A SHARED GOAL

Annual report and accounts 2016

LADBROKES CORAL GROUP

Contents

In this Annual Report:
The statutory reported results reflect 10 months of trading for Ladbrokes plc and two months of trading for Ladbrokes Coral Group plc. Accordingly, the statutory results only include two months of trading for the acquired Coral Group. As such, the directors believe that in order to get a full understanding of the trading performance of the combined Group, the use of proforma information and certain non-GAAP is necessary. These measures are used throughout the Annual Report and are explained fully on page 24.

Online report
www.ladbrokescoralplc.com

Welcome to Ladbrokes Coral

We are one of the leading international betting and gaming groups, providing customers with an unrivalled choice of products across many channels. We aspire to be the first choice for the customer, however, wherever, and whenever they choose to bet. We have the best brands and the best people and over 230 years of history, serving loyal customers to whom we offer the highest standards of service.

Group

- Reported revenue growth of £312.4m
- Proforma[1] revenue growth of £235.7m or 11% and proforma[1] operating profit[2] growth of £47.5m or 22%

proforma

UK Retail

- Reported revenue 15% ahead and proforma[1] revenue 2% ahead
- Over 1m multi-channel sign-ups since launch.

proforma

European Retail

- Reported revenue up 32% and proforma[1] revenue 24% ahead
- Stakes ahead in all product verticals on a proforma[1] basis

proforma

Digital

- Reported revenue up 67% and proforma[1] revenue 33% ahead
- Proforma[1] Gaming revenue +21% and proforma[1] Sportsbook revenue +51%

proforma

The Group also reports on other segment and corporate costs segment which generated revenue of £29.6 million (2015: £25.9 million) and £nil (2015: £nil) respectively on a reported basis.

(1) Proforma information is explained on page 24 of the Annual Report.
(2) Stated before non-trading items.

Snapshot of the merged Group

We are the leading British High Street bookmaker, have a strong online presence with digital sports betting and gaming offerings across our brands. Internationally we have strong retail and online operations in Italy, Ireland, Spain and Belgium as well as a rapidly growing online operation in Australia.

Our brands

Ladbrokes

An established force on the UK High Street for over 50 years and with a growing online and multi-channel presence, the Ladbrokes brand is one of the most recognised in the UK.

CORAL

The Coral brand is synonymous with UK betting and has a strong high street and online presence.

Through the Ladbrokes brand we have 141 outlets in the Republic of Ireland and 77 in Northern Ireland. We also have an online business.

BETDAQ

Betdaq is the second largest peer-to-peer sports betting exchange in the world, matching an average of £80 million worth of customer stakes each week in 2016. Operating out of Gibraltar with service operations in Dublin Ireland, Betdaq employs 92 people.

STADIUM TECHNOLOGY GROUP

Stadium Technology Group creates and supports software and technology for race books and sports pools and is based in Nevada.

AGT

In China we have a joint venture with AGTech (a part of the Alibaba Group) which currently provides virtual sports products to the China Sports Lottery Market.

"Our merger brings new and exciting opportunities for both companies."

Carl Leaver, Executive Deputy Chairman

SPORTIUM

A joint venture with Cirsa, our Spanish business offers both retail and online operations with a majority of the outlets being self service terminals in bars or street corners.

EUROBET

Eurobet Retail was created in 2006 and opened its first shop in June 2007 and is number three in the market for Over the Counter (OTC) betting in Italy. Eurobet Online is available to Italian residents and delivers a full range of sports betting, casino and games products, including virtual racing and bet-in-play products.

Gala Bingo galabingo.com

www.galabingo.com is the second largest player in the online bingo market in the UK. Customers can participate in scheduled bingo sessions or play slots games and roulette (including live roulette).

GALA CASINO

www.galacasino.com offers a full range of casino and live casino products including a full suite of proprietary and third-party online games.

Ladbrokes.com.au

Launched in 2013, our Australian business operates online under the Ladbrokes, Bookmaker and Betstar brands.

Ladbrokes.be

In Belgium, through the Ladbrokes brand, we have a total of 453 Belgian outlets, including both Ladbrokes shops and newsagent outlets as well as an online presence.

Chairman's statement

"At the start of the year our task was clear. Build on the encouraging signs we had seen in the business and deliver the merger with the Gala Coral Group. It is pleasing to report that on both targets we have succeeded."

We enter 2017 a stronger, bigger business alive to the opportunities that exist but not complacent about the size of the task and the politically febrile environment in which we operate.

With opportunities, come challenges and expectations. We believe that to be successful in this sector you must have a clear long-term plan and a daily focus on execution. We have both of these and a confidence in the new team's ability to deliver.

2016 – A Historic Year

Much as 2016 will be seen as historic because of the completion of our merger with Coral, we are equally proud of how well both businesses traded through the year.

Both Ladbrokes and Coral demonstrated real trading momentum in the 10 months ahead of the merger completion. This was all the more pleasing when you consider the amount of work required to meet the competition authority concerns, agree to the shop divestment programme and complete the preparations for Day 1 of the merger.

This focus helped the business to deliver a strong performance in the year. Ladbrokes as a standalone business delivered ahead of our expectations and Coral continued to deliver impressive growth. These are strong foundations upon which to build a new business.

Delivering on the Opportunities

The successful completion of the merger creates the UK's number one betting and gaming business and opens up an exciting future.

In the UK, we have three of the best loved betting and gaming brands. In Ladbrokes, Coral and Gala we have a combined heritage of more than 230 years and the biggest high street presence in the industry.

When you add to this our digital capacity and an exciting multi-channel offer, we have confidence that we can be the customer's first choice however, wherever and whenever they choose to bet. This capability extends beyond our traditional UK base into all regulated markets.

Underpinning the drive for growth will be the delivery of the synergies that come with the scale we have created.

It really is an exciting time for the business, but we will not mistake this excitement for over confidence. As I said earlier, with opportunities come challenges and expectations that the business can deliver on the promises made in securing your support for the merger. It is a daily focus for Jim and the team and for the Board.

A Responsible Business

Having the largest betting shop estate on the UK high street and being one of the biggest online operators, we are very clear that we have a duty to be a leader in social responsibility. We have a belief that runs through the executive team that the health and safety of our employees and responsible gambling must be at the forefront of our thinking in how we run the business.

On responsible gambling we are proud of the journey we have been on, but know that this is an area where we must continue to seek to improve. Our linking of responsible gambling to executive remuneration has meant that in 2016 the reward of our senior managers was impacted after some of our advertising fell below the standards we expect. This is how it should be and something we will continue to develop as the DNA of Ladbrokes Coral.

It is almost impossible to talk about responsible gambling without the debate on machines being ignited. Let me be clear: machines are a legitimate customer offer for us to be providing and without them, many shops would close. However, we accept that in offering machines we have a duty to do so responsibly. That is why we have a Social Responsibility Committee; why we have responsible gambling targets as part of the remuneration of the executive team; and why we work to improve the identification of potential problem gambling and effective interaction. We believe we lead in this area and we believe strongly that we must continue to do so.

Health and safety, remains a key priority and there has been much work since we completed our merger on looking at what was done in both businesses, what worked and what should be rolled out. We have to accept that in this vital area we must be critical of ourselves and vigilant in asking ourselves the difficult questions. This includes the difficult debate over single scheduling in our shops. At Ladbrokes in the last year a significant step was taken to move to a, voluntary only, Policy after 7pm in the evening, which is in line with the Coral policy.

Across the Group we will look to ensure we have appropriate policies and procedures in place around both health and safety and responsible gambling that reflect the changing nature of high street operations. I make no apology if further necessary changes are made, even if they mean costs have to be incurred or savings found elsewhere to support them.

Regulation

While we cannot control regulation, we do continue to argue that there is a need for stability in our regulatory regime. We are a major employer, offer competitive benefits and every year celebrate hundreds of colleagues who have served for over 10, 20, 30 and 40 years. We are a major sponsor of sports and seek to play a role in the communities in which we serve. All of this is continually being eroded as the burden of regulation and taxation increases on our business.

We paid more than £500 million in UK tax, duties and levies and more than £600 million globally in 2016. All actual, not collected taxes, paid out of our profits. Too often in our sector, people see effective regulation as being harsh and penal and fail to acknowledge the impact it would have on profitability and the positives that we bring to society such as jobs, investment and the support of sports. We do not ask for special treatment or favour but do want stability, fairness and evidence-led decisions to govern the sector and allow us to operate effectively, profitably and responsibly.

We accept that the betting and gaming sector is changing. Our merger has not been the only one in a consolidating sector and it is likely there will be more. As I indicated earlier, the pressures of regulation and taxation mean that scale is becoming a necessity.

Board Structure and Focus

Understandably, the merger has meant that your Board has undergone some change.

In creating a new Ladbrokes Coral team throughout the business, I am delighted that Carl Leaver, Paul Bowtell and Rob Templeman have joined from Gala Coral as Executive Deputy Chairman, Chief Financial Officer and Non-Executive Director respectively.

The merger also saw Ian Bull, Sly Bailey and David Martin step down from the Board after five, seven and three years respectively and I would like to thank them for their hard work.

We have welcomed Mark Clare as our Senior Independent Director and Chair of the Social Responsibility Committee and Stevie Spring as our Remuneration Chair. We have also been joined by Annemarie Durbin as Independent Non-Executive Director. The Board has a wide range of relevant expertise and experience which will prove invaluable as we look to take advantage of the opportunities the merger has created.

One key focus for the Board in establishing the governance framework of Ladbrokes Coral has been that of remuneration. Last year, shareholders told us loud and clear of their dissatisfaction with elements of the remuneration policy at Ladbrokes. At the Annual General Meeting I accepted the challenge to revisit executive remuneration and ensure payment is aimed at rewarding success and not to insure executives against failure. We have done that and our new policy is clearly linked to performance targets that benefit shareholders. We have been pleased with the positive response during shareholder consultations.

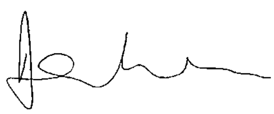
Looking ahead

2016 ended with a new, bigger and more confident business established in Ladbrokes Coral.

We now have a scale in retail, online and international that gives us a solid and vibrant platform to grow from. In the longer term, our scale and expertise will help position us as one of the companies able to influence their destiny rather than be at the mercy of a changing market place.

We also have a duty to run the business well, set stretching but achievable growth objectives and hold people accountable for delivery against them. We have to run the business in the right way, one that creates a safe and responsible environment for our people to deliver for customers. In pursuing our growth agenda and aiming to be the best player in every market we operate in, we will not sacrifice our principles of doing things in the right way.

None of this would be possible without the thousands of colleagues who every day don their uniform or wear their Ladbrokes Coral lanyard and represent us and our brands in the workplace. I would like to thank everyone for their hard work and hope that they will take pride in the business they helped to create and in the future success that we intend to enjoy.



John M Kelly
Chairman

Board of Directors

1. John M Kelly, OBE (69)

Chairman

John was appointed as Senior Independent Director in September 2010 and subsequently as Chairman in December 2015.

Skills and experience

John brings extensive experience from the gaming and betting industry having previously been a board member of a number of betting companies. With over 30 years' experience as a director in a wide range of leisure companies, John also has a wealth of experience to draw from in his role as Chairman and leader of the Board.

Career history

Founder and Chief Executive of Gala Coral Group having led a management buy-in from Bass Plc in 1997 and subsequently became Chairman. After founding Gala Coral, he was a board member at Mecca Leisure Limited, the Chairman of Trainline.com and Chairman of Novus Leisure Limited. He was also a board member of the Prince of Wales' Business in the Community charity.

Other roles

Chairman of Kings Park Capital LLP Advisory Board and Kings Park Capital LLP Investment Committee and co-founder of Dunelmia Partners LLP.

Committee membership

Nomination Committee (Chairman) and Remuneration Committee.

2. Jim Mullen (46)

Chief Executive Officer

Jim was appointed as Chief Executive Officer in April 2015 and as a director in May 2015.

Skills and experience

Jim's extensive experience in the gaming and betting industry, particularly online gaming, brings valuable insight to lead the Group and implement the strategy to grow our recreational customer base and build scale.

Career history

Joined the Group in October 2013 as Managing Director of the Digital business. Prior to joining the Group, Jim was Chief Operating Officer for William Hill's digital operations for three years and held senior positions at the Murray Group, Arc Worldwide and News International where he was Director of Digital Strategy.

Other roles

Board member of GambleAware.

Committee membership

None.

3. Carl Leaver (49)

Executive Deputy Chairman

Carl was appointed as Executive Deputy Chairman in November 2016.

Skills and experience

Carl has a broad range of business leadership and turnaround experience, having driven profitable growth in a variety of consumer-facing industries in the UK and internationally.

Career history
Prior to the merger with Ladbrokes, Carl was Group Chief Executive of Gala Coral Group from November 2010. Before this, he was director of International, Home and Direct for Marks & Spencer, Chief Executive Officer at DeVere Group PLC, Managing Director of Travel Inn and worked for Nomura International having started his career with Pedigree Petfoods (part of the Mars Inc. Group) as a business planner.

Other roles
Non-Executive Chairman of Carluccio's.

Committee membership
None.

4. Paul Bowtell *(48)*

Chief Financial Officer
Paul was appointed as Chief Financial Officer in November 2016.

Skills and experience
Paul is a Chartered Accountant and has extensive experience in the leisure industry and across the UK retail sector and brings significant financial and commercial knowledge to the Board.

Career history
Prior to the merger with Ladbrokes, Paul was Chief Financial Officer of Gala Coral Group from October 2011. Before this, he was Chief Financial Officer of First Choice Holidays PLC and became Chief Financial Officer of TUI Travel PLC after its merger with First Choice Holidays PLC. He previously held a number of senior positions with Centrica, WHSmith and Forte and was Non-Executive Director at SThree Plc.

Other roles
Non-Executive Director and Audit and Risk Committee Chairman of Capita Plc, from which he will step down on 31 May 2017, and Non-Executive Chairman of Alua Hotels.

Committee membership
None.

5. Mark Clare *(59)*

Senior Independent Director
Mark was appointed as Senior Independent Director in September 2016.

Skills and experience
Mark brings substantial operational and financial experience to the Board and has a strong background operating in a regulated environment and considerable knowledge of customer-facing businesses.

Career history
Mark was previously Chief Executive of Barratt Developments plc, an executive director of Centrica plc having also held a number of senior roles both within Centrica plc and British Gas, Trustee of the Building Research Establishment and the UK Green Building Council and Non-Executive Director of BAA plc.

Other roles
Non-Executive Chairman of Grainger plc, Senior Independent Non-Executive Director of United Utilities Group plc and Non-Executive Director of Premier Marina Holdings Limited.

Committee membership
Social Responsibility Committee (Chairman), Nomination Committee and Remuneration Committee.

6. Annemarie Durbin *(53)*

Independent Non-Executive Director
Annemarie was appointed as Independent Non-Executive Director in January 2017.

Skills and experience
Annemarie brings broad based international retail, commercial and institutional banking experience. She also brings leadership, talent development, executive remuneration, property, internal audit, crisis management, business continuity, operational excellence and governance capabilities to the Board.

Career history
A qualified lawyer with 25 years' international banking experience, particularly across Asia, Africa and the Middle East operating at Board and Executive Committee level.

Other-roles
Non-Executive Director at WHSmith Plc and Santander UK PLC, Chair of the FCA's Listing Authority Advisory Panel and is an executive leadership coach and a board governance consultant.

Committee membership
Audit Committee, Nomination Committee, Remuneration Committee and Social Responsibility Committee.

7. Christine Hodgson *(52)*

Independent Non-Executive Director
Christine was appointed as Independent Non-Executive Director in May 2012. Christine has advised the Board that she will not be seeking re-appointment at this year's Annual General Meeting.

Skills and experience
Christine has extensive experience in business leadership, finance, accounting and technology having worked in a number of international organisations. This brings valuable experience to Board and Committee discussions.

Career history
Christine was a senior manager at Coopers & Lybrand and the Corporate Development Director of Ronson plc before joining Capgemini, where she has held various UK and global roles including CEO of Technology Services North West Europe and CFO of Global Outsourcing.

Other roles
Chairman of Capgemini UK Plc and Non-Executive Director of Standard Chartered PLC, a Board member of the Prince of Wales' Business in the Community charity and sits on the Audit Committee of The Queen Elizabeth Diamond Jubilee Trust.

Committee membership
Audit Committee, Nomination Committee, Remuneration Committee and Social Responsibility Committee.

8. Mark Pain *(55)*

Independent Non-Executive Director
Mark Pain was appointed as Independent Non-Executive Director in December 2015.

Skills and experience
Mark is a Chartered Accountant and brings a range of skills and experience in financial management, strategic planning, business leadership and change. He also has over 18 years' experience as a board director in a number of sectors.

Career history
Mark has held senior executive and board positions at Abbey National plc, was Group Finance Director of Barratt Developments PLC and has also been a Senior Independent Director of Johnston Press plc and Non-Executive Director on the boards of LSL Property Services plc, Punch Taverns plc and Spirit Pub Group plc.

Other roles
Non-Executive Chairman of London Square Developments Limited, Deputy Chairman and Senior Independent Director of Yorkshire Building Society, Non-Executive Director of Aviva Insurance Ltd and a Trustee of Somerset House.

Committee membership
Audit Committee (Chairman), Nomination Committee and Remuneration Committee.

9. Stevie Spring *(59)*

Independent Non-Executive Director
Stevie was appointed as Independent Non-Executive Director in September 2016.

Skills and experience
Stevie brings extensive skills in marketing, television and advertising as well as broad experience in non-executive roles, particularly as remuneration chair.

Career history
CEO of Future plc and ClearChannel UK and held senior executive roles in international advertising groups.

Other roles
Non-Executive Director and Chairman of the Remuneration Committee of the Co-operative Group and Chairs the Inspired Thinking Group, tech start-up Kino-mo and BBC Children in Need.

Committee membership
Remuneration Committee (Chair), Audit Committee, Nomination Committee and Social Responsibility Committee.

10. Rob Templeman *(59)*

Independent Non-Executive Director
Rob was appointed as Independent Non-Executive Director in November 2016.

Skills and experience
Rob has over 35 years' experience in consumer-facing businesses and extensive leadership experience in large retail companies.

Career history
Prior to the merger with Ladbrokes, Rob was Non-Executive Chairman of Gala Coral Group from November 2010. Before this, he was Chief Executive of Debenhams, Homebase, Harveys Furnishing Group and Halfords, where he was also the Chairman. Rob has also held the roles of Chairman of the British Retail Consortium, Chairman of the charity Graduate Fashion Week and Trustee of the charity Children with Cancer UK.

Other roles
Chairman of RAC.

Committee membership
Nomination Committee.

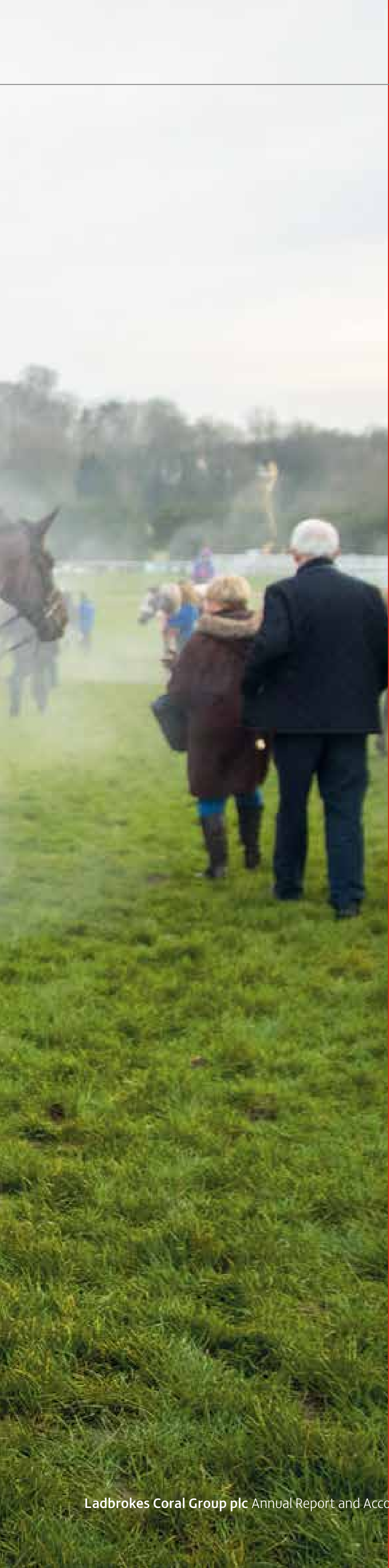
Welsh Grand National

The Coral Welsh Grand National is an association that started back in 1973 and is Coral's longest sponsorship (and the longest running jump sponsorship in Britain).

This year Native River, trained by Colin Tizzard and ridden by Richard Johnson, jumped and galloped his 19 opponents into the ground under top weight putting up one of the best ever performances in the race.

The Coral Welsh Grand National is the richest and most prestigious race staged in Wales, and always features in the top 20 betting races in the year.

Coral's longstanding association with this race, and others in its portfolio (Coral-Eclipse at Sandown since 1976, Coral Cup at Cheltenham Festival since 1974, and the Coral Sprint Trophy at York since 1979), demonstrates the Company's unwavering commitment and passion for the sport.



Today we are the number one bookmaking business, seen on every high street and part of the sporting fabric of communities.

Kristof Fahy, Chief Marketing Officer

Group at a glance

The creation of Ladbrokes Coral opens up great opportunities for the business and builds a platform for growth based on our online expertise, our market-leading presence in UK Retail, our extensive portfolio of regulated businesses and the ability to drive significant synergies in our operations.

Group net revenue

Reported

£1,507.9m

Proforma[1]

£2,351.9m +11%

Operating profit[2]

Reported

£121.2m

Proforma[1]

£264.3m +22%

Dividend

3.0p 2015: 3.0p

Contribution from Gala Coral

For the two months post, acquisition, the Coral Group contributed £182.6 million of revenue and £16.5 million of operating profit[2] before fair value adjustments.

Digital

28%

Digital and Mobile sportsbetting is the fastest growing betting and gaming market.

European Retail

9%

Ladbrokes has extended its retail expertise to European markets including Italy, Spain, Belgium and Ireland.

Other

2%

UK Retail

61%

Our traditional business. Still relevant to our customers and a strong generator of cash flow.

(1) The use of proforma information is explained on page 24 of the Annual Report.
(2) Stated before the impact of non-trading items.

UK Retail

Ladbrokes and Coral have an established presence in the history of UK high street betting. Revenue is driven by traditional Over the Counter (OTC) betting on football, horse and greyhound racing as well as other sports and machines.

Revenue

Reported

£971.6m

Proforma(1)

£1,431.1m

Operating profit(2)

Reported

£118.1m

Proforma(1)

£189.9m

European Retail

We operate successful retail businesses in Italy, Ireland, Belgium and Spain. Our businesses combine operations of high street shops, both owned and franchised, as well as operating out of self-service terminals in standalone locations.

Revenue

Reported

£123.2m

Proforma(1)

£212.0m

Operating profit(2)

Reported

£16.8m

Proforma(1)

£30.4m

Digital

Our Digital business is aimed at giving customers a great user experience however and whenever they choose to bet. We run our digital brands across regulated territories and, in the Ladbrokes, Coral, Gala and Eurobet names, we have market-leading brands and a very strong and competitive product suite.

Revenue

Reported

£383.5m

Proforma(1)

£666.2m

Operating profit(2)

Reported

£6.7m

Proforma(1)

£68.3m

Other

Includes our stadia businesses (four greyhound tracks), Betdaq, On Course, Telephone and our businesses in the USA and China.

Revenue

Reported

£29.6m

Proforma(1)

£42.6m

Operating profit(2)

Reported

£3.4m

Proforma(1)

£5.4m

(1) The use of proforma information is explained on page 24 of the Annual Report.
(2) Operating profit is stated before non-trading items.

Business model

We aim to deliver long-term value to shareholders by providing an exciting gambling experience to our customers backed up by excellent service and efficient operations.

We leverage all resources

- Heritage
- Strong brands
- Trading expertise and systems
- Marketing expertise
- Market insight
- Technology
- Engaging product
- Best-in-class partners and supplier relationships
- Great people

through all channels

Our business is built on bookmaking expertise delivered through retail, online and on the telephone. In addition, we are pursuing a strategy to maximise our ability to appeal to customers who are multi-channel and shop both on the high street and online.

Retail **Digital**

in our chosen markets

We are a brand leader in the UK, Ireland and Belgium. We hold significant positions in the markets of Italy, Australia and Ireland and are a growing force in Spain through our joint venture. We continue to look to develop good business opportunities in other regulated or regulating territories such as the USA and China.

Established
UK, Ireland, Belgium

New
Australia, USA, China, Spain

remaining aware of our responsibilities

We are a regulated business and take our regulatory licensing conditions seriously. We place health and safety and responsible gambling at the core of our thinking in delivering our operations.

- Regulation
- Responsible gambling
- Health and safety

to deliver our promise

We aim to be available to the customer at their convenience and provide a fun experience however, whenever and wherever they choose to play.

An exciting and engaging gaming experience.

and to generate returns and long-term value

Through a growing business, dividends to shareholders and investment in our people, operations and businesses.

The betting year 2016

March
Cheltenham Festival

Cheltenham was a huge success – but only for our customers. We saw losses on 18 of the 28 races, the worst of which was Thistlecrack's win in the World Hurdle. A collection of extra places, price enhancements and ultra-competitive pricing all contributed to total loses of over £5.5 million on the festival across all channels and in all UK facing brands.

May
Premiership

The industry witnessed one of the biggest shocks of all time when Leicester City won the Premier League, having been 5000/1 at the start of the season. While the outright market saw their victory mean significant pay outs to the loyal and shrewd backers, overall the unpredictable 2015/16 season was one for us to celebrate.

January
Australian Open

A good start to the year for our customers with Djokovic's straight sets victory over Murray in the Australian Open, where form had weighed more heavily on the minds of our customers than patriotism. While delivering a loss on the outright market, the victory of Angelique Kerber in the Women's final, was one for the bookies.

February
Super Bowl

The Denver Broncos victory in the Super Bowl was a welcome result, having been almost friendless in the market at the ante-post 14/1 available.

April
Grand National

Aintree was the only favourable major racing festival for us in 2016. After a poor start for bookmakers, the failure of Un Temps Pour Tout and Vautour to oblige on the Friday turned the tables firmly in our favour. After £43 million was staked on the Grand National we were very pleased to see 33/1 Rule the World triumph.

Danny Willet collecting his first green jacket at Augusta was a par result, as the 80/1 shot had been the second most backed Englishman after Justin Rose.

June
Royal Ascot, basketball and the EU referendum

Royal Ascot continued the trend of major racing festivals going against bookmakers. We saw a series of customer-friendly results in the feature race, but none worse than the well fancied Godolphin's Usherette in the Duke of Cambridge Stakes.

The popularity of basketball as a betting product continues to grow and the Cleveland Cavaliers unexpected victory over the heavily backed Golden State Warriors, who were as short as 1/20 during the NBA finals, was a very welcome result for bookmakers.

The EU referendum was another example of the continued growth of political betting. In a strange betting market, we saw 70% of stakes on Remain, but 70% of bets on Brexit. The result was a small winner for us.

July

The Wimbledon and European Championships

Despite Andy Murray winning Wimbledon, the tournament was a strong success for us, Djokovic being the heavily supported pre-tournament favourite.

The UEFA European Championship was extremely kind to bookmakers, particularly seeing only one win for England in their four matches. Portugal were the undoubted highlight from a bookmaker's perspective with only one of their seven matches not ending in a draw after 90 minutes.

September

The Ryder Cup

A good month for bookmakers with the USA's convincing victory in the Ryder Cup a good result, despite the 8/15 favourites winning. 25/1 Harbour Law's win in the last ever Ladbrokes St Ledger also left us, rather than our customers, smiling.

August

The Premier League and the York festival

The start of the Premier League season saw the continued impact of the Leicester City story with a significant increase in bets placed on the outright market on teams that were 200/1 or bigger.

The Ebor meeting at York continued the trend of major racing festivals in 2016 as we once again failed to turn a profit, becoming the worst performing festival in history.

October

Prix de l'Arc de Triomphe

Despite Aiden O'Brien saddling the first three home in the Prix de l'Arc de Triomphe, the defeat of well-fancied Posponed saw a good start to the month for bookmakers.

November

The USA Presidential election

The USA Presidential election became the single largest non-sports betting event in history. Having hedged the Trump position acquired at all rates down from 100/1, the event ended up a small winner across the Group, completing a year of significant political upsets. A Brexit/Trump double, struck at the largest prices ever available for each, would have paid 1358/1.

December

The football season

A tough month for the bookmakers culminating in a dreadful Boxing Day as favourites across the divisions triumphed. The day was saved from being a complete bookmaker wipe out by Sheffield Wednesday's away victory at Newcastle that evening.

Our priorities

Ladbrokes Coral brings together some of the best loved betting and gaming brands, with a combined heritage of more than 230 years and the biggest high street presence in the industry. Added to that is an exciting digital strategy and multi-channel offer that gives us the opportunity to be the customer's first choice however, wherever and whenever they choose to bet. We have an ambition to be a major player in every market we trade in and our international businesses give us a platform for greater growth. Underpinning our ambition is a commitment to having at our core a focus on responsible gambling and health and safety.

1 Online growth

The online market continues to grow and in owning two of the biggest names in sports betting and gaming we see a real potential to play a leading role and gain market share. The intention is to continue to offer customers distinctive products and promotions, but utilising a best of both strategy to ensure that product innovation and technology can be employed across the brands through a 'develop once, deploy twice' strategy. This focus on product innovation is particularly important in driving the Group's multi-channel offer which will be central to generating digital growth.

In addition, we will use our marketing expertise and the application of customer analytics to anticipate the actions of players, thereby allowing us to present attractive and personalised offers which will also be a major plank of our growth strategy.

Relevant Risks:

Betting and gaming industry
Taxes, laws, regulations and licensing, regulatory compliance
Increased cost of production

Operational and bookmaking
Trading, liability management and pricing
Loss of key locations
Recruitment and retention of key colleagues and succession planning

Information technology and communications
Technology failure
Data management
Failure in the supply chain

Marketplace
Competition

2 UK Retail

Retail remains an attractive and highly cash generative business for Ladbrokes Coral Group, although we accept that the wider bookmaking outlook remains tough for the licensed bookmaking sector. Rising cost bases and regulation have begun to erode the profitability of the wider shop estate. However, the merger allows the retail estate of the Group to benefit from greater economies of scale making it more efficient and more sustainable. Also vital to the economics of the retail estate is the ability to attract the multi-channel customer and allow them to move between retail and online through the Connect and Grid card offers.

Relevant Risks:

Betting and gaming industry
Taxes, laws, regulations and licensing, regulatory compliance
Increased cost of production

Operational and bookmaking
Trading, liability management and pricing
Loss of key locations
Recruitment and retention of key colleagues and succession planning

Information technology and communications
Technology failure
Data management
Failure in the supply chain

Marketplace
Competition
Health and safety

“We want to be a major player in every market in which we operate.”

Jim Mullen, Chief Executive Officer and
Paul Bowtell, Chief Financial Officer

3 *Pursuing international opportunities*

We have established operations in retail and online in Italy, Belgium, Ireland and Spain which has allowed the Group to diversify reliance away from the UK, where the developed market has greater regulation and taxation pressures.

We also have a very attractive and rapidly growing online operation in Australia where we continue to pursue an aggressive growth strategy.

Our combined expertise in working with regulators and the operation of brands and businesses in overseas territories allow us to be a partner of choice for both existing businesses and for markets looking to regulate their betting and gaming operations.

Relevant Risks:
Betting and gaming industry
Taxes, laws, regulations and licensing, regulatory compliance

Marketplace
Competition

4 *Delivering synergies*

Scale in both customers and in operations is increasingly attractive for operators to combat the rising burden of regulation and taxation across the sector.

In delivering on the merger we identified at least £65 million of synergies that could be delivered per annum, particularly in the second year post merger which would help underpin shareholder returns. Since the merger completed, we have revised this target to an estimated £100 million per annum by the end of 2019.

In addition, we also identified that post-merger, there would be improvements to operations that would drive efficiency and performance as we moved to a ‘best of both’ approach across all disciplines.

Relevant Risks:
Operational and bookmaking
Trading, liability management and pricing
Recruitment and retention of key colleagues and succession planning
Failure to integrate

Information technology and communications
Technology failure
Data management

We are proud of the contribution we make to sports across the world.

SPFL Sponsorship

In 2015 Ladbrokes made a commitment to seek to win over more recreational customers as part of the desire for the brand to build a more sustainable customer base.

Key to this drive was to target the football customer and so, in 2015, we took over sponsorship of the Scottish Professional Football Leagues to help give us a leadership position in a true heartland of the Ladbrokes brand.

Last year, Celtic, Rangers, Dunfermline and East Fife all won their respective Ladbrokes Championships, while East Stirlingshire were sadly relegated from Division 2 and replaced by Edinburgh City. However, to help soften the blow of losing their League status we also stepped in to sponsor them and help them plan for the future.

Chief Executive's review

"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."

Overview

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.

Note: Growth on a constant currency basis is calculated by translating both current and prior year performance at the average 2016 exchange rates.

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 £323.6 million, which included a £194.9 million non-cash impairment charge and £128.7 million relating primarily to other merger and integration related costs, the Group reported an operating loss of £202.4 million.

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 £90.0 million by 2018 and £100.0 million 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 City 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.

Proforma[1]
Group net revenue **£2,351.9m** *+11%*

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; and 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 by just what technology allows. An immediate priority is the roll out of a significantly enhanced electronic point-of-sale ('EPOS') 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.

(1) The use of proforma information is explained on page 24 of the Annual Report.

Chief Executive's review *continued*

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 offering.

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.

Over 1m
Multi-channel customers signed-up since launch

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 to 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 and 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

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 Over the Counter ('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 c. 4pp 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 c. 5%-6% behind, broadly in-line with trends reported in the second half of 2016 and in the trading statement of 18 January 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 1% ahead of last year (2% 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.

Jim Mullen
Chief Executive Officer
27 March 2017

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 two months of trading for Ladbrokes Coral Group plc, consequently the consolidated financial statements only include two 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 Competition and Markets Authority findings and before the impact of the now 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 5.
(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 100.

All proforma information has been stated under the Group's accounting policies as disclosed in note 4, 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

Merger successfully completed and good momentum in the business.

Group	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 £2,351.9 million was 11% ahead of last year, driven by strong growth in Digital and European Retail, and proforma Group EBITDA[2] of £380.7 million was 14% ahead. Proforma Group operating profit[2]/[4] of £264.3 million, 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 £202.4 million is stated after charging non trading items of £323.6 million which includes a £194.9 million non-cash impairment charge and £128.7 million relating primarily to other merger and integration related costs. A full analysis of the non trading items is included in the notes.

"Our two brands have a rich brand presence and history, serving loyal customers to whom we offer the highest standards of service."

Jim Mullen, Chief Executive Officer

UK Retail

The UK's largest LBO network underpinning multi-channel growth.

	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)%

Our UK Retail offer has helped drive our market leading multi-channel offer

UK Retail net revenue

Reported[1]

£971.6m +15%

Proforma[2]

£1,431.1m +2%

UK Retail operating profit

Reported[1]

£118.1m in-line

Proforma[2]

£189.9m (7%)

Proforma results[2]:
UK Retail EBITDA[3] of £252.0 million was £14.2 million or 5% behind last year or 1% ahead after adjusting FY15 for the impact of regulation[6]. Operating profit[3] of £189.9 million was £15.3 million 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, 266,000 customers signed up to the Connect Card in FY16, taking the cumulative sign-up total to over 680,000 with sign-up rates still at the 5,000 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, 218,000 customers signed up to the Grid Card in FY16 taking total sign-ups to 372,000 (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, so far, resulted in over six 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 Q3 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 estate. 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 into 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 £161.7 million was £5.0 million or 3% ahead of last year and operating profit[3] of £118.1 million was £0.3 million 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.

+79%

Self Service Betting Terminals stakes

European Retail

Very strong growth in our European Retail business's net revenue and operating profit.

	Reported results[1]			Proforma results[2]			
	FY 2016 £m	FY2015 £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 gross win 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%

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

European Retail net revenue

Reported[1]

£123.2m +32%

Proforma[2]

£212.0m +24%

European Retail operating profit

Reported[1]

£16.8m +140%

Proforma[2]

£30.4m +368%

Proforma results[2]**:**
European Retail net revenue of £212.0 million was 24% ahead of last year. EBITDA[3] of £41.5 million was £15.7 million or 61% ahead of last year and operating profit[3] increased by £23.9 million to £30.4 million. On a constant currency basis, net revenue was 12% ahead of last year and EBITDA was 42% ahead.

Eurobet Retail

Net revenue of £105.6 million was 36% ahead of last year or 20% ahead on a constant currency basis. Sportsbook net revenue of £73.5 million 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 £20.3 million was £8.3 million or 68% ahead of last year and operating profit[3] of £16.8 million was £9.8 million 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 a 9% increase in operating costs.

Digital

Strong growth across all brands. Proforma net revenue 31% ahead and proforma operating profit 122% ahead (on a constant currency basis).

	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 gross win margin	**8.4%**	7.2%	1.2pp	**8.5%**	7.5%	1.0pp	1.0pp
– Sportsbook 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.

We have a strong online presence with digital sports betting and gaming offerings across our brands

Digital net revenue

Reported[1]

£383.5m *+67%*

Proforma[2]

£666.2m *+33%*

Digital operating profit

Reported[1]

£6.7m *N/A*

Proforma[2]

£68.3m *+125%*

Proforma results[2]**:**
Digital growth was strong with net revenue increasing 33% to £666.2 million. Sportsbook net revenue of £310.0 million was 51% ahead of last year and Gaming net revenue of £356.2 million was 21% ahead. Digital EBITDA[3] of £112.8 million was £45.5 million or 67% ahead of last year. Operating profit[3] increased £37.9 million or 125% to £68.3 million.

Actives were ahead in all websites, with strong growth in all sportsbook led websites. Multi-channel continued to be a key driver of Digital growth; Coral 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 £310.0 million 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 benefiting from favourable football results including Euro 2016, combined with investment in product range and improved customer relationship management ('CRM').

Gaming net revenue of £356.2 million was 21% ahead of last year. Ladbrokes.com gaming benefited 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' focusing on delivering a more personalised playing experience.

Operating costs increased by 27% to £348.0 million. Marketing costs increased by £44.9 million to £174.6 million 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 £38.9 million was £32.8 million or 538% ahead of last year and operating profit[3] of £6.7 million was £26.8 million 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.

> *"It's an exciting time for us as we start on a new phase of our journey."*
>
> **Jim Mullen**, Chief Executive Officer

All other segments

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.

	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%

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

Reported results[1]:
On a reported basis, operating profit of £3.4 was £1.8 million ahead of last year.

Our four greyhound tracks at Crayford, Hove, Monmore and Romford make up our Stadia business

Q4 Results Commentary

Merger completion and proforma net revenue 6% ahead.

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 last 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 the 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

Group proforma revenue +11% with growth in all segments.

Results from Continuing Operations	Reported results(1) 2016 £m	2015 £m	Proforma results(2) 2016 £m	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 £121.2 million (2015: £85.8 million). The Group also reported a non-trading operating loss of £323.6 million (2015: £104.5 million), resulting in a net operating loss of £202.4 million (2015: £18.7 million). The statutory loss after tax from continuing operations was £204.3 million (2015: profit of £2.0 million). 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]	
	2016 £m	2015 £m	**2016 £m**	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 £235.7 million or 11% to £2,351.9 million (2015: £2,116.2 million) with growth in all segments. UK Retail revenue growth of £26.5 million 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 £312.4 million 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 £182.6 million of revenue.

EBITDA

Proforma[2] EBITDA increased by £47.8 million or 14% with significant growth in both European Retail and Digital which have both benefited 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 £83.8 million (2015: £72.2 million) reported operating profit (pre non-trading items) increased by £35.4 million or 29% to £121.2 million. On a proforma[2] basis operating profit (pre non-trading items) increased £47.5 million or 22%.

Non-trading items of £323.6 million 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 Competition and Markets Authority ('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 Fixed Odds Betting Terminals ('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 cash flows 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 cash flows 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 £194.9 million.

"Both Ladbrokes and Gala Coral have demonstrated their ability to compete and win in increasingly competitive markets."

Paul Bowtell, Chief Financial Officer

Financial review *continued*

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 £202.4 million (2015: £18.7 million loss).

Finance expense

Before the impact of non-trading items, the net finance expense of £32.5 million (2015: £28.1 million) was £4.4 million 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 £5.9 million of non-trading interest (2015: £0.1 million) relating primarily to the write-off of debt facility fees and received £27.5 million (£2015: £0.4 million) of interest on VAT claims.

Profit before tax

Profit before tax (pre non-trading items) of £88.7 million (2015: £57.7 million) increased by £31.0 million versus the prior year. Post non-trading items, the loss before tax was £213.3 million (2015: £46.5 million 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 £17.0 million of corporate income taxes in 2016 but received a UK tax refund of £35.1 million following the adjustments to prior period filings for which an income statement credit was recognised in 2015, this resulted in net taxes received of £18.1 million.

£38.3 million of deferred tax assets on losses were acquired through the merger, taking the total 2016 deferred tax assets on losses to £56.5 million. The Group had a further £57.4 million 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 £281.4 million.

Cash flow, capital expenditure, borrowings and banking facilities

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

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

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

At 31 December 2016 net debt was £1,089.5 million (2015: £304.1 million) 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 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.

Paul Bowtell
Chief Financial Officer

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 plc for the two 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 two 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 115).

(4) Proforma Group operating profit is stated pre-non-trading items (see page 115).

(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).

