items have been included within the appropriate classifications in the consolidated income statement. Further details are given in note 4.

2. Significant accounting policies (continued)

Foreign currency translation

The presentation and functional currency of Ladbrokes Coral Group plc and the functional currencies of its UK subsidiaries are Pounds Sterling (£).
Transactions in foreign currencies are initially recorded in Pounds Sterling at the foreign currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the balance sheet date.

All foreign currency translation differences are taken to the consolidated income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The main functional currencies of overseas subsidiaries are the Euro (€) and the Australian Dollar ($). At the reporting date, the assets and liabilities of these overseas subsidiaries are translated into Pounds Sterling (£) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year. The post-tax exchange differences arising on the retranslation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the consolidated income statement as part of the profit or loss on disposal.

Finance expense and income

Finance expense and income arising on interest bearing financial instruments carried at amortised cost are recognised in the consolidated income statement using the effective interest rate method. Finance expense includes the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price. All finance expenses are recognised over the availability period.

Changes in accounting policies

From 1 January 2016 the Group has applied, for the first time, certain standards, interpretations and amendments.

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

The following new standards, interpretations and amendments have been issued but are not effective for the financial year beginning 1 January 2016 (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’

Notes to financial information

3. Segment information

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

Following the acquisition of the Coral Group, the reportable segments have been reassessed 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 CODM for assessing performance and allocating resources, and the Group's operating segments are now aggregated into the five reportable segments as detailed below:

- UK Retail: comprises betting activities in the shop estate in Great Britain and Northern Ireland. UK divested includes the results of the shops that had to be sold in accordance with the findings of the CMA on the merger. UK underlying is the results of all other shops.
- European Retail: comprises all activities connected with the Republic of Ireland, Belgium, Italy and Spain (JV) shop estates.
- Digital: comprises betting and gaming activities from online and mobile operations which includes Ladbrokes.com, Coral.co.uk, Galabingo.com, Ladbrokes Australia, Eurobet.it, Belgium online and Spain (JV) online.
- All other segments: comprises activities primarily related to telephones (excluding High Rollers), Stadia, Betdaq and on course pitches
- Corporate: includes costs associated with Group functions including Group executive, legal, Group finance, tax and treasury.

During the year the Group discontinued its High Rollers segment reflecting the Groups intention to focus on its recreational customer base going forwards. The Executive Management Team continues to assess the performance of operating segments based on a measure of net revenue, EBITDA, operating profit, profit before tax and net finance expenses. This measurement basis excludes the effect of non-trading items (income or expenditure) from the operating segments. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

.

Notes to financial information

3. Segment information (continued)

The segment results for the year ended 31 December 2016 were as follows:

2016	UK underlying £m	UK divested £m	UK Total £m	European Retail £m	Digital £m	All other segments £m	Corporate £m	Total Group £m
Revenue	901.9	69.7	971.6	123.2	383.5	29.6	–	1,507.9
Gross Profit	657.8	50.2	708.0	78.9	266.2	23.2	–	1,076.3
Operating costs	(511.0)	(35.3)	(546.3)	(58.6)	(227.3)	(22.2)	(23.0)	(877.4)
EBITDA	146.8	14.9	161.7	20.3	38.9	1.0	(23.0)	198.9
Depreciation and Amortisation	(41.6)	(2.0)	(43.6)	(7.5)	(30.0)	(1.9)	(0.8)	(83.8)
Share of joint ventures and associates	–	–	–	4.0	(2.2)	4.3	–	6.1
Profit/(loss) before non-trading items	105.2	12.9	118.1	16.8	6.7	3.4	(23.8)	121.2
Non-trading items	(97.3)	(6.5)	(103.8)	(24.5)	(137.5)	(7.5)	(50.3)	(323.6)
Profit before tax and net finance expenses	7.9	6.4	14.3	(7.7)	(130.8)	(4.1)	(74.1)	(202.4)
Net finance expenses								(10.9)
Loss before tax								(213.3)
Income tax								9.0
Loss for the year from continuing operations								(204.3)
Profit for the year from discontinued operations after tax								–
Loss for the year after discontinued operations								(204.3)