Risks and how we manage them

Risk governance and responsibilities

The Board
- Overall responsibility for risk management as an integral part of strategic planning
- Formal review of risks twice yearly
- Setting clear policies on acceptable levels of risk
- Bi-annual assessment of the effectiveness of the Internal Controls System

The Audit Committee
- Responsible for assessing the scope and effectiveness of the systems established to identify, assess, manage and monitor risks
- Reviews reports from Internal Audit (four times per year) and external audit (PricewaterhouseCoopers LLP)
- Internal audit function (outsourced to Deloitte LLP) has an annual audit programme that addresses most of the principal risks as well as other operational and business risks which include periodic monitoring of mitigating actions

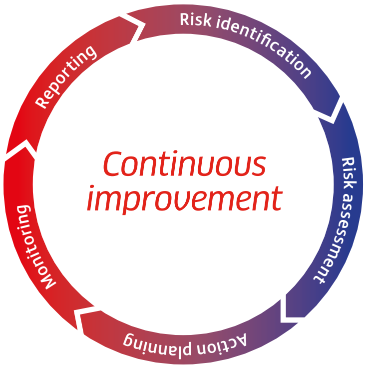
Executive Committee
- Executive directors and senior executives identify key risks and make recommendations on the overall approach to risk management
- Reviews overall assessment of likely risks
- Responsible for enforcing risk management as an integral part of the Group's internal control, planning and approval process
- Each key risk is assigned Executive Committee member ownership

Risk Committee
- Constitutes Group and divisional executives and senior managers
- Responsible for maintaining the Plc risk register including periodic monitoring of the mitigating actions as well as the likelihood and consequence of each risk
- Meets four times a year
- Business units report into the Risk Committee

Risk management process and methodology

The effective understanding, acceptance and management of risk is fundamental to the strategy of the Group and what could materially affect the ability to achieve strategic goals. Over the period of the year, Ladbrokes Coral has looked to improve its risk management capabilities and enhance its ability to identify, evaluate and monitor principal risks.

We have adopted an integrated and proactive approach to our risk management and responsibilities, and we continue to seek improvement in our ability to detect, understand and debate our risk. An Enterprise Risk Management (ERM) Framework has been established, which includes an assessment of risk appetite and tolerance within the Group as a whole. The level of risk it is considered appropriate to accept in achieving Ladbrokes Coral strategic objectives is reviewed by the Board. The ERM Framework is the vehicle which defines and delivers risk management across the business and includes a risk scoring matrix to ensure a consistent approach and risk indicators which help to monitor progress.



The Risk Committee considers identified risks to the business but focuses on the principal risks.

For each risk identified within the impact areas the likelihood, consequence, risk owner (Executive Committee member) and operational lead are identified by the Risk Committee.

The risk owner and operational lead suggest the appropriate mitigating control and actions which are reviewed for appropriateness and monitored regularly by the Risk Committee.

Throughout the year the risk management approach will be subject to continuous review and updated to reflect new and developing issues which might impact business strategy.

Emerging or topical risks are examined to understand the significance to the business. Risks are identified and monitored through risk registers at the Group level and within key business units, ensuring both a top down and bottom up approach.

Post merger and, as a consequence of the Group's increased scale and complexity, to ensure an effective risk management structure the Group has created the Group Executive Governance Committee (GEGC). This reflects the ever-increasing scope of risk and ensures a proper allocation of time to the risk agenda.

The GEGC is scheduled to meet six times per year on an agreed rolling agenda basis. The Risk Committee will report in to the GEGC.

Risks and how we manage them *continued*

Principal risks

The risks outlined here are those principal risks that are material to the Group and assume existing controls are effective. The risks represent a snapshot and, as the environment we operate in is constantly evolving, new risks may arise, the potential impact of known risks may increase or decrease and our assessment of a risk may change. They do not include all those associated with Group activities and are not set out in any order of priority. Additional risks not presently known to management, or currently deemed less material, may also have an adverse effect on the business including:

- **Marketplace and Operational** – changes in the economic environment, the European Union, changes in consumer leisure spend and international expansion.
- **Financial** – availability of debt financing and costs of borrowing, taxation and pension fund liability.

The results of the EU referendum and the Brexit implications for risk within the Group were also considered and it was determined that a new principal risk covering this issue was not required. However, existing principal risk descriptions, likelihood and impact scores may be amended as a consequence of Brexit.

Specific risks that are material to Ladbrokes Coral are:

Increased | Decreased | Remains unaltered

Risks	Mitigation	Relevance to strategy	Change in risk to the business
Betting and gaming industry			
Taxes, laws, regulations and licensing, regulatory compliance		**Online Growth/UK Retail/ Pursuing International Opportunities**	Increased
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.	Regulatory, legislative and fiscal developments in key markets are monitored closely, allowing Ladbrokes Coral to assess and adapt quickly to changes in the environment and minimise risks to the business. Ladbrokes Coral engages with its regulators and the relevant trade organisations with regard to the betting and gaming regulatory framework and other issues of shared concern, such as problem gambling. Ladbrokes Coral has entered into a voluntary code of practice and has a Social Responsibility Committee.		
Increased cost of product		**UK Retail/Online Growth**	Increased
Ladbrokes Coral is subject to certain financing arrangements intended to support industries from which it profits. Examples are the horse racing and the voluntary greyhound racing levies which respectively support the British horse racing 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' and Coral's betting shops. A number of these are under negotiation at any one time.	Ladbrokes Coral engages with the relevant trade associations and the principal bodies of sport and event industries with regard to sports rights payments, including the statutory horse racing levy, animal welfare and other issues.		
Operational and bookmaking			
Trading, liability management and pricing		**UK Retail/Online Growth/ Delivering synergies**	Remains unaltered
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.	Ladbrokes Coral core expertise is trading liability management and it has developed the skills and systems to be able to offer a wide range of betting opportunities and accept large bets. There is in place a highly experienced trading team and risks are spread across a wide range of events. A bookmaker's odds are determined so as to provide an average return to the bookmaker over a large number of events and therefore, over the long-term, Ladbrokes Coral's gross win percentage has remained fairly constant.		

Principal risks (continued)

Increased | Decreased | Remains unaltered

Risks	Mitigation	Relevance to strategy	Change in risk to the business
Operational and bookmaking continued			
Loss of key locations		**Online Growth/UK Retail**	
Ladbrokes Coral has a number of key sites, in particular in Greater London in Rayners Lane and Stratford and the head office in Victoria; its premises at Europort and Regal House in Gibraltar from where online betting and gaming operations are based; in Tel Aviv, Israel and Manilla, Philippines from where our Digital marketing operates; and our operations in Australia, Italy, Eire and Manilla.	Existing business continuity plans and arrangements for off-site data storage, alternative system availability and remote working for key operational and senior management and, as a consequence of the merger, will be the subject of a detailed review.		
Recruitment and retention of key employees and succession planning		**UK Retail/Online Growth/ Delivering synergies**	
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.	Performance Management, Development, Reward and Recognition systems and, as part of the merger, we are aligning terms and conditions wherever appropriate.		
Failure to Integrate		**Delivering synergies**	NEW
Integration takes longer, the level of synergy savings reduces and the cost of delivering the synergies increases. Difficulties experienced during integration or challenges to realising synergies could potentially result in interruption 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 newly merged company.	Prior to the merger, a governance committee (Steering Integration Committee) was established and chaired by the then CEO of Gala Coral Group. The main objectives of this committee were to plan, as far as possible, pre merger, all integration activities and to ensure that adequate resource and timelines for integration were fully understood. This committee remains in operation and meets fortnightly.		
Information technology and communications			
Technology failure		**Online Growth/UK Retail/ Delivering synergies**	
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 through the merger.	Ladbrokes Coral has a level of resilience in place which seeks to eliminate single points of failure within key technology locations.		

Risks and how we manage them *continued*

Risks	Mitigation	Relevance to strategy	Change in risk to the business
Information technology and communications continued			
Data management		**Online Growth/UK Retail/ Delivering synergies**	
Ladbrokes Coral processes 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 potential financial penalties and the loss of the goodwill of its customers and could deter new customers.	Security systems are deployed to protect transactional data. Sophisticated hardware and security mechanisms are used to ensure all sensitive and confidential data is fully encrypted. To provide fail-safe integrity of all data, a series of storage systems are used to replicate all data processed by online services. In respect of fraud protection, an extensive programme of data monitoring is in place with both prevention and detection audit controls. A cyber security programme is in place supporting our ongoing approach to assessing the threats and improving our security maturity.		
Failure in the supply chain		**Online Growth/UK Retail**	
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 Coral operations.	Infrastructure suppliers, network and telecommunication suppliers and application service providers are long-term partners in providing an infrastructure which seeks to ensure the delivery of sophisticated and high performance transaction processing systems. There is continual communication with these suppliers and providers at an operating level and service level agreements have been established to maintain high service levels.		
Marketplace			
Competition		**UK Retail/Online Growth**	
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 Coral 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).	Ladbrokes Coral's performance and competitive position are continuously monitored and, where appropriate, changes are instituted, including in relation to marketing, product development, yield management, cost control and investment. Acquisition opportunities, with a view to taking advantage of market consolidation, are continuously evaluated.		
Health and safety		**UK Retail**	
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.	Ladbrokes Coral has numerous policies and procedures in place and introduced an updated Group health and safety policy in 2016. As a consequence of the merger, a review of policies and procedures is in progress to align both organisations taking existing best practice from either business and/or the wider market and rolling these out consistently.		

Viability statement

- In accordance with provision c2.2 of the UK Corporate Governance Code 2014, the directors have assessed the prospect of the Ladbrokes Coral Group over a longer period than the 12 months required by the 'Going Concern' provision.
- The directors concluded that three years was an appropriate period of assessment given that this is the time horizon for the new Group's strategic planning process and is considered to be the time period for which visibility exists for variations in both industry and customer dynamics, regulatory change and the economic backdrop.
- The objectives of the strategic planning process are to further develop the businesses understanding of the market and customer dynamics, assess the risks and opportunities facing the business and develop a Group-wide strategy and associated financial forecasts. The directors have utilised the forecasts, the Board approved 2017 budget and the current financial position of the Group to assess the potential impact on the business of the crystallisation of the principal risks and uncertainties within the three-year time period. The Board notes that given the limited time since completion of the merger between Ladbrokes and Coral the forecasts already contain uncertainty and estimates.
- In order to confirm the longer-term viability of the Ladbrokes Coral Group, the directors have identified the most significant risk events that represent the crystallisation of the principal risks and uncertainties (see section 'Principal risks' in the Strategic report). The financial impact of these 'risk events' has been assessed and concluded on with regard to viability, both in isolation and as part of a series of plausible scenarios.
- The scenarios/risks modelled included combinations of:
  - The impact of a significant change to the regulatory landscape including the 4th AML directive, the findings of the Government's triennial review and the upcoming license tender in Italy
  - Technological failure in the Online division as well as data breaches on customer data
  - Loss of major sites and key personnel
  - Failure to adequately integrate the two businesses post merger
  - Continuous runs of customer-friendly results and delays to delivery of the integration and associated synergies.
- The scenarios modelled were assessed in the context of the current risk appetite. The Group has also performed reverse stress testing over the headroom in the forecasts before assessing mitigating actions available to the Board, such as restrictions in marketing and capital expenditure.
- Based on the results of this analysis, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of this assessment.
- The going concern statement is contained on page 89 of the Annual Report.

The Strategic Report was approved by the Board and has been signed on its behalf by the Company Secretary.

By order of the Board.

Geoff Mason
Company Secretary
27 March 2017

This tournament is a perfect fit to our expanding portfolio, showing our continued commitment to the sport.

Simon Clare, Coral PR Director

Coral English Open

Coral are the title sponsors of the Coral English Open which forms part of World Snooker's Home Nations series, which also features events in Northern Ireland, Scotland and Wales.

Top stars including Ronnie O'Sullivan, Judd Trump, Mark Selby, John Higgins and the winner Liang Wenbo, were among the 128 players contesting the title and £70,000 top prize at the tournament.

World Snooker Chairman Barry Hearn said: "We are delighted to be working with Coral on the brand new English Open. This event will attract a huge television audience on Eurosport and Quest, bringing tremendous exposure for the Coral brand."

Corporate governance

Dear Shareholder
I am pleased to present to you the corporate governance section of the first Annual Report and Accounts of the Company as Ladbrokes Coral Group plc. The coming together of the two businesses presents an exciting opportunity for the merged Group to use a combined heritage of more than 230 years and the biggest high street presence in the industry. This, together with our digital capacity and an exciting multi-channel offer, gives us confidence that we can be the customers' first choice. Given the change, it is important that our corporate governance arrangements are well designed and implemented. Therefore, in preparation for the merger, the Company's governance structure and arrangements have been reviewed. Changes were made to the composition of the Committees; the Delegation of Authority Policy was reviewed and updated to ensure it was appropriate for the enlarged Group; and the Terms of Reference for all Board Committees have been reviewed to ensure best practice and, in the case of the Social Responsibility Committee, to extend the remit of the Committee for the enlarged Group.

The remuneration policy has also been revised following consultation with the Company's major shareholders. Details of the revised policy, which is being put to shareholders for approval at the Annual General Meeting, can be found on pages 66 to 77.

Board composition

There were several changes to the composition of the Board in 2016 as a result of the merger. In September 2016, Sly Bailey and David Martin retired from the Board and Mark Clare and Stevie Spring were appointed as Senior Independent Director and Independent Non-Executive Director respectively. On completion of the merger on 1 November 2016, Paul Bowtell was appointed as Chief Financial Officer, Rob Templeman was appointed as Independent Non-Executive Director and Carl Leaver was appointed as Executive Deputy Chairman for a one-year term. Annemarie Durbin was also appointed as Independent Non-Executive Director on 24 January 2017. At the conclusion of the Annual General Meeting, Christine Hodgson will be stepping down from the Board.

I would like to thank Sly, David and Christine for their contribution during their tenure on the Board.

Committee memberships

Following changes to the Board, a number of changes were also made to the composition of the principal Committees. Mark Clare was appointed as Chairman of the Social Responsibility Committee and as a member of the Nomination Committee and Remuneration Committee. Stevie Spring was appointed as Chairman of the Remuneration Committee and as a member of the Audit Committee, Nomination Committee and Social Responsibility Committee; Mark Pain was appointed as a member of the Remuneration Committee; and Rob Templeman was appointed as a member of the Nomination Committee. Annemarie Durbin has subsequently been appointed as a member of the Audit Committee, Nomination Committee, Remuneration Committee and Social Responsibility Committee effective on 1 March 2017.

Board evaluation

In late February 2017, we commenced an externally facilitated evaluation of the Board. Given the relatively recent formation of the current Board, it was felt inappropriate to commence this review at the normal time in November 2016. We hope to be able to communicate any outcome from this review at the Annual General Meeting. The significant changes to the composition of the Committees means that we will undertake the evaluation process for these during the second quarter of the year.

John M Kelly
Chairman

Board focus during 2016

- Completed the merger of Ladbrokes plc and the Gala Coral Group
- Continued to implement and deliver against the strategic plan
- Reviewed the governance structure in preparation for the merger
- Regularly reviewed health and safety and responsible gambling progress
- Received training on the Market Abuse Regulation
- Held a deep dive on the Ladbrokes Trading department
- Reviewed the Group's risk tolerance and risk management systems

For further details on the Board's activities during 2016, see page 47.

Board focus for 2017

- Ensure the successful integration of Ladbrokes and Gala Coral
- Review the strategy for the new Group
- Embed the culture for the new Group into the organisation
- Ensure management of the risks identified in the merger prospectus
- Continue to review operational health and safety, security and responsible gambling arrangements
- Visit the Company's operations in Italy

UK Corporate Governance Code

The UK Corporate Governance Code published in 2016 by the Financial Reporting Council is available at www.frc.org.uk. It will come into force in 2017 for companies with reporting periods beginning after 17 June 2016. This report is against the UK Corporate Governance Code 2014 (the 'Code'). This Governance section of the Annual Report, which includes the Directors' Remuneration Report on pages 64 to 86 and the disclosures contained in the Risks section on pages 37 to 41, provides details of how the Company applied the principles and complied with the provisions of the Code during 2016.

The Board confirms that during 2016, the Company fully complied with all of the provisions of the Code. During 2017, Code provision E.2.4 which requires the Notice of Annual General Meeting ('AGM') to be sent to shareholders at least 20 working days before the meeting, will not be met. This is due to the timing of completion of the merger which resulted in this Annual Report being approved by the Board one month later than normal and therefore the Notice of AGM being sent to shareholders with less than 20 working days' notice. However, the notice period remains in compliance with the statutory requirement of the Companies Act 2006.

The Board

Role

The Board provides strategic leadership and oversight. It is responsible for the Company's culture, values and ethical standards and is committed to high standards of corporate governance throughout the Group's operations. Each director brings experience, independence of character and judgement to their role. The independent non-executive directors bring a broad perspective to the deliberations of the Board. They support the development of the Group's strategic direction, provide critical and constructive challenge to the executive directors and exercise oversight through their participation in the work of the Board's principal Committees on matters such as remuneration, risk management systems, financial controls, financial reporting, the appointment of further directors and social responsibility.

Composition

The Board is comprised of the Chairman, three executive directors, the Senior Independent Director and five independent non-executive directors. As previously advised, Christine Hodgson will not be seeking re-appointment at the AGM. The names and significant commitments of all directors are contained on pages 6 and 7. There were no significant changes to those commitments during 2016.

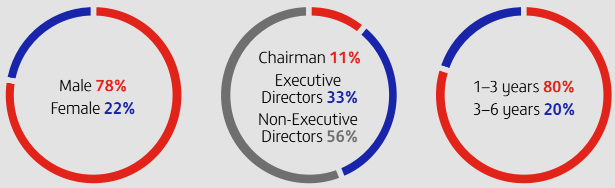
The division of responsibilities between the Chairman and the Chief Executive has been clearly established, set out in writing and agreed by the Board.

Diversity

The Company recognises the value that diversity brings to its Boardroom and believes that the Board performs better and supports its overall objectives within the business strategy when it includes the best people representing a range of capabilities, experience and perspectives. In line with this, the Company aims to foster a diverse Board, including a mix of gender, ethnicity and backgrounds. The Nomination Committee Report on pages 55 to 57 contains further information on Board composition and the charts below illustrate the diversity of the Board.

Board Diversity

The Board has endorsed the aims of the Davis Report entitled 'Women on Boards' and the percentage of women on the Board at the end of 2016 was 22%. The percentage decreased from 25% in 2015 following the merger with Gala Coral as a result of the total number of directors on the Board increasing from eight to nine. The charts illustrate the diversity of the Board in terms of gender, balance of executive directors to non-executive directors ('NEDs') and length of tenure of the NEDs as at 31 December 2016. Following the appointment of Annemarie Durbin, the percentage of women on the Board has increased to the current level of 30%.



Further information on diversity within the business can be found in the Social and Corporate Responsibility report on page 62 and the Nomination Committee report on page 56.

The following sets out the division of responsibilities of the Board:

Role	Director	Responsibility
Chairman	John Kelly	Responsible for the operation, leadership and governance of the Board and its effectiveness in all respects, and for relations with shareholders.
Chief Executive Officer	Jim Mullen	To manage the Group's operations, including the development of strategic plans and initiatives to be approved by the Board, and subsequent implementation.
Executive Deputy Chairman	Carl Leaver	To manage the integration of Ladbrokes and Gala Coral following the merger.
Chief Financial Officer	Paul Bowtell	To manage all aspects of the Group's financial affairs and to contribute to the management of the Group's operations.
Senior Independent Director	Mark Clare	To act as a sounding board for the Chairman and to serve as an intermediary for the other directors where necessary. Also to be available to shareholders if they have concerns, where contact through the normal channels of Chairman, Chief Executive Officer and Chief Financial Officer has failed to resolve the concern, or for which such contact is inappropriate.
Independent Non-Executive Directors	Annemarie Durbin, Christine Hodgson, Mark Pain, Stevie Spring and Rob Templeman	Constructively challenge the executive directors; develop proposals on strategy; scrutinise the performance of management; satisfy themselves on the integrity of financial information, controls and systems of risk management; and to set the levels of remuneration for executive directors and senior management.

Corporate governance *continued*

Matters reserved for the Board

The Board has a formal schedule of matters specifically reserved for its decision and approval which includes:

- Approval of the strategic and annual profit plans;
- Key announcements, e.g. financial statements;
- Dividend declarations;
- Board appointments;
- Major capital expenditure, acquisitions and disposals;
- Material contracts; and
- Treasury policy and other Group policies.

The section ‘Financial reporting, internal control and risk management systems’ on pages 48 and 49 contains further information on how the Board operates.

Operation of the Board

Board attendance

The Board and its Committees meet regularly according to a schedule linked to key events in the Company’s corporate calendar. Ad hoc meetings are also arranged to consider matters requiring review and decision outside the scheduled meetings. During the year, 10 scheduled Board meetings were held. Six additional Board meetings were held, principally to consider matters relating to the merger with Gala Coral, such as considering and approving the Prospectus relating to the relisting and admission of shares. Four Sub-Committee meetings of the Board were also held to finalise certain matters relating to the merger with Gala Coral.

In addition to the Board meetings, during the year, the Chairman met with the non-executive directors without the executive directors present.

Attendance at Board meetings held during the year is shown below:

Directors as at 31 December 2016	Number of meetings eligible to attend	Number of meetings attended
John Kelly	16	16
Jim Mullen	16	16
Carl Leaver(1)	3	3
Paul Bowtell(1)	3	3
Mark Clare(2)	7	6
Christine Hodgson	16	16
Mark Pain	16	16
Stevie Spring(2)	7	6
Rob Templeman(1)	3	3
Former directors		
Sly Bailey(3)	9	7
David Martin(4)	9	9
Richard Moross(5)	4	3
Ian Bull(6)	2	1

(1) Appointed to the Board on 1 November 2016.

(2) Appointed to the Board on 21 September 2016. Mark Clare and Stevie Spring were each unable to attend one Board meeting due to business commitments organised prior to their appointment.

(3) Sly Bailey ceased to be a director on 21 September 2016 and was unable to attend two Board meetings due to prior business commitments.

(4) David Martin ceased to be a director on 21 September 2016.

(5) Richard Moross ceased to be a director on 5 May 2016 and was unable to attend one Board meeting due to prior business commitments.

(6) Ian Bull ceased to be a director on 26 February 2016 and was unable to attend one Board meeting due to prior business commitments.

Board and Committee support

The Company has systems in place to ensure that the Board is supplied with appropriate and timely information to enable it to discharge its duties. A fully encrypted electronic Board Portal is used to distribute Board and Committee papers and to provide efficient distribution of business updates and other resources to the Board. Board members request additional information or variations to regular reporting as required. A procedure exists for directors to seek independent professional advice in the furtherance of their duties, if necessary.

The Company Secretary is responsible to the Chairman for advising the Board on all governance matters. All directors have access to the advice and services of the Company Secretary.

The Committees are also provided with sufficient resources to undertake their duties. They have access to the Company Secretary (who acts as secretary to all Board Committees) and all other colleagues. They are also able to take independent legal or professional advice when they believe it is necessary to do so.

All directors receive an induction on joining the Board. Details of the induction process for Mark Clare and Stevie Spring can be found in the Nomination Committee Report on page 57.

A combination of tailored Board and Committee agenda items and other Board activities, including briefing sessions, assist the directors in continually updating their skills and the knowledge and familiarity with the Company required to fulfil their role, both on the Board and on Board Committees. In addition, external seminars, workshops and presentations are made available to directors. The Company provides the necessary resources for developing and updating directors’ knowledge and capabilities.

Board activities

Details of the Board's main areas of focus during the year are summarised below.

Strategy, finance and performance	– Regularly considered and assessed the strategic and operational performance of each business unit – Received regular reports on the financial performance of the Group – Held a deep-dive session with the Ladbrokes Trading department to discuss the operation of the function and see how the odds setting algorithm were offered for events covered by the business and reviewed the risk management processes – Completed the merger with Gala Coral – Received presentations regarding the Company's brands
Governance and risk	– Following introduction of the Market Abuse Regulation ('MAR'), received formal training from the Company's external legal advisers – Reviewed and approved the Company's Dealing Code and the Procedures Manual relating to the systems and controls to ensure compliance with MAR – Reviewed and approved the revised Ethics Policy – Introduced Terms of Reference for the Disclosure Committee and Finance Committee – Considered the results of the voluntary external review of the anti-money laundering policies and processes – Considered the re-assessment of the profile of all risks on the risk register – Reviewed risk tolerance for the Group and whether the processes for ensuring the necessary risk management systems and culture were embedded within the business – Reviewed both the matters reserved for the Board and Delegation of Authority Policy – Reviewed the Terms of Reference for all Board Committees
Leadership, culture and colleagues	– Considered corporate culture and the results of the colleague survey – Regularly reviewed health and safety – Received reports from the HR Director on issues relating to colleagues
Shareholder engagement	– Regularly reviewed reports on investor relations activity

Board evaluation

Following the significant changes in Board membership, with more than 50% of the current Board having been recently appointed, it was agreed that an early evaluation of the Board was inappropriate and would not provide value for the Board or the Company until the structural changes had started to bed in. Following the merger with Gala Coral and the consequent appointments of three new directors on 1 November 2016 and the subsequent appointment of Annemarie Durbin in January 2017, it has been agreed that the annual formal Board evaluation, focusing on the performance of the Board and individual directors, would be only undertaken during the first quarter of 2017 and commenced at the end of February 2017. The evaluation is externally facilitated by Lintstock Limited. Other than the provision of a software solution to manage insider lists, Lintstock has no other connection with the Company. The evaluation exercise uses questionnaires tailored to the requirements and specific circumstances of the Company. The questionnaires are completed by each director in relation to their own performance and on the effectiveness of the Board and its Committees.

The evaluation is thematic and considers:

- Board composition, expertise and dynamics;
- Board support and time management;
- Board Committees;
- Strategic oversight;
- Risk management and internal control;
- Succession planning and human resources management; and
- Priorities for change.

In addition, a brief case study on the integration of the two businesses and the process followed is being undertaken.

As part of the Board evaluation, a separate evaluation of the performance of the Chairman is being conducted. The outcome of this will be reviewed by the Senior Independent Director.

The results of the evaluation will be considered by the Board during their meeting in March 2017. It is intended that the Chairman will give a verbal update on the process at the Annual General Meeting. A separate evaluation of Board Committees will be undertaken in the second half of the year.

At the same time, the Chairman will conduct an appraisal of each director. The Senior Independent Director, in consultation with each of the other directors, will conduct an appraisal interview with the Chairman.

An update on progress in these areas and subsequent reviews will be provided in the Annual Report and Accounts 2017.

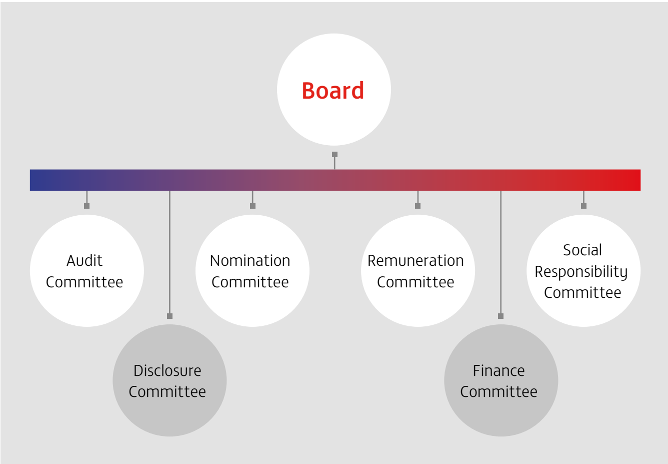
In 2015, the annual evaluation highlighted a number of areas of focus and progress against these areas is as follows:

2015 area of focus	Progress made during 2016
Enhancing the Board's engagement with the Retail and Digital businesses through a tailored programme of operational visits and management presentations	Improved reporting from both the Retail and Digital businesses aided the Board's understanding and engagement with these businesses. As part of their induction, Mark Clare and Stevie Spring were given inductions with the operating businesses to ensure understanding. Management presentations and operational visits are part of the Board and Committee agendas.
More effective use of the depth of talent and experience that exists around the Board table	The skills and talent of the non-executive directors, both past and present, was a significant contribution in addressing issues arising from the merger process, the time scale of which was protracted by external issues. It facilitated pragmatic solutions to complicated problems ensuring the delivery of the transaction.
Refreshing the Board's membership to ensure that the composition is appropriate for the Group's next phase of development	There has been a significant change in the composition of the Board with six new appointments and four departures. These include two new executive directors and four new non-executives directors. The executive directors, who joined as a result of the merger with Gala Coral, bring significant industry experience whilst the non-executives directors bring experience from successful careers in the private sector at the highest level.

Corporate governance *continued*

Board Committees

The Board has four principal Committees and two standing Committees:



Principal Committees
The principal Committees of the Board are the Audit Committee, Nomination Committee, Remuneration Committee and Social Responsibility Committee. The membership of each of the Committees is comprised of only independent non-executive directors and the Chairman, who acts as Chairman of the Nomination Committee and is a member of the Remuneration Committee. Terms of Reference for the principal Committees are available on the Company's website at www.ladbrokescoralplc.com/investors. Details of the responsibilities and activities of the principal Committees are outlined in each of the respective reports on pages 51 to 86.

Standing Committees
In addition to the principal Committees, the Board has established two standing Committees which review and approve routine operating and regulatory matters in accordance with their respective Terms of Reference. These standing Committees generally comprise any two of the Chairman, Chief Executive Officer or Chief Financial Officer. Richard Snow, who acted as Chief Financial Officer until completion of the merger on 1 November 2016, was appointed as a member of the Disclosure Committee and the Finance Committee with effect from 26 February 2016 to 31 October 2016.

The Disclosure Committee meets on an ad hoc basis to consider and make decisions relating to the handling of inside information concerning the Company and the Group. The Disclosure Committee is responsible for ensuring the timely and accurate disclosure of such inside information to the market in accordance with the Company's obligations under the Market Abuse Regulation and for monitoring compliance with the Company's disclosure controls and procedures.

The Finance Committee meets as required to deal with all routine business (excluding matters that are specifically reserved to the Board or to another Committee) and specific matters delegated to it by the Board requiring attention between scheduled Board meetings.

The Group Executive Committee, Group Executive Governance Committee, Risk Committee and Investment Committee referred to elsewhere in this Annual Report are not formal Board Committees.

Financial reporting, internal control and risk management systems

The Board has ultimate responsibility for the internal control and risk management systems operating throughout the Group and for reviewing their effectiveness. No such systems can provide absolute assurance against material misstatement or loss. The Group's systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide the Board with reasonable assurance that potential problems will normally be prevented or will be detected in a timely manner for appropriate action.

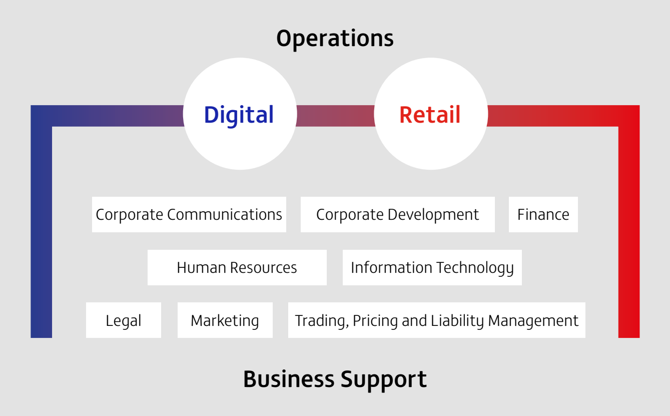
The Board as a whole is responsible for ensuring that the Annual Report is fair, balanced and understandable. Drafts of this document have been reviewed by relevant Committee chairmen and other Board members. The Board has reviewed the Annual Report 2016 and, taken as a whole, considers it to be fair, balanced and understandable and provides shareholders with information necessary to assess the Company's position and performance, business model and strategy. In arriving at this conclusion, the Board's review draws on its collective knowledge of the business, which is regularly updated by management reports and presentations at scheduled Board and Committee meetings and other business updates provided between meetings.

The Company had procedures in place throughout the year and up to 27 March 2017, the date of approval of this Annual Report, which accord with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the FRC in September 2014. The Board has delegated the detailed design of the systems of internal control and risk management to the executive directors.

Control framework

The control framework and key procedures during 2016 in relation to the financial reporting process were as follows:

The Group operates through two primary Business Channels and a number of Business Support Units:



There is an Executive Head responsible for each of these Business Channels and Business Support Units.

Business planning

Corporate strategy and Group-wide business objectives are reviewed annually by the Board and the Group profit plan is approved by the Board. The Business Support Unit management integrate Group-wide objectives into business strategies for presentation to the Board with supporting financial objectives. Operating plans for each Business Support Unit comprise financial and operating targets, capital expenditure proposals and performance indicators and are reviewed by the Group Executive Committee.

Reporting and oversight

The Chief Executive Officer and the Executive Heads comprise the Group Executive Committee and meet bi-monthly to consider Group strategy, financial performance, business development and management issues. On alternate months, the Group Executive Committee also meet as a Governance Committee for the operational business to review risk, compliance, corporate responsibility and health and safety from an operational perspective. Other senior executives participate as appropriate. In addition, there are weekly and monthly financial and operational review meetings together with an annual programme of reforecasting and strategy reviews attended by the Chief Executive Officer and Chief Financial Officer together with, as appropriate, other Executive Heads and executives. The Board regularly receives reports from Executive Heads covering areas such as operations, forecasts, business development, strategic planning, human resources, legal and corporate matters, compliance, health and safety and corporate responsibility.

Investment

There is a Group-wide policy governing appraisal and approval of investment expenditure and asset disposals. An Investment Committee, reporting to the Group Executive Committee and comprising of the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer, consider all significant financial commitments, including past investment appraisals within their delegated authority and review all significant financial commitments in excess of their level of authority prior to submission to the Board. Major projects are reported on at each scheduled Board meeting. Post-investment appraisals are undertaken on a systematic basis and are formally reviewed by both the Board and the Investment Committee.

Risk

An ongoing process is in place for identifying, evaluating and managing the risks faced by the Group. Principal (including specific material) risks and their financial implications are appraised by the Group Executive Committee which is assisted by a committee of Business Support Unit executives (the Risk Committee). This is an integral part of the strategic planning process. The appropriateness of controls is considered, having regard to cost/benefit, materiality and the likelihood of risks crystallising. Principal (including specific material) risks and actions to mitigate those risks are considered at Board meetings and are formally reviewed and approved by the Board twice yearly. Each significant risk is assigned executive director/Executive Head ownership. During the year, the Group's risk management systems were enhanced which included the establishment of a dedicated Internal Controls function. A new Enterprise Risk Management Framework has been established, which includes an assessment of risk appetite and tolerance within the Group as a whole. The Board has conducted a robust assessment of the principal risks facing the Company and the Group. Details of the principal risks and how they are managed are shown on pages 37 to 40.

Policies and controls

Key policies and control procedures (including treasury, compliance and information system controls) are documented and have Group-wide application. There are also operating procedure manuals that are integrated with Group-wide controls. High standards of business ethics and compliance with laws, regulations and internal policies are demanded from colleagues at all levels. To underpin the effectiveness of controls, it is Group policy to recruit and develop management and other colleagues of high calibre, integrity and with appropriate disciplines. A system of bi-annual self-certification of compliance with key controls and procedures is operated throughout the Group.

The role of the Audit Committee in reviewing the effectiveness of the systems of internal control and risk management is explained in the Audit Committee Report on page 51. The Group has an internal audit function, which is outsourced to Deloitte LLP, and reports to management and the Audit Committee on Group operations. The Board also conducts a continual assessment of the effectiveness of the control and risk management systems. The assessment takes account of all significant aspects including risk assessment, the control environment and control activities, information and communication, and monitoring.

Corporate governance *continued*

Anti-bribery and whistleblowing

The Board recognises that, as a global betting and gaming business, there is potential for exposure to bribery and corruption. Failure by colleagues, suppliers or agents to comply with anti-bribery and corruption legislation (including the UK Bribery Act and the US Foreign Corrupt Practices Act), or any failure in policies and procedures to monitor and prevent non-compliance, anywhere in the world, could result in substantial penalties, criminal prosecution and significant damage to the reputation of the Company.

The Board ensures that there are a number of policies, procedures, management systems and internal controls in place across the business to prevent bribery and corruption occurring. This includes policies on whistleblowing, anti-bribery, gifts and hospitality, charitable donations and sponsorship. Supplementary audit, monitoring and review processes are designed to identify breaches of Group controls. The Whistleblowing Policy enables and encourages colleagues to report in confidence any possible malpractice, impropriety or other matters of concern which may arise in the business. Any matters raised in accordance with the Whistleblowing Policy are investigated thoroughly and reports are provided at each meeting of the Audit Committee.

Relations with shareholders

There is a regular programme of meetings with major institutional shareholders to consider the Group's performance and prospects. In addition, presentations are made twice yearly after the announcement of results, the details of which, together with the Group's financial reports and announcements, can be accessed at www.ladbrokescoralplc.com/investors. During 2016, in addition to results presentations and the Annual General Meeting, the Chairman met with several institutional investors and their representative bodies. The Senior Independent Director and other directors are available to meet the Company's major shareholders if requested. A report on investor relations, which includes updates on meetings with major institutional shareholders, is given at each Board meeting. The Company's brokers also met with the Board as required during the year.

Principles of ownership, corporate governance and voting guidelines issued by the Company's major institutional shareholders, their representative bodies and advisory organisations are circulated to, and considered by, the Board.

The Company corresponds regularly on a range of subjects with its individual shareholders who have an opportunity to question the Board at the Annual General Meeting.

2016

During the year, the Company has reported to and engaged with investors as follows:

Reporting event		Investor engagement
– 2015 Preliminary Results announced – Circular and Notice of Annual General Meeting made available	Q1	– Investor conference call on the 2015 Preliminary Results – Analyst briefing on the 2015 Preliminary Results
– Q1 Trading Statement announced	Q2	– Investor conference call on the Q1 Trading Statement – 2016 Annual General Meeting
– 2016 Interim Results announced	Q3	– Investor conference call on the 2016 Interim Results – Analyst briefing on the 2016 Interim Results
– Q3 Trading Statement announced – Prospectus in relation to the relisting and admission of shares made available – Prospectus in relation to the issue of guaranteed notes made available	Q4	– Investor conference call on the Q3 Trading Statement – Consultation with major shareholders on proposed changes to the remuneration policy

Audit Committee Report

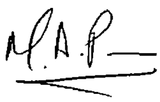
Dear Shareholder
I am pleased to present the activities of the Audit Committee during the year.

During the year, there were a number of changes to the membership of the Committee. On 21 September 2016, David Martin retired from the Board and therefore ceased to be a member of the Committee and Stevie Spring was appointed as a member of the Committee. Annemarie Durbin was also appointed as a member on 1 March 2017.

I would like to thank David for his contribution to the work of the Committee during his time as a Committee member.

In addition to the Committee's usual matters, including the financial results for the full year and half year and the quarterly trading statements, internal audit, applicable accounting policies and going concern assumptions; two additional Committee meetings were held in relation to the Prospectus relating to the relisting of the enlarged Group and other matters associated with the relisting, such as the financial prospects and procedures for both Ladbrokes and Gala Coral and the combined proposals for the Group, and internal controls reviews for both entities.

An internal review of the Committee's effectiveness was carried out at the beginning of 2016 and, as explained in the Corporate governance report, the effect of the merger and the significant change in Board membership, has meant that the annual Committee effectiveness review has been deferred until the second half of 2017. The 2016 review concluded that the Committee continued to operate effectively. A number of areas of improvement were also identified, for which I will lead the implementation process.



Mark Pain
Chairman of the Audit Committee

Composition and constitution

The Audit Committee oversees the Group's financial reporting and internal controls and provides a formal reporting link with the external auditors. The Committee's Terms of Reference, which are reviewed annually, are available on the Company's website, www.ladbrokescoralplc.com/investors.

The Audit Committee currently comprises four members, all of whom are independent non-executive directors. Appointments to the Committee are made by the Board at the recommendation of the Nomination Committee, which consults with the Chairman of the Audit Committee. The Board has satisfied itself that the Committee's membership includes at least one director with recent and relevant financial experience and have competence in accounting and/or auditing and that all members are financially literate and have experience of corporate financial matters. All directors on joining the Board are given specific sector training to ensure competence relevant to the business, in addition to the other skills they bring to the Board and Committees.

The members of the Committee that served during the year were:

	Appointment date	Committee role
Mark Pain	3 December 2015	Chairman
Christine Hodgson	1 May 2012	Member
Stevie Spring	21 September 2016	Member
Former member		
David Martin[(1)]	25 September 2015	Member

(1) David Martin ceased to be a member of the Committee on 21 September 2016.

Main responsibilities of the Committee

The main responsibilities of the Committee are to:

- Monitor the integrity of the financial statements of the Company and significant financial reporting issues and judgements;
- Review the effectiveness of the Company's internal controls and risk management systems;
- Review the Company's arrangements for its colleagues to raise concerns in confidence and procedures for detecting fraud and the Company's procedure for the prevention of bribery;
- Consider and approve the remit of work of the Company's internal audit function, as well as monitor and review their effectiveness;
- Oversee the relationship with the external auditor;
- Review and approve the external annual audit plan and reviewing the finding of the audit;
- Implement a policy on the supply of non-audit services by the external auditor; and
- Review and monitor the external auditor's independence and objectivity, and the effectiveness of the audit process.

Corporate governance *continued*

Meeting attendance

The Committee meets as required, but not less than three times a year. Other directors, including the Chief Executive Officer and the Chief Financial Officer, attend Audit Committee meetings. The Committee met for private discussions with the external auditor, whose representatives attend all of its meetings, together with the internal auditor, Deloitte LLP.

Details of the number of Committee meetings held during the year and the attendance of Committee members is shown below:

Members as at 31 December 2016	Number of meetings eligible to attend	Number of meetings attended
Mark Pain	7	7
Christine Hodgson[(1)]	7	6
Stevie Spring[(1)]	2	1
Former member		
David Martin	5	5

(1) Christine Hodgson and Stevie Spring were each unable to attend one Committee meeting due to prior business commitments.

Post the period end, to address the complexities of reporting following the merger, the Committee has met three times in the first quarter of 2017.

Committee activities

The main activities of the Committee during 2016 included the following:

- The critical review of the significant financial reporting issues in connection with the preparation of the Company's financial and related formal statements, with the assistance of reports received from management and the external auditor, including the process for assessing whether the going concern basis of accounting remains appropriate;
- The review of the long-term viability statement to be included in the 2016 Annual Report prior to being submitted to the Board for approval;
- An assessment of the scope and effectiveness of the systems established to identify, assess, manage and monitor financial and non-financial risks;
- Monitoring the integrity and effectiveness of the Company's internal financial controls by reference to:
  (a) summaries of business risks and mitigating controls
  (b) regular reports and presentations from the heads of key risk functions, internal audit and external audit
  (c) the results of the system of annual self-certification of compliance with key controls and procedures;
- Monitoring and reviewing the plans, work and effectiveness of the internal audit function, including any actions taken following any significant failures in internal controls. During the year, the Committee focused on the control improvements required and progress made. While progress has been steady, there remain improvements to be made so that the necessary controls are embedded fully across the Group's enlarged operations;
- Review of the external auditor; its terms of engagement; the findings of its work; and, at the end of the audit process, reviewing its effectiveness;
- Review of the independence and objectivity of the external auditor;
- Review of the Delegation of Authority Policy prior to being submitted to the Board for review and approval;
- Approval of updates to the Terms of Reference of the Committee to reflect a wider role in respect of the oversight of the Group's approach to risk management, risk management systems, principal risks and risk appetite; and
- Held additional meetings to consider the financial information to be contained in the Prospectus relating to the relisting of the Company and the admission of shares, and the financial prospects and procedures reports.

External auditor

The Company's external auditor, PricewaterhouseCoopers LLP ('PwC'), was appointed at the Annual General Meeting held on 7 May 2014 following a competitive tender process. The Company confirms that it has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014 for the financial year under review. Following the merger with Gala Coral, it is intended that the provision of statutory audit services to the Company and its subsidiary undertakings will be subject to a review and possible tender process during 2017, with any new appointment being proposed at the 2018 Annual General Meeting.

For the audit of the financial statements for the year ended 31 December 2016, the audit was led by PwC and KPMG LLP ('KPMG') reported to PwC as component auditor in their capacity as statutory auditor of Gala Coral.

The external auditor reports to the Committee on the actions taken to comply with professional and regulatory requirements and with best practice designed to ensure its independence. In addition, the Committee has considered and adopted a revised and updated policy on the engagement of external auditors for the provision of non-audit services which can be viewed at www.ladbrokescoralplc.com/investors. The revised policy sets out more rigorous controls intended to ensure that the independence of the external auditor is not impaired and takes into account the changes required by the EU Audit Regulation and Directive (the 'Audit Regulation'). The policy stipulates:

- The nature of non-audit services that the external auditor is not permitted to perform;
- Levels of authority for management to engage the external auditor for approved non-audit services; and
- That any non-audit services to be provided by the external auditor must be approved in advance by the Committee. For a single permitted project where the fee is no more than £25,000 with a cumulative limit of £75,000, the non-audit service are considered trivial for the purposes of the Audit Regulation and can instead be approved by the Chief Financial Officer.

Details of non-audit services are presented to the Committee for its review at each meeting. Fees for non-audit services provided by PwC in the year amounted to £1.2 million (2015: £2.0 million) of which £0.9 million related to one-off services provided in relation to the merger. The Committee considered that PwC was best placed to perform this work because of its knowledge of the Group which would enable the service to be provided efficiently. The Committee is satisfied that the provision of approved non-audit services has not compromised the independence and objectivity of the external auditor.

The performance of the external auditor is reviewed by the Committee on an annual basis through a qualitative assessment of the services provided against the agreed audit plan and taking account of feedback received from management. Following this review, the Committee is satisfied that the external audit process operates effectively. In addition, in the current year, the effectiveness review for the Committee will include a review by Committee members in respect of external auditor effectiveness.

Internal control

During the year, there have been a number of internal and external activities that have focused on the control environment in the former Ladbrokes business, the Coral Group and the merged entity itself. These have included:

- The full year audit of the 12 months ended 31 December 2016 of Ladbrokes performed by PwC for the purposes of this Annual Report and Accounts;
- The half year audit of the six months ended 30 June 2016 of Ladbrokes performed by PwC for the purposes of external reporting and the Prospectus;
- An audit of the two months ended 31 December 2016 of the Coral Group performed by KPMG for the purposes of this Annual Report and Accounts;
- An audit of the 10 four-week periods ended 2 July 2016 of the Coral Group performed by KPMG for the purposes of the Prospectus;
- A Financial Prospects and Procedures report produced by PwC on the Ladbrokes Coral Group plc business for the purposes of the Prospectus which incorporated a Financial Prospects and Procedures report produced by PwC on the Ladbrokes plc standalone business and a Financial Prospects and Procedures report produced by KPMG on the Coral Group business; and
- An annual Internal Audit Plan, approved by the Committee, has also been carried by our outsource partners, Deloitte, and a new Internal Controls review team established.

The statutory audits have not resulted in any significant control issues being brought to the attention of the Committee that would require material adjustment to the accounts. The Financial Prospects and Procedures work concluded that both businesses have well established and robust procedures, systems, controls and people to enable them to comply with their obligations, including compliance with the listing rules and disclosure guidance and transparency rules. The Financial Prospects and Procedures work also enabled the Board to attest in the Prospectus issued in October 2016 that responsibility exists for the merged entity, Ladbrokes Coral Group plc, to establish procedures that provide a reasonable basis for making proper judgements on an on-going basis as to the Financial Prospects and Procedures of the Company and its Group.

In February 2016, the Committee decided to supplement the work programme of our Internal Audit outsource partner, Deloitte, with an Internal Controls team. The remit for that team was to create, manage and communicate an enhanced set of Internal Controls across the Ladbrokes business and to work hand-in-hand with Deloitte.

Deloitte LLP conducted reviews of 11 core parts of the business in 2016. The results of this activity were reported to senior management and the Committee with frequent follow-up testing being performed following the initial reviews. The remedial activity performed by the businesses has been monitored and retested by the Internal Controls team and again the results reported to the Committee and senior management. The Internal Audit Plan for 2016 was timetabled to be largely completed in the first half of the year to provide early visibility to the business of areas requiring improvement; give time to implement remedial actions; and inform the work that PwC were doing as part of the Financial Prospects and Procedures exercise.

In addition, the new Internal Controls team has carried out a significant number of control tests across the business. This activity has highlighted a number of audit points of which a high proportion have now been closed by the business and subsequently retested satisfactorily. However, certain areas were identified that could be improved and, where action points remain outstanding, these have been incorporated into the 2017 Audit Plan.

The focus for 2017 will be on the improving controls in the following areas:

- Reconciliation of affiliate payments in the Digital business;
- Reconciliation of bank and cash balances particularly relating to the businesses in Ireland;
- System access controls; and
- Harmonisation and standardisation of the control environment in the combined business.

The combined business is facing several additional risks as a direct result of the integration. This means that in 2017 there will be more focus on areas of the business affected by integration where changes in systems, personnel or processes could lead to weaknesses in internal controls during the transitional period.

Corporate governance *continued*

Accounting and key areas of judgement

The main areas considered by the Committee in relation to 2016 are set out below:

Matter considered	Action
Carrying value of long-lived assets and depreciable lives	
The Group has significant value in enduring and indefinite life assets such as licenses in the Retail estate, customer lists and goodwill which need to be reviewed for impairment. In 2016, the Group has recognised an impairment charge against these assets, including software rendered obsolete by the merger, of £190.2 million.	The carrying value of all enduring and indefinite lived assets are tested for impairment annually. In reaching their conclusion that the treatment adopted is appropriate, the Committee have reviewed the forecasts, key assumptions and methodology adopted by management. The Committee have also reviewed the changes to the 2015 approach in light of the long-term outlook for the UK Retail business, including the decision to reassess the useful economic life of Retail licences. PwC's findings have also been considered by the Committee in reaching their conclusions over the appropriateness of the treatment within the financial statements.
Non-trading items and proforma information	
The Group classifies certain items as non-trading to allow a clearer understanding of the underlying trading performance of the business. In 2016, the Group has recorded a non-trading charge of £284.9 million in the Income Statement. In addition, given the financial statements only include two months of trading for the Coral business, proforma financial information has been provided within the Annual Report and Accounts to assist in the articulation of the underlying business performance.	As part of their assessment that the treatment of non-trading items in the financial statements is appropriate, the Committee have considered each of the items treated as non-trading and challenged, where necessary, the treatment adopted by management. The Committee has also considered the conclusions reached by PwC as part of its audit in this area and is satisfied. Management's use of proforma information in explaining the underlying business performance has also been considered by the Committee, as have PwC's views on the use of proforma information and non-GAAP measures. The Committee has also considered the prominence given to non-GAAP measures compared to statutory measures and is satisfied with the disclosure.
IFRS 3 fair value of the Coral business	
Following the merger with the Coral Group, an IFRS 3 fair value exercise was undertaken on the Coral opening Balance Sheet. This resulted in a fair value adjustment of £355.8 million and goodwill arising on acquisition of £912.6 million.	The Committee has reviewed the working papers provided by management and its advisers in relation to the fair value exercise and has assessed the assumptions used and conclusions reached. The Committee has also considered the conclusions reached by PwC on their work in this area and has concluded that the treatment within the financial statements is appropriate.
Taxation	
Accounting for uncertain tax positions and the level of the deferred tax recognised is based on a series of judgements, particularly in the asset recognised in respect of losses. The net deferred tax liability of £175.8 million contains a deferred tax asset in respect of losses of £56.5 million. In addition the Group has unrecognised deferred tax assets of £57.4 million in relation to losses.	The Committee has reviewed the main judgements exercised by management in the recognition of deferred tax assets relating to losses. The Committee has discussed and challenged the key assumptions with both management and PwC prior to forming their own conclusion that the position taken is appropriate.

Nomination Committee Report

Dear Shareholder
I am pleased to present the Report of the Nomination Committee.

Mark Clare, Mark Pain, Stevie Spring and Rob Templeman were appointed as members of the Committee during the year joining Christine Hodgson and myself. Annemarie Durbin was also appointed as a member of the Committee on 1 March 2017. These appointments further strengthened the composition of the Committee.

During the year, the Committee focused on the appointment of two new non-executive directors. As we previously disclosed in the Circular to shareholders in 2015, the Merger Agreement with Gala Coral identified the need to change our non-executive board and we initiated a search for two new independent non-executive directors to replace Sly Bailey and David Martin who would stand down ahead of completion of the merger. Using external recruitment agents, we identified a short list of prospective candidates to meet the requirements of both parties to the merger.

In September 2016, with the major hurdles to completion of the merger having been overcome, the Committee proposed the appointment of Mark Clare and Stevie Spring to the Board and Sly and David stepped down. I have already thanked Sly and David for their contribution to the Board in my Chairman's statement, but would like to thank them for their contribution to the Nomination Committee as well. Details of the appointment process and induction programme for Mark Clare and Stevie Spring are contained on page 57.

In January 2017, the Committee recommended the appointment of Annemarie Durbin as an additional independent non-executive director which has improved the gender balance of the Board to 30% however, it will change during 2017 when Christine Hodgson steps down from the Board following the Annual General Meeting and Carl Leaver's one-year term is completed in October 2017. Additionally, in 2017, the Committee will focus on: the balance of skills and experience on the Board to ensure they remain appropriate for the enlarged Group; succession planning; and review the corporate culture to ensure it is embedded fully in the combined Group.

John M Kelly
Chairman of the Nomination Committee

Composition and constitution

The Nomination Committee reviews and makes recommendations to the Board on the composition of the Board and leads the process for the appointment of directors to the Board. The Committee's Terms of Reference, which are reviewed annually, are available on the Company's website, www.ladbrokescoralplc.com/investors. The Nomination Committee comprises the Chairman and all of the independent non-executive directors. Appointments to the Committee are made by the Board.

The members of the Committee that served during the year were:

	Appointment date	Committee role
John Kelly	15 February 2011	Chairman
Mark Clare	21 September 2016	Member
Christine Hodgson	31 March 2015	Member
Mark Pain	25 January 2016	Member
Stevie Spring	21 September 2016	Member
Rob Templeman	1 November 2016	Member
Former members		
Sly Bailey(1)	1 May 2013	Member
David Martin(1)	7 May 2014	Member
Richard Moross(2)	31 March 2015	Member

(1) Ceased to be a member of the Committee on 21 September 2016.
(2) Ceased to be a member of the Committee on 5 May 2016.

Main responsibilities of the Committee

The main responsibilities of the Committee are to:

- Review the structure, size and composition of the Board, taking into account the balance of skills, knowledge, experience and diversity, and to make recommendations to the Board with regard to any changes;
- Consider succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company;
- Identify and nominate for approval by the Board, candidates to fill Board vacancies as and when they arise;
- Prepare a job specification for the appointment of the Chairman;
- Identify candidates for the role of Senior Independent Director and for membership of the Audit, Remuneration and Social Responsibility Committees, in consultation with the Chairmen of those Committees; and
- Make recommendations to the Board concerning the directors standing for appointment and re-appointment by shareholders.

Corporate governance *continued*

Meetings attendance

The Committee meets as required but not less than twice a year. Details of the number of Committee meetings held during the year and the attendance of Committee members is shown below:

Members as at 31 December 2016	Number of meetings eligible to attend	Number of meetings attended
John Kelly	3	3
Mark Clare	0	0
Christine Hodgson	3	3
Mark Pain	3	3
Stevie Spring	0	0
Rob Templeman	0	0
Former members		
Sly Bailey(1)	3	2
David Martin	3	3
Richard Moross	1	1

(1) Sly Bailey was unable to attend one Committee meeting due to prior business commitments.

Committee activities

The main activities of the Committee during 2016 included the following:

- Led the processes for the review of the Board structure ahead of and as part of the merger in order to create a Board with the appropriate experience and expertise to lead the merged Company in its strategy. In the Merger Agreement, which was approved by shareholders at a general meeting held on 24 November 2015 and as noted in the Circular to shareholders, it was agreed the proposed Board of the merged Group would consist of John Kelly as Non-Executive Chairman, Jim Mullen as Chief Executive Officer, Paul Bowtell as Chief Financial Officer and Carl Leaver as Executive Deputy Chairman for a fixed period of 12 months following completion. Rob Templeman from Gala Coral and Christine Hodgson from Ladbrokes would continue as Non-Executive Directors and three new independent non-executive directors would be appointed. Following the appointment of Mark Pain in December 2015, a search was conducted during the year for two new independent non-executive directors to replace Sly Bailey and David Martin who would step down ahead of completion of the merger when it was believed that the hurdles of the competition and mergers process would be overcome. Acting jointly with the Non-Executive Chairman of Gala Coral, a widespread search was conducted for candidates by John Kelly and the shortlisted candidates were considered by the Committee.
- Following the search for the additional non-executive directors as outlined above, recommended that Mark Clare be appointed to the Board as Senior Independent Director and Stevie Spring as Independent Non-Executive Director.
- As a consequence of the changes to the Board, the Committee considered the membership of the Board's Committees and recommended to the Board that the following changes be made: Mark Clare be appointed as Chairman of the Social Responsibility Committee and a member of the Nomination Committee and Remuneration Committee; Mark Pain be appointed as member of the Remuneration Committee; Stevie Spring be appointed Chairman of the Remuneration Committee and as a member of the Audit, Nomination and Social Responsibility Committees; and Rob Templeman be appointed as a member of the Nomination Committee on completion of the merger.

Diversity

The Company has a well established and published equal opportunities policy that guides all colleagues in how they fairly deal with all colleagues and customers irrespective of age, gender, sexual orientation, religion, disability or ethnic origin. That policy applies on how people are selected to work at the Company and applies at all levels. The Company has a succession policy that ensures all key roles including director positions are considered and the Company considers candidates for roles from the widest possible field. The Board regularly reviews succession arrangements for all key roles and the Nomination Committee reviews succession arrangements for directors. The Social and Corporate Responsibility report includes details of wider workforce gender diversity which are shown on page 62.

The Board endorses the aims of the Davies Report entitled 'Women on Boards' and when considering future appointments, with the support of the Committee, will aim to build on its current position. The Company currently has three women on the Board (Annemarie Durbin, Christine Hodgson and Stevie Spring) and therefore 30% of the current Board is made up of women. The Board will continue to ensure appropriate representation by women, both on the Board and throughout the business, whilst at all times ensuring the Company selects on merit.

The charts on page 45 illustrate the diversity of the Board as at 31 December 2016.

Time commitments

The Committee considered the output of the 2015 Board evaluation and attendance at Board meetings during 2016, following which the Committee concluded that each of the current directors is devoting sufficient time to their duties and responsibilities and brings relevant skills and judgement to the work of the Board. Each of the current directors, with the exception of Christine Hodgson, will therefore stand for re-appointment at the 2017 Annual General Meeting.

Appointment of Mark Clare and Stevie Spring

Appointment process

As part of the Committee's role in refreshing the Board in order to achieve the talent and skills suitable for the enlarged Group, during the year, the Committee began the search for a Senior Independent Director and a non-executive director who could take on the role of Chairman of the Remuneration Committee. The Committee engaged independent global search firms, Lygon Group and Heidrick & Struggles, who have no connection with the Company, to identify suitable candidates for the two roles.

A shortlist of candidates was identified and produced to the Committee for consideration. A number of potential candidates were selected and interviewed by Board members of both Ladbrokes and Gala Coral.

Following a number of interviews, it was determined that Mark Clare be appointed as the Senior Independent Director and Stevie Spring be appointed as Independent Non-Executive Director and would act as Chairman of the Remuneration Committee. The Committee recommended these appointments to the Board, which subsequently approved the appointments with effect from 21 September 2016.

Induction programme

Following the appointment of Mark Clare and Stevie Spring, their induction programme involved, inter alia, the following:

- A tailored induction pack was created for each director and made available to them on the Board Portal. The pack contained information which was relevant to their respective appointments;
- A number of induction meetings were arranged with the Chief Executive Officer, Chief Financial Officer, Company Secretary and other key senior management;
- Meetings were organised with key external advisers, such as Kepler, the Company's remuneration consultants, who met with Stevie Spring;
- Training was provided by the Company's external legal advisers on matters such as the Market Abuse Regulation;
- Site visits were organised of the Company's main offices;
- Site visits were arranged to some of the Company's shops;
- A meeting with the UK Gambling Commission was organised; and
- Attending the Company's bookmaking course.

Corporate governance *continued*

Social Responsibility Committee Report

Dear Shareholder
I am pleased to present this report on the activities of the Social Responsibility Committee during the year.

The membership of the Committee has changed significantly over the past 12 months, reflecting the wider changes across the merged Group. In addition to my appointment as Chairman of the Committee in September 2016, I was joined by Stevie Spring who was also appointed to the Board at the same time. Subsequently Annemarie Durbin who was appointed as an additional member of the Committee on 1 March 2017. I am pleased to say that Christine Hodgson has provided the Committee with continuity throughout the period.

In addition to the regular business of the Committee, it also:

- Reviewed and adopted a formal Ethics Policy for the business;
- Reviewed the Group's approach to human rights and the interlocking legal requirements for compliance under the Modern Slavery Act. The Group's statement on Modern Slavery is now published, as required, on the Group's website; and
- Visited the Ladbrokes Responsible Gambling Team in early 2017. Further details of this visit are contained on page 59.

During 2017, the Committee will focus on the integration of responsible gambling processes for the two brands to create a 'one approach' to responsible gambling. It will also review colleague training and engagement, data protection and the Company's environmental policies and procedures. The Committee will also look in detail at a number of the critical processes and has already reviewed the methodology and results of individual retail outlet risk assessments that have been carried out.

The Corporate and Social Responsibility Report sets out in more detail the areas which are within the Committee's remit and the work that has been done in the year.

Mark Clare
Chairman of the Social Responsibility Committee

Composition and constitution

The Social Responsibility Committee reviews and advises the Board on the effectiveness of the Group's strategy and policies for ensuring that it operates a socially responsible and sustainable business that protects the young and the vulnerable, ensures the business is not associated with crime and disorder and that the Group's reputational standing is maintained. The Committee's Terms of Reference, which are reviewed annually, are available on the Company's website, www.ladbrokescoralplc.com/investors.

The Social Responsibility Committee is comprised of two or more independent non-executive directors. Appointments to the Committee are made by the Board on the recommendation of the Nomination Committee, which consults with the Chairman of the Social Responsibility Committee.

The members of the Committee that served during the year were:

	Appointment date	Committee role
Mark Clare	21 September 2016	Chairman
Christine Hodgson	3 July 2014	Member
Stevie Spring	21 September 2016	Member
Former member		
Sly Bailey(1)	25 September 2015	Chairman

(1) Ceased to be Chairman of the Committee on 21 September 2016.

Main responsibilities of the Committee

The main responsibilities of the Committee are to:

- Receive and review reports from management and be able to advise the Board on the effectiveness of the Group's strategy and policies for ensuring that it operates a socially responsible and sustainable business;
- Receive reports, monitor performance and review Group policies on regulatory compliance, including, inter alia, responsible gambling, underage gambling, anti-money laundering, bribery, health and safety, security, data protection, environmental management, human rights and ethics;
- Monitor progress on the implementation of key social responsibility programmes and measure performance against established key performance indicators;
- Receive reports on corporate responsibility best practice;
- Review and approve the Group's published statements on all aspects of social responsibility;
- Work with the Remuneration Committee to set and assess the social responsibility targets for performance based awards; and
- Review principal statements provided to the UK Gambling Commission and other industry-related regulatory bodies on matters within the Committee's remit.

Meetings attendance

The Committee meets as required but not less than twice a year. Details of the number of Committee meetings held during the year and the attendance of Committee members is shown below:

Members as at 31 December 2016	Number of meetings eligible to attend	Number of meetings attended
Mark Clare	1	1
Christine Hodgson	4	4
Stevie Spring	1	1
Former member		
Sly Bailey	3	3

Committee activities

The main activities of the Committee during 2016 included the following:

- Reviewed and approved the Ladbrokes Annual Assurance Statement that was required to be submitted to the UK Gambling Commission;
- Reviewed the metrics in relation to responsible gambling, which included challenge on entry, self-exclusions, time-outs and reality checks;
- Received reports on the Company's approach to customer data;
- Reviewed the Ethics Policy and recommended it to the Board for formal approval;
- Reviewed responsible gambling in the international businesses;
- Considered the Group's approach to supply chain management;
- Reviewed the Group's approach to human rights and other associated inter-locking legal requirements, such as the Modern Slavery Act;
- Considered the responsible gambling targets for awards made to directors and senior executives under the Performance Share Plan;
- Considered the Company's interactions with regulatory bodies;
- Approved updates to the Terms of Reference of the Committee to:
  - increase the Committee's remit to include data protection, advertising standards and community engagement;
  - review the effectiveness of policies established under areas within the Committee's remit, both in the United Kingdom and the international operations of the business, including joint ventures; and
  - reviewing statements and responses to enquiries provided to the UK Gambling Commission and other industry-related regulatory bodies on matters within the Committee's remit; and
- Following the merger with Gala Coral, reviewed responsible gambling and crime statistics for both Ladbrokes and Gala Coral.

Mark Clare and Stevie Spring's visit to Gateshead

Following the changes to the Committee's membership in 2016 with Mark Clare and Stevie Spring joining in September, it was agreed that they should visit the Ladbrokes Responsible Gambling operations in Gateshead as part of their induction. This followed the Committee's visit to the operations in November 2015, which was attended by Sly Bailey and Christine Hodgson.

Along with Chief Executive Officer, Jim Mullen, they met with the Ladbrokes teams and representatives of the Coral responsible gambling and compliance unit.

The aim of the trip was to learn more about how both brands track potential problematic play and what measures are in place to communicate with customers who are on a potential trajectory to harm and how anonymous play is monitored.

Mark and Stevie spent a full day with the teams and particular attention was given to understanding the thresholds used to monitor anonymous play and the information available to operational teams to help identify players.

Mark and Stevie were given practical demonstrations of the work of the responsible gambling team, how they piece together the trading habits of players and how decisions are made as to whether there is a need for direct interaction with a customer. This naturally led to a discussion on the training of shop colleagues and a comparison of how the two brands approach it.

There was a discussion about why some players preferred to remain anonymous and what could be done to help the business identify problematical play in such circumstances, together with an understanding of what actions could be taken to contact and help those at risk.

While it was encouraging that both the Ladbrokes and the Coral brands were on a similar journey, when it came to the tools they used and interaction from shop colleagues, there were differences in approach which was noted. The day helped firm up the importance of the need to unify the operational procedures of both brands and move as rapidly as possible to the adoption of one set of tools and systems.

Finally, Mark and Stevie were provided with an understanding of how other operators approached the whole topic of responsible gambling and what the expectations were of the UK Gambling Commission. Mark and Stevie were clear that in implementing a 'one way' approach to responsible gambling across the two UK brands, the Company must capture and develop best practice from both and in so doing set a standard that would put it into a leadership position in this vitally important area.

Social and Corporate Responsibility

Behaving responsibly has always been a priority for Ladbrokes Coral and fair play is built into the way we do business. We take pride in being a leader in our sector in responsible betting and gaming, having a positive impact on our communities and operating with integrity.

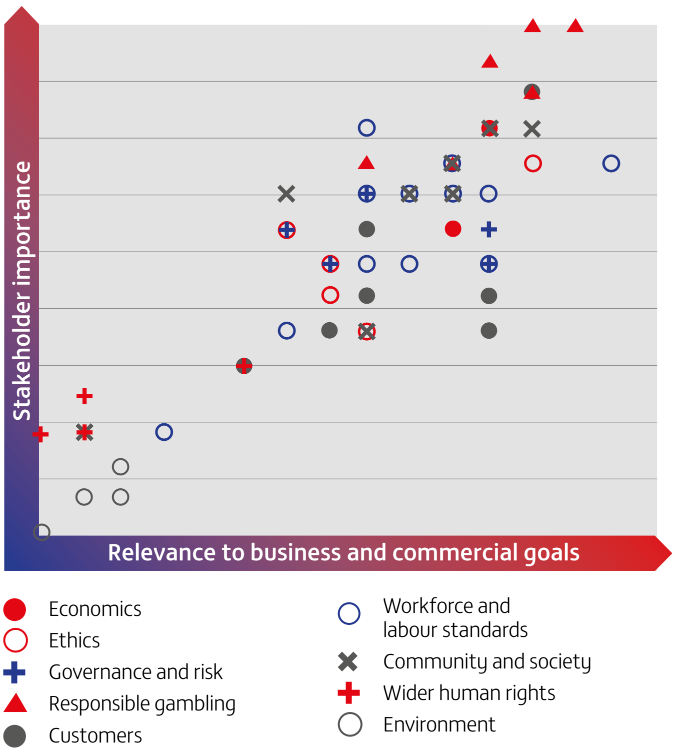
Establishing our priorities

The betting and gaming landscape is continually evolving and we have to change with it. Expanding our multi-channel offerings and entering new markets and jurisdictions are some of the ways we are keeping pace with the market. Each of our new offerings brings challenges – some of which have implications for our Social and Corporate Responsibility (CR) programme both locally and globally.

Ladbrokes Coral's CR strategy focuses heavily on the key issues for our business. Through a formal materiality assessment, we have identified a range of themes and emerging societal issues that have relevance to the Company. During 2016, we reassessed how important these issues were to our stakeholders (employees, customers, shareholders, regulators and the general public), and how much they are, or could be, a key driver for the business. The results are illustrated in the chart below. Due to the sensitive nature of the issues we have anonymised the exact details in the matrix below but each symbol represents the view of the importance of the risk to the business according to a stakeholder.

Unsurprisingly, the areas identified for our greatest focus included: the promotion of responsible gambling behaviours; providing better player information and harm minimisation strategies, especially around machine play; ensuring the safety of our staff and customers; and overall crime prevention. Talent attraction and retention, sports integrity, customer privacy and data security are also important areas to us.

CR materiality matrix



More detail on this analysis and our CR programme as a whole is contained in our 2016 CR report which is available on our website at: www.ladbrokescoralplc.com

Leading the way in responsible betting and gaming

At Ladbrokes and Coral, we have always been pushing the boundaries of our understanding of responsible gambling behaviours and exploring options for harm minimisation. Where possible, we work with the rest of the industry on responsible gambling issues and are active participants of the Association of British Bookmakers (ABB) and Remote Gambling Association's (RGA) responsible gambling committees. We were key instigators in setting up the IGRG (Industry Group on Responsible Gambling) and the Senet Group.

Ladbrokes Coral is fully aligned with the UK Gambling Commission's principal objectives to ensure that gambling is crime free, fair and open, and children and vulnerable people are protected. We commit to these objectives across the whole of our business wherever we operate.

Cross-industry collaboration

We are proud to be a founding member of the industry self-regulatory body The Senet Group. This is an independent body set up to promote responsible gambling standards across the industry. As a member, we have signed up to several responsible gambling commitments, which include:

- A voluntary TV advertising ban on sign-up offers (free bets and free money) before 9pm;
- Withdrawing all advertising of gaming machines from betting shop windows;
- Dedicating 20% of shop window advertising to responsible gambling messages;
- Delivering a national responsible gambling advertising campaign; and
- Running responsible gambling messages in all our print advertising and across our websites.

Through the latter commitment, we have been contributing to an industry trial impact assessment of responsible gambling messaging. We have also been trialling different types of messaging to evaluate their impact and effectiveness. We will use the outputs from this trial to help develop industry-standard messaging across all operators.

Through our involvement in several other industry working groups, such as the ABB, we have:

– Helped to develop and now rolled out the Responsible Gambling Code 2015 incorporating new requirements for advertising and player protection. The Code includes best practice standards for the use of behavioural data to identify customers who may be developing problems with their gambling based on agreed markers of harm – this measure enables shop staff to engage earlier with customers who may be at risk;
– Helped to pilot and implement a multi-operator retail self-exclusion scheme, MOSES (http://self-exclusion.co.uk/). Under this scheme, any customer who visits one of the participating shops and feels they are getting into difficulty with their gambling can now 'self-exclude' by contacting a central team of advisers. The team will then tailor their self-exclusion based on locations they frequently visit. We are working with industry colleagues, led by the RGA, on an online equivalent – National Online Self-Exclusion Scheme (NOSES) – that is set to be operational by the end of 2017; and
– Developed and launched new Player Awareness Systems (PAS) to minimise harm of machine play. The PAS initiatives are based on research that showed it was possible to distinguish between problem and non-problem gambling behaviour by players using gaming machines in licensed betting offices. All members of the ABB have signed up to the initiative, which is believed to be a world first in retail betting.

Promoting responsible gambling behaviours

An important part of our responsible gambling programmes has been the development of bespoke algorithms to track customer behaviour and intervene when we suspect problem gambling might be occurring. Ladbrokes and Coral have been developing bespoke PAS over the past two years and, following the recent merger of the two companies, we will be looking to take the best of both into our operations going forward.

Using data from our customer loyalty cards, The Grid and Connect, we systematically assess the gambling habits of our customers, having defined a set of rules that may indicate a player showing signs of problem gambling. Our aim is not only to detect and intervene when problem gambling occurs, but also to identify the trajectories that lead to such behaviour. If we believe a customer is on a trajectory towards harm, then we will interact with them to try and prevent this from happening. It is already clear that PAS will offer an important improvement in the way we can focus our support on players identified as being at a heightened risk of developing problems with their gambling.

To complement this, over the last year we have stepped up the promotion of responsible gambling messages. We have introduced more prominent, more frequent and clearer messages on staying in control in our shops, on our machines and across our Digital estate.

We promote multiple harm minimisation initiatives through our support of the Responsible Gambling Trust (RGT), now trading as GambleAware. Organisations that benefited from RGT funding in 2016 included GamCare, the National Problem Gambling Clinic (CNWL) and the Gordon Moody Association.

The total contribution of Ladbrokes and Coral towards responsible gambling research, education and treatment was £2.299 million. Of this, £1.383 million was donated to RGT, now known as GambleAware, £700,000 was the contribution to the Senet Group, with the rest representing donations to GamCare and the Young Gamblers Education Trust.

In addition, during 2016 we have also:

– Developed a new Group Ethics Code. The new Code outlines the standards and behaviours that we expect from all our colleagues, contractors and business partners, wherever they are in the world, whatever local practices are and wherever they conduct business on behalf of the Company, its subsidiaries and joint ventures;
– Donated £180,000 directly to GamCare to assist the organisation in establishing three 'youth hubs' across the UK, providing advice, early interventions and links to treatment for young people at risk of becoming problem gamblers. The programme was first piloted in Bristol and showed positive results;
– Worked in partnership with the Young Gamblers Education Trust (YGAM) to develop the UK's first nationally recognised qualification around Safeguarding and Harm Minimisation. Aimed at colleagues working in the betting industry, the course will be equivalent to a GSCE or BTEC, and it will complement our mandatory training and refresher courses on responsible gambling;
– Become founder members of Gamlag, a new cross sector anti-money laundering group. Together we are helping to formulate an industry response to the UK government consultation on the implementation of the EU Fourth Anti-Money Laundering Directive;
– Become members of GAIN, the Government Agency Intelligence Network. GAIN's primary role is to act as a channel for the effective sharing of intelligence on organised crime across a large network of partners including all police forces in England and Wales. We are the only gambling business to be part of this.

Keeping crime out of gambling

Reducing crime and anti-social behaviour remains a key priority for us. Our efforts to date have been focused on machine damage, monitoring customer behaviour in and around our shops and, eliminating gambling-related crime (such as money laundering). We have also continued to be vigilant and active on all matters relating to sporting integrity.

Where possible, we work in partnership with local authorities and other bodies to ensure gambling remains crime free. Our partners include Crimestoppers, the Association of Business Crime Partnerships and the Safe Bet Alliance (SBA). We continue to support the SBA's National Standards for Bookmakers.

Following our review of health and safety (H&S) management at Ladbrokes during 2015, we have rolled out a new Group H&S Policy, reviewed our risk assessment framework and are implementing a comprehensive safety management system across the business, starting in the UK. During 2017 we will be evaluating the Ladbrokes and Coral systems for safety and unifying our approach across the two brands.

Having effective data and information security systems in place is only a first step to protecting our customer and corporate information from misuse. Human behaviour can be the biggest

Social and Corporate Responsibility *continued*

threat to cyber security. To address this, we have developed a comprehensive cyber security programme based on the UK Government's '10 steps to Cyber Security'. During 2015 we launched a new information security web portal to help educate our employees and tell them what they need to know to minimise our risks. We have implemented further elements of this programme during 2016, including global staff training and development of our IT monitoring and security systems.

Having a positive impact on our communities

An employer of choice

As our international operations continue to grow, it is important that our people have plenty of reasons to be excited about working at Ladbrokes Coral and grow with us. From the moment someone joins us, training and career progression are our top priorities. We offer all of our people every opportunity they need to develop and progress with us. During 2016, we have further developed our learning and development programmes across all our grades. We have also extended our 'Females in Leadership' programme, offering mentoring opportunities and increasing the visibility of senior female role models.

Gender diversity – females as a % of total employees

Group Board(1)

22% — 2016

25% — 2015

Directors of Group companies(1)

12%	7 out of 60	2016
13%	7 out of 55	2015

Senior managers(1),(2),(3)

23%	150 out of 651	2016
20%	50 out of 255	2015

All employees(1),(4)

48%	12,124 out of 25,124	2016
53%	7,403 out of 14,055	2015

(1) As at 31 December.

(2) The top four management grades, including those who were also directors of Group companies.

(3) 2016 data includes Ladbrokes: UK, Ireland, Gibraltar, Betdaq, Sportium, Belgium, Jersey and Coral: UK, Italy, Israel and Philippines; 2015 data includes Ladbrokes: UK, Ireland and Gibraltar.

(4) 2016 data includes Ladbrokes: UK, Ireland, Gibraltar and Australia and Coral: UK, Italy, Israel and Philippines; 2015 data includes Ladbrokes: UK, Ireland, Gibraltar and Australia.

Our policies remain consistent with the requirements of the Universal Declaration on Human Rights and the spirit of the International Labour Organization core labour standards. We have a zero tolerance to modern slavery and human trafficking and although we consider our business to be of low risk, we support the aims of the UK Modern Slavery Act 2015 and have published our statement on modern slavery on all of our UK-facing websites.

Colleagues of the future engaging with our communities

During 2016 we continued our UK-wide apprenticeship scheme, which is now in its fourth year. The 12 month, fully supported development programme provides candidates with accredited training in customer service, literacy and numeracy and responsible gambling. Upon completion, successful apprentices obtain an NVQ Level 2 in Customer Service and a position in one of our shops.

We have lifted the maximum age-restriction of the scheme so that any talented candidate can secure a place. Ladbrokes Coral Group now employs 1,000 apprentices and over 6,000 people under the age of 25.

Over the last year we also launched 'Committed to Communities', a new training module that gives our apprentices the tools and opportunity to volunteer with local good causes or charities and develop ways to support and raise funds for them.

We have also deepened our partnership with the Coalfields Regeneration Trust (CRT) who are our training provider for the apprenticeship scheme. Through their family employment initiative, our additional support has enabled CRT to provide tailored support to over 300 people, of whom over 40% have secured a job and 20% have taken up training or education opportunities.

Economic contribution to society

Ladbrokes Coral Group employs over 26,000 people across more than 15 countries, generating employment and tax revenue wherever it does business. According to the UK Gambling Commission, the UK betting industry provides employment for 105,000 people. Research by Deloitte LLP indicates that the UK betting industry directly accounted for £2.3 billion toward GDP and an indirect economic footprint worth £5 billion of GDP. In 2016, Ladbrokes Coral Group paid a total of £353 million(5) in wages and salaries, of which over 70% was in the UK.

Our tax contributions

Tax revenue is vital to economic prosperity and social stability. We recognise that our contribution to governments and national finances through the taxes we pay is important and significant. Our approach to tax payments and disclosure is guided by the four principles below:

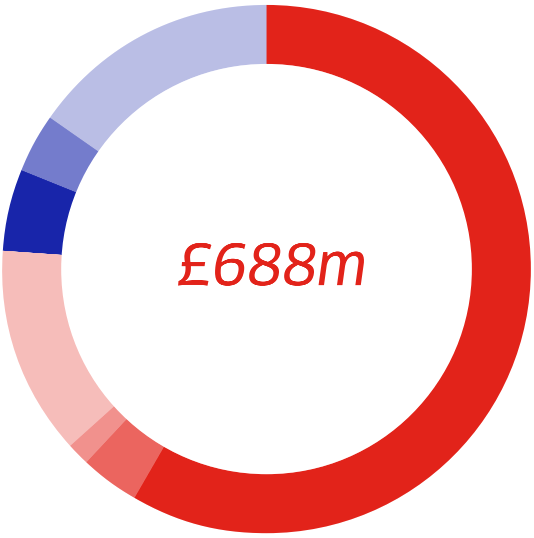
- Accurate and timely compliance with tax law in all of the countries in which we operate;
- Engaging proactively and openly with local and national tax authorities, including constructive engagement debates regarding the development of tax legislation and policy;
- Being transparent in the reporting of our tax affairs; and
- Achieving sustainable returns for our shareholders.

Ladbrokes regularly took part in PwC's 'Total Tax Contribution' survey, an annual benchmarking exercise comparing the total tax contribution and wider socio-economic impacts of some of the biggest companies in the UK. In 2016, before the merger, Ladbrokes again took part and of the 100 companies taking part in the assessment, Ladbrokes was among the smallest when measured by market capitalisation. However, the 2016 results showed again that Ladbrokes punched well above its weight, ranking 26th for taxes borne in the UK.

(5) 2016 data includes 12 months Ladbrokes and two months Coral.

The betting industry pays over £1 billion to the Exchequer annually, making it one of the highest-taxed UK industries. During 2016 we paid more than £500 million in UK tax, duties and levies. This covers tax contributions of over £35 million to local councils in the UK and over £500 million in taxes to the UK Treasury and the greyhound and horse racing industries. Furthermore, we paid an additional £100 million in international taxes across our markets of operation.

Total taxes, duties and levies paid 2016



- UK gross profits taxes (betting duties etc) – £408m
- UK horse and dog levies – £26m
- UK corporation tax – £10m
- UK irrecoverable VAT – £88m
- UK business rates and other taxes – £35m
- UK employer's national insurance – £26m
- Foreign taxes – £105m

Operating with Integrity

As with any major business, our activities have an impact on the environment. Our main impact is caused by the electricity and gas used on our premises. Fossil fuel consumption emits greenhouse gases (GHG) which contribute to climate change. Climate change in turn poses a risk to our business, especially as we expand into overseas markets.

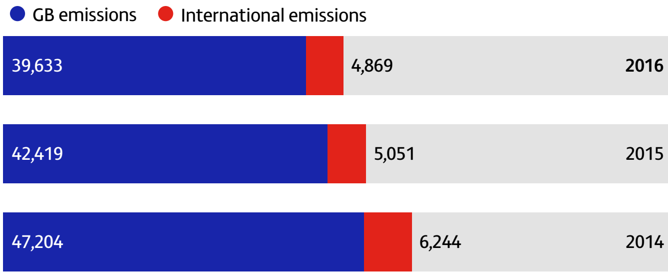
Our carbon footprint

Our like-for-like GHG emissions decreased by 20% in 2016. Since 2015 all Ladbrokes shops have been 100% lit by LED lighting. This was a major upgrade involving the replacement of over 98,000 fittings across 1,800 shops. As a result of this, better use of energy dashboard systems and upgrades to our TV and air conditioning systems, the energy usage within the Ladbrokes GB shop and office estate decreased by 12% and GHG emissions by 22%.

Global GHG emissions by revenue[1,2,3,4]

	2016 (total impact)[5]	2015
Metric tonnes CO_2e per £m net revenue	**26.3**	39.6

GHG emissions from our global operations in tonnes CO_2e



(1) Based on 2016 UK Defra GHG reporting guidance and conversion factors and includes Scope 1: direct emissions from the combustion of fuel and Scope 2: indirect emissions from the purchase of electricity.