The segment results for the year ended 31 December 2015 were as follows:

2015	UK underlying £m	UK divested £m	UK Total £m	European Retail £m	Digital £m	All other segments £m	Corporate £m	Total Group £m
Revenue	786.5	60.6	847.1	93.0	229.5	25.9	–	1,195.5
Gross Profit	581.5	44.9	626.4	66.1	161.3	20.3	–	874.1
Operating costs	(438.7)	(31.0)	(469.7)	(54.1)	(155.2)	(20.8)	(20.3)	(720.1)
EBITDA	142.8	13.9	156.7	12.0	6.1	(0.5)	(20.3)	154.0
Depreciation and Amortisation	(36.1)	(2.2)	(38.3)	(5.9)	(25.3)	(1.9)	(0.8)	(72.2)
Share of joint ventures and associates	–	–	–	0.9	(0.9)	4.0	–	4.0
Profit/(loss) before non-trading items	106.7	11.7	118.4	7.0	(20.1)	1.6	(21.1)	85.8
Non -trading items	(65.1)	–	(65.1)	(11.9)	(7.6)	(1.9)	(18.0)	(104.5)
Profit before tax and net finance expenses	41.6	11.7	53.3	(4.9)	(27.7)	(0.3)	(39.1)	(18.7)
Net finance expenses								(27.8)
Loss before tax								(46.5)
Income tax								48.5
Profit for the year from continuing operations								2.0
Profit for the year from discontinued operations after tax								3.1
Profit for the year after discontinued operations								5.1

Notes to financial information

4. Non trading items

	2016 £m	2015 £m
Impairment loss[(1)]	(194.9)	(71.4)
Integration costs[(2)]	(46.8)	–
Settlement of fair value adjustment to contingent consideration[(3)]	(42.7)	(0.2)
Corporate transaction costs[(4)]	(22.5)	(17.6)
Net loss on closure of divested shops[(5)]	(6.5)	–
Legal and onerous contract provisions[(6)]	(4.9)	(9.8)
Indirect tax settlement[(7)]	17.8	3.5
Examinership costs	–	(3.8)
Amortisation of acquired intangibles[(8)]	(23.1)	(5.2)
Operating non-trading costs	(323.6)	(104.5)
Exceptional interest[(9)]	21.6	0.3
Total before tax	(302.0)	(104.2)
Tax on non-trading items	20.6	13.3
Non-trading items after taxation	(281.4)	(90.9)

(1) The impairment and write off of £194.9m comprises £111.6m arising as part of the annual impairment review, £76.8m of assets which will no longer be used or not supported by their underlying cashflows, largely as a result of the merger (see note 10 for more details) and comprises £91.4 m of licences, £44.7m of software, £24.8m of customer relationships, brand and domain names, £27.5m of property, plant and equipment and a £6.5m write off of other assets.

(2) Costs associated with the integration of the Ladbrokes and Coral businesses, including a proportion of redundancy costs expected to arise from the merger.

(3) The Group settled contingent consideration with Playtech at an additional cost of £43.4m versus the liability held at the end of 2015. The fair value of contingent consideration with Betdaq has been reassessed resulting in a net credit of £0.7m.

(4) The Group incurred £22.5m of corporate transaction costs in relation to the merger.

(5) Following approval of the merger by the Competition and Markets Authority the Group was required to divest 360 shops across the UK Retail Estate. A £6.5m loss was incurred on the disposal of the 186 Ladbrokes branded shops. The loss on disposal of Coral branded shops arose pre acquisition.

(6) Legal and onerous contract provisions include onerous contracts that have arisen as a result of the closure of shops and other legal provisions outside the ordinary course of business.

(7) The Group has agreed a settlement of a historical VAT claim with HMRC

(8) During the current year the Group incurred £23.1m of amortisation charges in relation to acquired intangible assets primarily arising from the acquisition of Coral.

(9) Non-trading interest includes interest income from HMRC on an Indirect tax settlement (£27.5m) partly offset by interest incurred on a bridging loan facility (£5.9m) required for the merger.

(10) The tax effect of non-trading items of £20.6m only represents 6.8% of the 2016 charge as the impairment charge on certain assets, corporate transaction costs (including the Playtech settlement) and elements of integration costs are not deductible for tax purposes or have been incurred within loss making subsidiaries.

5. Finance expense

	2016 £m	2015 £m
Bank loans and overdrafts	(2.5)	(1.4)
Bonds at amortised cost	(26.2)	(23.1)
Finance charges payable under finance leases	(0.1)	(0.2)
Fee expenses	(4.8)	(3.5)
Total finance expense	(33.6)	(28.2)
Interest receivable	1.1	0.1
Total finance income	1.1	0.1
Net finance expense before non-trading items	(32.5)	(28.1)
Non-trading finance expense	(5.9)	(0.1)
Non-trading finance income	27.5	0.4
Net finance expense after non-trading items	(10.9)	(27.8)

6. Taxation

The total tax credit was £9.0m (2015: £48.3m). Excluding the tax credit on exceptional items, the total tax expense was £11.6m (2015: £35.2m credit).

As at 31 December 2016, the Group had £57.4 m (2015: £33.6 m) 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 Group has a number of historical unresolved UK tax matters, in respect of which all amounts are fully provided and all taxes have been paid. No significant changes are expected to the status of the above matters in the next financial year.

A deferred tax asset of £56.5m has been recognised in respect of losses where these arise in entities which are expected to generate taxable profits.

In the Budget on 16 March 2016, the Chancellor announced that the standard rate of UK Corporation Tax will be reduced from 1 April 2020 to 17%. In addition, he announced that the planned reductions in rates would be delayed and amended so that the standard rate of UK Corporation Tax will be reduced from 20% to 19% from 1 April 2017, with a further reduction to 17% from 1 April 2020.

The deferred tax assets and liabilities at the balance sheet date (with exception of the liability in respect of retirement benefit assets) are calculated at the substantively enacted rate of 17%. Although the reduction to 17% is effective from 1 April 2020, this was substantively enacted on 6 September 2016. Deferred tax on retirement benefit assets is provided at 35%, which is the rate applicable to refunds.

7. Dividends

Pence per share	2016 pence	2015 pence
Interim dividend paid	1.0	1.0
Final dividend proposed	2.0	2.0
	3.0	3.0

A final dividend of 2.0 pence (2015: 2.0 pence) per share, amounting to £38.2m (2015: £20.2m) in respect of the year ended 31 December 2016 was proposed by the directors on 27 March 2017. The total amount payable in respect of the final dividend is based on the expected number of shares in issue on 27 March 2017. The 2016 interim dividend of 1.0 pence per share (£10.2m) was paid on 10 November 2016.

Notes to financial information

8. Earnings per share

Basic earnings per share has been calculated by dividing the loss for the year attributable to shareholders of the Company of £204.3m (2015: £5.1m profit) by the weighted average number of shares in issue during the year of 1,167.8m (2015: 966.4m).

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 note 4.