(2) Emissions from our global operations include those arising from our businesses in the UK, Ireland, Belgium, Gibraltar and Spain. Data for our recently acquired businesses in Australia, Israel and the Philippines is not included. It is estimated (based pro-rata on headcount) that this will increase our global GHG emissions by no more than an additional 0.5%.

(3) Excluding fugitive emissions from refrigerants, which represent less than 2% of GHG emissions from our business operations.

(4) Excluding High Rollers.

(5) Total impact of the merged company, includes 12 months of Ladbrokes and two months of Coral data.

Benchmarking our CR performance

To see how well we are doing, we continually compare our performance with that of our peers through external benchmarking and peer review. We actively engage with two investor indices, the Dow Jones Sustainability Index (DJSI) and FTSE4Good, both of which provide us with benchmarking information on our CR programmes. Ladbrokes plc (the business pre-merger) has been a constituent of the DJSI for 14 years, an elite index for responsible companies. Coral was not within the eligible universe – being a privately-owned company. Ladbrokes is the only European betting company included in the prestigious DJSI World Index, achieving maximum scores of 100% for our approach to responsible gambling and our anti-crime measures. Since 2002 Ladbrokes has also been a member of FTSE4Good. This year we were ranked in the 99th percentile of companies in our industry segment, achieving maximum scores for customer responsibility and corporate governance. We continue to see benchmarking our performance as an important indicator of the relevance of our CR performance.

For more information

Our CR Report contains further details on Fair Play at Ladbrokes Coral. Our full disclosure and supporting documents are available at: www.ladbrokescoralplc.com/corporate-responsibility

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

FTSE4Good

Directors' remuneration report

Dear Shareholder
On behalf of the Board I am pleased to present the Ladbrokes Coral Group Directors' Remuneration Report for 2016. This is my first report since becoming the Chair of the Remuneration Committee in October 2016, taking over from David Martin. On behalf of the Board I would like to thank David for his commitment over the previous three years.

2015 was a momentous year for the Company but 2016 has been truly transformational – culminating in the creation of the Ladbrokes Coral Group on 1 November.

The purpose of the creation of the Ladbrokes Coral Group was to be the biggest, best and most admired business in our industry. This will be delivered by a focus on faster online growth, making the most of the largest UK Retail estate, growing an extensive international portfolio and driving significant synergy savings.

Bringing together a listed company and a similar sized business owned by private equity is not without challenges, particularly in harmonising rewards, and this is reflected in our proposals.

New remuneration principles

We have set out amended principles for future remuneration in the Remuneration summary. Our new approach follows extensive consultation with shareholders who were both supportive and positive when we shared our plans. That said, we have sought to incorporate changes where there were alternative views or concerns to help ensure the closest possible alignment with shareholders and to future business needs.

The proposals we have made to change our existing remuneration schemes are aimed at optimising the transition of both businesses to the new enlarged Group. As we implement these changes and evolve remuneration policies, I want to emphasise that we will continue to engage fully with shareholders.

At the AGM to be held on 4 May 2017, we will be seeking binding shareholder approval for our revised Remuneration Policy and approval on an advisory basis of the Annual Report on Remuneration.

Remuneration for 2017

We have provided a Remuneration summary to capture all the key elements of the executive reward package. This covers the salary, bonus and share arrangements for our senior executives – Jim Mullen, Carl Leaver and Paul Bowtell.

We have aligned remuneration to business needs not only for the Group's executives but also for the wider colleague population.

We are planning to streamline reward policies and practices across all levels and job roles. Our areas of focus include: the impact and differentials of the National Living Wage across our Retail estate; tracking and reporting in respect of equal pay; gender reporting; and engaging all colleagues in share ownership. To enable this, we are requesting shareholder approval for the SAYE plan rules to be amended to extend eligibility to territories outside the UK.

For 2017, Jim Mullen and Paul Bowtell will be granted an award under the Ladbrokes Coral Group PSP. The performance measures for this award have been established (EPS, TSR, Net Debt to EBITDA ratio and Responsible Gambling); the Committee has replaced FCF with the Net Debt measure to reinforce the reduction in the Group's debt, as highlighted in the Merger Prospectus. Further details on the target ranges for all four measures can be found on pages 84 and 85.

The Committee also reviewed the targets for the balance of the performance period from 1 January 2017 for the 2015 and 2016 Ladbrokes PSP awards to ensure they are relevant for the new enlarged Group. Details on the new targets can be found on page 81.

Remuneration in 2016

For the 2016 Ladbrokes annual bonus, up to 60% of the maximum bonus opportunity was dependent on stretching profit targets with the remainder dependent on individual objectives. For the Chief Executive Officer this included a number of financial and strategic measures which were primarily focused on the delivery of Plan 'A' and the acceleration of this strategy through successful completion of the merger. In 2016, operating profit excluding High Rollers and exceptional items was £101.7 million. This is between Goal 2 (£100 million) and Goal 3 (£110.0 million). This strong financial performance, combined with successful delivery of his individual objectives, resulted in an annual bonus for the Chief Executive Officer of £613,095 which is 68.6% of maximum. Further details on the 2016 bonus targets and resulting bonus outcomes can be found on page 79.

The Chief Financial Officer participated in the Coral Stub Bonus plan which rewarded for Coral's EBITDA and operating cash flow performance from 1 October 2016 to 31 December 2016. Coral's EBITDA and operating cash flow targets were met in full and therefore he received a payment of £112,175 for Coral's performance post 1 November 2016. Further details can be found on page 79.

Carl Leaver is participating in the Synergy Bonus Plan. This bonus is subject to achieving certain synergy measures and will be calculated and paid by 31 December 2017. Further details can be found on page 69.

The 2014 PSP awards were based on three year TSR performance and three year EPS growth to 31 December 2016. Threshold targets for both measures were not met and therefore these awards will lapse in full. Further details on performance against the 2014 PSP targets can be found on pages 79 and 80.

The Remuneration Committee is focused on ensuring that executive reward arrangements always support the Company's direction of travel and objectives and we continue our commitment to open and transparent dialogue with shareholders. I would welcome your views on the report and hope to have your support at the upcoming AGM.

Stevie Spring
Chair of the Remuneration Committee

Remuneration summary

Our principles
- Support integration and build one-team with one culture;
- Encourage collaborative, long-term decision making;
- Reward sustainable growth, long-term returns to shareholders and cash generation;
- Ensure pay is set fairly and competitively in our markets;
- Foster wider share ownership across the Group; and
- Be simple, transparent and easily understood.

Key governance information
- Full Remuneration Policy and its intended application – pages 66 to 77;
- Annual Report on Remuneration – pages 78 to 86; and
- Request for shareholder approval to renew the Ladbrokes Coral Group plc Performance Share Plan which was approved by shareholders in 2007 and would otherwise expire on 17 May 2017.

Key changes in 2017

The Committee determined that the existing Ladbrokes plc remuneration framework was broadly appropriate for the newly combined Group with the following key changes:

- 2017 Annual Bonus – an increased focus on financial performance moving the level of bonus dependent on financial achievements from 60% to 80%;
- Pensions – new executive directors in the future will receive a pension contribution limited to 15% of salary (previously 22.5%);
- The introduction of more extensive malus and clawback provisions for cash and deferred annual bonus and PSP awards (see page 70 for further details) (previously only limited malus provisions applied to deferred annual bonus and PSP awards);
- Share ownership – the increase of the Chief Executive Officer's share ownership requirement to two times salary and to one and a half times salary for the Chief Financial Officer;
- Share award levels – the increase of the Chief Executive Officer's award under the Performance Share Plan from 175% to 200% of salary; and
- Notice period – the Chief Executive Officer is now required to give nine months notice before terminating employment.

Chief Executive Officer's total reward summary for 2016

£'000	Salary	Benefits	Annual bonus	Share plans	Pension	Total
Jim Mullen	542	13	613	–	122	1,290

2017 Proposals

Element of pay	Implementation in 2017
Base salary	Salaries were set in November 2016. No changes are planned in 2017. – Jim Mullen – £650,000 – Carl Leaver – £585,000 – Paul Bowtell – £535,500
Pension and benefits	Current executive directors will receive cash supplements of 22.5% of salary in lieu of pensions. Benefits include healthcare, car allowance, permanent health insurance and life assurance.
Annual bonus	– 170% of salary Chief Executive Officer and 130% of salary Chief Financial Officer bonus maxima remain unchanged – 80% of bonus based on financial targets and 20% on strategic measures – One-third of bonus continues to be deferred into shares for three years – Both malus and clawback provisions apply
Ladbrokes Coral Group plc PSP	– 200% of salary award for the Chief Executive Officer and 150% of salary award for the Chief Financial Officer – Measures for the 2017 plan are EPS, Relative TSR, Net Debt to EBITDA and Responsible Gambling. All have the same weighting of 25% – Mandatory post-vesting holding period of two years continues to apply – Both malus and clawback provisions apply
Deputy Executive Chairman arrangements	– 12-month fixed-term contract – Synergy Bonus – potential bonus of 170% of salary based on total projected synergies – Payable by the end of December 2017
Share ownership guidelines	– Increase to two times salary for the Chief Executive Officer and one and a half times salary for the Chief Financial Officer

Directors' remuneration report *continued*

Future policy report

The following sections set out the Directors' Remuneration Policy (the 'Policy'), which will be subject to shareholder approval at the AGM on 4 May 2017. If approved, the Policy will come into effect on that date and will apply to incentive awards with performance periods beginning on or after 1 January 2017.

The principal changes to the Remuneration Policy approved by shareholders at the 2014 AGM are as follows:

- Inclusion of clawback provisions to any deferred annual bonus and PSP awards and malus and clawback provisions to any cash bonus made to the executive directors from 2017 onwards. This is in addition to current malus provisions which have been extended;
- Increase in shareholding guidelines from 100% of salary to two times salary for the Chief Executive Officer and one and a half times salary for the Chief Financial Officer;
- Annual bonus opportunity for executive directors now capped at 170% of salary; at least 80% of the bonus is dependent on financial achievements (previously 60%);
- Adoption of a normal PSP opportunity of up to 200% of salary (versus 175% under the Ladbrokes PSP);
- Adoption of a cap on the value of pension contributions, or cash in lieu of pensions, of 15% of salary. This will apply to any future executive director hires as current executive directors are contracted to receive 22.5% of salary;
- Increase in the Chief Executive Officer's requirement to give Ladbrokes Coral notice from six to nine months; and
- Inclusion of synergy bonus as it applies for the Deputy Executive Chairman.

These changes have been proposed to ensure remuneration arrangements continue to be aligned to current and future business needs as well as to shareholders' preferences.

Policy table

Fixed remuneration

Why do we pay what we pay? (Purpose and link to strategy)	How does pay get reviewed? (Operation)	Are there any upper limits? (Maximum opportunity)	How do we know if we are getting value for money? (Performance measures)
Salary			
– Core element of remuneration reflecting the size and scope of an individual's responsibilities, experience, and contribution to the Company. – Salary levels are set at a level to attract and retain the talent necessary to deliver the business strategy.	– Salaries are typically reviewed annually by the Remuneration Committee with any change normally being effective from 1 April of each year. – The Remuneration Committee typically takes into consideration a number of internal and external factors when setting salaries, including: • business and individual performance; • the individual's skills and experience; • affordability; • inflation; • market positioning; and • pay and conditions elsewhere in the Group. – The Remuneration Committee has the discretion to review salaries at any point as it considers appropriate.	– While there is no set maximum salary increase, salary increases for executive directors will normally be in line with increases for the wider workforce. – Higher increases may be awarded in individual circumstances, at the Remuneration Committee's discretion, including, but not limited to: • a significant increase in scope and/or responsibility of the role; or • if a new executive director is appointed at a lower salary which is to be aligned with the market over time based on performance.	– Overall performance of the business and the individual are key considerations in setting salary levels.

Why do we pay what we pay? (Purpose and link to strategy)	How does pay get reviewed? (Operation)	Are there any upper limits? (Maximum opportunity)	How do we know if we are getting value for money? (Performance measures)
Benefits			
– Fixed element of remuneration providing market competitive benefits to support the attraction and retention of talent.	– Benefits to executive directors may include private healthcare (for the executive director and their family), critical illness, disability and life assurance, injury in service benefits, an allowance for tax advice and a cash allowance in lieu of a company car. – The Remuneration Committee keeps the benefits offered, the policies and levels under regular review. – The Remuneration Committee may also remove benefits that executive directors receive or introduce other benefits if it considers it is appropriate to do so. – Where executive directors are required to relocate or complete an international assignment, the Remuneration Committee may offer additional benefits, if considered appropriate, or vary benefits according to local practice. – Executive directors are also eligible to participate in the Company's two all-employee share plans (the Share Incentive Plan and the Savings-Related Share Option Scheme) on the same basis as other eligible colleagues.	– While no maximum monetary value exists, benefits are set by taking into account a number of factors including market practice for comparable roles within appropriate pay comparators and taking into account individual circumstances, e.g. relocation. – Participation in the Share Incentive Plan and the Savings-Related Share Option Scheme is limited to the maximum award levels permitted by the relevant legislation or any lower limit set by the Remuneration Committee from time to time.	– Overall performance of the business and the individual are key considerations in setting package levels.
Pension			
– Fixed element of remuneration to assist with retirement planning which supports the attraction and retention of talent.	– Executive directors can opt to join the Company's defined contribution scheme, take a cash supplement in lieu or a combination of the above. – The Remuneration Committee keeps the cash supplement and/or employer-defined contribution level under regular review. – The pension contribution and/or cash supplement is not included in calculating annual bonus or long-term incentive levels.	– In general, the levels of cash supplement and/or employer-defined contribution provided are intended to be broadly market typical for the role. – The Remuneration Committee reserves the right to make adjustments to these levels in the event of market movements. – Executive directors joining after the approval of this Policy will receive pension benefits capped at 15% of salary. Other executive directors who joined prior to 1 January 2017 will continue to receive their contractual benefit of 22.5% of salary.	– None.

Directors' remuneration report *continued*

Variable remuneration

Why do we pay what we pay? (Purpose and link to strategy)	How does pay get reviewed? (Operation)	Are there any upper limits? (Maximum opportunity)	How do we know if we are getting value for money? (Performance measures)
Annual bonus			
– Reward exceptional performance on an annual basis against key financial metrics and demanding strategic measures. – Deferral into shares for additional periods is intended to enhance shareholder alignment and help retention.	– Performance is measured over one year; bonus is payable after the year end. – Measures and targets are reviewed and determined by the Remuneration Committee annually. – The Remuneration Committee reviews the performance against these targets after the year end to determine the level of bonus pay-out. – A portion of any bonus earned (currently one-third) is compulsorily deferred into an award over shares (or equivalents in nil-cost options or cash) under the Deferred Bonus Plan (DBP). These share awards are not subject to any further performance conditions, will not normally vest for a period of at least three years and will normally lapse if the participant leaves employment before the vesting date. – Participants may receive the value (in cash or shares) of dividends paid on shares that vest in respect of the period between the grant and vesting of a deferred bonus award. – Malus and clawback apply, as set out in the Ladbrokes Coral Group plc Malus and Clawback policy summarised on page 70 of this report. – The annual bonus is operated in accordance with the terms of the annual bonus plan and DBP rules which include the capacity for the Remuneration Committee to adjust or amend the terms of the awards.	– Up to 170% of base salary.	– Performance is measured against a combination of financial measures and strategic measures. At least 80% of the bonus will be based on financial measures and the remainder on strategic measures. No bonus will be awarded if a threshold level of profit is not achieved in the bonus year. – Strategic measures selected may vary each year depending on business context and strategy, and will be weighted according to business priorities. These objectives are reviewed and approved by the Remuneration Committee at the start of the financial year. – Between 0% and 100% of the maximum award applies for the achievement of financial measures tracked on a straight line basis from a base level target to a stretch performance target coupled with strategic measures.

Why do we pay what we pay? (Purpose and link to strategy)	How does pay get reviewed? (Operation)	Are there any upper limits? (Maximum opportunity)	How do we know if we are getting value for money? (Performance measures)
Ladbrokes Coral Group plc Performance Share Plan (PSP)			
– Reward the long-term success of the business. – Help retain executives. – Share based to provide alignment with shareholder interests.	– Awards will be structured in the form of conditional share awards (or equivalents in nil-cost options or cash) with vesting dependent on the achievement of stretching performance measures over at least three years. – Any vested shares will be mandatorily held for an additional two years by executive directors. – Dividends equivalents or reinvestment may apply during the vesting period only on shares that vest. – Malus and clawback provisions apply, as set out in the Ladbrokes Coral Group plc Malus and Clawback policy which is summarised on page 70 of this report.	– Normal awards are up to 200% of salary. – The Remuneration Committee will have the discretion to make higher awards in exceptional circumstances subject to the individual plan limit of 250% of base salary.	– Awards vest based on performance against a combination of performance measures. – At least 50% of the award will be based on financial measures and up to 50% will be based on TSR performance. Any balance would be linked to performance against specific strategic objectives. – For 'threshold' levels of performance, up to 25% of the award vests, increasing on a straight line basis to 100% of the award for maximum performance. – In line with the rules of the PSP, the performance condition may be replaced or varied if an event occurs or circumstances arise, e.g. a significant regulatory change, which causes the Remuneration Committee, acting fairly and reasonably, to determine that a substituted or amended performance condition would be appropriate so that the amended performance condition can continue to achieve its original purpose.
Synergy bonus			
– Reward applicable executives to deliver synergies related to the merger.	– Performance is measured against pre-determined synergy targets. – The Remuneration Committee determines the level of pay-out based on projected synergies. – Awards are to be made in cash.	– Up to 170% of salary. – The Deputy Executive Chairman is the only executive director who participates in this plan.	– Performance is measured against pre-determined projected synergy saving targets. – For the projected threshold achievement of synergies, a synergy bonus equivalent to 100% of base salary is payable, increasing on a straight line basis to 170% of salary for achievement of the stretch synergy target. – There is no synergy bonus payable if projected synergies are below threshold.

Directors' remuneration report *continued*

To encourage share ownership and ensure alignment of executive interests with those of shareholders, the Chief Executive Officer is required to hold shares equivalent to two times base salary, while the Chief Financial Officer is required to hold one and a half times salary. Executives are encouraged to retain vested shares earned under the Company's incentive plans until the shareholding guidelines are met.

Notes to the policy table

For the avoidance of doubt, it is the Company's policy to honour in full any pre-existing obligations that have been entered into prior to the effective date of this Policy. Therefore, the Remuneration Committee reserves the right to make any remuneration payments where the terms of these payments were agreed:

1. before the Policy came into effect; or
2. at a time when the relevant individual was not a director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes 'payments' includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Selection of performance measures

The Remuneration Committee determined that profit and strategic measures remain applicable for the annual bonus while EPS, TSR and Responsible Gambling remain appropriate for the 2017 PSP. For 2017 PSP awards the Remuneration Committee decided to replace the FCF measure with Net Debt to EBITDA ratio to reflect the importance of the improvement of the balance sheet health of the Company, in-line with the statements made on deleveraging in the 2016 merger prospectus. PSP measures are equally weighted to ensure executives remain focused appropriately on each objective.

2017 performance measures for annual bonus and PSP

Variable remuneration element	Performance measure	Link to strategy	How targets are set
Annual bonus	PBIT (Profit Before Interest and Tax, net finance expense and non-trading items)	Achieving PBIT targets evidences the success of the Group's strategy and facilitates further investment and return to shareholders.	Set by the Remuneration Committee to reflect key objectives for the financial year, with reference to the Ladbrokes Coral business plan.
PSP	25%: Earnings Per Share	Focus on successful product and new market development, innovation and roll out.	Set by the Remuneration Committee to reflect key long-term objectives. Targets are set taking into account internal and external reference points, including the Ladbrokes Coral business plan and broker forecasts.
	25%: Total Shareholder Return	Directly rewards for long-term shareholder value.	
	25%: Net Debt to EBITDA ratio	Measures the Group's ability to pay down debt and reinforces the importance of significant cash flow generation.	
	25%: Responsible Gambling	Embeds Responsible Gambling into everything we do.	

Malus and clawback summary

Malus and clawback will apply to awards in-line with the Ladbrokes Coral Group plc Malus and Clawback Policy as amended from time to time.

Malus and clawback provisions will apply to annual bonus (including Deferred Bonus Plan) and PSP awards made from February 2017 onwards. These provisions will apply in exceptional circumstances (including, but not limited to, the following):

- Mis-statement;
- Misconduct;
- Material loss; and
- An error in assessing any applicable condition or conditions relating to the performance of the Company or participant.

The Committee in these circumstances has the discretion to:

- Reduce bonus payments and/or PSP and DBP vesting, including to zero; and
- Reclaim up to 100% of any bonuses paid or vested PSP and DBP awards, within 2 years of vesting.

Timeframe of remuneration arrangements

The table below shows the timeframe of executive directors' remuneration arrangements.

Element of remuneration	2017(Y)	Y+1	Y+2	Y+3	Y+4	Y+5	Y+6
Salary	100% Paid						
Benefits including retirement benefits							
Annual bonus	Performance Period	2/3 paid in cash and subject to malus	Subject to clawback				
		1/3 deferred as shares for three years and subject to malus			Subject to clawback		
PSP	Performance Period (subject to malus)			100% subject to two-year holding period (subject to malus)		Subject to clawback	

Remuneration arrangements throughout the Company

The remuneration policy for our executive directors is designed to be aligned with the remuneration philosophy and principles that underpin remuneration for the wider Group.

Although there are differences in pay between the executive directors and the wider colleague population, all reward arrangements are built around the common objectives and principles outlined below:

Remuneration principles	Arrangement(s) used for the wider Group
– Support integration and build a one-team with one culture; – Encourage collaborative, long-term decision making; – Reward sustainable growth, long-term returns to shareholders and cash generation; – Ensure pay is set fairly and competitively in our markets; – Foster wider share ownership across the Group; and – Be simple, transparent and easily understood.	– Approximately 55 senior managers participate in PSP with the same performance metrics as for executive directors. – Ladbrokes Coral also has a restricted share plan which is used to recruit, motivate and retain selected key talent. – All-employee share incentive schemes will be in operation for all employees (the Share Incentive Plan and the Savings-Related Share Option Scheme) to encourage share ownership. – Key Group financial and strategic measures under colleague bonus arrangements are aligned with those for the executive directors to ensure consistency across the organisation and delivery of strategic goals. Colleagues also have relevant team and individual targets to focus the team on key deliverables in their area of business. – The Group strongly encourages all employees to own shares in Ladbrokes Coral Group plc. – Pension and benefits arrangements for all colleagues have been established against a range of criteria including affordability and market practice for comparable roles; this helps ensure consistency across the entire employee population including executive directors.

Directors' remuneration report *continued*

Chairman and non-executive directors

Why do we pay what we pay? (Purpose and link to strategy)	How does pay get reviewed? (Operation)	Are there any upper limits? (Maximum opportunity)	How do we know if we are getting value for money? (Performance measures)
Non-Executive Chairman and non-executive directors (NEDs) fees			
– Sole element of remuneration, paid for fulfilling the relevant role.	– The Non-Executive Chairman receives an all-inclusive fee for the role plus an allowance to meet costs associated with his role as the primary liaison with the major shareholders. – The remuneration of the Non-Executive Chairman is set by the Remuneration Committee. – NEDs receive a basic annual fee in respect of their Board duties. Further fees are paid in respect of chairmanship and membership of certain Board committees. – Fees are normally based on the level of fees paid to Chairmen and NEDs serving on boards of similar companies, the time commitment required of the role and the duties involved and take into consideration the requirement to attract and retain the quality of individuals required by the Company. – Fees are normally reviewed annually. – The Board is responsible for determining fees for other NEDs, although the NEDs are not involved in discussions about their own fees. – Fees are normally paid in cash, although the Company retains the right to settle all/part of the fees in shares of equivalent value.	– While there is no maximum individual fee level, fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company, but the Company avoids paying more than necessary for this purpose. The Board may determine fee increases at any point as it considers appropriate in-line with market movements and to take into account the time commitment and duties involved. – Fees are paid for the following roles/duties: • Non-Executive Chairman; • senior independent non-executive director (SID); • other NEDs; • supplementary fee for chair of the Audit, Remuneration or Social Responsibility Committees (as long as not the SID); and • supplementary fee for membership of the Audit, Remuneration, or the Social Responsibility Committees.* – The Chairman and NEDs are not eligible for annual bonus, share incentives and pensions. – Reasonable expenses, e.g. travel, accommodation and subsistence associated with Chairman and NEDs' duties will be reimbursed, including any tax due on the benefits. * Not paid to Chairman, SID or to the Chairs of the Committees.	– Annual Board performance evaluation and continuous review by the Chairman.

Recruitment policy

Principles and approach

Component	Policy
General	In determining remuneration arrangements for new executive appointments to the Board (including internal promotions), the Remuneration Committee applies the following principles: – The Remuneration Committee is at all times conscious that any arrangements should be in the best interests of Ladbrokes Coral and our shareholders, without paying more than is necessary; – The Remuneration Committee takes into consideration all relevant factors, including the calibre of the individual, the nature of the role, local market practice, the individual's current remuneration package, Ladbrokes Coral's remuneration policy, internal relativities and existing arrangements for other executive directors; – Typically, the remuneration package for a new appointment will be based on (or be transitioned onto) the same elements of the remuneration package as the other executive directors, in line with the policy table presented earlier in this report.
Base salary and benefits	– Salaries will reflect the skills and experience of the individual, and may be set at a level to allow future salary progression to reflect performance in the role. – Executive directors will be eligible to receive benefits in line with Ladbrokes Coral's benefits policy as set out in the remuneration policy table. – This includes additional benefits relating to relocation.
Pension	– New hires will be entitled to receive pension benefits worth up to 15% of salary per annum.
Variable pay (annual bonus and PSP)	– It would be expected that the structure and quantum of the variable pay elements would reflect those set out in the policy table presented earlier. However, at recruitment, the Remuneration Committee would retain the discretion to flex the balance between annual and long-term incentives and the measures used to assess performance for these elements, with the intention that a significant portion would be delivered in shares. – At recruitment, variable pay could, in exceptional circumstances, be delivered via alternative structures, again with the intention that a significant portion would be share based, but in all circumstances subject to the overriding cap of 420% of salary. – The Committee also retains the right to determine that in the first year of appointment any annual bonus award will be subject to such conditions as it may determine.
Buy-out awards	– To facilitate recruitment, and in exceptional circumstances, the Remuneration Committee may make compensatory payments and/or awards for any remuneration arrangements subject to forfeiture on leaving a previous employer. – In doing so, the Remuneration Committee will take account of any terms attached to the forfeited arrangements. Awards will take such form as the Committee considers appropriate taking into account all relevant factors such as the nature of the award, any performance conditions attached to those awards, the likelihood of those conditions being met, and the proportion of vesting/performance period remaining. The Remuneration Committee's intention is that the value awarded would be no higher than the value forfeited.

The Committee retains discretion to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances when an interim executive director is required to fill a role on a short-term basis or if exceptional circumstances require that the Chairman or a non-executive director takes on an executive function on a short-term basis. In the event of the appointment of a new Chairman or non-executive director, remuneration arrangements will normally be in line with those detailed in the relevant table on page 72.

Disclosure

The remuneration structure of any new director will be disclosed in a timely manner and, as far as possible, in the relevant Regulatory News Service notification at the time of appointment. The Remuneration Committee will fully explain to shareholders the rationale for the relevant arrangements in the next remuneration report.

Directors' remuneration report *continued*

Executive director service contracts

The key employment terms and conditions of the current executive directors as stipulated in their service contracts, are set out below.

	Notice period (months)	Termination payment	Treatment of remuneration
Company policy	Nine months by executive and Company	May terminate employment by making a payment in lieu of notice (PILON) equivalent to the value of base salary and benefits (including pension allowance) in respect of the notice period PILON payments are reduced if the executive director finds employment during the nine month notice period	Participation in all incentive plans, including the annual bonus and the PSP is non-contractual Outstanding awards will be treated in accordance with the relevant plan rules
Jim Mullen Effective date of amended contract 1 November 2016	Nine months by executive and Company	In-line with Company policy	In-line with Company policy
Paul Bowtell Effective date of contract 1 November 2016	Nine months by executive and Company	In-line with Company policy	In-line with Company policy
Carl Leaver Effective date of contract 1 November 2016	Fixed term (12 months) contract	Balance of salary and benefits for remainder of the fixed term	In-line with contract

Details of Carl Leaver's service contract were included in the Merger Prospectus dated 27 October 2016. Given the nature of his role, it was agreed that a 12-month fixed term was appropriate. The Remuneration Committee does not intend to enter into fixed term contracts for future executive directors.

Policy on payment for loss of office

The Remuneration Committee takes a number of factors into account when determining leaving arrangements for an executive director:

- The Remuneration Committee must satisfy any contractual obligations: (a) being consistent with the Policy set out in this report; or (b) if they are inconsistent having been entered into on a date on or before 27 June 2012 in accordance with relevant legislation;
- The treatment of outstanding share awards is governed by the relevant share plan rules. The following table summarises the leaver provisions of share plans under which executive directors may currently hold awards;
- Other payments which may be made as a result of loss of office include legal fees within an agreed maximum limit, outplacement counselling within an agreed maximum limit, payment for any outstanding accrued holiday and any other payments required by statute; and
- The Remuneration Committee strongly believes that there should be no reward for failure. When exercising any discretion under the plans referred to below, the Committee will take into account the circumstances of the individual's departure and performance in the role.

Plan	Good leaver categories	Treatment for a good leaver	Treatment for any other leaver
Annual bonus plan	– Ill health and disability. – Death. – Redundancy. – Any other scenario in which the Remuneration Committee determines good leaver treatment is justified.	Where a participant has a minimum of six months' full service in the relevant year a cash bonus will be paid. This amount will be subject to the achievement of the financial and strategic objectives set at the beginning of the plan year. Any payment will be following the end of the relevant financial year and will be pro-rated for time served during the year, unless the Remuneration Committee determines otherwise. Any amounts which would have ordinarily been deferred into the deferred bonus plan may be paid in cash at the same time. The Remuneration Committee has the ability to exercise discretion to pay a bonus as it considers appropriate.	No bonus.
Deferred bonus plan	– Injury, ill health or disability. – Death. – Redundancy. – Retirement by agreement with the employing company. – Transfer of whole or part of the business which the participant is employed outside the Group.	Awards will vest usually at the normal vesting date.	Unvested awards lapse in full if cessation of employment occurs prior to the vesting date or are under notice.
Synergy bonus	The executive will not be entitled to the synergy bonus if the Committee terminates his employment in line with contractual breaches.	Payments will be made after the expiry of the normal fixed term (31 October 2017) and before 31 December 2017.	No synergy bonus.
PSP	– Injury, ill-health or disability. – Death. – Redundancy. – Retirement by agreement with the employing company. – Transfer of whole or part of the business by which the participant is employed outside the Group.	Awards will usually vest at the normal vesting date. Awards will vest to the extent that performance conditions have been satisfied and on a time apportioned basis.	Unvested awards lapse in full if cessation of employment occurs prior to the vesting date.
All-employee share plans	– Leaver treatment under these plans is in accordance with HMRC rules.		

Directors’ remuneration report *continued*

Corporate events affecting discretionary share plans

Ladbrokes Coral’s discretionary share plans shall be operated in accordance with the relevant rules as approved by shareholders and amended from time to time in accordance with these rules. In particular, the plan rules provide for adjustments in certain circumstances. For example, awards may be adjusted in the event of any variation of share capital, demerger, special dividend, reorganisation or similar event.

In the event of a change in control or winding up of the Company, existing share awards under these plans will be treated as follows:

Plan	Treatment in an event of a change of control
Deferred Bonus Plan	Vest in full on the date, or immediately prior to, the date on which the change in control occurs (or court sanction).
Performance Share Plan	Vest on or immediately prior to the date on which the change in control (or court sanction) occurs to the extent the Remuneration Committee determines the performance conditions have been satisfied and on a time-apportioned basis, subject to Remuneration Committee discretion to determine otherwise.

Awards under the share plans may vest on the same basis in the event of a voluntary winding up of the Company.

Non-executive directors’ letters of appointment

The non-executive directors, including the Chairman of the Company, have letters of appointment which set out their duties and responsibilities. They do not have service contracts with either the Company or any of its subsidiaries. The key terms of the appointments are set out in the table below:

Provision	Policy
Period	After the initial term, non-executive directors are typically expected to serve a further three-year term. Whilst appointed for a three-year term, in line with the UK Corporate Governance Code, the Chairman and all non-executive directors are subject to annual re-election shareholders at each AGM.
Termination	The appointment of a Chairman or a non-executive director is terminable without notice by either the Company or the director. Non-executive directors and the Chairman are not entitled to any compensation upon leaving office.

Availability of documentation

All executive directors’ service contracts and the letters of appointment for non-executive directors are available for inspection at the Company’s registered office during normal hours of business, and at the place of the Company’s 2017 Annual General Meeting on 4 May 2017 from 10.45am until the close of the meeting.

Illustration of our forward-looking remuneration policy

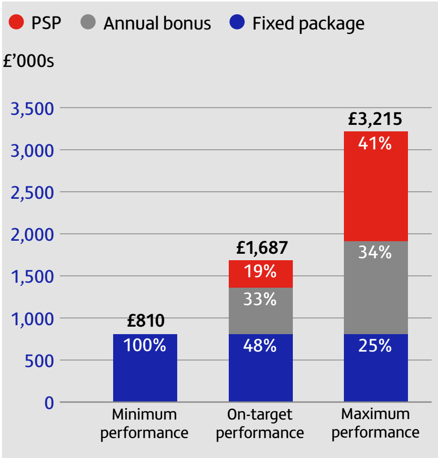
In support of the remuneration philosophy, Ladbrokes Coral’s remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short-term and long-term performance targets, aligned with the creation of sustainable shareholder value.

The Remuneration Committee considers the level of remuneration that may be received under different performance outcomes to ensure that this is appropriate in the context of the performance delivered and the value added for shareholders.

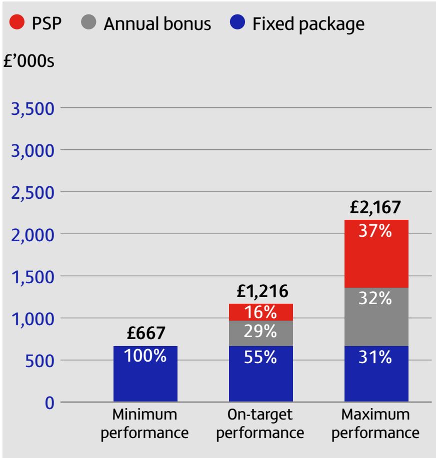
The following charts provide illustrative values of the remuneration package for the executive directors under three assumed performance scenarios.

In-line with the regulations, the illustrations show the potential remuneration levels under Ladbrokes Coral forward-looking remuneration policy. These charts are for illustrative purposes only and actual outcomes may differ from that shown.

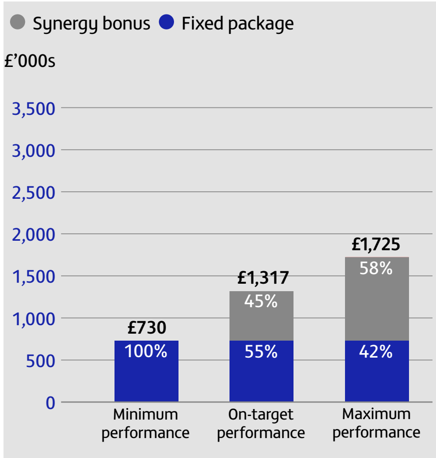
Chief Executive Officer



Chief Financial Officer



Deputy Executive Chairman



	Plan	Assumptions used
Fixed pay	**All performance scenarios**	– Consists of total fixed pay, including base salary, benefits and retirement benefits (cash allowance in lieu of pension) – Base salary – salary effective as at 1 April 2017 – Benefits – estimated to be received by each executive director in 2017 (based on 2016 value) – Pensions – estimated to be received by each executive director in 2017 (based on 2017 salary)
Variable pay	**Minimum performance**	– No pay-out under the annual bonus – No vesting under the PSP – No pay-out under synergy bonus
	On-target performance	– 50% of the maximum pay-out under the annual bonus (cash and deferred elements) – 25% vesting under the PSP – 59% of the maximum pay-out under the synergy bonus
	Maximum performance	– 100% of the maximum pay-out under the annual bonus (cash and deferred elements) – 100% vesting under the PSP – 100% of the maximum pay-out under the synergy bonus

Please note that PSP awards have been shown at face value (PSP opportunity applied to salary at 1 April 2017). All-employee share plans have been excluded.

Consideration of conditions elsewhere in the Company

Although the Remuneration Committee takes into consideration the pay and conditions of colleagues throughout the Group when determining remuneration arrangements for executive directors, the Committee did not formally consult with employees when formulating the Policy set out in this report. Information relating to wider workforce remuneration is provided in regular updates to the Remuneration Committee. This takes the form of a comparison of reward elements across all main workforce groups, updates on total reward communications and details of business wide reviews such as annual bonus awards and salary increases.

Consideration of shareholder views

The Remuneration Committee continues to be mindful of shareholder views when evaluating and setting on-going remuneration strategy, and we commit to consulting with shareholders prior to any significant changes to our remuneration policy.

Minor amendments to policy

The Remuneration Committee may make minor changes to this policy, which do not have a material advantage to directors to aid in its operation or implementation without seeking shareholder approval for a revised version of this policy.

Directors' remuneration report *continued*

Annual report on remuneration

Audited information

The information presented from this section up until the relevant note on page 82 represents the audited section of this report.

Single total figure of remuneration

The following table sets out the total remuneration for executive directors and non-executive directors for the year ended 31 December 2016, with prior year figures also shown. The data for 2016 consists of what was paid to directors of Ladbrokes pre-merger and what has been paid to Ladbrokes Coral directors post-merger, i.e. 1 November to 31 December 2016.

All figures shown in £'000	Salary and fees[(a)]		Benefits[(b)]		Cash allowance in lieu of pension[(c)]		Annual bonus[(d)]		Long-term incentives[(e)]		Other[(f)]		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Current executive directors[(g)]														
Jim Mullen	542	375	13	10	122	84	613	98	–	–	–	–	1,290	567
Paul Bowtell	89	–	2	–	20	–	112	–	–	–	–	–	223	–
Carl Leaver	98	–	2	–	22	–	–	–	–	–	–	–	122	–
Former executive directors														
Ian Bull	64	400	2	13	14	110	–	102	–	–	–	90	80	715
Chairman and non-executive directors[(h)]														
John Kelly	288	77	3	–	–	–	–	–	–	–	–	9	291	60
Mark Clare	25	–	–	–	–	–	–	–	–	–	–	–	25	–
Christine Hodgson	72	52	–	–	–	–	–	–	–	–	–	–	72	52
Mark Pain	73	6	–	–	–	–	–	–	–	–	–	–	73	6
Stevie Spring	25	–	–	–	–	–	–	–	–	–	–	–	25	–
Rob Templeman	11	–	–	–	–	–	–	–	–	–	–	–	11	–
Former non-executive directors														
Sly Bailey	36	50	–	–	–	–	–	–	–	–	–	–	36	50
David Martin	43	60	–	–	–	–	–	–	–	–	–	–	43	60
Richard Moross	17	53	–	–	–	–	–	–	–	–	–	–	17	53

Methodology

(a) **Salary and fees** – this represents the base salary or fees paid in respect of the relevant financial year. No sums were paid to third parties in respect of any executive director's services (2015: nil).

(b) **Benefits** – this represents the taxable value of all benefits paid in respect of the relevant financial year. Executive director benefits include private healthcare (for the executive and their family), and a cash allowance in lieu of a company car.

(c) **Cash allowance in lieu of pension** – executive directors receive a cash allowance in lieu of pension contributions equivalent to 22.5% of salary. As disclosed in the 2015 Directors' Remuneration Report, Ian Bull received an overpayment of £2,250 which was offset accordingly against his termination payments.

(d) **Annual bonus** – bonus of 113.1% of salary was awarded to the Chief Executive Officer for the 2016 performance year. One third of his bonus was deferred into shares for three years. The Chief Financial Officer received a bonus of £112,175 under the Coral Stub Bonus plan for Coral's performance between 1 November and 31 December 2016, one third of which is also deferred into shares for three years. Further details are provided on page 79.

(e) **Long-term incentives** – this figure represents the value of long-term incentive plans with a performance period ending in the relevant year. The 2015 and 2016 figures reflect that no shares vested under the 2013 and 2014 awards under the PSP.

(f) **Other** – Ian Bull was paid a temporary monthly allowance of £10,000 between 1 March 2015 to 30 November 2015. This table does not include payments relating to Ian Bull's loss of office which can be found on page 81. In 2015, John Kelly received an expense payment of £8,690 representing the reimbursement of the costs of holidays which he had to cancel due to corporate activity associated with the proposed merger with Gala Coral.

(g) Remuneration in 2015 for Jim Mullen covers only his period since his appointment as Chief Executive Officer. Jim Mullen was appointed Chief Executive Officer on 1 April 2015 – he was previously the Managing Director of Ladbrokes Digital. His salary, bonus, benefits and pensions for 2015 have been pro-rated to reflect the period from 1 April 2015 to 31 December 2015. Remuneration in 2016 for Paul Bowtell and Carl Leaver also cover only the period since their appointment to the Board of Ladbrokes Coral from the merger on 1 November 2016. Their salaries, benefits and pensions for 2016 have been pro-rated to reflect the period from 1 November 2016 to 31 December 2016.

(h) John Kelly's Chairman fee is £300,000 p.a. which he has received from 1 November 2016, previously he received £285,000 p.a. Non-executive directors receive a basic fee of £65,000 p.a. from 1 November 2016 previously the base fee was £43,000 or £55,000 (depending on timing of appointment). The senior independent non-executive director received a fee from £90,000 p.a. from 1 November 2016 onwards; previously this role received £70,000 p.a. Additional fees are payable for the roles of the Chairmen of the Audit, Remuneration and Social Responsibility Committees at a rate of £15,000 p.a. from 1 November 2016 (previously these roles received £15,000, £10,000 and £0 respectively). Fees for membership of the Audit, Remuneration or Social Responsibility Committees are at a rate of £5,000 p.a. (previously £7,000 was paid for serving on the Audit and/or Remuneration Committees). David Martin's fee was paid to Arriva plc by mutual agreement up to his departure date of 21 September 2016.