Weighted average number of shares (millions)	2016	2015
Shares for basic earnings per share	1,167.8	966.4
Potentially dilutive share options and contingently issuable shares	12.0	5.8
Shares for diluted earnings per share	1,179.8	972.2

Total earnings per share

Total profit	2016 £m	2015 £m
(Loss)/profit attributable to shareholders	(204.3)	5.1
Non-trading items net of tax (note 7)	281.4	90.9
Adjusted profit attributable to shareholders	77.1	96.0

	Before non-trading items		After non-trading items	
Earnings per share (pence)	2016	2015	2016	2015
Basic earnings per share	6.6	9.9	(17.5)	0.5
Diluted earnings per share	6.5	9.9	(17.5)	0.5

Earnings per share from continuing operations

Profit from continuing operations	2016 £m	2015 £m
(Loss)/profit attributable to shareholders	(204.3)	2.0
Non-trading items net of tax (note 4)	281.4	90.9
Adjusted profit attributable to shareholders	77.1	92.9

	Before non-trading items		After non-trading items	
Earnings per share (pence) from continuing operations	2016	2015	2016	2015
Basic earnings per share	6.6	9.6	(17.5)	0.2
Diluted earnings per share	6.5	9.6	(17.5)	0.2

The Group has revised its presentation of Trading Items as set out in note 4, principally to exclude the amortisation of acquired intangible assets. The 2015 results and Adjusted EPS have been represented to a consistent basis. In addition 2015 has been represented for the treatment of High Rollers as Discontinued following the decision to cease this business in 2016. Basic earnings per share disclosed in the prior year was 9.4p and dilutive earnings per share was 9.3p.

Notes to financial information

9. Goodwill and intangible assets

	Goodwill £m	Licences £m	Software £m	Customer Relationships £m	Domain names £m	Brand names £m	Total £m
Cost							
At 1 January 2015	159.2	519.7	239.1	50.3	1.1	1.9	971.3
Exchange adjustment	(2.0)	(2.4)	(0.2)	(0.2)	(0.1)	(0.1)	(5.0)
Additions	–	0.6	40.8	–	–	–	41.4
Disposals	–	(12.3)	(0.6)	–	–	–	(12.9)
Reclassifications	–	(0.4)	(1.6)	–	–	–	(2.0)
At 31 December 2015	157.2	505.2	277.5	50.1	1.0	1.8	992.8
Exchange adjustment	(0.7)	5.5	1.5	(0.8)	0.2	(2.7)	3.0
Additions	–	–	46.5	–	–	–	46.5
Additions from business combinations (note 14)	912.6	22.1	39.0	250.0	–	963.8	2,187.5
Disposals	–	(1.7)	(3.4)	(40.5)	–	–	(45.6)
Transfer to Assets Held for Sale		(26.8)	(2.4)	–	–	–	(29.2)
Reclassifications	1.3	–	0.6	(0.5)	–	(0.4)	1.0
At 31 December 2016	1,070.4	504.3	359.3	258.3	1.2	962.5	3,156.0
Accumulated amortisation							
At 1 January 2015	–	72.6	142.5	13.6	0.1	0.5	229.3
Exchange adjustment	–	(0.2)	(0.2)	(0.1)	–	–	(0.5)
Amortisation charge	–	0.2	32.4	4.5	0.1	0.6	37.8
Impairment charge	–	51.8	6.3	–	–	–	58.1
Disposals	–	(3.6)	(3.2)	–	–	–	(6.8)
Reclassifications	–	1.0	(0.4)	–	–	–	0.6
At 31 December 2015	–	121.8	177.4	18.0	0.2	1.1	318.5
Exchange adjustment	–	1.8	0.8	0.3	0.1	0.2	3.2
Amortisation charge	–	4.9	39.9	17.4	0.1	0.7	63.0
Impairment charge	–	91.4	44.7	24.8	–	–	160.9
Disposals		(1.7)	(3.4)	(40.5)	–	–	(45.6)
Transfer to Assets Held for Sale	–	(5.5)	(1.7)	–	–	–	(7.2)
Reclassifications	–	–	(0.5)	0.2	–	0.2	(0.1)
At 31 December 2016	–	212.7	257.2	20.2	0.4	2.2	492.7
Net book value							
At 31 December 2015	157.2	383.4	100.1	32.1	0.8	0.7	674.3
At 31 December 2016	1,070.4	291.6	102.1	238.1	0.8	960.3	2,663.3

10. Impairment testing of goodwill and indefinite life intangible assets

An impairment loss is recognised for any amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Within UK and European Retail, the cash generating units are generally an individual LBO and therefore, impairment is first assessed at this level for licences and property, plant and equipment, with any impairment arising booked first to licences and then to property, plant and equipment. In 2016 the group changed its approach and decided no longer to exercise judgement to pair shops operating close together where cash flows were not entirely independent. Since goodwill has not been historically allocated to individual LBOs, a secondary assessment is then made to compare the carrying value of the segment against the recoverable amount with any additional impairment then taken against goodwill.

10. Impairment testing of goodwill and indefinite life intangible assets (continued)

For Digital the cash generating unit is the relevant geographical location and any impairments are made firstly to goodwill, next to any capitalised intangible asset and then finally to property, plant and equipment.

Goodwill arising on the acquisition of the Coral Group has been assessed for impairment on a fair value less cost to sell basis by reference to its market value established by the acquisition on 1 November 2016 and its trading performance post acquisition compared with management's expectation.

The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the group of assets.

For both tangible and intangible assets, the future cash flows are based on the forecasts and budgets of the cash-generating unit or business discounted to reflect time value of money. The key assumptions within the UK and European Retail budgets are OTC stakes (customer visits and spend per visit), the average number of machines per shop, gross win per shop per week, wage increases and the fixed costs of the licensed betting offices. The key assumptions within the budgets for Digital are the number of active customers, net revenue per head, win percentage, revenue shares and operating costs.

The pre-tax discount rate applied to cash-flow projections for UK Retail was 10.4% (2015: 10.9%), European Retail 9.6% (2015: 9.4%) and Digital 9.9% (2015: 8.5%). The discount rate calculation is based on the specific circumstances with reference to the WACC expected in the industry in which the Group operates. The long term growth rate of 1% (2015: 1-2%) for each period is representative of the long term rate of GDP growth in the UK.

The carrying value of goodwill by segment is as follows:

Goodwill	2016 £m	2015 £m
UK Retail	255.2	39.2
European Retail	123.9	7.8
Digital	635.5	110.2
All other segments	55.8	–
	1,070.4	157.2

The carrying value of licences by LBO is not practical or material to be disclosed.

Possible changes in key assumptions that could cause the carrying value of individual licences to further exceed their recoverable amount are:

Possible change	Key assumption impacted
Increased or improved competition	Customer stakes
Poor or decreased promotional activity	Customer stakes, machines gross win
Failure to respond to technological advances	Machines gross win
Deterioration in economic conditions	Customer stakes, machines gross win
Changes in regulation	Customer stakes, machines gross win
Changes in taxation	Gaming machines taxation

Impairment recognised during the year

Impairments of intangible assets and property, plant and equipment are recognised as a non-trading item.

During the year the Group has revisited its assessment of the useful economic life of Retail licenses as well as the approach to the allocation of certain Retail "central" costs and assets to individual CGU's. As a consequence of the long term outlook for UK Retail and the ongoing decline in OTC volumes, it has been deemed appropriate to allocate certain central assets and costs, which have not previously been apportioned, to individual CGU's in order to reflect a fully costed approach to impairment rather than the historic marginal cost approach. This review has also resulted in the Group amortising licenses over a period of 15 years rather than adopting an indefinite life as in 2015.

10. Impairment testing of goodwill and indefinite life intangible assets (continued)

As a result of the above changes in the approach to impairment, the Group has recognised an impairment charge during the year against UK and European Retail of £111.6m (2015: £53.2m), of which £89.7m has been recorded against licenses (2015:£51.8m) and £21.9m against plant, property and equipment (2015: £1.4m).

During the year the Group also recognised an impairment against software of £43.5m in relation to assets that have been rendered obsolete as a result of the merger and recorded additional impairments against licences (£1.4m), software (£1.2m), property, plant and equipment (£5.9m) and customer lists (£24.8m) for assets which are no longer used, or where their cashflows do not support their carrying value.