Additional disclosures in respect of the single figure table

Salaries

The salaries for the current executive directors, Jim Mullen, Paul Bowtell and Carl Leaver were set on 1 November 2016, the date of the merger, at £650,000, £535,500 and £585,000, respectively. These salaries were set taking into account performance to date, the new scale and complexity of the enlarged business, skills and experience and particularly with reference to new internal differentials. Jim Mullen's salary prior to the merger was £525,000. The majority of shareholders consulted at the time understood and were supportive of the increase.

Annual bonus

The table below sets out the annual bonus awards made to the Chief Executive Officer in respect of 2016:

	2016 annual bonus	As % of 2016 salary
Jim Mullen	£613,095	113.1%

60% of the 2016 annual bonus was based on operating profit for the year (excluding profit from High Rollers and exceptional items). The targets are as follows:

Bonus Targets	Operating profit	% of bonus element payable
Goal 1	£95.4m	52%
Goal 2	£100.0m	67%
Goal 3	£110.0m	100%

The remaining 40% of the 2016 annual bonus was based on individual objectives (see details for the Chief Executive Officer below).

The individual objectives element of the bonus was subject to a profit underpin which is equal to the Goal 1 target of £95.4 million.

In 2016, operating profit excluding High Rollers and exceptional items was £101.7 million(1). This was just above the Goal 2 target of £100.0 million. This strong financial performance means that 72.4% of his maximum bonus for financial performance is payable.

Jim successfully delivered against his individual objectives which included the delivery of Ladbrokes Plan A strategy during the year; successful delivery of the Ladbrokes Coral merger and subsequent integration including the commencement of the harmonisation of cultures; and the development of an effective senior management team structure. This has resulted in him receiving a personal performance rating of 4 out of 5 which means that 63.2% of his maximum bonus for individual performance is payable.

Two-thirds of the bonus was paid in cash with the remainder in shares deferred for a further three years. The Committee believes that this bonus outcome fairly rewards performance delivered by the Chief Executive Officer during the year under review.

The Chief Financial Officer participated in the Coral Stub Bonus Plan which rewarded for Coral's performance from 1 October to 31 December 2016. Historically Coral have operated an annual bonus scheme which ran from 1 October to 30 September, however, in order to align the combined business under one Group scheme in 2017, a stub plan operated during the last quarter of 2016. The plan was agreed by the Coral Board and implemented prior to the merger.

80% of the Coral Stub Bonus was dependent on Coral's EBITDA versus budget with the remaining 20% dependent on Coral's operating cash flow versus budget. The operating cash flow element of the scheme only pays out if Coral's operating cash flow exceeds budget and 95% of budgeted EBITDA.

For 1 October to 31 December 2016, Coral's EBITDA was 7.4% ahead of budget; maximum pay-out under this element requires performance 4% ahead of budget. Coral's operating cash flow was £1.5 million ahead of budget. Therefore, Paul received a maximum bonus under the plan equivalent to £112,175 for Coral's performance post-merger (during 1 November to 31 December 2016).

The Remuneration Committee considers that the Coral budgets, as a legacy of a private company, should remain private, and therefore will not be published. However, although legacy Coral bonus plans are paid entirely in cash, Paul has agreed to receive one-third of his bonus as shares which are deferred for three years. This is to ensure alignment with Jim's bonus arrangements and with the Remuneration Policy.

For 2017, Paul will be in the standard Ladbrokes Coral annual bonus plan, for which targets will be disclosed following the end of the performance period consistent with the practice for listed companies. Further detail on this plan can be found on page 84.

Performance Share Plan (PSP)

The PSP value shown in the single figure table (nil) relates to the 2014 award, for which the performance period was 1 January 2014 to 31 December 2016.

The performance conditions for this award are set out below:

50% of the award – three year relative TSR performance against a group of sectoral peer companies.

The peer group for the 2014 award is set out below:

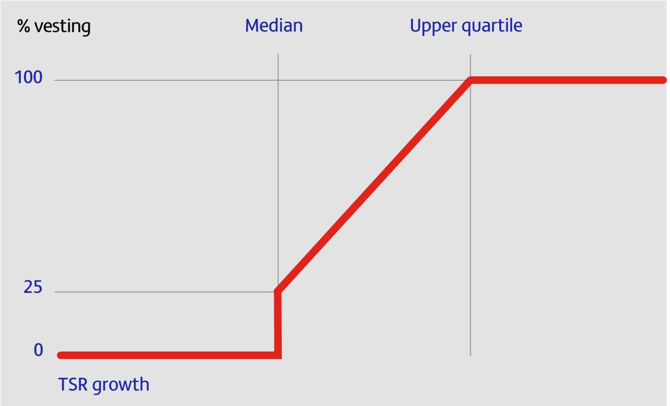
888 Holdings	Paddy Power
Boyd Gaming	Punch Taverns
Bwin PartyGaming	Rank Group
Enterprise Inns	Whitbread
Mitchells & Butlers	William Hill
OPAP	

The original comparator group consisted of 13 comparators; however Sportingbet and GTech were removed for the entire performance period as they were acquired in March 2013 and April 2015 respectively.

(1) Stated after charging amortisation on acquired intangibles (excluding those arising on the Coral acquisition) and excluding the impact of the acquired Coral Group on the Consolidated Income Statement.

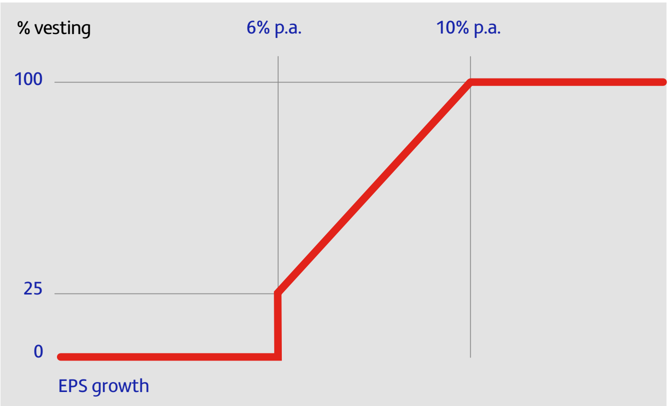
Directors' remuneration report *continued*

Three year TSR growth versus sectoral peer growth



50% of the award – three year EPS growth.

Three year EPS growth



	Actual performance	Vesting as % of element
Relative TSR	9 out of 11 companies	0%
EPS growth	Less than 6% p.a.	0%
Total vesting		0% of maximum

There will be nil vesting of the PSP awards made in 2014.

Scheme interests awarded during the financial year

Performance Share Plan awards

For 2016, PSP awards were granted over Company shares with the number of shares under award determined by reference to a percentage of base salary. Performance for these awards is measured over the three financial years from 1 January 2016 to 31 December 2018. They were subject to the following performance conditions until 31 December 2016.

25% of the award based on TSR percentage outperformance of sector peers

TSR % outperformance of sector comparators	Percentage of the award vesting
Less than median	0%
Median	25%
Median + 10% p.a.	100%

Straight line vesting operates between these points.

The peer group for the 2016 award is set out below:

888 Holdings	Sportech
GVC Holdings	William Hill
Paddy Power Betfair	

If the peer group for 2016 were to fall below five companies, i.e. in the event of takeovers, a peer would be selected from a 'reserve list' of companies (which for 2016 include, Betsson, Rank Group and Playtech). This would ensure that the peer group consists of a minimum of five companies. The replacement company would be effective for the entire performance period.

25% of the award based on three-year cumulative EPS performance

EPS performance	Percentage of the award vesting
Less than 21.7 pence	0%
21.7 pence	25%
26.4 pence	100%

Straight line vesting operates between cumulative EPS performance of 21.7 pence and 26.4 pence. Cumulative EPS performance excludes exceptional items and High Rollers.

25% of the award based on three-year cumulative Free Cash Flow (FCF) performance

FCF performance	Percentage of the award vesting
Less than £219m	0%
£219m	25%
£310m	100%

Straight line vesting operates between FCF performance of £219 million and £310 million.

FCF for the purposes of the Plan is defined as the net cash flow from operating activities plus dividends received from joint ventures and associates, less income taxes paid, net capital expenditure and net interest payments (including bond coupons). FCF excludes distribution of dividends, repayment of debt and merger and acquisition activity.

25% of the award based on performance against responsible gambling measures

The measures in relation to this element of the award are determined and independently measured and assessed by the Social Responsibility Committee through a set of KPIs. These KPIs reflect the UK Gambling Commission's objectives and regulatory and voluntary sector-level changes as well as our own initiatives.

These KPIs were to be assessed over the three-year performance period using three annual scorecards and the cumulative impact over the same period.

As these are commercially sensitive, the Remuneration Committee and the Social Responsibility Committee intend to disclose targets and the performance level only at the end of the performance period. As with all measures under the 2016 PSP, threshold performance results in 25% of this element of the PSP vesting.

The Committee reviewed the targets for the 2015 and 2016 Ladbrokes PSP awards for the balance of the performance period post-merger from 1 January 2017 in terms of relevance to the new enlarged Group. The Committee decided to make the following changes to targets for these awards for the remainder of the period from 1 January 2017 in order to balance alignment with the 2017 PSP award and the objectives of the new enlarged Group and previously set targets and measures:

- EPS targets will mirror the EPS targets for the 2017 PSP with growth of 5% p.a. required for threshold vesting (25% of the EPS element) increasing on a straight line basis to full vesting for EPS growth of 12% p.a. There will be no vesting for EPS growth below 5% p.a;
- Responsible gambling will be based on targets set to be achieved by FY17 and FY18 rather than assessing the average performance across annual scorecards and cumulative impact over the remaining period. These targets, along with performance, will be disclosed to shareholders at the end of the performance period;
- FCF targets will be set to mirror the same deleveraging profile for the Net Debt to EBITDA ratio measure for the 2017 PSP. These targets will be set shortly and disclosed to shareholders via Ladbrokes Coral's website; and
- No change to the TSR outperformance targets or to the peer groups for the 2015 and 2016 PSP awards.

The following table provides details of the awards made under the PSP in 2016:

	Type of award	Number of shares	Face value (£)	Face value (% of salary at 1 January 2016)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Jim Mullen	Performance shares	752,364	£874,999	175%	25%	100%	31 December 2018

Face value has been calculated using the five-day average share price prior to the date of grant (10 May 2016) of 116.3 pence. Vesting of these awards is subject to the achievement of stretching performance conditions as detailed earlier.

Paul Bowtell did not receive a 2016 PSP award as the grant date was before the date of the merger. Carl Leaver did not receive an award.

Share Incentive Plan awards

Executive directors are eligible to participate in HMRC-approved all-employee share plans on the same basis as other eligible colleagues. During 2015 and 2016, Ian Bull participated in the Share Incentive Plan (SIP). During 2016, none of the current executive directors participated in the SIP.

Payments to past directors

There were no payments made to past directors in 2016.

Payments for loss of office

As disclosed in last year's Annual Report, Ian Bull left Ladbrokes on 26 February 2016. In 2016, he received £145,815 for loss of office which was paid in five monthly instalments after his departure. This amount equates to the appropriate number of months of base salary, pension and benefits reduced by the £42,500 which he received in advance in 2015 as well as by pre-agreed reduction as he found alternative employment. He also received a £6,000 payment for outplacement counselling services and £11,538 in lieu of accrued untaken holiday as at his leaving date.

He was not entitled to receive any vesting under his 2014 PSP award, however he is entitled to receive any vesting of his 2015 PSP award at the normal vesting date. As detailed in last year's Remuneration report, the Committee at the time disapplied any time pro-ration and will not apply the additional two-year holding period.

Under the rules of the all-employee Share Incentive Plan and the relevant tax legislation, Ian Bull retained his shares due to his good leaver status. This includes 1,757 'bonus' shares (termed free shares under tax legislation), 2,216 'salary shares' (termed partnership shares under legislation) and 246 'dividend shares'.

Directors' remuneration report *continued*

Statement of directors' shareholdings and share interests

Directors' shareholdings and share ownership guidelines

The Company's shareholding guidelines require the Chief Executive Officer and Chief Financial Officer to build up over time a personal shareholding equivalent in value of two times and one and a half times salary respectively. Executives are encouraged to retain vested shares earned under the Company's incentive plans until the shareholding guidelines have been met.

Shares which the executive directors hold outright and/or vested shares under the Company's share plans count towards the requirement. Unvested share awards only count towards the requirement if vesting is not subject to any further performance conditions or other conditions such as continued employment.

Director	Shares owned outright at 31 December 2016 or date of cessation(1)	Interests in share incentive schemes, without performance conditions at 31 December 2016 or date of cessation(2)	Interests in share incentive schemes, subject to performance conditions at 31 December 2016 or date of cessation(3)	Unexercised interests in option schemes, without performance conditions at 31 December 2016 or date of cessation(4)	Shares owned outright at 31 December 2015 or later date of date of appointment(1)	Actual shareholding (% of base salary)
Jim Mullen	120,139(5)	29,543	2,078,487	15,345	37,005	27%
Carl Leaver(6)	11,702,441	–	–	–	–	
Paul Bowtell(6)	1,763,323	–	–	–	–	422%
John Kelly	77,441	–	–	–	58,041	
Mark Clare(7)	50,000	–	–	–	–	
Christine Hodgson	15,000	–	–	–	15,000	
Stevie Spring(7)	–	–	–	–	–	
Mark Pain	50,000	–	–	–	50,000	
Rob Templeman(6)	7,498,252	–	–	–	–	
Previous directors						
Ian Bull(8)	851,548(9)	1,698	546,348	7,672	827,642	
Richard Moross(10)	5,000	–	–	–	5,000	
Sly Bailey(11)	10,000	–	–	–	10,000	
David Martin(11)	55,000	–	–	–	55,000	

(1) Includes partnership shares and dividend shares under the SIP.
(2) This relates to shares awarded under the DBP and bonus shares awarded under the SIP.
(3) This relates to outstanding shares awarded under the PSP.
(4) This relates to outstanding options under the SAYE scheme.
(5) Includes 83,134 shares retained by Jim Mullen following the vesting of an award under the RSP during the year.
(6) Carl Leaver, Paul Bowtell and Rob Templeman were appointed as a director on 1 November 2016.
(7) Mark Clare and Stevie Spring were appointed as directors on 21 September 2016.
(8) Ian Bull ceased to be a director on 26 February 2016.
(9) Includes 23,780 shares retained by Ian Bull following the vesting of an award under the DBP, and 126 partnership shares under the SIP purchased by Ian prior to ceasing to be a director.
(10) Richard Moross ceased to be a director on 5 May 2016.
(11) Sly Bailey and David Martin ceased to be directors on 21 September 2016.

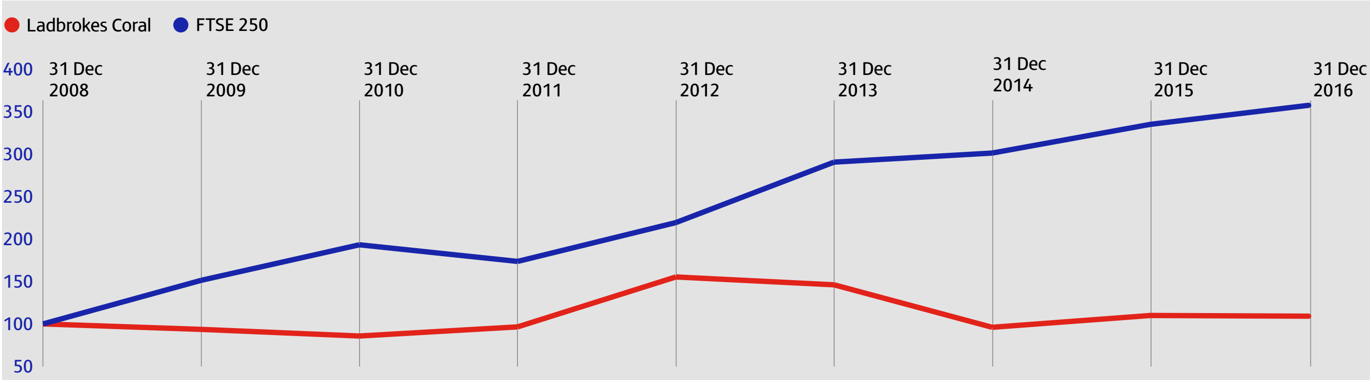
For the purposes of determining executive director shareholdings, the individual's salary at the year end and the three-month average share price to 31 December 2016 has been used. No changes in Director's share interests have occurred between 31 December 2016 and 27 March 2017.

This represents the end of the audited section of the report.

Historical TSR performance and Chief Executive Officer's remuneration outcomes

As the Company is a constituent of the FTSE250, it is considered an appropriate indication of market movements against which to benchmark the Company's performance. The chart below summarises the Company's TSR performance against the FTSE250 index over the eight-year period to 31 December 2016.

Eight year TSR performance



The table below summarises the Chief Executive's single figure for total remuneration, annual bonus pay-outs and long-term incentive vesting levels as a percentage of maximum opportunity over the eight-year period to 31 December 2016.

Director	Chief Executive Officer	2009	2010[1]	2011	2012	2013	2014	2015[2]	2016
Chief Executive Officer single figure of remuneration	Christopher Bell	£0.9m	£0.7m						
	Richard Glynn		£1.0m	£1.2m	£2.5m	£4.7m	£0.7m	£0.2m	
	Jim Mullen							£0.6m	£1.3m
Annual bonus pay out (as a % of maximum opportunity)		0%	76%	50%	50%	0%	0%	15%	69%
Long-term incentive vesting out-turn[3] (includes PSP and LGP opportunity, shown as a % of maximum opportunity)		0%	0%	0%	82%	38%	0%	0%	0%

(1) The above number for Christopher Bell in 2010 reflects his remuneration including in respect of his notice period and excludes any payments associated with his departure. Richard Glynn was appointed as Chief Executive Officer on 22 April 2010 and the above number reflects his remuneration from that time to the year end.

(2) The above number for Richard Glynn in 2015 reflects his remuneration including in respect of his notice period and excludes any payments associated with his departure. Jim Mullen was appointed as Chief Executive Officer on 1 April 2015 and the above number reflects his remuneration from that time to the year end. The annual bonus payout relates to what was paid to Jim Mullen in 2015 as Chief Executive Officer.

(3) Increases in total compensation in 2012 and 2013 have been as a result of increased pay outs under the Company's long-term incentive plans, as a result of meeting the relevant performance targets, e.g. PSP and LGP. Richard Glynn did not receive any changes to salary or cash allowance in lieu of pension from his appointment in April 2010 to his departure in March 2015.

Percentage change in remuneration of the Chief Executive Officer

The table below illustrates the increase in salary, benefits (including cash allowance in lieu of pension) and annual bonus for the Chief Executive Officer and that of a representative group of the Company's colleagues.

For these purposes, we have used all UK-based colleagues as the comparative group, as this represents the most appropriate comparator group for reward purposes for our UK-based Chief Executive Officer.

	% change in base salary 2016 vs. 2015	% change in benefits (including cash allowance in lieu of pension) 2016 vs. 2015	% change in annual bonus 2016 vs. 2015
Chief Executive Officer	4.2%	2.1%	369.2%
All UK-based colleagues	3.8%	(1.6)%	131%

The percentage changes for the Chief Executive Officer have been determined with reference to the aggregate numbers for Jim Mullen and Richard Glynn for 2015 and 2016 (as appropriate) when undertaking Chief Executive Officer's responsibilities.

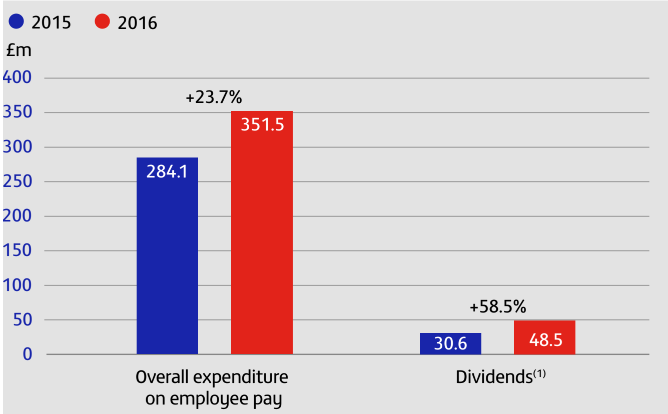
Please see the single figure table for further information. More information about Jim Mullen's pay change on 1 November 2016 is shown on page 79.

Directors' remuneration report *continued*

Relative importance of the spend on pay

The chart below illustrates the current year and prior year overall expenditure on pay and dividends paid.

Relative importance of the spend on pay



The figures presented have been calculated on the following basis:

- Overall expenditure on employee pay – represents total staff costs; and
- Dividends – dividends paid (or declared to be paid) in respect of the year.

(1) Total dividend per share FY2016: 3.0 pence (FY2015: 3.0 pence).

Implementation of the remuneration policy in 2017

This section provides an overview of how the Committee is proposing to implement the remuneration policy in 2017 subject to shareholder approval of the Policy at the 2017 AGM. Carl Leaver is not eligible to receive an award under the 2017 annual bonus or PSP. He will continue to participate in the Synergy Bonus Plan which is detailed on page 69 of this report.

Base salary

In determining salary increases for 2017, the Remuneration Committee took into consideration recency of reviews and determined that there will be no increase for the executive directors.

The table below shows base salaries for 2017:

	Base salary from 1 April 2017
Jim Mullen	£650,000
Paul Bowtell	£535,500
Carl Leaver	£585,000

Benefits

Benefits are generally set at an appropriate market competitive level, taking into account comparable roles within appropriate pay comparators.

There will be no changes to the benefits package received by executive directors in 2017.

Cash allowance in lieu of pension

The executive directors have elected to receive a cash allowance of 22.5% of salary in lieu of pension, and there will be no change to cash allowance levels for 2017.

The table below shows cash allowances for 2017:

	2017 cash allowance in lieu of pension £ (% of salary)
Jim Mullen	£146,250 (22.5%)
Paul Bowtell	£120,488 (22.5%)
Carl Leaver	£109,688 (22.5%)

2017 cash allowance has been calculated taking into account a zero salary increase from 1 April 2017. Carl Leaver's cash allowance is the amount he is expected to receive during his fixed term (to October 2017).

Please note that the executive directors do not have a prospective right to defined benefit pension arrangements.

Annual bonus

The maximum annual bonus opportunity will remain at 170% of base salary for the Chief Executive Officer and 130% for the Chief Financial Officer in 2017.

The table below provides further information on the performance measures against which performance will be measured:

Relative weighting (% of maximum bonus opportunity)	
Financial – PBIT(1)	80%
Strategic measures	20%

(1) Profit Before Interest and Tax, net finance expense and non-trading items.

Profit is the key financial measure for Ladbrokes. The strategic measures element of the bonus remains subject to a profit underpin.

The annual bonus targets are considered commercially sensitive, because of the direct link between the selected performance measures and strategy. However, in next year's Annual Report, we commit to providing shareholders with as much context as reasonable, on performance against those targets and the resulting bonus out-turn rationale, within commercial constraints.

PSP

It is anticipated that Jim Mullen will receive a 2017 PSP award of 200% of his salary, while Paul Bowtell will receive a 2017 PSP award of 150% of salary.

The Committee reviewed the performance conditions and decided for the 2017 PSP to simplify the EPS condition by using point-to-point EPS growth and make the TSR outperformance condition more robust with the benchmark being based on a sector peer group and the FTSE101-200. Performance for these awards will be measured over three financial years from 1 January 2017 to 31 December 2019. The performance conditions are as follows:

25% of the award will be based on point-to-point EPS growth

EPS performance	Percentage of award vesting
Less than 5% p.a.	0%
5% p.a.	25%
12% p.a.	100%

Straight line vesting operates between EPS performance of 5% p.a. and 12% p.a.

25% of the award will be based on TSR outperformance of a benchmark based 50% on the median TSR of sector peers and 50% on the median TSR of the FTSE101-200

TSR % outperformance of sector comparators	Percentage of award vesting
Less than benchmark	0%
Benchmark	25%
Benchmark + 10% p.a.	100%

Straight line vesting operates between TSR equal to benchmark and benchmark + 10% p.a.

The sector peers for the 2017 award are set out below:

888 Holdings	Playtech
GVC Holdings	Rank
Paddy Power Betfair	William Hill

In an event of a takeover of one or more of these peers during the performance period, the Remuneration Committee will decide how the peer will be treated including whether to replace with another company for the entire performance period.

25% of the award will be based on Net Debt to EBITDA Ratio

Net Debt to EBITDA Ratio	Percentage of award vesting
More than 1.5	0%
1.5	25%
1	100%

Straight line vesting operates between Net Debt to EBITDA ratio of 1.5 and 1.

25% of the award will be based on responsible gambling measures

Responsible gambling targets will continue to be set, and independently assessed, by the Social Responsibility Committee through a set of KPIs with targets set to be achieved by FY2019. These KPIs will reflect regulatory and voluntary sector-level changes as well as Ladbrokes Coral's own initiatives.

As these targets are commercially sensitive, the Remuneration Committee and the Social Responsibility Committee intend to disclose targets and the performance level only at the end of the performance period. As with all measures under the 2017 PSP, threshold performance will result in 25% of this element of the PSP vesting.

Non-executive director remuneration

The table below shows the non-executive director fee structure as at 1 January 2017.

	2017 fees
Chairman (inclusive of Board member fee and £20,000 payment)*	£320,000
Senior independent non-executive director	£90,000
Board member	£65,000
Additional fee for chairmanship of Audit, Remuneration or Social Responsibility Committee†	£15,000
Additional fee for membership of the Audit, Remuneration or Social Responsibility Committee†	£5,000

* To meet costs associated with his role as the primary liaison with the major shareholders.
† Not payable to the Chairman or Senior Independent Director.

There are no additional fees for membership of the Nomination Committee.

Other

External appointments

The Company recognises the benefits of executive directors taking on external appointments as non-executive directors, subject to the limitations set out in the Policy Report and to Committee approval.

Paul Bowtell is currently a non-executive director of Capita Plc and receives an annual fee of £64,500 and is Non-Executive Chairman of Alua Hotels for which he receives an annual fee of £80,000, and Carl Leaver joined the board of Carluccio's Ltd as non-executive Chairman in September 2016 and receives an annual fee of £80,000. The Company has agreed that Paul and Carl can retain their fees.

Ian Bull is a non-executive director of St Modwen Properties PLC. For the period from 1 January until 26 February 2016, Ian received fees of £8,753 which he was allowed to retain.

Consideration by the Committee of matters relating to directors' remuneration

The Ladbrokes Coral Board entrusts the Committee with the responsibility for the remuneration policy in respect of executive directors and senior executives and ensuring its ongoing appropriateness and relevance. In setting the remuneration for these groups, the Committee takes into account the pay and conditions of the wider workforce as a matter of course.

Details of the number of Committee meetings held during the year and the attendance of Committee members is shown below:

Directors as at 31 December 2016	Number of meetings eligible to attend	Number of meetings attended
Stevie Spring	3	3
Mark Clare(1)	3	1
Christine Hodgson(1)	9	7
John Kelly	9	9
Mark Pain	3	3
Former members		
Sly Bailey(1)	6	4
David Martin	6	6
Richard Moross	3	3

(1) Mark Clare, Christine Hodgson and Sly Bailey were each unable to attend two Committee meetings due to prior business commitments.

The members of the Committee that served during the year were:

Directors as at 31 December 2016	Appointment date	Committee role
Stevie Spring	21 September 2016	Chair
Mark Clare	21 September 2016	Member
Christine Hodgson	15 January 2013	Member
John Kelly	3 December 2015	Member
Mark Pain	21 September 2016	Member
Former members		
Sly Bailey(1)	14 May 2010	Member
David Martin(1)	5 December 2013	Chair
Richard Moross(2)	15 January 2013	Member

(1) Ceased to be a member/Chair of the Committee on 21 September 2016.
(2) Ceased to be a member of the Committee on 5 May 2016.

Directors' remuneration report *continued*

The Chief Executive Officer, the Group HR Director and the senior reward lead attend Committee meetings by invitation, other than when their personal remuneration is being discussed. The Company Secretary acted as secretary to the Committee.

During the year, the Committee received independent advice on executive remuneration matters from Kepler, a brand of Mercer which is part of the MMC group of companies (Kepler). Kepler are the appointed advisers to the Remuneration Committee since 2014 following a competitive retender and have been retained in 2016. Services provided by Kepler included advice on remuneration packages for executives, updates on corporate governance trends and drafting the Director's remuneration report, as well as other ad hoc advice related to remuneration. Kepler's fees are charged at an hourly rate. The fees paid to Kepler in relation to advice provided to Committee for 2016 were £85,455.

Deloitte LLP also provided the Company with a TSR monitoring update and received £1,750 for their services in 2016. Deloitte LLP also provides the Company with internal audit and miscellaneous tax and consulting services.

Kepler and Deloitte LLP are signatories to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consultants Group's website at www.remunerationconsultantsgroup.com.

Mercer provides advice to pension trustees in Ireland for Ladbrokes' pensions and advice to the trustees of Coral's UK pension funds. However, the Committee is satisfied that neither Kepler as a part of Mercer or Deloitte LLP in providing remuneration advice to the Remuneration Committee, had any connection that impaired its independence.

Shareholder voting

The table below outlines the result of the votes on the 2015 Directors' remuneration report at the 2016 AGM:

AGM date		Number of votes cast	For	Against	Withheld
2016	Annual Report on Remuneration	655,538,678	379,672,923 (57.92%)	275,865,755 (42.08%)	48,878,365

The Remuneration Policy Report was last approved at the 2014 AGM where it received a 98.0% 'for' vote.

The Board notes the vote in respect of the Directors' remuneration report and understands that it reflects shareholder concern expressed over the disapplication of time pro-ration on Ian Bull's 2015 PSP award. The Board was very aware of shareholder observations and these played a key part in the Board's thinking as remuneration was considered for the business going forward and the merger with Gala Coral.

Shareholder input into Remuneration Policy for the new company, following the merger with Gala Coral, has been much appreciated and is reflected in this report.

On behalf of the Board

Stevie Spring
Chair of the Remuneration Committee

27 March 2017

Directors' report

The directors present their Annual Report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

The Corporate Governance reports on pages 44 to 86 are deemed to be incorporated into this Directors' report (the 'Report') by reference. Details of the likely future developments of the business are described in the Strategic report on pages 1 to 43. The Strategic report, Directors' report and other sections from the Annual Report which are incorporated by reference, collectively comprise the 'Management Report' for the purposes of DTR 4.1.5.

Change of name

In anticipation of the merger with certain businesses of Gala Coral which completed on 1 November 2016, the Company changed its name from Ladbrokes plc to Ladbrokes Coral Group plc on 31 October 2016.

Directors

Details of the directors of the Company at the date of this Report are shown on pages 6 and 7. Ian Bull served as a director until 26 February 2016, Richard Moross served as a director until 5 May 2016 and Sly Bailey and David Martin served as directors until 21 September 2016.

Details of the directors' service contracts, their share interests and other details of their remuneration by the Company are contained in the Directors' remuneration report.

The Chairman and the non-executive directors are appointed, subject to re-appointment, for a specified term of approximately three years, renewable by one additional period of three years and renewable thereafter at the discretion of the Company.

The Board has in place an established procedure for managing, and where appropriate approving, any conflicts of interest

Appointment and replacement of directors

Directors are appointed to, or removed from, the Board according to the provisions contained in the Company's Articles of Association (the 'Articles') and the requirements of the Companies Act 2006. A copy of the Articles is available to view on the Company's website at www.ladbrokescoralplc.com/investors.

In accordance with the provisions of the UK Corporate Governance Code, all directors will stand for appointment or re-appointment at the 2016 Annual General Meeting.

Directors' indemnities and insurance

Each of the directors has been provided with a qualifying third-party indemnity from the Company which remain in force at the date of the Report. The Company also maintains directors' and officers' liability insurance.

Articles of Association

The Company's Articles may be amended by the members of the Company by special resolution (requiring a majority of at least 75% of the persons voting on the relevant resolution).

Annual General Meeting

This year's Annual General Meeting will be held at Etc.Venues St Paul's, 200 Aldersgate, London EC1A 4HD on 4 May 2017 at 11.00am.

Dividends

The directors recommend the payment of a final dividend of 2.0 pence per ordinary share, making the total of 3.0 pence per share for the year. Subject to approval by shareholders at the Annual General Meeting, the final dividend is expected to be paid on 18 May 2017 to shareholders on the register on 7 April 2017.

Listing Rule 9.8.4

The Trustee of the Ladbrokes Coral Share Ownership Trust, which is used in connection with certain of the Company's employee share ownership plans, waives dividends on shares in the Trust not allocated to plan members. There are no other items that are required to be disclosed under Listing Rule 9.8.4.

Share capital

At 27 March 2017, the Company had been notified, in accordance with the FCA's Disclosure Guidance and Transparency Rules, of the following holdings of voting rights attaching to the Company's shares:

	Number of Shares	% of issued share capital
Apollo Global Management, LLC	185,409,503	9.69
Anchorage Capital Group, LLC	153,444,074	8.02
Promontoria Holding 196 B.V.	131,554,318	6.87
Playtech plc	127,763,501	6.67
FIL Limited	96,399,249	5.03
UBS Group AG	51,028,972	5.01
The Capital Group Companies, Inc.	91,772,700	4.79
Old Mutual plc	64,617,746	3.43

The interest disclosed above from UBS Group AG, was disclosed to the Company prior to the allotment of shares in relation to the merger.

Directors' report *continued*

Further details in respect of the share capital are shown in note 29 to the consolidated financial statements which forms part of the Report. Rights attributable to the Company's ordinary shares are as set out in the Articles and in applicable company law. Holders of the Company's ordinary shares have the right to attend, speak and vote (either in person or by proxy) at a general meeting of the Company and the right to participate in any distribution of the Company which includes, but is not limited to, dividends.

The Company operates a number of employee share plans which are detailed in note 31. The voting rights of shares held in trust for share plan participants, as beneficial holders, are exercised at the direction of the participant.

Directors' authority to issue and purchase shares

At the Annual General Meeting ('AGM') held on 5 May 2016, the directors were authorised to allot ordinary shares up to a nominal value of £96,181,163 and were further authorised to make market purchases of up to 101,838,891 of the Company's ordinary shares. At a General Meeting held on 24 November 2015, the directors were authorised to allot ordinary shares up to an aggregate nominal value of £246,480,908 in connection with the merger with certain businesses of Gala Coral.

During the year, 896,196,404 ordinary shares were allotted, of which 895,693,209 were in relation to the merger with Gala Coral, and no purchases of shares were made by the Company. Further details of shares allotted during the year are shown in note 29 to the consolidated financial statements.

To the extent the authorities granted by shareholders at the AGM are unused, they remain in effect until the earlier of the Annual General Meeting in 2017 or 30 June 2017.

Political donations

It is the Company's policy not to make what are commonly regarded as donations to political parties and it is not intended to change that policy. The Companies Act 2006 (the 'Act') includes very broad definitions of political donations and expenditure which may have the effect of covering a number of normal business activities that would not commonly be thought to be donations to political parties. These could include support for bodies engaged in law reform or government policy review, involvement in seminars and functions that may be attended by politicians and job exchanges between industry and government.

At the AGM held on 5 May 2016, the Company and its subsidiaries were authorised to make political donations not exceeding £50,000 in total. No political donations were made during the year (2015: £nil).

To avoid any possibility of inadvertently contravening the Act, authority will again be sought at the AGM to be held on 4 May 2017 to authorise the Company and its subsidiaries to make political donations.

Corporate responsibility

The 2016 Corporate Responsibility ('CR') report is available at www.ladbrokescoralplc.com and should be considered in conjunction with the highlights disclosed on pages 60 to 63 following the Social Responsibility Committee report.

The processes described in the section 'Financial reporting, internal control and risk management systems' on pages 48 and 49 applied to CR (including human rights issues as appropriate), as did the practices described on page 46 for ensuring the Board is supplied with appropriate and timely information and training and for assisting the directors to update their knowledge. In addition to regular business presentations made to the Board at which CR was considered as appropriate, the Board conducts an annual CR review and Board members regularly receive CR updates. CR performance is included in business unit accountability systems and remuneration arrangements. The Remuneration Committee, in determining executive remuneration, takes into account CR matters as described in the Directors' remuneration report.

The identification and management of CR issues, the CR reporting framework and any associated data has been reviewed by the Company's CR adviser, Carnstone Partners LLP.

Details of the Group's disclosure of its greenhouse gas emissions are set out in the Social and Corporate Responsibility report on page 63.

Colleague policies

The Board values two-way communication between senior management and colleagues on all aspects of the Company's strategy, Company performance, management effectiveness and approach to wellbeing.

There is a rolling three-year internal communications strategy and delivery plan which includes interventions such as regular management roadshows, virtual strategy briefings, visits to operating units, responses to the regular colleague opinion survey and updates on performance.

The internal communications channels include a mobile device platform, face-to-face events, a corporate intranet, phone broadcasting, SMS alerts, a Company magazine, leadership and line manager briefing packs.

The UK Retail Colleague Forum, which was launched in 2012 as an evolution of our Staff Council, provides a further mechanism for employee dialogue and engagement.

In addition, those colleagues who are eligible are also encouraged to become involved in the Group's performance through participation in share schemes. Retail colleagues also have the opportunity to raise issues with the senior management team by submitting emails for consideration to our 'speak up' mailbox, or by calling on one of our 'speak up' days.

Throughout the Group, the principles of equal opportunities are recognised in the formulation and development of employment policies.

It is the Company's policy to give full and fair consideration to applications from people with disabilities, having regard to their particular aptitudes and abilities. If a colleague becomes disabled, the Company's objective is the continued provision of suitable employment, either in the same or an alternative position, with appropriate adjustments being made if necessary. Colleagues with disabilities share equally in the opportunities for training, career development and promotion.

Significant agreements

The agreements between Ladbrokes Group Finance plc ('LGF') a wholly-owned subsidiary of the Company, and 10 separate banks for the provision by the banks of revolving credit and term facilities of up to £851 million on a committed basis provide that the banks may give notice of cancellation if a change of control occurs. On cancellation, the amounts drawn would be immediately repayable. In the context of a takeover bid, the acquirer would normally arrange substitute facilities. In addition, LGF issued bonds in March 2010, June 2014 and November 2016. The bonds have a 'Put Event' that allows bondholders to exercise put options when a change of control occurs. The put options allow the bondholders to require LGF to purchase the bonds at a price of 101 pence.

Nevada regulator

Shareholders of Ladbrokes Coral are subject to regulation by the Nevada State Gaming Control Board and the Nevada Gaming Commission as a result of the Company's ownership of licensed subsidiaries in Nevada, USA and the Company's registration as a publicly-traded company operating in Nevada. Information regarding Nevada gaming regulatory requirements is available at www.ladbrokescoralplc.com/investors.

Financial risk management

A description of the Group's financial risk management objectives and policies and its exposure to price, credit liquidity and cash flow risk is contained in note 26 to the consolidated financial statements and forms part of the Report.

Auditor and disclosure of information to the auditor

Each of the directors in office as of the date of approval of the Report confirms that, so far as he or she is aware, there is no relevant audit information (being information needed by the auditor in connection with preparing its report) of which the auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

Having assessed the financial forecasts of the business, the principal risks and other matters discussed in the connection with the viability statement on page 41, 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.

The Directors' report and the Strategic report were approved by the Board and have been signed on its behalf by the Company Secretary.

By order of the Board.

Geoff Mason
Company Secretary
27 March 2017

Ladbrokes Coral Group plc
Registered Number 566221

5th Floor, The Zig Zag Building
70 Victoria Street
London
SW1E 6SQ

Consolidated financial statements contents

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgements and accounting estimates that are reasonable and prudent;
– state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively; and
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in pages 6 and 7 of this Annual Report confirm that, to the best of their knowledge:

– the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
– the Strategic report and Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Each director in office at the date the Directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Jim Mullen
Paul Bowtell
Directors

Independent auditors' report to the members of Ladbrokes Coral Group plc

Report on the financial statements

Our opinion

In our opinion:

- Ladbrokes Coral Group plc's (formerly Ladbrokes plc) group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and accounts (the "Annual Report"), comprise:

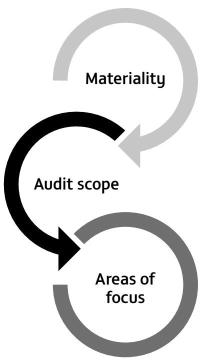
- the consolidated balance sheet as at 31 December 2016;
- the company balance sheet as at 31 December 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the company financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview



- Overall group materiality: £4.7 million which represents 5% of average profit before tax and non-trading items of Ladbrokes over a three year period, with additional consideration for the post-acquisition results arising from the 1 November 2016 Coral Group acquisition.

- We conducted full scope audits at six reporting units: Ladbrokes UK Retail, Ladbrokes UK Digital, Coral, Australia and two reporting units included within Corporate costs.
- Our audit scope addressed 83% of the Group's revenue and 74% of its profit before tax and non-trading items.

- Acquisition of Coral Group.
- Retail licence intangible assets and PPE.
- Revenue recognition.
- Compliance with laws and regulations given the developing nature of the digital gaming sector.
- Recognition and disclosure of deferred tax assets and liabilities.
- Nature and presentation of non-trading items.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Acquisition of Coral Group Refer to page 51 (Audit Committee report), note 30 of the financial statements and note 4 for the directors' disclosures of the related accounting policies, judgements and estimates for further information. On 1 November 2016 the Group acquired GC Group (Jersey) Limited ("Coral Group") for consideration of £1.17 billion, satisfied entirely through the issue of shares. Accounting for the acquisition required a fair value exercise to assess the assets and liabilities acquired, including valuing any separately identifiable intangible assets and the resulting goodwill. As a condition of the acquisition, the Group was required to dispose of 360 licenced betting offices (LBOs). Management identified and quantified the fair values of identified intangibles assets, with the assistance of an external expert. Management identified £1,275 million of intangible assets in respect of trade names, customer relationships, premises licences, franchisee agreements and software technology. The valuation of these intangible assets involves significant judgement as it required management's use of assumptions including revenue growth, theoretical royalty rates used to value trade names, customer churn rates and the application of a discount rate that is reflective of the risks of the business. We focused on this matter due to the significance of management assumptions and judgements exercised. The identification and valuation of intangible assets can be a particularly subjective process. Any difference to these assumptions could cause a material misstatement. The residual goodwill arising from this acquisition amounted to £913 million.	**Net assets (excluding acquired intangible assets) and consideration** – We obtained the acquisition agreement and read it to understand the substance of the transaction, including the consideration and the assets and liabilities acquired. – We reviewed management's assessment of the fair value of the assets and liabilities and audited the adjustments that were made as a result of this assessment to record assets and liabilities at fair value. We concluded that appropriate adjustments had been made to reflect fair value or to align accounting policies. Specifically we agreed the fair value of divested shops, recognised as held for sale on the acquired balance sheet, to the sale agreement. **Recognition and measurement of Intangible assets** We assessed the completeness and quantum of intangible assets identified by management against our own expectations formed from our knowledge and experience of the industry and the Coral Group, and from the disclosures surrounding the rationale for the transaction. We determined that the analysis prepared by management was appropriate based on our understanding of the Coral Group's particular circumstances and our knowledge and experience of the industry. We assessed the fair value of those intangible assets determined by management's external expert, utilising our own valuation specialists. In this process, we evaluated the professional competence and objectivity of that expert and performed the following: – We challenged management on the completeness of the identified intangible assets; – We audited the methodology, underlying assumptions and mechanical accuracy of valuation models for each of the significant acquired intangible assets and consideration paid; – We assessed the appropriateness of the cash flow projections that underpinned each of these valuations, by comparing to Coral management budgets, historical cash flows and understanding the reasons for the growth profile of projections; – We carried out an independent assessment of key assumptions such as royalty rates and agreed the customer churn rates used in the valuation of customer relationships to management's historical experience; – We evaluated the useful economic lives assigned to the intangible assets by reference to the assumptions used in the valuation (including discount rate, growth rate, useful economic lives), industry comparisons and our own expectations; We then considered the amount of residual goodwill in proportion to the total consideration and the fair value of the other assets acquired. From our procedures above, we did not find any significant differences in the identified intangibles and the arising values recognised in the financial statements. As a result of our work, we determined that the acquisition of Coral has been appropriately disclosed in note 30 to the group financial statements.

Independent auditors' report to the members of Ladbrokes Coral Group plc *continued*

Area of focus	How our audit addressed the area of focus
Retail licence intangible assets and PPE At 31 December 2016 Retail licence intangible assets amounted to £291.6 million and predominantly related to the Ladbrokes business. At 31 December 2016 the Group performed an impairment assessment for the Ladbrokes Retail (UK and Ireland) cash generating units and indefinite lived licences. As disclosed in note 14 this resulted in an impairment charge of £91.4 million, in part resulting from a change in the Group's methodology for assessing such impairments, including no longer to group shops operating close together where judgement had previously been exercised that their cash flows were not entirely independent and to increase the allocation of direct costs and assets in the impairment exercise to a more fully absorbed basis rather than marginal contribution basis. In addition the Group decided to change from an indefinite life basis of accounting to a prospective 15 year life for Retail licences. Given the extent of judgement (over the methodology used and the assumptions within the forecasts in the impairment evaluation and the estimated life) our focus was on the key assumptions, and on evaluating whether the basis being adopted at 31 December 2016 was more appropriate than the previous basis both in light of current market and regulatory conditions and the Group's Retail strategy in response to these conditions.	We agreed the forecasts used in the impairment calculation to the latest Board approved plans. We evaluated the assumptions in these forecasts and plans and considered the evidence in support of them, principally in relation to historical trends and actual performance in 2016. This included considering trends in staking, gross win and margins and to the operating cost base of the retail estate. Our work did not highlight any material issues. We considered whether the changes in assumptions and methodology in the impairment calculation were to more appropriate bases. We found conducting an impairment assessment on a shop by shop basis to be more consistent with overall retail sector practice and consistent with the way the Group intends to evaluate performance within its retail estate. We found a fuller allocation of direct costs and assets to individual shops and a change to a finite life to be consistent with our own assessment of the longer term market trends affecting retail bookmaking. We considered the basis of support for their adoption of a prospective 15 year life for retail licences and corroborated the reasonableness of this estimate independently.
Revenue recognition We focused on Retail and Digital revenue given its overall significance to the financial statements and the reliance on a number of IT systems and manual reconciliations of cash and customer account balances. Refer to note 5 (Segment information) of the financial statements.	For Retail, the work we performed related to tests to match the population of revenue transactions recorded in the general ledger to cash and to identify and test non-standard transactions and other adjustments. During the audit, we found that certain controls in Ladbrokes' UK Retail business had not operated fully effectively throughout the year and as a result, modified our approach to incorporate additional substantive testing of revenue through to cash. From our work we obtained appropriate evidence in support of the occurrence of revenue recorded in the Retail operations. The approach to Digital revenue was to focus the testing on the movements between opening and closing customer balances and the subsequent revenue recognised by testing three way reconciliations of customer balances, net deposits and withdrawals and net gaming revenue for the year. From our testing we obtained appropriate evidence in support of the occurrence of revenue recorded in the Digital operations.
Compliance with laws and regulations given the developing nature of the digital gaming sector The international legal and licensing framework for digital gaming remains under development. This evolving environment makes compliance an increasingly complex area with the potential for litigation and licence withdrawal from non-compliance with territory specific regulations, responsible gambling and anti-money laundering obligations. Given the potential for litigation, the risk of non-compliance with digital gaming laws and licence regulations could give rise to potentially material fines, penalties or legal claims.	We tested certain controls and risk management processes in operation for material licences. We assessed how management monitor legal and regulatory developments and their assessment of the potential impact on the business. We read the Group's reports on litigation matters. We also read external legal or regulatory advice sought by the Group. Whilst acknowledging that this is a judgemental area, we found that the Group had an appropriate basis of accounting for these matters in the financial statements and were satisfied that appropriate provisions (within litigation and regulatory provisions of £18 million in note 23) had been recorded for potential exposures.

Area of focus	How our audit addressed the area of focus
Recognition and disclosure of deferred tax assets and liabilities Refer to page 51 (Audit Committee Report), note 4 (Summary of significant accounting policies) and note 11 (Income tax expense). As a result of the acquisition of the Coral business during the period, the Group has recognised deferred tax liabilities of £211.7 million, mostly in respect of intangible assets, and deferred tax assets of £52.1 million, primarily in respect of carried forward losses. We focused on this area given the significant tax balances arising on acquisition and because there is judgement applied in determining the Group's deferred tax assets in relation to tax losses, in terms of both recognition and disclosure.	We examined the basis of calculation for the deferred tax items arising from the Coral acquisition, and considered these to be consistent with the valuation exercise undertaken and the manner in which these positions are expected to reverse. With regard to the recognition of assets arising from carried forward losses we considered the advice received by the Group from its third party advisers to assess the appropriateness of the related amounts and disclosures in the financial statements. We also assessed the supporting evidence for the recognition of additional tax assets including the Group's forecast profits and concluded the amounts recorded in the financial statements are appropriate. Based on our examination of the calculations prepared by management we found that the overall position adopted in the financial statements and the related disclosures in respect of tax were reasonable and appropriate.
Nature and presentation of non-trading items Refer to page 51 (Audit Committee Report), note 2 (Basis of preparation) and note 7 (Non-trading items). The financial statements include certain items which are disclosed as 'non-trading'. These items total to £302.0 million before tax and include impairment losses on retail licences, software, customer relationships and other intangible assets, integration costs, adjustments to contingent consideration, corporate transaction costs, amortisation of acquired intangible assets and indirect tax settlement. We focused on the judgements inherent in such charges and the appropriateness of their disclosure as non-trading in line with the Group's policy for such items.	For a number of items (in particular corporate transaction costs, integration costs and adjustments to contingent consideration (all of which relate to the Coral acquisition), the indirect tax settlement and related interest income and amortisation of acquired intangibles there was little judgement in the quantification of the charge or credit and we tested the amounts on a sample basis to supporting documentation and cash payments or receipts where relevant. For accrued redundancy costs included within integration costs we tested that a sufficiently specific restructuring plan had been communicated to the affected individuals. Our work in respect in respect of retail licence impairment is detailed above. We tested impairment losses relating to software, customer relationships and other intangibles arising from the Coral acquisition to Board approved plans to migrate to common systems and its plans for specific markets subject to impairment. In particular we considered whether there was a risk of overstatement of impairments and evaluated the extent of remaining software assets supporting the Group's ongoing activities. We found that, whilst there was a degree of judgement involved, the impairments were consistent with the Group's plans and were appropriately calculated. We tested the presentation of the non-trading items in the financial statements by assessing whether the classification was in line with the Group's accounting policy on non-trading items set out in note 4 of the financial statements and considering the related disclosures. We found that the Group's accounting policy had been followed, and that the items disclosed as non-trading were appropriate to be disclosed separately with adequate related disclosures.

Independent auditors' report to the members of Ladbrokes Coral Group plc *continued*

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group acquired the Coral Group on 1 November 2016 and consolidated its results for the subsequent two months. As a result there were six reporting units that were in the scope of our audit due to their size and risk characteristics: Coral Group, Ladbrokes UK Retail and UK Digital, Australia and two corporate reporting units. Work in the Coral Group focused on UK Retail, UK Digital, Italy and the corporate office. All work was undertaken by the Group engagement team with the exception of Australia and Coral Group, where we engaged component audit teams. Where work was performed by component auditors we determined the level of involvement we needed at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. This included detailed planning discussions, participation in clearance meetings with management and review of component work papers. In the planning discussions with the Coral component auditors and management we discussed the scope of their planned work and risk assessment in light of our knowledge and experience of the sector and the Coral businesses. The Group consolidation and a number of other areas were audited centrally. This included tax, share-based payments and pensions.

Our audit scope addressed 83% of the Group's revenue and 74% of its profit before tax and non-trading items.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£4.7 million (2015: £4.7 million).
How we determined it	5% of average profit before tax and non-trading items of Ladbrokes over a three year period, with additional consideration for the post-acquisition results arising from the 1 November 2016 Coral Group acquisition.
Rationale for benchmark applied	We applied this benchmark because, in our view, this is the metric against which the performance of the Group is most commonly measured and because in our view this is the most relevant measure of recurring performance. We used a three year average reflecting a period of more significant marketing expenditure relating to growing the digital business which impacts profitability in the short term.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £250,000 (2016: £250,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 89, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
– the statement given by the directors on page 91, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
– the section of the Annual Report on page 52, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

Independent auditors' report to the members of Ladbrokes Coral Group plc *continued*

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

– the directors' confirmation on page 37 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
– the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
– the directors' explanation on page 41 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 91, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 March 2017

Consolidated income statement

For the year ended 31 December	Notes	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	5	**1,507.9**	**–**	**1,507.9**	1,195.5	–	1,195.5
Cost of sales	8	**(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	7,8	**(961.2)**	**(323.6)**	**(1,284.8)**	(792.3)	(104.5)	(896.8)
Group operating profit/(loss) before share of results from joint venture and associates		**115.1**	**(323.6)**	**(208.5)**	81.8	(104.5)	(22.7)
Share of results from joint venture and associates	18,19	**6.1**	**–**	**6.1**	4.0	–	4.0
Group operating profit/(loss)	8	**121.2**	**(323.6)**	**(202.4)**	85.8	(104.5)	(18.7)
Finance expense	9	**(33.6)**	**(5.9)**	**(39.5)**	(28.2)	(0.1)	(28.3)
Finance income	9	**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	**(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	6	**–**	**–**	**–**	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	13	**6.6p**	**–**	**(17.5)p**	9.6p	–	0.2p
– from discontinuing operations	13	**–**	**–**	**–**	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	13	**6.5p**	**–**	**(17.5)p**	9.6p	–	0.2p
– from discontinuing operations	13	**–**	**–**	**–**	0.3p	–	0.3p
From profit/(loss) for the year		**6.5p**	**–**	**(17.5)p**	9.9p	–	0.5p
Proposed dividends	12	**2.0p**	**–**	**2.0p**	2.0p	–	2.0p

Memo

		2016 Trading items £m	2016 Non-trading items £m	2016 Total £m	2015 Trading items £m	2015 Non-trading items £m	2015 Total £m
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 set out in notes 4 and 7, 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.

The notes on pages 105 to 148 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

For the year ended 31 December	Notes	£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	33	**(0.9)**		3.2	
Tax on remeasurement of defined benefit pension scheme		**(2.5)**		(0.6)	
Share of other comprehensive expense of associates and joint ventures accounted for using the equity method	18,19	**(0.2)**		(0.6)	
Total items that will not be reclassified to profit or loss			**(3.6)**		2.0
Other comprehensive 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:					
Continuing operations			**(204.5)**		(1.8)
Discontinued operations			**–**		3.1
Non-controlling interests:					
Continuing operations			**–**		–
Discontinued operations			**–**		–

The notes on pages 105 to 148 are an integral part of these consolidated financial statements

Consolidated balance sheet

At 31 December	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Goodwill	14	**1,070.4**	157.2
Intangible assets	14	**1,592.9**	517.1
Property, plant and equipment	16	**228.3**	177.9
Interest in joint venture	18	**15.3**	11.5
Interest in associates and other investments	19	**26.1**	21.3
Other financial assets		**1.6**	11.4
Deferred tax assets	11	**8.4**	0.7
Retirement benefit asset	33	**131.7**	76.3
		3,074.7	973.4
Current assets			
Trade and other receivables	20	**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	21	**146.2**	68.4
		283.1	169.2
Assets of disposal group classified as assets held for sale	17	**34.6**	–
Total assets		**3,392.4**	1,142.6
Liabilities			
Current liabilities			
Bank overdraft	21	**(1.7)**	–
Interest bearing loans and borrowings	24	**(399.4)**	–
Trade and other payables	22	**(503.8)**	(237.1)
Corporation tax liabilities		**(12.1)**	(4.2)
Other financial liabilities	27	**(14.1)**	(5.3)
Lease liabilities	25	**(2.6)**	(4.9)
Provisions	23	**(36.1)**	(9.2)
		(969.8)	(260.7)
Non-current liabilities			
Interest bearing loans and borrowings	24	**(749.6)**	(323.1)
Other financial liabilities	27	**(38.2)**	(35.6)
Deferred tax liabilities	11	**(184.2)**	(52.7)
Lease liabilities	25	**(2.0)**	(4.4)
Provisions	23	**(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	29	**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

The financial statements on pages 100 to 148 were approved by the Board of Directors on 27 March 2017 and signed on its behalf by

Jim Mullen
Paul Bowtell
Directors

The notes on pages 105 to 148 are an integral part of these consolidated financial statements.

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)**
Vesting of shares held in ESOP	**–**	**–**	**–**	**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.

The notes on pages 105 to 148 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

For the year ended 31 December	Notes	2016 £m	2015 £m
Net cash flows from operating activities	32	**194.2**	136.2
Cash flows from investing activities:			
Interest received		**0.9**	0.1
Dividends received from associates	19	**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	18,19	**(1.5)**	(2.8)
Net cash generated from/(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	12	**(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	21	**144.5**	68.4

As set out in note 30, the Group acquired GC Group (Jersey) Limited (the Coral Group) on 1 November 2016 through an all share merger. This constituted a material non-cash transaction.

The notes on pages 105 to 148 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

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 on the London Stock Exchange. The address of its registered office and principal place of business is disclosed in the corporate information section of the Annual Report.

The consolidated financial statements of the Company and its subsidiaries (together, '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.

The nature of the Group's operations and its principal activities are set out in note 5.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRS IC) pronouncements as adopted for use in the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. The accounting policies set out in this section as detailed have been applied consistently year on year.

The Group financial statements are prepared under the historical cost convention unless otherwise stated. The statements are also prepared on a going concern basis.

The consolidated financial statements are presented in Pounds Sterling (£), which is the Group's functional and presentational currency. All values are in millions (£m) rounded to one decimal place except where otherwise indicated.

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 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 7.

3. 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.

4. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group at 31 December each year. The underlying financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee.

All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries are consolidated, using the acquisition method of accounting, from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred from the Group.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at fair value at the date of acquisition. Any excess of the cost of acquisition over the fair values of the separately identifiable net assets acquired is recognised as goodwill. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Critical accounting estimates and judgements

The preparation of financial information requires the use of assumptions, estimates and judgements about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the accounting policies where judgement is necessarily applied are those that relate to: the measurement and impairment of goodwill and indefinite life intangible assets; the measurement and accounting for business combinations; the measurement of pension and other post-employment benefit obligations; income tax and the valuation of financial guarantee contracts. The estimates and underlying assumptions are reviewed on an ongoing basis.

Notes to the consolidated financial statements *continued*

4. Summary of significant accounting policies continued

Critical accounting estimates and judgements continued
Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Further information about key assumptions concerning the future and other key sources of estimation uncertainty are set out below.

Indefinite life assets and impairment
The Group determines whether goodwill and other indefinite life assets, including licences, are impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash generating units to which the goodwill and intangible assets are allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from each cash generating unit and to discount cash flows at a suitable discount rate in order to calculate the present value of those cash flows. Further details of the judgements taken and the impairments recorded in 2016 are given in notes 14 and 15.

Useful economic life of Retail licences
During 2016 the Group reassessed the useful economic life of Retail licences in light of the continued decline in OTC stakes and regulatory pressures on FOBTs and revised the estimate to 15 years rather than the indefinite life adopted in 2015. This change has been made prospectively from 1 November 2016. During 2016 £4.3 million of amortisation on licences was charged to the income statement within non-trading items, the charge for 2017 is expected to be £32.3 million.

Business combinations
The Group applies judgement in determining whether a transaction is a business combination, which includes consideration as to whether the Group has acquired a business or a group of assets.

For business combinations, the Group estimates the fair value of the consideration transferred, which can include assumptions about the future business performance of the business acquired and an appropriate discount rate to determine the fair value of any contingent consideration. Judgement is also applied in determining whether any future payments should be classified as contingent consideration or as remuneration for future services.

The Group then estimates the fair value of assets acquired and liabilities assumed in the business combination, including any separately identifiable intangible assets. These estimates also require inputs and assumptions including future earnings, customer attrition rates and discount rates. The Group engages external experts to support the valuation process, where appropriate.

The fair value of contingent consideration recognised in business combinations is reassessed at each reporting date, using updated inputs and assumptions based on the latest financial forecasts for the relevant business. Judgement is applied as to whether changes should be applied at the acquisition date or as post-acquisition changes. Further details of these judgements are given in notes 27 and 30. Fair value movements and the unwinding of the discounting is recognised within operating expenses.

Pension and other post-employment benefit obligations
The cost of defined benefit pension plans and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 33.

Income tax
The Group is subject to tax in a number of jurisdictions.

Significant judgement is required in determining the provision for income taxes due to uncertainty of the amount of income tax that may be payable, and in respect of determining the level of the future taxable profits of the Group that support the recognition and recoverability of deferred tax assets. Further details are given in note 11.

Provisions in relation to uncertain tax positions are established on an individual rather than portfolio basis, considering whether, in each circumstance, the Group considers it more likely than not that the uncertainty will crystallise.

Financial guarantee contracts
The valuation of financial guarantee contracts and related indemnities requires use of assumptions of the risks of default of the guaranteed entities and the credit profiles of the counterparties. Further details are given in note 27.

A summary of other accounting policies is shown below:

Investments in joint ventures
A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other ventures under a contractual agreement.

Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. In assessing this joint control no significant judgements have been necessary.

The Group's share of results of joint ventures is included in the Group consolidated income statement using the equity method of accounting. Investments in joint ventures are carried in the Group consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity less any impairment in value. The carrying value of investments in joint ventures includes acquired goodwill.

If the Group's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture. Further details are given in note 18.

4. Summary of significant accounting policies continued

Investments in associates

Associates are those businesses in which the Group has a long-term interest and is able to exercise significant influence over the financial and operational policies but does not have control or joint control over those policies.

The Group's share of results of associates is included in the Group's consolidated income statement using the equity method of accounting. Investments in associates are carried in the Group's consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity less any impairment in value. The carrying value of investments in associates includes acquired goodwill. Further details are given in note 19.

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 licences have a 15 year useful economic life rather than an indefinite life (see note 15) with the exception of Italian licences which have a pre-determined life. This change will affect the current reporting period and future reporting periods.

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

	Licences	Software	Customer relationships	Brand	Domain names
Method used	9-15 years	2-5 years straight line	1-15.5 years straight line	3-15 years or not depreciated or revalued	10 years straight line
Internally generated or acquired	acquired	acquired and internally generated	acquired	acquired	acquired
Impairment testing/ recoverable amount testing	where an indicator of impairment exists	useful lives reviewed at each financial year end or where an indicator of impairment exists	where an indicator of impairment exists	Annually and where an indicator of impairment exists	where an indicator of impairment exists

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.

Property, plant and equipment

Land is stated at cost less any impairment in value. Buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated using the straight line method to allocate the cost of each asset to its residual value over its useful economic life as follows:

Buildings – 50 years or estimated useful life of the building, or lease, whichever is less, to estimated residual value.

Fixtures, fittings and equipment – four to 10 years as considered appropriate to write down cost to estimated residual value.

The carrying values of plant and equipment are reviewed for impairment where an indicator of impairment exists as to whether there are events or changes in circumstances indicating that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Notes to the consolidated financial statements *continued*

4. Summary of significant accounting policies continued

Property, plant and equipment continued
The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the consolidated income statement.

An item of property, plant and equipment is derecognised upon 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.

Leases
Leases that transfer to the Group substantially all the risks and rewards associated with ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the benefits and risks of ownership of the asset are classified as operating leases. Operating lease payments, other than contingent rentals, are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

Recoverable amount of non-current assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Inventories
Inventories are valued at the lower of cost and net realisable value.

Cash and cash equivalents
Cash and cash equivalents consist of cash at bank and in hand, short-term deposits with an original maturity of less than three months (and customer balances).

Financial assets
Financial assets are recognised when the Group becomes party to the contracts that give rise to them.

The Group classifies financial assets at inception as loans and receivables, financial assets at fair value through profit or loss or available-for-sale financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value net of transaction costs.

Trade receivables are generally accounted for at amortised cost. The Group reviews indicators of impairment on an ongoing basis and where such indicators exist, the Group makes an estimate of the asset's recoverable amount. If an asset is impaired, then a charge is recognised within the income statement.

Financial assets at fair value through profit or loss comprise derivative financial instruments. Financial assets 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 are recognised in the consolidated income statement.

Available for sale financial assets comprise equity investments that are neither classified as held for trading nor designated at fair value through profit or loss. Available for sale financial assets are measured initially at fair value. Subsequently, the fair values are remeasured, and gains and losses are recognised in the consolidated statement of comprehensive income.

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 net of 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 matched 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.

4. Summary of significant accounting policies continued

Financial liabilities continued
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.

Derecognition of financial assets and liabilities
Financial assets are derecognised when the right to receive cash flows from the assets has expired or when the Group has transferred its contractual right to receive the cash flows from the financial assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party, and either:

– substantially all the risks and rewards of ownership have been transferred; or
– substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Derivative financial instruments
The Group uses derivative financial instruments such as cross currency swaps, foreign exchange swaps and interest rate swaps, to hedge its risks associated with interest rate and foreign currency fluctuations. Derivative financial instruments are recognised initially and subsequently at fair value. The gains or losses on remeasurement are taken to the consolidated income statement.

Derivative financial instruments are classified as assets where their fair value is positive, or as liabilities where their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense.

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 the difference to the prevailing rate is take to other comprehensive income. 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 with the difference to prevailing rules taken to other comprehensive income.

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.

The following exchange rates were used in 2015 and 2016:

	2016		2015	
Currency	**Average**	**Year end**	Average	Year end
Euro (€)	**1.25**	**1.17**	1.37	1.36
Australian Dollar ($)	**1.86**	**1.71**	2.03	2.03

Income tax
Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the consolidated financial statements *continued*

4. Summary of significant accounting policies continued

Income tax continued
Deferred tax liabilities are recognised for all taxable temporary differences:

– except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the tax profit; and
– associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax assets and unused tax losses can be utilised:

– except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the tax profit; and
– in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax balances are not discounted.

Interest or penalties payable and receivable in relation to income tax are recognised as an income tax expense or credit in the consolidated income statement.

Income tax relating to items recognised within other comprehensive income and not in the consolidated income statement.

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as
– part of the expense item as applicable; and
– receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Pensions and other post-employment benefits
The Group's defined benefit pension plans, the Ladbrokes Pension Plan and the Gala Coral Pension Plan hold assets separately from the Group. The pension cost relating to this plan is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method.

Actuarial gains or losses are recognised in the consolidated statement of comprehensive income in the period in which they arise.

Any past service cost is recognised immediately. The retirement benefit asset recognised in the balance sheet represents the fair value of scheme assets less the value of the defined benefit obligations.

In accounting for the Group's defined benefit pension plans, it is necessary for management to make a number of estimates and assumptions each year. These include the discount rates, future changes to salaries, employee turnover, inflation rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised in other comprehensive income. Refer to note 33 for details of the values of assets and obligations and key assumptions used.

Although the Group anticipates that plans surpluses will be utilised during the life of the plans to address member benefits, the Group recognises its pension surplus in full on the basis that it does not consider there to be substantive restrictions on the return of residual plans assets in the event of a winding up of the plans after all member obligations have been met.

The Group's contributions to defined contribution schemes are charged to the consolidated income statement in the period to which the contributions relate.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Treasury shares
Own equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

4. Summary of significant accounting policies continued

ESOP trusts
Where the Group holds its own equity shares through ESOP trusts these shares are shown as a reduction in equity. Any consideration paid or received for the purchase or sale of these shares is shown in the reconciliation of movements in shareholders' funds and no gain or loss is recognised within the consolidated income statement or the statement of comprehensive income on the purchase, sale, issue or cancellation of these shares.

Merger reserve
A merger reserve is recognised for the difference between fair value swhen the following conditions are met:
– 90% of the nominal value of each share class is acquired;
– The arrangement provides for the allotment of shares in the issuing company; and
– The consideration for the allotted shares is the issue or transfer to the issuing company of equity shares in the acquired company or the cancellation of those equity shares in the acquired company that the issuing company does not already hold.

Dividends
Final dividends proposed by the Board of Directors and unpaid at the year end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when paid.

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 (LBOs), 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.

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.

Share-based payment transactions
Certain employees (including directors) of the Group receive remuneration in the form of equity settled share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

The cost of equity settled transactions is measured by reference to the fair value at the date on which they are granted. Further details of which are given in note 34. In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Ladbrokes Coral Group plc (market conditions).

The cost of equity settled transactions is recognised in the consolidated income statement with a corresponding credit in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share as shown in note 13.

The Group has an employee share incentive plan and an employee share trust for the granting of non-transferable options to executives and senior employees.

Shares in the Group held by the employee share trust are treated as treasury shares and presented in the balance sheet as a deduction from equity.

Notes to the consolidated financial statements *continued*

4. Summary of significant accounting policies continued

Future accounting developments
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9, *'Financial instruments'*, which addresses the classification, measurement and recognition of financial assets and liabilities was issued in July 2015. IFRS 9 retains and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through the Income Statement. The basis of the classification depends on the business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is assessing the impact of IFRS 9. At this stage the impact is expected to be limited.

IFRS 15, *'Revenue from contracts with customers'* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will only impact revenue that is it not governed by IAS 39. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 *'Revenue'* and IAS 11 *'Construction contracts'* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier adoption is permitted. The Group has determined that the impact of IFRS 15 will be limited.

IFRS 16, *'Leases'* sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The standard replaces IAS 17 *'Leases'* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. The Group is assessing the impact of IFRS 16. At this stage the effects have not been quantified, but the potential impacts are expected to be material given the extent of operating leases over property and equipment (see note 35).

IFRS 16 is yet to be EU endorsed.

There are no other IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Comparative information
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 (£1.2 million). Antepost liabilities previously disclosed within other creditors have also been represented to other financial liabilities (£5.3 million).

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 (£5.2 million).

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.

5. Segment information

The Group's operating segments are based on the reports reviewed by the Executive management team (who are collectively considered to be the Chief Operating Decision Maker (CODM)) to make strategic decisions, and allocate resources.

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 Competition and Market Authority 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; and
- 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.

2016	UK Retail underlying £m	UK Retail divested £m	UK Retail 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 before non-trading items	**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/(loss) 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)**

Notes to the consolidated financial statements *continued*

5. Segment information continued

2015	UK Retail underlying £m	UK Retail divested £m	UK Retail 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 before non-trading items	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/(loss) 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

Geographical information

Revenue by destination and non-current assets on a geographical basis for the Group, are as follows:

	2016		2015	
	Revenue £m	**Non-current assets[1] £m**	Revenue £m	Non-current assets[1] £m
United Kingdom	**1,213.0**	**1,122.0**	1,030.4	716.7
Rest of the World	**294.9**	**1,812.6**	165.1	179.7
Total	**1,507.9**	**2,934.6**	1,195.5	896.4

(1) Non-current assets excluding deferred tax assets and retirement benefit assets.

6. Discontinued operations

The results of discontinued operations comprise the High Roller division which the Group ceased to operate in 2016:

	2016 £m	2015 £m
Revenue	**–**	4.0
Operating expenses	**–**	(0.7)
Operating result/profit before taxation	**–**	3.3
Income tax	**–**	(0.2)
Result/profit from discontinued operations	**–**	3.1

Net cash flows of £nil (2015: £3.1 million) have all arisen from operating activities.

7. 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 disposal 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)
Non-trading interest[(9)]	**21.6**	0.3
Total before tax	**(302.0)**	(104.2)
Tax on non-trading items [(10)]	**20.6**	13.3
Non-trading items after taxation	**(281.4)**	(90.9)

(1) The impairment and write off of £194.9 million comprises £111.6 million arising as part of the annual impairment review, £76.8 million of assets which will no longer be used or not supported by their underlying cash flows, largely as a result of the merger (see note 15 for more details) and comprises £91.4 million of licences, £44.7 million of software, £24.8 million of customer relationships, brand and domain names, £27.5 million of property, plant and equipment and a £6.5 million 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 £43.4 million 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 £0.7 million (note 27).

(4) The Group incurred £22.5 million 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 £6.5 million loss was incurred on the disposal of the 186 Ladbrokes branded shops. The loss on disposal of Coral branded shops arose pre acquisition (note 17).

(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 £23.1 million of amortisation charges in relation to acquired intangible assets primarily arising from the acquisition of Coral (note 4).

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

(10) The tax effect of non-trading items of £20.6 million 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.

8. Operating expenses

Profit before tax, net finance expense and non-trading items has been arrived at after charging:

	2016 £m	2015 £m
Betting tax and Machine Games Duty	**293.1**	224.7
Revenue based payments	**115.2**	68.7
Other cost of sales	**23.3**	28.0
Cost of sales	**431.6**	321.4
Salaries and payroll-related expenses (note 10)	**351.5**	284.3
Property expenses	**142.5**	129.2
Content and levy expenses	**118.9**	112.5
Marketing expenses	**138.8**	91.3
Depreciation and amortisation	**83.8**	72.2
Other operating expenses	**125.7**	102.8
Operating expenses	**961.2**	792.3
Impairment loss	**194.9**	71.4
Integration costs[(1)]	**31.1**	–
Redundancy	**15.7**	–
Other	**81.9**	33.1
Non-trading operating expenses	**323.6**	104.5

(1) Integration costs includes people and contractor costs of £4.5 million.

Notes to the consolidated financial statements *continued*

8. Operating expenses continued

Fees payable to PricewaterhouseCoopers LLP were as follows:

	2016 £m	2015 £m
Audit and audit-related services:		
Audit of the parent Company and Group financial statements	**0.6**	0.4
Audit of the Company's subsidiaries	**0.3**	0.2
Audit-related assurance services	**0.1**	0.1
	1.0	0.7
Non-audit services:		
Tax advisory services	**–**	0.1
Corporate finance services[1]	**1.1**	1.6
Other non audit services	**0.1**	0.3
	1.2	2.0
Total fees	**2.2**	2.7

(1) Fees for corporate finance services relate to due diligence and public reporting arising from PwC's role as reporting accountants for the Prospectus in 2016 and the circular in 2015 relating to the acquisition of the Coral Group.

9. Finance expense and income

	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 (note 7)	**(5.9)**	(0.1)
Non-trading finance income (note 7)	**27.5**	0.4
Net finance expense after non-trading items	**(10.9)**	(27.8)

10. Staff costs

The average weekly number of employees (including executive directors) was:

	2016 Number	2015 Number
UK Retail	**14,281**	12,055
European Retail	**918**	924
Digital	**933**	672
Central Services	**90**	100
Other	**463**	480
	16,685	14,231

The number of people employed by the Group at 31 December 2016 was 26,141 (2015: 14,340).

Group staff costs were:

	2016 £m	2015 £m
Wages and salaries	**317.3**	256.3
Redundancy costs[1]	**15.7**	–
Social security costs	**24.0**	20.1
Pension costs (note 33)	**4.4**	3.8
Share-based payments (note 34)	**5.8**	4.1
	367.2	284.3

(1) Redundancy costs are included in integration costs within non-trading items.

In addition to salary, employees may qualify for various benefit schemes operated by the Group. Eligibility for benefits is normally determined according to an employee's length of service and level of responsibility. The amounts of some benefits are proportionate to individual salary.

10. Staff costs continued

Benefits may include paid leave for holidays, maternity and illness, as well as insured benefits. The latter can cover private healthcare for the employee and their immediate family, long-term disability, personal accident and death in service cover. Company cars, including fuel benefits, are provided predominantly to meet job requirements but also to certain executives.

The principal benefit schemes are:

(i) Pensions

Ladbrokes Pension Scheme (LPS)

Under the auto-enrolment legislation, employees meeting the statutory eligibility requirements are automatically enrolled in the LPS, a defined contribution scheme. The contributions paid by the Group and employees meet those statutorily required. Subject to meeting certain eligibility and employment grade criteria, employees can choose for the Group to match their contributions up to specified limits. For the majority of employees the maximum match is 6% of base salary. The maximum match is higher for some employees, depending upon grade and pensionable service.

Ladbrokes Pension Plan (LPP)

This was closed to new employees on 1 August 2007 and closed to benefit build up from 31 August 2015, at which date all active members were offered membership of the LPS. Members contributed on average 6% of pensionable salary per annum (executives contributed on average 7% of pensionable salary per annum). Calculated to 31 August 2015, members and Executive Section members received deferred pension benefits (including contingent death benefits) under the LPP based on their service, accrual rates and Final Pensionable Salary linked to their pension histories. Benefits generally accrue to provide a target pension of half (for joiners before June 2002: two thirds) of final pensionable salary for an employee attaining age 65 with at least 40 years' membership. A spouse's pension is payable following death. See note 33 for further details.

Gala Coral Pension Scheme (GCPS)

Similarly, employees meeting the auto-enrolment statutory eligibility requirements are automatically enrolled in the GCPS, a defined contribution scheme. The contributions paid by the Group and employees meet those statutorily required. Subject to meeting certain eligibility and employment grade criteria, employees can choose for the Group to make contributions up to specified limits. For the majority of employees the maximum Group contribution is 6% of base salary. The maximum match is higher for some employees, depending upon grade and pensionable service.

Gala Coral Pension Plan (GCPP)

This was closed to further benefit build up from 28 September 2013, at which date all active members were offered membership of GCPS.

LPP – Executive Section

Members contribute on average 7% of pensionable salary per annum. Benefit accrued to provide a target pension from all sources of two thirds of final pensionable salary for an executive attaining age 65 with at least 26.7 years' membership (for joiners before June 2002, employees attaining age 60 with at least 20 years' service). A spouse's and children's pensions are payable following death.

LPP incorporated an Earnings Cap on Pensionable Salary. Executive directors and senior executives, for whom this applies, had a choice between:

(i) membership of the Executive Section of the LPP plus a cash supplement of up to 22.5% of base salary in excess of the Earnings Cap; or
(ii) a cash supplement of up to 22.5% of base salary in lieu of membership of the LPP.

(ii) Share-based payments

Details of employee share schemes operated by the Group are shown in the Directors' remuneration report on pages 64 to 86 that forms part of the Annual Report 2016.

Details of options granted in 2016 and outstanding at 31 December 2016 are shown in note 34. Details of directors' remuneration can be found in the Directors' remuneration report on pages 64 to 86.

Notes to the consolidated financial statements *continued*

11. Income tax expense

Analysis of (credit)/charge for the year:

	2016 £m	2015 £m
Current income tax:		
– UK	**19.8**	(0.9)
– overseas	**2.7**	0.5
– adjustments in respect of previous years	**(1.7)**	(35.6)
Deferred tax:		
– relating to origination and reversal of temporary differences	**(19.5)**	(5.5)
– tax rate reduction	**–**	–
– adjustments in respect of previous years	**(10.3)**	(7.0)
Income tax credit reported in the income statement	**(9.0)**	(48.5)
Deferred tax charged directly to other comprehensive income	**2.5**	0.6

A reconciliation of income tax credit applicable to loss before tax at the UK statutory income tax rate to the income tax credit for the years ended 31 December 2016 and 31 December 2015 is as follows:

	2016 £m	2015 £m
Loss before tax	**(213.3)**	(46.5)
Corporation tax credit thereon at 20% (2015: 20.25%)	**(42.7)**	(9.4)
Adjusted for the effects of:		
– Lower effective tax rates on overseas earnings	**3.7**	8.3
– Recognition of tax losses	**–**	(8.1)
– Non-deductible expenses	**3.0**	3.7
– Impairment loss	**19.2**	1.7
– Amortisation	**1.3**	–
– Corporate transaction costs	**5.4**	3.6
– Integration costs	**4.4**	–
– Fair value adjustment to contingent consideration	**8.5**	–
– Other non-trading items	**1.0**	1.5
– Tax rate reduction	**(1.9)**	(7.0)
– Other	**1.0**	(0.2)
Adjustments in respect of prior years:		
– Resolution of historical tax matters and utilisation of previously unrecognised losses against profits of previous years	**–**	(29.3)
– Adjustment of deferred tax in respect of previous years	**(3.5)**	(7.0)
– Overseas current tax adjustments	**(2.7)**	(4.3)
– Overseas recognition of losses	**(4.8)**	–
– Reassesment of retirement benefit asset surplus	**10.2**	–
– Recognition of tax losses	**(12.5)**	–
– Other prior year movements	**1.4**	(2.0)
Income tax credit	**(9.0)**	(48.5)
Reported as:		
– expense/(credit) in consolidated income statement (before non-trading items)	**11.6**	(35.2)
– credit in consolidated income statement (tax on non-trading items) (note 7)	**(20.6)**	(13.3)
Income tax credit	**(9.0)**	(48.5)

A tax charge of £nil (2015:£0.2 million) was recorded in relation to discontinued operations.

11. Income tax expense continued

Deferred tax

Deferred tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**0.7**	0.4	**–**	0.1
Licences	**29.2**	47.4	**(18.5)**	(13.7)
Goodwilll	**0.7**	–	**–**	–
Software	**1.1**	–		
Customer relationships, brand and domain names	**182.2**	6.6	**(7.2)**	(2.4)
Retirement benefit assets	**46.1**	13.7	**11.6**	(0.7)
Deferred tax liabilities	**260.0**	68.1		
Deferred tax assets				
Accelerated depreciation for tax purposes	**(24.0)**	(10.2)	**(1.8)**	(6.5)
Losses	**(56.5)**	(3.6)	**(13.8)**	10.0
Share-based payments	**(1.4)**	(1.2)	**(0.2)**	1.2
Other temporary differences	**(2.3)**	(1.1)		(0.5)
Deferred tax assets	**(84.2)**	(16.1)		
Deferred tax credit			**(29.9)**	(12.5)
Amounts presented on the consolidated balance sheet:				
Deferred tax liabilities	**184.2**	52.7		
Deferred tax assets	**(8.4)**	(0.7)		
Net deferred tax liability	**175.8**	52.0		

The net deferred tax liability movement of £123.8 million in the year, arises from £152.6 million on acquisition/fair value adjustments, £2.5 million charged to other comprehensive income, less credits of £29.9 million and £1.4 million, shown in the consolidated income statement and foreign exchange currency reserve, respectively.

As at 31 December 2016, the Group had £57.4 million (2015: £33.6 million) of unrecognised deferred tax assets, relating to losses, the utilisation of which is not likely at the current time. This is because the losses are within loss making holding companies which are not anticipated to make future profits. 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 £56.5 million 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% (2015 provided at prevailing tax rates), following a reassessment of the rate likely to apply to a refund. The impact of this change was £13.0 million.

12. 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 £38.2 million (2015: £20.2 million) 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 (£10.2 million) was paid on 10 November 2016.

Notes to the consolidated financial statements *continued*

13. Earnings per share

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

At 31 December 2016, there were 1,914.4 million $28^1/_3$ pence ordinary shares in issue excluding treasury shares (1,946.2 million including treasury shares). At 31 December 2015, there were 1,018.3 million $28^1/_3$ pence ordinary shares were in issue excluding treasury shares (1,050.0 million including treasury shares).

Given the loss for the year, the Group has recognised a basic loss per share rather than a basic earnings per share. As such, the dilutive effects have not been considered in calculating the basic loss. At 31 December 2015, 5.8 million shares were deemed dilutive for the purpose of calculating earnings per share.

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 7.

The Group has revised its presentation of trading items as set out in note 4 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 EPS disclosed in the prior year was 9.4 pence and diluted EPS was 9.3 pence.

Weighted average number of shares (ms)	**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 7)	**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

14. 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 30)	**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**

Goodwill reflects the value by which consideration exceeds the fair value of net assets acquired as part of a business combination including the deferred tax liability arising on statutory licence acquisitions.