Sensitivity analysis

A 50bps increase in the discount rate across all CGU's (with other assumptions remaining constant) would result in an additional write down of £7.4m (2015: £7.5m).

A 5% decrease in cash flows across all CGU's (with other assumptions remaining constant) would result in an additional write down of £12.6m (2015: £7.2m).

11. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 1 January 2015	140.4	450.7	591.1
Exchange adjustment	(0.8)	(3.5)	(4.3)
Additions	3.2	31.1	34.3
Disposals	(4.7)	(13.2)	(17.9)
Reclassifications	3.8	(1.8)	2.0
At 31 December 2015	141.9	463.3	605.2
Exchange adjustment	2.4	7.4	9.8
Additions	7.4	35.2	42.6
Additions from business combinations (note 30)	19.5	69.8	89.3
Disposals	(0.9)	(4.5)	(5.4)
Transferred to Assets Held for Sale	(12.8)	(28.8)	(41.6)
Reclassifications	0.2	(1.6)	(1.4)
At 31 December 2016	157.7	540.8	698.5
Accumulated depreciation			
At 1 January 2015	98.5	305.2	403.7
Exchange adjustment	(0.6)	(2.1)	(2.7)
Depreciation charge	10.2	29.4	39.6
Disposals	(2.9)	(10.0)	(12.9)
Impairment charge	0.1	0.1	0.2
Reclassifications	–	(0.6)	(0.6)
At 31 December 2015	105.3	322.0	427.3
Exchange adjustment	1.7	5.8	7.5
Depreciation charge	9.3	34.6	43.9
Disposals	(0.9)	(4.5)	(5.4)
Impairment charge	6.3	21.2	27.5
Transferred to Assets Held for Sale	(9.0)	(21.3)	(30.3)
Reclassifications	–	(0.3)	(0.3)
At 31 December 2016	112.7	357.5	470.2
Net book value			
At 31 December 2015	36.6	141.3	177.9
At 31 December 2016	45.0	183.3	228.3

11. Property, plant and equipment (continued)

At 31 December 2016 the Group had not entered into contractual commitments for the acquisition of property, plant and equipment (2015: £nil).

12. Assets classified as held for sale

The approval of the merger with the Coral Group by the Competition and Markets Authority ("CMA") was subject to the divestment of 360 shops in the combined UK Retail estate. The agreements for the disposal of these shops were completed at the date of merger (1 November 2016), with legal and beneficial ownership of these shops being transferred over a number of months. Disposal proceeds of £51.5m were received in respect of the 360 shops. These were initially recorded as deferred income and this is allocated to disposal proceeds as beneficial ownership of shops is transferred.

Consequently, on merger the assets of the shops to be divested were reclassified as held for sale. On reclassification of the Ladbrokes branded shops within the 360, there was a £4.1million impairment write down of the assets to net realisable value, which has been recognised in non-trading items along with the costs of disposal. The loss on Coral branded shops was recorded pre-acquisition and as such these shops are included as assets held for sale in the acquired balance sheet.

As at 31 December 2016 the Group had property, plant and equipment with a net book value of £34.6m (2015: £nil) classified as held for sale. This represents the assets of divested shops that have not yet been transferred and remained under the management of the Group as at the year end. A total of 111 shops were divested in 2016 with proceeds of £16.0m. The transfer of the remaining 249 divested shops has now been completed post year end.

Details of the trading results of the divested shops are set out within the Segment Information in note 3.

13. Net debt

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

	Notes	2016 £m	2015 £m
Current assets			
Cash and short-term deposits[1]		65.8	28.3
Current liabilities			
Bank overdrafts		(1.7)	–
Current obligations under finance leases		(2.6)	(4.9)
Interest bearing loans and borrowings		(399.4)	–
Non-current liabilities			
Non-current obligations under finance leases		(2.0)	(4.4)
Interest bearing loans and borrowings		(749.6)	(323.1)
Net debt		(1,089.5)	(304.1)

(1) Cash used to back customer funds of £80.4m (2015: £40.1m) is not included in the Group's net debt.