Licences comprises the cost of acquired betting shop licences. During the current year the useful economic life of licences was reassessed, as described in the accounting policies, and licences are now amortised over 15 years rather than indefinite lived assets. This change is effective from 1 November 2016 and will affect periods from this date forwards.

Software relates to the cost of acquired software, through purchase or business combination, and the capitalisation of internally generated software.

Customer relationships, brand and domain names relate to the fair value of customer lists, brand and domain names acquired as part of business combinations, primarily relating to the Coral business.

Brand names of £906.7 million (2015: £nil) are assumed to have an indefinite life.

Refer to notes 7 and 15 for details of the impairment charge.

Notes to the consolidated financial statements *continued*

15. 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.

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 expectations.

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 LBO. 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. Goodwill arising on the acquisition of the Coral Group was £912.6 million (note 30).

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 CGUs. 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 CGUs 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 prospectively over a period of 15 years rather than adopting an indefinite life as in 2015.

15. 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 £111.6 million (2015: £53.2 million), of which £89.7 million has been recorded against licences (2015: £51.8 million) and £21.9 million against plant, property and equipment (2015: £1.4 million).

During the year the Group also recognised an impairment against software of £43.5 million in relation to assets that will not continue to be used as the Group integrates its operations and systems and recorded additional impairments against licences (£1.7 million), software (£1.2 million), property, plant and equipment (£5.6 million) and customer relationships (£24.8 million) for assets which are no longer used, or where their cash flows do not support their carrying value.

Sensitivity analysis

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

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

16. 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**

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

Included within fixtures, fittings and equipment are assets in the course of construction, which are not being depreciated, of £33.2 million (2015: £2.4 million). This relates primarily to integration related spend and shop refurbishments in Italy.

Notes to the consolidated financial statements *continued*

16. Property, plant and equipment continued

Leased assets

Fixtures, fittings and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2016 £m	2015 £m
Cost	11.6	12.2
Accumulated depreciation	(3.2)	(1.0)
Net book value	8.4	11.2

17. 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. Net disposal proceeds of £51.5 million 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 £4.1 million impairment write down of the assets to net realisable value, which has been recognised in non-trading items along with the costs of disposal. At the date of acquisition a number of Coral shops met the definition of held for sale assets and were recorded at fair value in the acquisition balance sheet.

As at 31 December 2016 the Group had property, plant and equipment with a net book value of £34.6 million (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 £20.5 million. 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 5.

18. Interest in joint venture

	Share of joint venture's net assets £m
Cost	
At 1 January 2015	9.1
Exchange adjustment	(0.5)
Additions	2.8
Share of profit after tax	0.1
At 31 December 2015	11.5
Exchange adjustment	0.8
Additions	1.2
Share of profit after tax	1.8
At 31 December 2016	**15.3**

The joint venture represents the Group's investment in Sportium Apuestas Deportivas SA, an online and retail gaming business in Spain, in which it holds a 50% equity interest. Summarised financial information in respect of the joint venture's net assets is set out below:

	2016 £m	2015 £m
Non-current assets	40.6	30.0
Cash and cash equivalents	11.0	7.8
Other current assets	4.2	2.2
Current assets	15.2	10.0
Current liabilities	(24.2)	(16.8)
Non-current liabilities	(1.0)	(0.2)
Joint venture's net assets	30.6	23.0
Group's share of joint venture's net asset (50%)	15.3	11.5

18. Interest in joint venture continued

Summarised statement of comprehensive income	2016 £m	2015 £m
Revenue	**78.4**	54.6
Depreciation and amortisation	**(5.6)**	(4.2)
Other operating expenses	**(71.8)**	(50.2)
Income tax credit	**2.6**	–
Profit for the year	**3.6**	0.2
Other comprehensive income	**–**	–
Total comprehensive income	**3.6**	0.2
Group's share of the total comprehensive income	**1.8**	0.1

There are no contingent liabilities relating to the Group's interest in the joint venture. Sportium Apuestas Deportivas SA is a private company and there is no quoted market price available for its shares.

19. Interest in associates and other investments

	Share of associates' net assets £m	Other investments £m	Total £m
Cost			
At 1 January 2015	17.0	1.0	18.0
Share of profit after tax	3.9	–	3.9
Share of other comprehensive expense	(0.6)	–	(0.6)
At 31 December 2015	20.3	1.0	21.3
Additions	**1.0**	**0.3**	**1.3**
Additions from business combinations	**–**	**4.1**	**4.1**
Share of profit after tax	**4.3**	**–**	**4.3**
Dividends received	**(4.7)**	**–**	**(4.7)**
Share of other comprehensive expense	**(0.2)**	**–**	**(0.2)**
At 31 December 2016	**20.7**	**5.4**	**26.1**

Associates

Summarised financial information in respect of the associates is set out below:

	2016 £m	2015 £m
Current assets	**115.3**	103.5
Non-current assets	**33.2**	53.7
Current liabilities	**(59.4)**	(66.3)
Non-current liabilities	**(2.4)**	(2.8)
Net assets	**86.7**	88.1
Group's share of associates' net assets	**20.7**	20.3

	2016 £m	2015 £m
Revenue for the year	**225.4**	230.9
Profit for the year	**18.2**	17.8
Other comprehensive income	**(0.7)**	(2.5)
Total comprehensive income	**17.5**	15.3
Group's share of associates' total comprehensive income	**4.1**	3.3

Further details of the Group's associates are listed in note 36.

The financial year end of Satellite Information Services (Holdings) Limited (SIS), an associate of the Group, is 31 March. The Group has included the results for SIS for the 12 months ended 31 December 2016. SIS is a private company and there is no quoted market price available for its shares.

Other investments

Other investments of £5.4 million include the Group's investment in Hui 10, an equity investment measured at an initial fair value of £4.4 million on 31 October 2016.

Notes to the consolidated financial statements *continued*

20. Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**6.1**	5.2
Other receivables	**66.4**	10.1
Prepayments	**54.0**	37.0
	126.5	52.3

Trade receivables are non-interest bearing and are generally on 30-90 day terms. Trade receivables are reviewed for impairment on an ongoing basis, taking account of the ageing of outstanding amounts and the credit profile of customers. Impaired receivables, including all trade receivables that are a year old, are provided for in an allowance account. Impaired receivables are derecognised when they are assessed as irrecoverable.

Included in other receivables is £45.3 million in respect of an historic indirect tax settlement as disclosed in notes 7 and 9.

At 31 December 2016, trade receivables with an initial fair value of £1.1 million (2015: £1.0 million) were provided for in full. Movements in the provision for impairment of trade receivables were as follows:

	2016 £m	2015 £m
At 1 January	**1.0**	0.6
Increases in provision	**0.4**	0.6
Utilised	**(0.3)**	(0.2)
At 31 December	**1.1**	1.0

At 31 December, the analysis of trade receivables that were past their due but not impaired is as follows:

			Past due but not impaired			
	Total £m	Neither past due nor impaired £m	<30 days £m	30-60 days £m	60-90 days £m	90+ days £m
2016	**6.1**	**3.8**	**1.3**	**0.2**	**–**	**0.8**
2015	5.2	3.1	0.1	–	–	2.0

21. Cash and cash equivalents

	2016 £m	2015 £m
Cash and short-term deposits	**65.8**	28.3
Customer funds	**80.4**	40.1
Total cash and short-term deposits	**146.2**	68.4
Bank overdraft	**(1.7)**	–
Total cash and cash equivalents	**144.5**	68.4

Cash and cash equivalents in the consolidated statement of cash flows comprises cash at bank with a maturity of three months or less, customer funds and overdrafts.

22. Trade and other payables

	2016 £m	2015 £m
Trade payables	**105.6**	48.4
Other payables	**78.1**	34.9
Social security and other taxes	**128.2**	70.3
Accruals	**157.3**	83.5
Deferred income (note 17)	**34.6**	–
	503.8	237.1

23. Provisions

	Vacant property provision(1) £m	Restructuring provision(2) £m	Litigation and Regulation provisions(3) £m	Total £m
At 1 January 2015	11.0	–	0.4	11.4
Provided	9.5	–	1.7	11.2
Utilised	(3.6)	–	–	(3.6)
Released	–	–	(0.2)	(0.2)
At 31 December 2015	16.9	–	1.9	18.8
Exchange adjustment	**0.2**	**–**	**0.1**	**0.3**
On acquisition	**10.6**	**–**	**7.3**	**17.9**
Reclassification	**(4.2)**	**–**	**4.2**	**–**
Provided	**3.3**	**15.7**	**8.8**	**27.8**
Utilised	**(8.0)**	**(1.3)**	**(0.7)**	**(10.0)**
Released	**(1.7)**	**–**	**(3.6)**	**(5.3)**
At 31 December 2016	**17.1**	**14.4**	**18.0**	**49.5**

(1) The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provisions have been based on management's best estimate of the minimum future cash flows to settle the Group's obligations, taking into account the risks associated with each obligation, discounted at a risk free interest rate. The periods of vacant property commitments range from 1 to 18 years (2015: 1 to 14 years).
(2) Restructuring provisions relate to redundancy costs provided in association with the merger.
(3) Litigation and regulation provisions include legal, insurance and regulatory provisions associated with certain claims that have largely arisen in the year.

Of the total provisions at 31 December 2016, £36.1 million (2015: £9.2 million) is current and £13.4 million (2015: £9.6 million) is non-current.

24. Interest bearing loans and borrowings

	2016 £m	2015 £m
Current		
Bank facilities	**174.5**	–
7.625% bonds due 2017	**224.9**	–
	399.4	–
Non-current		
Bank facilities	**254.4**	–
7.625% bonds due 2017	**–**	224.2
5.125% bonds due 2022	**99.0**	98.9
5.125% bonds due 2023	**396.2**	–
	749.6	323.1

The Group had committed bank facilities of £926 million, which are denominated in Pounds Sterling and mature between July 2018 and October 2020. The maturity of facilities totalling £176.0 million is subject to the exercise of 2 extension options by the Group, which would extend maturity of those facilities from April 2017 to July 2018. The drawings under the committed facilities at 31 December 2016 total £438.0 million (2015: £nil). Drawings under these facilities had an average interest rate of 2.7% (2015: 2.6%).

£774.0 million of committed bank facilities were cancelled in the year and £75.0 million (2015: £3.2 million) of committed bank facilities were carved out for letter of credit purposes. This leaves a total of £851.0 million (2015: £350 million) of available committed bank facilities at 31 December 2016. Bank facilities above are shown net of financing fees of £9.1 million. During the current year the Group incurred £5.9 million of non-trading charges relating to costs associated with the committed facilities which were taken out to facilitate the merger. The charge recorded as non-trading relates to commitment fees and the amortisation of arrangement fees which were incurred on the facility prior to the merger. All costs incurred post-merger have been treated as trading items.

During the year the Group raised £400 million through the issuance of the 5.125% bonds which mature in 2023. Total bonds (including the 2017 and 2022 bonds) are stated net of issue costs of £4.8 million.

The Group has total undrawn committed bank facilities of £413.0 million at 31 December 2016 (2015: £346.8 million).

All of the Group's borrowings in 2016 and 2015 were denominated in Pounds Sterling.

Notes to the consolidated financial statements *continued*

25. Lease liabilities

Commitments in relation to finance leases are payable as follows:

	2016 £m	2015 £m
Within one year	**2.6**	4.9
Later than one year but not later than five years	**2.1**	4.8
Minimum lease payments	**4.7**	9.7
Future finance charges	**(0.1)**	(0.4)
Total lease liabilities	**4.6**	9.3

The present value of finance lease liabilities is as follows:

	2016 £m	2015 £m
Within one year	**2.6**	4.9
Later than one year but not later than five years	**2.0**	4.4
Minimum lease payments	**4.6**	9.3

26. Financial risk management objectives and policies

The Group's treasury function provides a centralised service for the provision of finance and the management and control of liquidity, foreign exchange rates and interest rates. The function operates as a cost centre and manages the Group's treasury exposures to reduce risk in accordance with policies approved by the Board.

The Group's principal financial instruments comprise bank loans, overdrafts, loan notes, bonds, financial guarantee contracts, and cash and short-term deposits, together with certain derivative financial instruments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade receivables, trade payables and accruals that arise directly from its operations. At 31 December 2016 and at 31 December 2015 the Group had no significant derivatives.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken other than betting and gaming transactions. The Group's exposure to ante-post betting and gaming transactions is not significant.

The main financial risks for the Group are interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Interest rate risk

The Group is exposed to interest rate risk on certain of its interest bearing loans and borrowings and on cash and cash equivalents.

The Group's policy for the year ended 31 December 2016 was to maintain a minimum of 25% (2015: 25%) of total borrowings at fixed interest rates to reduce its sensitivity to movements in variable short-term interest rates. At 31 December 2016, £720.1 million or 62.7% (2015: £323.1 million or 100%) of the Group's net borrowings were at fixed rates.

Interest on financial instruments at floating rates is repriced at intervals of less than six months. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument.

Interest rate sensitivity

The table below demonstrates the sensitivity to reasonably possible changes in interest rates on income and equity for the year when this movement is applied to the carrying value of financial assets and liabilities.

	Profit before tax		Equity	
Effect on:	2016 £m	2015 £m	2016 £m	2015 £m
100 basis points increase	**3.4**	1.1	**–**	–
200 basis points increase	**6.9**	2.2	**–**	–

The sensitivity has been estimated by applying the basis points movement to the carrying value of the financial assets and liabilities, subject to interest at floating rates, held by the Group at the year end. Due to current low interest rates, any further decline would not have a material impact on income and equity for the year. As such, sensitivity to a decrease in interest rates has not been presented.

26. Financial risk management objectives and policies continued

Foreign currency risk

Other than the translation of foreign currency subsidiaries, there is no significant foreign currency exposure.

The Group had no other foreign currency borrowings at 31 December 2016 (2015: £nil).

Credit risk

The Group is not subject to significant concentration of credit risk, with exposure spread across a large number of counterparties and customers.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Any changes to credit terms are assessed and authorised by senior management on an individual basis.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and a loan to a joint venture, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Credit risk in respect of cash and cash equivalents is managed by restricting those transactions to banks that have a defined minimum credit rating and by setting an exposure ceiling per bank.

The Group also has exposure to credit risk arising from the financial guarantee contracts provided by the Group. This risk is partly mitigated by the indemnity received from Hilton Hotels Corporation for any loss incurred in connection with these guarantees. For further detail of these guarantees refer to note 27.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. The Group's policy on liquidity is to ensure that there are sufficient medium-term and long-term committed borrowing facilities to meet the medium-term funding requirements. At 31 December 2016, there were undrawn committed borrowing facilities of £413.0 million (2015: £346.8 million). Total committed facilities had an average maturity of 2.9 years (2015: 3.5 years).

The total gross contractual undiscounted cash flows of financial liabilities, including interest payments, fall due as follows. Cash flows in respect of financial guarantee contracts reflect the probability weighted cash flows. The maximum exposure is described in note 27.

2016	**On demand or within 1 year £m**	**1-2 years £m**	**2-5 years £m**	**> 5 years £m**	**Total £m**
Interest bearing loans and borrowings	**447.6**	**34.3**	**341.8**	**543.6**	**1,367.3**
Other financial liabilities	**14.6**	**35.3**	**1.0**	**5.3**	**56.2**
Trade and other payables	**468.8**	**–**	**–**	**–**	**468.8**
Total	**931.0**	**69.6**	**342.8**	**548.9**	**1,892.3**

2015	On demand or within 1 year £m	1-2 years £m	2-5 years £m	> 5 years £m	Total £m
Interest bearing loans and borrowings	22.3	238.7	15.4	107.7	384.1
Other financial liabilities	7.4	0.4	47.3	6.3	61.4
Trade and other payables	236.7	–	–	–	236.7
Total	266.4	239.1	62.7	114.0	682.2

Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a credit quality that enables the Group to raise funds at an economic interest rate and to maintain healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, adjusted borrowings, return capital to shareholders or issue new shares.

The Group monitors capital using a net debt to EBITDA ratio (before non-trading items). The proforma ratio at 31 December 2016 was 2.9 times and at 31 December 2015 was 1.9 times (1.9 times adjusted to remove profit from High Rollers).

The Group's funding policy is to raise funds centrally to meet the Group's anticipated requirements. These are planned so as to mature at different stages in order to reduce refinancing risk. The Board reviews the Group's capital structure and liquidity periodically.

Notes to the consolidated financial statements *continued*

27. Financial instruments and fair value disclosures

Other financial liabilities

	2016 £m	2015 £m
Contingent consideration	–	32.3
Financial guarantee contracts	2.9	3.2
Other financial liabilities	49.4	5.4
	52.3	40.9

Of the total other financial liabilities at 31 December 2016 £14.1 million (2015: £5.3 million) is current and £38.2 million (2015: £35.6 million) is non-current.

Other financial liabilities include £35.0 million (2015: £nil) in relation to the agreed settlement of the Playtech contingent consideration.

The table below analyses the Group's financial instruments into their relevant categories:

31 December 2016	Loans and receivables £m	Loans at amortised cost £m	Assets/ (liabilities) at fair value through profit loss £m	Available for sale financial assets £m	Total £m
Assets					
Non-current:					
Other financial assets and investments	1.6	–	–	5.4	7.0
Current:					
Trade and other receivables	72.5	–	–	–	72.5
Derivatives	–	–	0.1	–	0.1
Cash and short-term deposits (including customer funds)	146.2	–	–	–-	146.2
Total	220.3	–	0.1	5.4	225.8
Liabilities					
Current:					
Overdraft	–	(1.7)	–	–	(1.7)
Interest bearing loans and borrowings	–	(399.4)	–	–	(399.4)
Trade and other payables	–	(468.8)	–	–	(468.8)
Other financial liabilities	–	–	(14.1)	–	(14.1)
Obligations under finance leases	–	(2.6)	–	–	(2.6)
Non-current:					
Interest bearing loans and borrowings	–	(749.6)	–	–	(749.6)
Other financial liabilities	–	(35.2)	(2.9)	–	(38.1)
Obligations under finance leases	–	(2.0)	–	–	(2.0)
Total	–	(1,659.3)	(17.0)	–	(1,676.3)
Net financial assets/(liabilities)	220.3	(1,659.3)	(16.9)	5.4	(1,450.5)

27. Financial instruments and fair value disclosures continued

31 December 2015	Loans and receivables £m	Loans at amortised cost £m	Assets/(liabilities) at fair value through profit loss £m	Available for sale financial assets £m	Total £m
Assets					
Non-current:					
Other financial assets and investments	1.4	–	–	3.4	4.8
Current:					
Trade and other receivables	15.3	–	–	–	15.3
Derivatives	–	–	0.2	–	0.2
Cash and short-term deposits (including customer funds)	68.4	–	–	–	68.4
Total	85.1	–	0.2	3.4	88.7
Liabilities					
Current:					
Trade and other payables	–	(236.7)	–	–	(236.7)
Other financial liabilities	–	(4.9)	(5.3)	–	(10.2)
Non-current:					
Interest bearing loans and borrowings	–	(323.1)	–	–	(323.1)
Other financial liabilities	–	–	(35.5)	–	(35.5)
Obligations under finance leases	–	(4.4)	–	–	(4.4)
Total	–	(569.1)	(40.8)	–	(609.9)
Net financial assets/(liabilities)	85.1	(569.1)	(40.6)	3.4	(521.2)

Fair value of financial instruments

	2016 Carrying value £m	**2016 Fair value £m**	2015 Carrying value £m	2015 Fair value £m
£225.0m 7.625% bond	**225.0**	**227.4**	225.0	239.7
£100.0m 5.125% bond	**100.0**	**101.9**	100.0	98.3
£400.0m 5.125% bond	**400.0**	**393.7**	–	–

The fair value of the bonds are classified as a level 1 fair value measurement for disclosure purposes, as the fair value is determined based on quoted prices in active markets for identical liabilities. The carrying values in the table above are stated before the deduction of issue costs.

Fair value hierarchy

The following tables illustrate the Group's financial assets and liabilities measured at fair value after initial recognition at 31 December 2016 and 31 December 2015:

				2016
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets measured at fair value				
Derivatives	**–**	**0.1**	**–**	**0.1**
Other financial assets	**–**	**–**	**5.4**	**5.4**
Total	**–**	**0.1**	**5.4**	**5.5**
Liabilities measured at fair value				
Ante-post liabilities	**–**	**–**	**(14.1)**	**(14.1)**
Other non-current financial liabilities	**–**	**–**	**(2.9)**	**(2.9)**
Total	**–**	**–**	**(17.0)**	**(17.0)**
Net liabilities measured at fair value	**–**	**0.1**	**(11.6)**	**(11.5)**

Notes to the consolidated financial statements *continued*

27. Financial instruments and fair value disclosures continued

				2015
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value				
Derivatives	–	0.2	–	0.2
Other financial assets	–	–	3.4	3.4
Total	–	0.2	3.4	3.6
Liabilities measured at fair value				
Ante-post liabilities	–	–	(5.3)	(5.3)
Other non-current financial liabilities	–	–	(35.5)	(35.5)
Total	–	–	(40.8)	(40.8)
Net liabilities measured at fair value	–	0.2	(37.4)	(37.2)

Included within other financial assets is the Group's investment in Hui 10, an equity investment measured at an initial fair value of £4.4 million on 31 October 2016. There have been no changes in the fair value of the investment at 31 December 2016.

Ante post liabilities are valued using methods and inputs that are not based upon observable market data. There are no reasonably probable changes to assumptions or inputs that would lead to material changes in the fair value determined, although the final value will be determined by future sporting results. The principal assumptions relate to anticipated gross win margins on unsettled bets.

Playtech
In 2015, £31.6 million 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 £75 million, £40 million in shares (all satisfied at the date of merger) and £35 million 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 million) 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 cash flow. 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.

Other
Also included within other non-current financial liabilities are financial guarantee contracts of £2.9 million (2015: £3.2 million), classified as level 3 financial instruments as their fair value is measured using techniques where the significant inputs are not based on observable market data. Further information about financial guarantee contracts, including sensitivities, and a reconciliation of changes in fair value in the year, is included below.

27. Financial instruments and fair value disclosures continued

Financial guarantee contracts

The Group has given guarantees to third parties in respect of lease liabilities of former subsidiaries within the disposed hotels division. The Group received an indemnity from Hilton Hotels Corporation (HHC), at the time of the hotels disposal, in relation to any loss the Group may subsequently incur under these third party guarantees. The guarantees expire between 2017 and 2042 and the lease liabilities comprise a combination of minimum contractual and turnover based elements.

The undiscounted maximum liability exposure in respect of the guarantees for all years up to 2042 is £539.5 million (2015: £560.8 million), with a maximum indemnity receivable of the same amount. Included in the maximum liability exposure is £389.2 million (2015: £402.1 million) in relation to the turnover based element of the hotel rentals and £150.3 million (2015: £158.7 million) in relation to the minimum contractual based element. The maximum liability represents the total of all guaranteed rentals under the non-cancellable agreements into which the Group has entered.

The net present value of the maximum exposure at 31 December 2016 is £214.9 million (2015: £210.3 million). Included in the net present value of the maximum exposure is £146.3 million (2015: £141.4 million) in relation to the turnover based element of the hotel rentals and £68.6 million (2015: £68.9 million) in relation to the minimum contractual based element.

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

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

At 31 December 2016 the Group has recognised a financial liability of £2.9 million (2015: £3.2 million) in respect of these guarantees. The key assumption in the probability model is the hotels default rate. A rate of 1.25% has been used at 31 December 2016 (2015: 1.5%). The £0.3 million credit has been included within the Group's corporate costs. The table below provides a breakdown of the movement in the liability since 1 January 2016:

	Liability £m
At 1 January 2016	3.2
Reduction due to passage of time, change in discount rate and default rate	(0.3)
At 31 December 2016	**2.9**

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

Notes to the consolidated financial statements *continued*

28. Net debt

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

	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 £80.4 million (2015: £40.1 million) is not included in the Group's net debt.

29. Issued share capital

	Number of 28⅓p ordinary shares	Total £m
Issued and fully paid:		
At 1 January 2015	954,625,329	270.5
During the year	95,387,740	27.0
At 31 December 2015	1,050,013,069	297.5
Issued as consideration for the purchase of the Coral Group[1,4]	**866,518,803**	**245.5**
Issued during the year[2]	**29,174,406**	**8.3**
Exercise of share options[3]	**503,195**	**0.1**
At 31 December 2016	**1,946,209,473**	**551.4**

(1) On 1 November 2016, the Group issued 866,518,803 consideration shares at a price of £1.347 as part of the all share merger described in note 30.
(2) As at 1 November 2016 29,174,406 shares were issued at a volume weighted average price of £1.371 per share to Playtech plc in order to accelerate the determination of the amounts due under the marketing services agreement with Ladbrokes plc.
(3) In addition to the above the following fully paid shares of 28⅓ pence each were issued: 241,442 shares on exercise of options under the 1983 Savings Related Share Option Scheme, 261,753 shares under the OWN Plan.
(4) The issue of new shares in the Company in exchange for shares in GC Group (Jersey) Limited has attracted merger relief under section 612 of the Companies Act 2006. Of the £1,167.2 million fair value of the 866,518,803 shares issued in connection with the acquisition of GC Group (Jersey) Limited, £245.5 million (28.33 pence per ordinary share) has been credited to share capital and the remaining £921.7 million has been credited to the merger reserve within equity.

	Number of 28⅓p ordinary shares
Shares issued at 31 December 2015	1,050,013,069
Treasury shares	(31,760,568)
Shares issued at 31 December 2015 excluding treasury shares	1,018,252,501
Shares issued at 31 December 2016	**1,946,209,473**
Treasury shares	**(31,760,568)**
Shares issued at 31 December 2016 excluding treasury shares	**1,914,448,905**

30. Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The identification and valuation of intangible assets arising on business combinations is subject to a degree of judgement. We engaged independent third parties, including Duff and Phelps Limited to assist with the identification and valuation process. This was performed in accordance with the Group's policies. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets acquired is recorded as goodwill. Costs related to the acquisition are expensed as acquired.

Summary of acquisition

On 1 November 2016 the Group 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 the Coral Group was acquired.

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 the Coral Group (£1,167.2 million) was based on the published share price on 1 November 2016 of £1.347 per share.

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

	Carrying value at acquisition £m	Provisional fair value adjustment £m	Provisional Fair value £m
Intangible assets	921.4	353.5	1,274.9
Property, plant and equipment	89.3	–	89.3
Assets held for sale	26.5	–	26.5
Retirement benefit asset	52.3	–	52.3
Investments	4.1		4.1
Inventories	0.4	–	0.4
Trade and other receivables	70.5	–	70.5
Cash and cash equivalents	90.8	–	90.8
Interest bearing loans and borrowings	(985.0)		(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 million and net profit of £5.7 million 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 million and £144.7 million respectively before the effect of fair value adjustments (on a debt free basis at an effective tax rate of 20%).

Notes to the consolidated financial statements *continued*

31. Employee share ownership plans

The Ladbrokes Coral Share Ownership Trust (LCSOT) is used in connection with the Group's Deferred Bonus Plan, the Ladbrokes Growth Plan, the Restricted Share Plan, the Performance Share Plan and the 2010 Share Award Plan (together 'the Plans') (refer to note 34 for further details of the Plans and the various performance conditions). The LCSOT may also be used in connection with the Group's other share-based plans, including the 1978 and 1983 Share Option Scheme and the International Share Option Scheme. The trustee of the LCSOT, Computershare Trustees (CI) Limited, subscribes for the Group's shares or purchases them in the open market, as required, on the basis of regular reviews of the anticipated commitments of the Group, with financing provided by the Group.

The Ladbrokes Coral Share Incentive Plan (LCSIP) is currently used in connection with the Group's OWN share plan (the OWN plan) and Freeshare share plan (Freeshare) (refer to note 34 for further details). The trustee of the LSCIP, Computershare Trustees Limited, purchases the Company's shares in the open market, as required, using:

(i) Deductions made from the salaries of participants in the OWN plan; and
(ii) Dividends paid on the shares held by the LCSIP. Under the OWN plan, to match those shares acquired using participants' salary deductions, one additional share is allotted by the Group to the LCSIP for every one share purchased by the employee.

All expenses of the LCSOT and LCSIP are settled directly by the Group and charged in the financial statements as incurred.

The following table shows the number of shares held in trust that have not yet vested unconditionally and the associated movement in shareholders' funds.

	LCSOT		LCSIP		Total	
	Shares held Number	Cost of shares £m	Shares held Number	Cost of shares £m	Shares held Number	Cost of shares £m
At 1 January 2016	4,378,080	6.7	1,045,430	0.4	5,423,510	7.1
Shares purchased/allotted	570,000	0.7	333,971	0.2	903,971	0.9
Vested in year	(1,049,121)	(2.4)	(245,594)	(0.3)	(1,294,715)	(2.7)
At 31 December 2016	3,898,959	5.0	1,133,807	0.3	5,032,766	5.3
Market value of shares in trusts		4.5		1.3		5.8

32. Notes to the statement of cash flows

Reconciliation of loss before tax and finance expense net cash inflow from operating activities:

	2016 £m	2015 £m
Loss before tax and net finance expense	(202.4)	(15.4)
Adjustments for:		
Impairment	192.2	58.3
Other non cash non-trading items	36.9	15.9
Loss on disposal	6.5	–
Depreciation of property, plant and equipment	43.9	39.6
Amortisation of intangible assets (includes amortisation on acquired intangibles)	63.0	37.8
Share based payments charge	5.8	4.1
Increase in other financial assets	–	(3.8)
Decrease in trade and other receivables	41.8	3.4
Increase/(decrease) in other financial liabilities	4.6	(3.1)
Increase in trade and other payables	33.9	38.6
Decrease in provisions	(3.5)	(1.4)
Contributions to retirement benefit scheme	(1.9)	(3.6)
Share of results from joint venture	(1.8)	(0.1)
Share of results from associates	(4.3)	(3.9)
Other items	(1.8)	(1.2)
Cash generated by operations	212.9	165.2
Income taxes refunded/(paid)	18.1	(2.3)
Finance expense paid	(36.8)	(26.7)
Net cash generated from operating activities	194.2	136.2

Non-trading cash items total £64.9 million (2015: £25.1 million).

33. Retirement benefit schemes

Defined contribution schemes

During the year the Group charged contributions of £6.5 million (2015: £3.8 million) to the consolidated income statement in relation to the defined contribution pension schemes.

Defined benefit plans

The Group has two significant defined benefit plans, the Ladbrokes Pension Plan and the Gala Coral Pension Plan. Both are final salary pension plans for UK employees. These are closed to new employees and future accrual.

At retirement each member's pension is related to their final pensionable salary for the Ladbrokes Pension Plan and their 'career average earnings' for the Gala Coral Pension Plan. The weighted average duration of the expected benefit payments from the Plan is around 17 years for Ladbrokes Pension Plan and 21 years for the Gala Coral Pension Plan.

The Plans' assets are held separately from those of the Group. The Plans are approved by HMRC for tax purposes, and are managed by an independent set of Trustees. The Plans are subject to UK regulations, which require the Group and Trustees to agree a funding strategy and contribution schedule at least every three years. Under the current contribution schedule in place, the Group pays contributions to the Ladbrokes Pension Plan of £0.75 million each year to cover the expenses of running the Plan and will pay £0.1875 million each month to June 2017 and £0.0625 million each month thereafter. The Group has an agreed deficit funding contribution schedule to the Gala Coral Pension Plan of £2.75 million each year.

There is a risk to the Group that adverse circumstances could lead to a requirement for the Group to make additional contributions to recover any deficit that arises. As at the date of signing the financial statements no such event has arisen.

The results of the formal actuarial valuation as at 30 June 2013 for the Ladbrokes Pension Plan and 5 April 2014 for the Gala Coral Pension Plan were updated to 31 December 2016 by an independent qualified actuary in accordance with IAS 19 (Revised) Employee Benefits. The value of the defined benefit obligation and current service cost have been measured using the projected unit credit method, as required by IAS 19 (Revised). Actuarial gains and losses are recognised immediately through other comprehensive income.

The amounts recognised in the balance sheet are as follows:

	2016 Coral £m	2016 Ladbrokes £m	2016 Total £m	2015 £m
Present value of funded obligations	**(402.7)**	**(346.9)**	**(749.6)**	(283.2)
Fair value of plan assets	**443.5**	**437.8**	**881.3**	359.5
Net asset	**40.8**	**90.9**	**131.7**	76.3
Disclosed in the balance sheet as: Retirement benefit asset	**40.8**	**90.9**	**131.7**	76.3

The Group has considered the appropriate accounting treatment in respect of the pension plan surplus, taking into account the current agreement with the Trustees and concluded the recognition of the surplus is appropriate.

The amounts recognised in the income statement are as follows:

	2016 Coral £m	2016 Ladbrokes £m	2016 Total £m	2015 £m
Analysis of amounts charged to staff costs				
Current service cost (excluding employee element)	**–**	**–**	**–**	1.6
Administrative expenses	**–**	**0.9**	**0.9**	1.0
Net interest on net asset	**(0.2)**	**(2.8)**	**(3.0)**	(2.6)
Total (credit) recognised in the income statement in staff costs	**(0.2)**	**(1.9)**	**(2.1)**	–

The actual return on plan assets over the year was an £83.5 million gain (2015: gain of £4.1 million).

The amounts recognised in the statement of comprehensive income are as follows:

	2016 Coral £m	2016 Ladbrokes £m	2016 Total £m	2015 £m
Actual return on assets less interest on plan assets	**(8.2)**	**76.6**	**68.4**	(8.6)
Actuarial (losses)/gains on defined benefit obligation due to changes in financial assumptions	**(3.5)**	**(67.3)**	**(70.8)**	8.6
Experience adjustments on benefit obligation	**–**	**1.5**	**1.5**	3.2
Actuarial gains recognised in the statement of comprehensive income	**(11.7)**	**10.8**	**(0.9)**	3.2

Notes to the consolidated financial statements *continued*

33. Retirement benefit schemes continued

Changes in the present value of the defined benefit obligation are as follows:

	2016 Coral £m	2016 Ladbrokes £m	2016 Total £m	2015 £m
At 1 January	–	(283.2)	(283.2)	(296.3)
On acquisition	(399.8)	–	(399.8)	
Current service cost (excluding employee element)	–	–	–	(1.6)
Employee contributions	–	–	–	(0.5)
Interest on obligation	(1.8)	(10.3)	(12.1)	(10.1)
Actuarial gains/(losses) due to changes in financial assumptions	(3.5)	(67.3)	(70.8)	8.6
Experience adjustments on obligations	–	1.5	1.5	3.2
Benefits paid	2.4	12.4	14.8	13.5
At 31 December	(402.7)	(346.9)	(749.6)	(283.2)

Changes in the fair value of plan assets are as follows:

	2016 Coral £m	2016 Ladbrokes £m	2016 Total £m	2015 £m
At 1 January	–	359.5	359.5	365.8
On acquisition	452.1	–	452.1	–
Interest on plan assets	2.0	13.1	15.1	12.7
Administration expenses	–	(0.9)	(0.9)	(1.0)
Actual return less interest on plan assets	(8.2)	76.6	68.4	(8.6)
Contributions by the sponsoring companies	–	1.9	1.9	3.6
Employee contributions	–	–	–	0.5
Benefits paid	(2.4)	(12.4)	(14.8)	(13.5)
At 31 December	443.5	437.8	881.3	359.5

The Group expects to contribute £1.5 million to the Ladbrokes Pension Plan and £2.75 million into the Gala Coral Pension Plan in 2017.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2016 Coral %	2016 Ladbrokes %	2015 %
Equities and Diversified Growth Funds	18	63	65
Liability Driven Investment (%)	82	19	19
Cash	–	18	16
	100	100	100

The Plan assets are held exclusively within instruments with quoted market prices in an active market with the exception of the holdings in an insurance policy. At 31 December 2016 these represented c.0.2% of the Plan's total assets.

The Plan does not invest directly in property occupied by the Group or in financial securities issued by the Group. Although, as the Plan holds pooled investment vehicles, there may at times be indirect employer related investment. At 31 December 2016 these represented less than 0.1% of the Plan's total assets.

The investment strategy is set by the Trustees of the Plans in consultation with the Group. The current long-term strategy for the Ladbrokes Pension Plan is to invest in a matching portfolio sufficient to meet the next 15 years of cash flows with the remaining assets invested in return seeking funds. For the Gala Coral Plan the current long-term strategy is to invest in a low-risk matching bond portfolio with a relatively small investment in return seeking funds.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages where appropriate):

		2016 Coral % p.a.	2016 Ladbrokes % p.a.	2015 % p.a.
Discount rate		2.6	2.6	3.7
Price inflation (CPI/RPI)		2.6/3.3	2.3/3.3	2.0/3.0
Future salary growth		n/a	n/a	n/a
Future pension increases	– LPI 5% (CPI)	3.1	2.3	2.1
	– LPI 3% (RPI)	2.0	2.4	2.3
	– LPI 2.5% (CPI)	2.1	1.8	1.7

33. Retirement benefit schemes continued

For the Ladbrokes Pension Plan post-retirement mortality assumed for most members is based on the standard SAPS mortality table with the CMI 2012 projections, which takes into account future improvements, adjusted to reflect plan specific experience. The assumption used implies that the expected lifetime of members aged 65 in 2016 is 87.1 (2015: 87.0) years for males and 89.3 (2015: 89.2) years for females. For members with large pensions a longer lifetime is assumed 90.2 (2015: 90.1) years for males and 91.3 (2015: 91.2) years for females).

For the Gala Coral Pension Plan post-retirement mortality assumed for most members is based on the standard SAPS mortality table with the CMI 2013 projections, which takes into account future improvements, adjusted to reflect plan specific experience. The assumption used implies that the expected lifetime of members aged 65 in 2016 is 87.2 years for males and 88.9 years for females.

Changes to the assumptions will impact the amounts recognised in the consolidated balance sheet and the consolidated income statement in respect of the Plan. For the significant assumptions, the following sensitivity analysis provides an indication of the impact on the defined benefit obligation for the year ended 31 December 2016:

	2016 Coral %	**2016 Ladbrokes %**	2015 %
– 0.5% p.a. decrease in the discount rate	**11.1**	**8.8**	8.1
– 0.5% p.a. increase in price inflation	**7.9**	**5.0**	5.0
– One year increase in life expectancy	**3.1**	**3.2**	2.6

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the accounting date. This is unlikely in practice, for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Plan.

34. Share-based payments

The Group has the following share-based payment plans, all of which are settled by equity: the Restricted Share Plan; the Deferred Bonus Plan; the Performance Share Plan; the Ladbrokes Growth Plan; the International Share Option Scheme; the 1978 Share Option Scheme; Sharesave; the OWN Plan; and Freeshare. The plans and the various performance conditions are discussed in more detail below:

(i) Restricted Share Plan

Awards made under the Restricted Share Plan will vest after three years and are not subject to performance conditions, other than service conditions.

(ii) Deferred Bonus Plan

For certain senior executives, one third of the gross annual bonus is delivered in shares that vest after three years. For other employees, one third of the gross annual bonus is delivered in shares that vest after two years.

(iii) Performance Share Plan

An award under the Performance Share Plan consists of a conditional allocation of shares that will vest, subject to the achievement of performance conditions, at the end of the three year performance period. The awards have two separate performance conditions; half of the award vests based on TSR and half of the award vests based on EPS growth.

(iv) Ladbrokes Growth Plan

Awards are subject to share price growth performance conditions. Any share price target must be attained throughout a period of 30 consecutive dealing days and performance is assessed over a five year period. Up to one third of the award may vest at the end of year three if the performance targets have been achieved at that time. A further third may vest at the end of year four if the targets have been met at that time. The remainder of the award may vest at the end of year five, subject to the achievement of the performance targets.

(v) International Share Option Scheme and the 1978 Share Option Scheme

The share options granted are all market value options with a three year vesting period. Vested options lapse if they have not been exercised within 10 years of the date of grant. All options have an EPS growth based performance condition. Options have not been granted since 2009 and there is no present intention to grant options in the future.

(vi) 1983 Savings Related Share Option Scheme ('Sharesave')

Under Sharesave, options are granted at a 20% discount to market value. The scheme operates with a savings period of either three or five years, at the end of which the option may be exercised.

Notes to the consolidated financial statements *continued*

34. Share-based payments continued

(vii) Plan

Under the OWN Plan, employees can contribute up to £75 per month to acquire shares. For every one share purchased, the Group provides a match of one additional share.

(viii) Freeshare

Under Freeshare, an award of up to £250 in value was made to participating employees on reaching one year's service. Freeshares have not been awarded since 2010 and there is no present intention to make awards in the future.

The following table sets out the number of share awards outstanding at the beginning of the year, the number of shares granted, lapsed and vested during the year together with the outstanding share balances as at the end of the year in respect of the Restricted Share Plan, Deferred Bonus Plan, Performance Share Plan and Ladbrokes Growth Plan.

	Restricted Share Plan	Deferred Bonus Plan	Performance Share Plan	Growth Plan	Total
Outstanding at 1 January 2016	3,959,243	73,057	14,855,225	186,990	19,074,515
Granted	613,778	528,967	7,732,135	–	8,874,880
Reinstated	–	–	75,000	–	75,000
Dividend equivalent awards	–	–	–	4,686	4,686
Lapsed	(397,998)	(21,555)	(4,208,799)	–	(4,628,352)
Vested/Exercised	(974,016)	(73,057)	–	–	(1,047,073)
Outstanding at 31 December 2016	3,201,007	507,412	18,453,561	191,676	22,353,656

Share awards granted during the year in respect of the Performance Share Plan:

	2016	2015
Number	7,732,135	6,769,395
Weighted average fair value	£1.03	£0.96

The fair value of share awards was measured by calculating the present value of the dividends receivable between the grant date and the vesting date and valuing the market related performance conditions through the use of a closed-form model, similar to a Monte Carlo simulation.