14. Business combinations

On 1 November 2016 Ladbrokes plc acquired the entire share capital of GC Group Jersey Limited through an all share merger and issuance of 866,518,803 ordinary shares. In accordance with IFRS 3 'Business combinations' it has been determined that Ladbrokes plc acquired the Coral Group.

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

The fair value of the 866,518,803 shares issued as consideration paid for Gala Coral Group (£1,167.2million) was based on the published share price on 1 November 2016 of £1.347 per share.

14. Business combinations (continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Carrying value at acquisitions £'m	Provisional fair value adjustment £'m	Provisional Fair value £'m
Intangible assets	921.2	353.5	1,274.7
Property, plant and equipment	89.3	–	89.3
Assets Held For Sale	26.5	–	26.5
Retirement Benefit Asset Investments	52.3 4.1	–	52.3 4.1
Inventories	0.4	–	0.4
Trade and other receivables	70.7	–	70.7
Cash and cash equivalents Interest Bearing Loans and Borrowings	90.8 (985.0)	–	90.8 (985.0)
Deferred tax asset	15.6	36.4	52.0
Deferred tax liability	(171.6)	(33.0)	(204.6)
Trade and other payables	(198.7)	–	(198.7)
Provisions for liabilities and charges	(16.8)	(1.1)	(17.9)
Total	(101.2)	355.8	254.6

	£'m
Net assets acquired	254.6
Goodwill	912.6
Consideration	1,167.2

The main factors leading to the recognition of goodwill is growth by combining business activities, a strong workforce, leveraging existing products and synergy cost savings of the merged operations.

Revenue and profit contribution

The acquired business contributed revenues of £182.6 m and net profit of £5.7 m pre the effect of fair value adjustments to the group for the period from 1 November 2016 to 31 December 2016. If the acquisition had occurred on 1 January 2016, consolidated proforma revenue and net profit for the year ended 31 December 2016 would have been £2,473.0 m and £144.7 m respectively pre the effect of fair value adjustments (on a debt fee basis at an effective tax rate of 20%).

Notes to financial information

15. Related party transactions

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

	2016 £m	2015 £m
Equity investment		
– Joint venture[1]	1.2	2.8
– Associates[2]	1.0	–
Loans		
– Movement in loan balance with joint venture partner	1.0	–
– Movement in loan balance with joint venture	–	0.1
Dividends received		
– Associates[3]	4.7	–
Sundry expenditure		
– Associates[4]	61.5	52.1

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

The following table provides related party outstanding balances.

	2016 £m	2015 £m
Loan balances outstanding		
– Joint venture	1.6	0.6
Other amounts outstanding		
– Associates	(3.7)	(1.6)
– Joint venture	1.8	1.6

16. Contingent considerations for business combinations

Playtech

In 2015, £31.6 m was included within other non-current financial liabilities in respect of the contingent consideration due to Playtech under the marketing services agreement. This was classified as a level 3 financial liability, as its fair value was measured using techniques where significant inputs are not based on observable market data. During the current year the Group reached a settlement on the outstanding consideration with the Group agreeing to pay £75m, £40m in shares (all satisfied at the date of merger) and £35m in cash, the latter based on the delivery of certain operational milestones, but in any event, within 42 months of completion of the merger. This amount is included within non-current financial liabilities and is classified as a loan at amortised cost.

Betdaq

Betdaq contingent consideration of £nil (2015: £0.7 m) is linked to the performance of the business over a four year period. The fair value of consideration at the year end was estimated using a discounted cashflow. Post the year end the Group reached an agreement to settle the outstanding amount with no additional payments required in respect of the outstanding consideration.