The following table shows the number and weighted average exercise prices of share options granted, exercised and lapsed during the year in respect of the 1978 and International Share Option Schemes and also Sharesave:

	1978 and International Schemes	Sharesave	2016 Total number	2016 WAEP – £	2015 Number	2015 WAEP – £
Outstanding at 1 January	1,101,201	5,103,449	6,204,650	1.51	5,774,361	1.85
Granted	–	1,813,345	1,813,345	0.94	3,255,308	0.92
Reinstated	–	–	–	–	784	0.92
Exercised	–	(241,442)	(241,442)	1.17	(61,734)	1.13
Lapsed	(1,079,519)	(1,417,012)	(2,496,531)	2.13	(2,764,069)	1.54
Outstanding at 31 December[(1)]	21,682	5,258,340	5,280,022	1.03	6,204,650	1.51
Exercisable at 31 December	21,682	253,343	275,025	1.61	1,672,978	2.71

(1) Of the 5,280,022 share options outstanding at 31 December 2016, 1,433,269 (31 December 2015: 1,877,285) are at a price above the year end share price of 116.0 pence (31 December 2015: 119.7 pence). The total value of these shares is £1.8 million (2015: £4.9 million).

The weighted average share price at the date of exercise for share options exercised during the year was £1.36 (2015: £1.11). The weighted average fair value of options granted during the year was 45.1 pence (2015: 25.0 pence). The weighted average remaining contractual life for the share options outstanding at 31 December 2016 is between one and two years (2015: between two and three years). The range of exercise prices for options outstanding at the end of the year was £0.91 to £3.50 (2015: £0.91 to £3.60).

At 31 December 2016, there were 3,846,753 options outstanding with an exercise price below £1.00, 1,419,917 options outstanding with an exercise price between £1.01 and £2.00, 6,752 options outstanding with an exercise price between £2.01 and £3.00 and 6,600 options outstanding with an exercise price between £3.10 and £3.50.

At 31 December 2015, there were 2,743,200 options outstanding with an exercise price below £1.00, 2,368,579 options outstanding with an exercise price between £1.10 and £2.00, 6,752 options outstanding with an exercise price between £2.01 and £3.00, and 1,086,119 options outstanding with an exercise price between £3.01 and £3.60.

34. Share-based payments continued

The key inputs into the valuation models were as follows:

	2016	2015
Weighted average share price (£)	**1.36**	1.11
Weighted average exercise price (£)	**0.94**	0.92
Expected volatility (%)	**33.0**	32.0
Expected life (years)	**1.4**	2.2
Risk free rate (%)	**0.4**	0.79
Expected dividend yield (%)	**2.2**	7.3

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of £5.8 million within trading items (2015: £4.1 million) and £0.7 million within non-trading items (2015: £nil) relating to equity settled share-based payment transactions.

35. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has a number of lease agreements that, pursuant to their economic substance, qualify as non-cancellable operating lease agreements. These primarily relate to rents payable on land and buildings. The terms of the leases vary significantly but can broadly be summarised as follows:

Lease terms

Shop leases are typically agreed on five year exit cycles (either expiry or break), with a maximum term length of 15 years. Some leases are shorter in duration or with earlier exits.

Determination of rent payments

Rent payments are based on the amount specified in the agreement.

Terms of renewal

The agreements are not terminated automatically after expiry of the lease term and in the majority of cases, lease extension options have been agreed upon and in many other cases, there will be an opportunity to negotiate lease extensions with the lessor at market rates.

Restrictions

There are no restrictions imposed upon the Group concerning dividends, additional debt or further leasing under any of the existing lease arrangements.

Lease payments recognised as an expense for the year:

	2016 £m	2015 £m
Minimum lease payments	**73.8**	68.9

Analysis of minimum lease payments by division:

	2016 £m	2015 £m
UK Retail	**64.9**	60.1
European Retail	**7.3**	7.5
Digital	**1.4**	1.3
Corporate	**0.2**	–
Total	**73.8**	68.9

Future minimum rentals payable under non-cancellable operating leases at 31 December are as follows:

	2016 £m	2015 £m
Within one year	**95.9**	60.5
After one year but not more than five years	**231.9**	147.8
After five years	**90.4**	58.0
Total	**418.2**	266.3

Notes to the consolidated financial statements *continued*

35. Commitments and contingencies continued

Operating lease commitments – Group as lessor

The Group has entered into sublease agreements for unutilised space in the UK shop estate. These non-cancellable leases have remaining lease terms of between one and nine years.

Lease receipts recognised as income for the year:

	2016 £m	2015 £m
Minimum lease receipts	**2.9**	2.9

Future minimum rentals receivable under non-cancellable operating leases at 31 December are as follows:

	2016 £m	2015 £m
Within one year	**1.3**	0.3
After one year but not more than five years	**3.2**	2.7
After five years	**1.7**	3.4
	6.2	6.4

Contingent liabilities

Guarantees have been given in the ordinary course of business in respect of loans and derivative contracts granted to subsidiaries amounting to £1,163 million (2015: £325.0 million). Bank guarantees have been issued on behalf of subsidiaries with a value of £46.3 million (2015: £5.9 million) and the joint venture with a value of £10.6 million (2015: £8.9 million).

The Group has given guarantees to third parties in respect of lease liabilities of former subsidiaries within the disposed hotels division. See note 27 for full disclosure.

36. Related party disclosures

The consolidated financial statements include the financial statements of Ladbrokes Coral Group plc and its subsidiaries. The companies listed below are those which were part of the Group at 31 December.

Subsidiaries based in the United Kingdom

Registered address	Company	% equity interest 2016	2015
Imperial House	Arbiter & Weston Limited(1)(5)(6)	**100.0**	100.0
Imperial Drive	Bartletts Limited(6)	**100.0**	100.0
Rayners Lane	Birchgree Limited(1)(3)(5)(6)	**100.0**	100.0
Harrow	Chequered Racing Limited	**100.0**	100.0
Middlesex	Competition Management Services Co. Limited(6)	**97.5**	97.5
HA2 7JW	E.F. Politt & Son Limited(6)	**100.0**	100.0
	Forestal Land, Timber and Railways Company Limited (The) (6)	**100.0**	100.0
	Gable House Estates Limited(1)(6)	**100.0**	100.0
	Ganton House Investments Limited	**100.0**	100.0
	Greatmark Limited(6)	**100.0**	100.0
	Hillford Estates Limited(6)	**97.5**	97.5
	Hindwain Limited	**100.0**	100.0
	J. Ward Hill & Company(6)	**100.0**	100.0
	Jack Brown (Bookmaker) Limited	**100.0**	100.0
	Jerusalem Development (Mamilla) Co. Limited(6)	**100.0**	100.0
	Jerusalem Development Corporation (Holdings) Limited(5)(6)	**100.0**	100.0
	Krullind Limited(6)	**100.0**	100.0
	Ladbroke & Co., Limited(5)	**100.0**	100.0
	Ladbroke (Course) Limited(6)	**100.0**	100.0
	Ladbroke (Rentals) Limited	**100.0**	100.0
	Ladbroke City & County Land Company Limited(3)(5)	**100.0**	100.0
	Ladbroke Corporate Director Limited(1)(6)	**100.0**	100.0
	Ladbroke Corporate Secretaries Limited(1)(6)	**100.0**	100.0
	Ladbroke Dormant Holding Company Limited(1)(3)(5)	**100.0**	100.0
	Ladbroke Entertainments Limited(1)(3)	**100.0**	100.0
	Ladbroke Group(3)(5)	**100.0**	100.0
	Ladbroke Group Homes Limited(6)	**100.0**	100.0
	Ladbroke Group International(6)	**100.0**	100.0
	Ladbroke Group Properties Limited(1)(5)(6)	**100.0**	100.0
	Ladbroke Land Limited(1)(6)	**100.0**	100.0
	Ladbroke Leasing (South East) Limited(3)	**100.0**	100.0
	Ladbroke Racing (Reading) Limited(3)	**100.0**	100.0
	Ladbroke Racing (South East) Limited(3)	**100.0**	100.0
	Ladbroke Retail Parks Limited(6)	**100.0**	100.0
	Ladbroke US Investments Limited(5)	**100.0**	100.0
	Ladbrokes (CLJEA) Limited(6)	**100.0**	100.0
	Ladbrokes (CLJHC) Limited(6)	**100.0**	100.0
	Ladbrokes (CLJSW) Limited(6)	**100.0**	100.0
	Ladbrokes Betting & Gaming Limited(2)(4)(5)	**100.0**	100.0
	Ladbrokes Contact Centre Limited(3)	**100.0**	100.0
	Ladbrokes CPCB Limited(6)	**100.0**	100.0
	Ladbrokes E-Gaming Limited(1)	**100.0**	100.0
	Ladbrokes Group Finance plc(1)(2)	**100.0**	100.0
	Ladbrokes Group Holdings Limited(5)(6)	**100.0**	100.0
	Ladbrokes Investments Holdings Limited(3)(5)	**100.0**	100.0
	Ladbrokes IT & Shared Services Limited(1)	**100.0**	100.0
	Ladbrokes Life Benefits Trustee Limited(1)(6)	**100.0**	100.0
	Ladbrokes PT Limited(6)	**100.0**	100.0
	Ladbrokes Trustee Company Limited	**100.0**	100.0
	London & Leeds Estates Limited(6)	**93.5**	93.5
	Maple Court Investments Limited(3)	**100.0**	100.0
	Margolis and Ridley Limited(5)	**100.0**	100.0
	Minerva Acquisition Red 1 Limited(6)	**100.0**	–
	Minerva Acquisition Red 2 Limited(6)	**100.0**	–
	New Angel Court Limited(1)(6)	**100.0**	100.0
	Paddington Casino Limited(1)(6)	**100.0**	100.0

Notes to the consolidated financial statements *continued*

36. Related party disclosures continued

Subsidiaries based in the United Kingdom continued

Registered address	Company	% equity interest 2016	% equity interest 2015
Imperial House	Sabrinet Limited	**100.0**	100.0
Imperial Drive	Sponsio Limited(5)	**100.0**	100.0
Rayners Lane	Techno Land Improvements Limited(6)	**100.0**	100.0
Harrow	Town and County Factors Limited(1)(2)	**100.0**	100.0
Middlesex	Travel Document Service(5)	**100.0**	100.0
HA2 7JW	Ventmear Limited	**100.0**	100.0
	Vernons Competitions Company	**100.0**	100.0
New Castle House	Arthur Prince (Turf Accountants) Limited(6)(7)	**100.0**	–
Castle Boulevard	Bloxhams Bookmakers Limited(6)(7)	**100.0**	–
Nottingham	Brickagent Limited(7)	**100.0**	–
Nottinghamshire	CE Acquisition 1 Limited(5)(7)	**100.0**	–
NG7 1FT	Chas Kendall (Turf Accountant) Limited(6)(7)	**100.0**	–
	Choicebet Limited(6)(7)	**100.0**	–
	C L Jennings (1995) Limited(6)(7)	**100.0**	–
	Coral (Holdings) Limited(5)(7)	**100.0**	–
	Coral (Stoke) Limited(6)(7)	**100.0**	–
	Coral Estates Limited(7)	**100.0**	–
	Coral Eurobet Limited(7)	**100.0**	–
	Coral Eurobet Holdings Limited(5)(7)	**100.0**	–
	Coral Group Limited(5)(7)	**100.0**	–
	Coral Group Trading Limited(2)(5)(7)	**100.0**	–
	Coral Limited(5)(7)	**100.0**	–
	Coral Racing Limited(2)(4)(5)(7)	**100.0**	–
	Coral Stadia Limited(4)(5)(7)	**100.0**	–
	Forster's (Bookmakers) Limited(6)(7)	**100.0**	–
	Gala Coral Nominees Limited(6)(7)	**100.0**	–
	Gala Coral Pension Trustee Limited(6)(7)	**100.0**	–
	Gala Coral Properties Limited(6)(7)	**100.0**	–
	Gala Coral Secretaries Limited(6)(7)	**100.0**	–
	J G Leisure Limited(6)(7)	**100.0**	–
	Joe Jennings (1995) Limited(6)(7)	**100.0**	–
	Joe Jennings Limited(6)(7)	**100.0**	–
	Lightworld Limited(5)(6)(7)	**100.0**	–
	Minerva Acquisition Blue 1 Limited(6)(7)	**100.0**	–
	Minerva Acquisition Blue 2 Limited(6)(7)	**100.0**	–
	Minerva Acquisition Blue 3 Limited(6)(7)	**100.0**	–
	Reg.Boyle Limited(6)(7)	**100.0**	–
	Reuben Page Limited(5)(6)(7)	**100.0**	–
	Romford Stadium Limited(4)(7)	**100.0**	–
	Sports (Bookmakers) Limited(6)(7)	**100.0**	–
	Vegas Betting Limited(6)(7)	**100.0**	–
Suite A, 7th Floor	Hillside (LBO Holdings) Limited(6)(7)	**100.0**	–
City Gate East	D&W Bruce Limited(6)(7)	**100.0**	–
Tollhouse Hill, Nottingham			
Nottinghamshire			
NG1 5FS			
77A Andersonstown Road	Ladbrokes (Northern Ireland) (Holdings) Limited(5)	**100.0**	100.0
Belfast	Ladbrokes (Northern Ireland) Limited		
BT11 9AH		**100.0**	100.0
28 la Porte Precinct	North West Bookmakers Limited(4)	**100.0**	100.0
Grangemouth	Moffat Lodge Motor Inn Limited(6)	**100.0**	100.0
FK3 8BG			

36. Related party disclosures continued

Subsidiaries based overseas

Registered address	Company	% equity interest 2016	2015
461-473 Lutwyche Road Lutwyche Queensland QLD 4030 Australia	Gaming Investments Pty Limited[(5)]	**100.0**	100.0
	Ladbrokes Digital Australia Pty Limited[(2)(4)]	**100.0**	100.0
	Ladbrokes Operations Australia Pty Limited[(4)]	**100.0**	100.0
	LB Australia Holdings Pty Limited[(1)(5)]	**100.0**	100.0
	Panda Gaming Pty Limited	**100.0**	100.0
Chaussée de Wavre 1100/3 1160 Auderghem Belgium	Ladbroke Belgium S.A.[(1)(5)]	**100.0**	100.0
	Pari Mutuel Management Services S.A.	**100.0**	100.0
	S.A. Derby N.V.[(1)(4)]	**100.0**	100.0
	Tierce Ladbroke S.A.[(1)(2)(4)]	**100.0**	100.0
Belmont Chambers Road Town Tortola British Virgin Islands	Creative Trend Limited	**100.0**	100.0
	CTL Holdings International Limited[(5)]	**100.0**	100.0
	SRL Holdings International Limited[(5)]	**100.0**	100.0
	Sunrise Resources Limited	**100.0**	100.0
Ugland House Grand Cayman, KY1-1104 Cayman Islands	Cayman Investments Number 1[(5)]	**100.0**	100.0
	International Finance Investment[(5)]	**100.0**	100.0
13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong China	Ladbrokes Lottery (Asia) Co. Limited	**100.0**	100.0
Holbersgade 14, 2tv DK-1057, Copenhagen K Denmark	Ladbrokes ApS	**100.0**	100.0
Klosterstraede 23 3tv DK-1157, Copenhagen K Denmark	Sponsio Denmark A/S	**100.0**	100.0
57/63 Line Wall Road Gibraltar	Balltree (International) Limited	**100.0**	100.0
	Bingo Marketing Limited	**100.0**	–
	Coral Interactive (Gibraltar) Limited[(2)(4)(5)(7)]	**100.0**	–
	Gala Coral Interactive (Gibraltar) Limited[(5)(7)]	**100.0**	–
	Gala Interactive (Gibraltar) Limited[(2)(4)(5)(7)]	**100.0**	–
	Ladbrokes International plc[(2)(4)(5)]	**100.0**	100.0
	Ladbrokes Sportsbook Limited Partnership[(2)(4)]	**100.0**	100.0
Inchalla, Alderney GY9 3UL, Guernsey	Exchange Platform Solutions Limited[(4)]	**100.0**	100.0
1st Floor, Otter House Naas Road Dublin 22 Ireland	Ace Racing Limited	**100.0**	100.0
	Dara Properties Limited	**100.0**	100.0
	Gossamer Limited	**100.0**	100.0
	Harney Bookmakers Limited	**100.0**	100.0
	Keenan Sport & Leisure Limited	**100.0**	100.0
	Ladbroke (Ireland) Limited[(2)(4)(5)]	**100.0**	100.0
	Ladbroke Leisure (Ireland) Limited[(2)(4)]	**100.0**	100.0
	Ladbrokes Payments (Ireland) Limited	**100.0**	100.0
	M D Betting Limited	**100.0**	100.0
Arthur Cox Building Earlsfort Terrace Dublin 2 Ireland	Gala Coral Interactive (Ireland) Limited[(7)]	**100.0**	–

Notes to the consolidated financial statements *continued*

36. Related party disclosures continued

Subsidiaries based overseas continued

Registered address	Company	% equity interest 2016	2015
4th Floor, IFSC House Custom House Quay Dublin 1, Ireland	Ladbroke Services (Ireland) Limited	**100.0**	–
Menahem Begin 125 Tel Aviv, Israel	Gala Interactive (Services) Limited(7)	**100.0**	–
5 Hacilazon Street Ramat Gan, 5252269 Tel Aviv, Israel	Ladbrokes Israel Limited(1)(2)	**100.0**	100.0
Via Alessandro Marchetti No.105 Rome 00148 Italy	Brickagent Italia SRL(2)(4)(7) Eurobet Holding SRL(5)(7) Eurobet International SPA(7) Eurobet Italia SRL(2)(4)(5)(7)	**100.0** **100.0** **100.0** **100.0**	– – – –
1st Floor, Liberation House Castle Street, St. Helier JE1 1GL, Jersey	IHF (Jersey) Limited Ladbroke (Channel Islands) Limited(4)	**100.0** **100.0**	100.0 100.0
47 Esplanade, St Helier JE1 0BD, Jersey	GC Group (Jersey) Limited(7)	**100.0**	–
13 Castle Street, St Helier JE4 5UT, Jersey	Maple Court Investments (Jersey) Limited	**100.0**	100.0
Cagayan Economic Zone Sta. Ana, Cagayan Philippines	NCH Customer Support Services, Inc(7)	**100.0**	–
24A 18th Street Menlo Park, Pretoria 0081, South Africa	Ladbrokes (SA) (Pty) Limited(1)	**60.0**	60.0
Castello 82 4 IZQ, 28006 Madrid, Spain	Ladbrokes Betting and Gaming Spain, S.A.	**100.0**	100.0
2711 Centreville Road, Suite 400, City of Wilmington County of New Castle 19808, United States	Ladbrokes Holdco, Inc.(1)(5)	**100.0**	100.0
608 Lander Street Reno NV 89509 United States	Stadium Technology Group, LLC(4)	**79.0**	79.0

(1) Company that is directly owned by Ladbrokes Coral Group plc.
(2) Company that forms part of the Group as at 31 December 2016 and which, in the opinion of the directors, principally affected the Group's reported results for the year.
(3) Company which the Group will exempt from an audit under section 479A of the Companies Act 2006 and are fully consolidated in these financial statements.
(4) Trading entity engaged in activity associated with betting and gaming.
(5) Holding company.
(6) Dormant company.
(7) Formed part of the Gala Coral Group prior to the merger with the Company.

Joint ventures

Country of incorporation	Company	% equity interest 2016	2015
Mexico	Digital Gaming Mexico S.A.P.I.*	**35.0**	35.0
Panama	Sportium Apuestas Panama*	**40.0**	40.0
Spain	Cirsa Digital S.A.U.*	**50.0**	50.0
	Sportium Apostes Catalunya S.A.U.*	**50.0**	50.0
	Sportium Apuestas Deportivas, S.A.	**50.0**	50.0
	Sportium Apuestas Aragon, S.L.U.*	**50.0**	50.0
	Sportium Apuestas Asturias S.A.U.*	**50.0**	50.0
	Sportium Apuestas Canarias S.L.U.*	**50.0**	50.0
	Sportium Apuestas Castilla La Mancha S.L.U.*	**50.0**	50.0
	Sportium Apuestas Galicia, S.L.U*	**50.0**	50.0
	Sportium Apuestas Levante, S.A.U.*	**50.0**	50.0
	Sportium Apuestas Melilla S.L.U.*	**50.0**	50.0
	Sportium Apuestas Navarra S.A.U*	**50.0**	50.0
	Sportium Apuestas Oeste S.A.U.*	**50.0**	50.0
	Sportium Zona Norte S.A.U.*	**50.0**	50.0

* Subsidiary of Sportium Apuestas Deportivas, S.A.

36. Related party disclosures continued

Other associates

Country of incorporation	Company	% equity interest 2016	2015
China	Asia Gaming Technologies (Beijing) Co., Ltd[1]	**49.0**	49.0
	Asia Gaming Technologies (Tianjin) Co., Ltd[1]	**49.0**	49.0
	Asia Gaming Technologies Limited	**49.0**	49.0
United Kingdom	49's Limited	**66.6**	33.3
	Games For Good Causes PLC	**36.3**	36.3
	Lucky Choice Limited [2]	**66.6**	33.3
	Satellite Information Services (Holdings) Limited	**23.4**	23.4

(1) Subsidiary of Asia Gaming Technologies Limited.
(2) Ladbrokes and Gala Coral both held a 33.3 % equity interest each in the associate prior to the merger. Consequently, the Group's % equity interest increased to 66.6% on completion of the merger. The associate is not consolidated in the Group accounts on the basis that the Group does not exercise management control over the associate.

Other than its associates and joint venture, the related parties of the Group are the executive directors, non-executive directors and members of the Executive Committee of the Group.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and joint venture and other related parties are disclosed below.

Trading 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]	**60.5**	52.1

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

Details of related party outstanding balances

	2016 £m	2015 £m
Loan balances outstanding		
– Joint venture	**1.6**	0.6
Other amounts outstanding		
– Associates	**(2.6)**	(1.6)
– Joint venture	**1.8**	1.6

Notes to the consolidated financial statements *continued*

36. Related party disclosures continued

Terms and conditions of transactions with related parties

Sales to, and purchases from, related parties are made at market prices and in the ordinary course of business. Outstanding balances at 31 December 2016 are unsecured and settlement occurs in cash. For the year ended 31 December 2016, the Group has not raised any provision (2015: £nil) for doubtful debts relating to amounts owed by related parties as the payment history has been good. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group

The remuneration of key management personnel is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Key management personnel comprise executive directors, non-executive directors and members of the Executive management team. Further information about the remuneration of individual directors, which totalled £2.3 million (2015: £2.1 million), is provided in the audited part of the Directors' remuneration report on pages 64 to 86.

	2016 £m	2015 £m
Short-term employee benefits	**3.1**	2.9
Post-employment benefits	**0.6**	0.6
Termination benefits	**0.2**	1.4
Share-based payments	**0.6**	2.6
Total compensation paid to key management personnel	**4.5**	7.5

Directors' interests in the employee share incentive plan and employee share trust are disclosed within the Directors' remuneration report.

37. Subsequent events

There were no material subsequent events that required adjustment or disclosure in the financial statements.

Company financial statements contents

Company balance sheet

At 31 December	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Investments	6	**2,260.6**	2,264.0
Retirement benefit asset		**90.9**	76.3
		2,351.5	2,340.3
Current assets			
Trade and other receivables	7	**76.0**	2.2
Cash and cash equivalents		**1.9**	2.3
		77.9	4.5
Total assets		**2,429.4**	2,344.8
Liabilities			
Current liabilities			
Trade and other payables	8	**(4.9)**	(1,025.9)
		(4.9)	(1,025.9)
Non-current liabilities			
Trade and other payables	8	**(37.9)**	(3.9)
Deferred tax liabilities	9	**(30.4)**	(12.5)
		(68.3)	(16.4)
Total liabilities		**(73.2)**	(1,042.3)
Net assets		**2,356.2**	1,302.5
Shareholders' equity			
Issued share capital	11	**551.4**	297.5
Share premium	12	**335.1**	302.9
Merger reserve	12	**921.7**	–
Treasury and own shares	12	**(110.6)**	(112.3)
Capital reserve	12	**0.1**	0.1
Retained earnings	12	**658.5**	814.3
Total shareholders' equity		**2,356.2**	1,302.5

The Parent company loss for the year was £133.7 million (2015: £430.3 million).

The notes on pages 151 to 157 are an integral part of these financial statements.

Approved by the Board of Directors on 27 March 2017.

Jim Mullen
Paul Bowtell
Directors

Company number: 566221

Notes to the Company financial statements

1. General information

Ladbrokes Coral Group Plc ('the Company') is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is disclosed in the Directors' report.

The financial statements of the Company for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 27 March 2017.

The parent Company loss for the year was £133.7 million (2015: loss of £430.3 million). The reconciliation of equity and reported loss is shown in note 12.

The Company has taken advantage of the exemption from preparing a cash flow statement under paragraph 8(g) of the disclosure exemptions from EU-adopted IFRS for qualifying entities included in Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Ladbrokes Coral Group plc consolidated financial statements for the year ended 31 December 2016 contain a consolidated statement of cash flows.

The Company is exempt under paragraph 8(k) of the disclosure exemptions from EU-adopted IFRS included in FRS 101 for qualifying entities from disclosing related party transactions with entities that form part of the Ladbrokes Coral Group plc group of which Ladbrokes Coral Group plc is the ultimate parent undertaking.

The Company's financial statements are presented in Pounds Sterling (£), which is also the Company's functional currency, and all values are rounded to the nearest m (£m) except when otherwise indicated. The Company's financial statements are individual entity financial statements.

2. Basis of preparation

These financial statements were prepared in accordance with FRS 101 and Companies Act 2006. The financial statements are prepared on a going concern basis under the historical cost convention except for certain financial liabilities measured at fair value.

The accounting policies which follow in note 3 set out those policies which apply in preparing the financial statements for the year ended 31 December 2016 and have been applied consistently to all years presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101 in respect of:

(a) IFRS 3: Business Combinations;
(b) The requirements of IFRS 7 Financial Instruments: Disclosures;
(c) IFRS 13: Fair Value Measurement;
(d) Share-based payments;
(e) Intra-Group-related party transactions; and
(f) Related party transactions.

Income statement
For details of audit fees, see note 7 of the consolidated financial statements.

As permitted by section 408 of the Companies Act 2006, the income statement and the statement of comprehensive income of the parent Company have not been separately presented in these financial statements.

3. Summary of significant accounting policies

Investments
Investments held as fixed assets are stated at cost less provision for impairment.

The Company assesses these investments for impairment wherever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Cash and cash equivalents
Cash and short term deposits in the balance sheet consist of cash at banks and in hand, short-term deposits with an original maturity of less than three months.

Financial assets
Financial assets are recognised when the Company becomes party to the contracts that give rise to them.

The Company classifies financial assets at inception as either financial assets at fair value or loans and receivables. On initial recognition, loans and receivables are measured at fair value. Financial assets at fair value comprise guarantees provided to the Company. Financial assets at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to income statement. Subsequently, the fair values are remeasured and gains and losses from changes therein are recognised in the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value plus directly attributable transaction costs. Subsequently, such assets are measured at amortised cost, using the effective interest rate (EIR) method, less any allowance for impairment.

Notes to the Company financial statements *continued*

3. Summary of significant accounting policies continued

Financial liabilities
Financial liabilities comprise guarantees given to third parties and contingent consideration. 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 are measured initially at fair value, with transaction costs taken directly to the income statement. Subsequently, the fair values are remeasured and gains and losses from changes therein are recognised in the income statement.

Financial guarantee contracts
The Company has provided financial guarantees to third parties in respect of lease obligations of certain of the Company's former subsidiaries relating to 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 Company.

Derecognition of financial assets and liabilities
Financial assets are derecognised when the right to receive cash flows from the assets has expired or when the Company has transferred its contractual right to receive the cash flows from the financial assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party, and either:

- Substantially all the risks and rewards of ownership have been transferred; or
- Substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Current and deferred income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is recognised using the tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply then the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are only recognised to the extent it is probable that there will be suitable taxable profits from which they can be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax balances are not discounted.

Foreign currency translation
The presentation and functional currency of the Company is 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 into Pounds Sterling (£) at the rates of exchange ruling at the balance sheet date (the closing rate).

All foreign currency translation differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a post-tax hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

Non-monetary items that are measured in terms of 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.

Dividends
Final dividends proposed by the Board of directors and unpaid at the year end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when paid.

3. Summary of significant accounting policies continued

Pensions and other post-employment benefit obligations
The Company is the principal employer of the Ladbrokes Pension Plan, a funded defined benefit group plan. The pension cost relating to the plan is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method.

Any actuarial gains or losses are taken to equity in the period in which they arise. Any past service costs are recognised immediately to the extent that benefits have already vested and, otherwise, are amortised on a straight line basis over the average period until the benefits vest.

The defined benefit asset recognised in the balance sheet represents the fair value of plan assets less the present value of defined benefit obligations. The Company recognises its pension surplus in full on the basis that it does not consider there to be substantive restrictions on the return of residual plan assets in the event of a winding up of the plan after all member obligations have been met.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

ESOP trusts
Where the Company holds its own equity shares through an ESOP trust these shares are shown as a reduction in equity. Any consideration paid or received for the purchase or sale of these shares is recognised as deductions in equity and no gain or loss is recognised within the income statement or the statement of total recognised gains and losses on the purchase, sale or cancellation of these shares.

Treasury shares
Own equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Share-based payments
The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted (see note 34 of the consolidated financial statements for further details).

The cost of equity settled transactions is recharged to the respective employing entities, with a corresponding increase in equity booked within Ladbrokes Coral plc.

4. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make assumptions, estimates and judgements that affect the amounts reported as assets and liabilities as at the balance sheet date and the amounts reported as revenues and expenses during the year. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the accounting policies where judgement is necessarily applied are those that relate to:

- the cost of pension and other post employment benefit obligations;
- income tax;
- contingent consideration; and
- valuation of financial guarantee contracts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

Pension and other post-employment benefit obligations
The cost of defined benefit pension plans and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Financial guarantee contracts
The valuation of financial guarantee contracts and related indemnities requires use of assumptions of the risks of default of the guaranteed entities and the credit profiles of the counterparties.

Income tax
Significant judgement is required in determining the provision for income taxes due to the uncertainty of the amount of income tax that may be payable, and in respect of determining the level of the future taxable profits of the Company that support the recoverability of the deferred tax asset.

Notes to the Company financial statements *continued*

5. Dividends

Pence per share	2016 pence	2015 pence
Interim dividend paid	**1.0**	1.0
Final dividend proposed[1]	**2.0**	2.0
	3.0	3.0

(1) A final dividend of 2.0 pence (2015: 2.0 pence) per share, amounting to £38.2 million (2015: £20.4 million) 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 (£10.2 million) was paid on 10 November 2016.

6. Investments

	Shares in Group companies £m	Unlisted investments at cost £m	Total £m
Cost			
At 1 January 2015	3,976.1	10.2	3,986.3
Additions	9.1	–	9.1
Disposals	(1,639.0)	–	(1,639.0)
At 31 December 2015	2,346.2	10.2	2,356.4
Impairment provision			
At 1 January 2015	–	–	–
Provided in the year	92.4	–	92.4
At 31 December 2015	92.4	–	92.4
Net book value			
At 1 January 2015	3,976.1	10.2	3,986.3
At 31 December 2015	2,253.8	10.2	2,264.0

	Shares in Group companies £m	Unlisted investments at cost £m	Total £m
Cost			
At 1 January 2016	2,346.2	10.2	2,356.4
Additions[1]	1,167.2	–	1,167.2
Disposals[2]	(1,167.2)	–	(1,167.2)
At 31 December 2016	**2,346.2**	**10.2**	**2,356.4**
Impairment provision			
At 1 January 2016	92.4	–	92.4
Provided in the year [3]	**–**	**3.4**	**3.4**
At 31 December 2016	**92.4**	**3.4**	**95.8**
Net book value			
At 1 January 2016	2,253.8	10.2	2,264.0
At 31 December 2016	**2,253.8**	**6.8**	**2,260.6**

(1) Additions of £1,167.2 million relate to the investment in GC Group (Jersey) Limited which arose on acquisition of the Coral Group.
(2) Disposals of £1,167.2 million relate to the transfer of GC Group Jersey Limited to a subsidiary of the Company with proceeds used to repay balances owed to other Group companies. Further details of the acquisition of GC Group (Jersey) Limited are set out in note 30 to the consolidated financial statements.
(3) During the year the Company has impaired its investment of £3.4 million in TBH Guernsey Limited.

Subsidiaries and other related entities are listed in note 36 of the consolidated financial statements.

7. Trade and other receivables

	2016 £m	2015 £m
Amounts due from Group companies	**76.0**	2.2

8. Trade and other payables

	2016 £m	2015 £m
Current		
Amounts due to Group companies	**0.8**	1,021.4
Accruals and deferred income	**2.2**	2.6
Other payables	**1.9**	1.9
	4.9	1,025.9
Non-current		
Other payables	**37.9**	3.9

Financial guarantee contracts to third parties

The Company has given guarantees to third parties in respect of lease liabilities of former subsidiaries within the disposed hotels division. See note 27 of the consolidated financial statements for full disclosure.

9. Deferred tax

Deferred tax at 31 December relates to the following:

		Company balance sheet
	2016 £m	2015 £m
Deferred tax liabilities		
Retirement benefit asset	**31.8**	13.7
Deferred tax liabilities	**31.8**	13.7
Deferred tax assets		
Share-based payments	**(1.4)**	(1.2)
Deferred tax assets	**(1.4)**	(1.2)
Net deferred tax liability	**30.4**	12.5

Analysis of movements in deferred tax:

	2016 £m	2015 £m
At 1 January	**(12.5)**	(11.4)
Amounts charged to the profit and loss account for the year	**(11.3)**	(0.5)
Deferred tax charged directly to other comprehensive income	**(6.6)**	(0.6)
At 31 December	**(30.4)**	(12.5)

Deferred tax assets have not been recognised in respect of the carried forward tax losses, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	2016 £m	2015 £m
Tax losses	**19.0**	20.1

Notes to the Company financial statements *continued*

10. Financial risk management objectives and policies

The financial risk management objectives and policies applied by the Company are in line with those of the Group as disclosed in note 26 to the Consolidated financial statements.

11. Share capital

	Number of 28⅓p ordinary shares	£m
Issued and fully paid:		
At 1 January 2015	954,625,329	270.5
Issue during the year	95,387,740	27.0
At 31 December 2015	1,050,013,069	297.5
Issued as consideration to Gala Coral shareholders(1) (4)	866,518,803	245.5
Issued during the year(2)	29,174,406	8.3
Exercise of share options (3)	503,195	0.1
At 31 December 2016	**1,946,209,473**	**551.4**

(1) On 1 November 2016, the Group issued 866,518,803 consideration shares at a price of £1.347 per share to Gala Coral as part of the all share merger described in note 30.
(2) As at 1 November 2016 29,174,406 shares were issued at a volume weighted average price of £1.371 per to Playtech plc in order to accelerate the determination of the amounts due under the marketing services agreement with Ladbrokes plc.
(3) In addition to the above the following fully paid shares of 28⅓ pence each were issued: 241,442 shares on exercise of options under the 1983 Savings Related Share Option Scheme, 261,753 shares under the OWN Plan.
(4) The issue of new shares in the Company in exchange for shares in GC Group (Jersey) Limited has attracted merger relief under section 612 of the Companies Act 2006. Of the £1,167.2 million fair value of the 866,518,803 shares issued in connection with the acquisition of GC Group (Jersey) Limited, £245.5 million (28.33 pence per ordinary share) has been credited to share capital and the remaining £921.7 million has been credited to the merger reserve within equity.

	Number of 28⅓p ordinary shares
Shares issued at 31 December 2015	1,050,013,069
Treasury shares	(31,760,568)
Shares issued at 31 December 2015 excluding treasury shares	1,018,252,501
Shares issued at 31 December 2016	**1,946,209,473**
Treasury shares	**(31,760,568)**
Shares issued at 31 December 2016 excluding treasury shares	**1,914,448,905**

12. Reconciliation of movements in equity

	Called up share capital £m	Share premium account £m	Merger reserve account £m	Treasury and own shares £m	Capital reserve £m	Retained earnings £m	Total £m
At January 2015	**270.5**	**214.9**		**(116.1)**	**0.1**	**1,302.9**	**1,672.3**
Loss for the year	–	–	–	–	–	(430.3)	(430.3)
Other comprehensive income	–	–	–	–	–	2.6	2.6
Total comprehensive expense	–	–	–	–	–	(427.7)	(427.7)
Issue of shares	27.0	88.0	–	–	–	–	115.0
Share-based payments charge	–	–	–	–	–	3.1	3.1
Net movement in shares held in ESOP trusts	–	–	–	3.8	–	(11.7)	(7.9)
Equity dividends	–	–	–	–	–	(52.3)	(52.3)
At 31 December 2015	**297.5**	**302.9**	–	**(112.3)**	**0.1**	**814.3**	**1,302.5**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(133.7)**	**(133.7)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**4.2**	**4.2**
Total comprehensive expense	**–**	**–**	**–**	**–**	**–**	**(129.5)**	**(129.5)**
Issue of shares	**253.9**	**32.2**	**921.7**	**–**	**–**	**–**	**1,207.8**
Share-based payments charge	**–**	**–**	**–**	**–**	**–**	**6.5**	**6.5**
Net movement in shares held in ESOP trusts	**–**	**–**	**–**	**1.7**	**–**	**(2.4)**	**(0.7)**
Equity dividends	**–**	**–**	**–**	**–**	**–**	**(30.4)**	**(30.4)**
At 31 December 2016	**551.4**	**335.1**	**921.7**	**(110.6)**	**0.1**	**658.5**	**2,356.2**

13. Employee share ownership plans

Details of the employee share ownership plans of the Company are given in note 31 of the Consolidated financial statements. The following table shows the number of shares held in trust that have not yet vested unconditionally and the associated reduction in shareholders' funds.

	LCSOT		LSIP		Total	
	Shares held Number	Cost of shares £m	Shares held Number	Cost of shares £m	Shares held Number	Cost of shares £m
At 1 January 2016	4,378,080	6.7	1,045,430	0.4	5,423,510	7.1
Shares purchased/allocated	570,000	0.7	333,971	0.2	903,971	0.9
Vested in year	(1,049,121)	(2.4)	(245,594)	(0.3)	(1,294,715)	(2.7)
At 31 December 2016	**3,898,959**	**5.0**	**1,133,807**	**0.3**	**5,032,766**	**5.3**
Market value of shares in trusts		**4.5**		**1.3**		**5.8**

14. Retirement benefit schemes

As Ladbrokes Coral plc is the 'Principal Employer' under the Scheme rules and as it ultimately bears the risk and cost of the plan in practice the defined benefit pension scheme is solely accounted for in Ladbrokes Coral plc.

There is also no contractual agreement or stated policy in place between sponsoring entities for recharging net defined benefit cost of the pension scheme.

See note 33 of the consolidated financial statements for disclosure of retirement benefit schemes.

15. Contingencies

Guarantees have been given in the ordinary course of business in respect of loans and derivative contracts granted to subsidiaries amounting to £1,163.0 million (2015: £325.0 million). There have been no loans guaranteed by subsidiary companies (2015: £nil).

Bank guarantees have been issued on behalf of subsidiaries with a value of £46.3 million (2015: £5.9 million) and the joint venture with a value of £10.6 million (2015: £8.9 million).

The Company has given guarantees to third parties in respect of lease liabilities of former subsidiaries within the disposed hotels division. See note 27 of the consolidated financial statements for full disclosure.

For UK corporation tax purposes, the Company has made collective payment arrangements with other undertakings in the Group. Under these arrangements the Company has a joint and several liability for amounts owed by those undertakings to HM Revenue & Customs.

16. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly-owned subsidiaries. See note 36 of the consolidated financial statements for disclosure of key management personnel.

17. Subsequent events

There were no material subsequent events that required adjustment or disclosure in the financial statements.

Shareholder information

2017 Financial calendar

Record date for 2016 final dividend	7 April 2017
Annual General Meeting	4 May 2017
Payment date for 2016 final dividend	18 May 2017
Announcement of half-year results and 2017 interim dividend*	4 August 2017
Record date for 2017 interim dividend*	22 September 2017
Payment date for 2017 interim dividend*	9 November 2017

* Provisional date.

Dividends

Currently there is an annual £5,000 tax-free allowance on dividend income across an individual's entire share portfolio which replaced dividend tax credits in April 2016. In the 2017 budget, this allowance was reduced to £2,000 with effect from April 2018. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides shareholders with confirmation of the dividends paid to them and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Details of dividends paid in the past can be found on the Company's website at www.ladbrokescoralplc.com/investors.

Direct credit of dividend payments

Ladbrokes Coral is keen to encourage all its shareholders to have their dividends paid directly into their bank or building society account.

If you want your dividends to be paid directly into your UK account, you should apply online at www.investorcentre.co.uk or contact our Registrar for a dividend mandate form.

The overseas global dividend service provided by our Registrar enables shareholders living overseas to have their dividend paid directly into their bank account for a fee. For further details please visit www.investorcentre.co.uk/faq and select the 'Dividends and Payments tab' followed by 'Global Payment Service'.

Dividend reinvestment plan

The Company provides a dividend reinvestment plan, which enables shareholders to apply all of their cash dividends to buy additional shares in Ladbrokes Coral. For more information and a mandate to join the plan, visit www.investorcentre.co.uk or contact our Registrar.

Manage your shareholding online

You can view and manage your shareholding online by registering for an online account with our Registrar. This service allows you to view your share portfolio and see the latest market price of your shares, check your dividend payments, vote online, change your address, update payment instructions and receive your shareholder communications electronically. To register for an account, visit www.investorcentre.co.uk and click on the register tab. To set up an account you will need your Shareholder Reference Number (which can be found on your Proxy Form) and postcode.

Shareholders are encouraged to be notified by email when your communications are available online. By providing your email address you will no longer receive paper copies of annual reports or any other shareholder communications. Instead you will receive an email advising you when and how to access documents online.

Share dealing service

A share dealing service for Ladbrokes Coral's shares is available through The Share Centre Ltd, a member of the London Stock Exchange, which is authorised and regulated by the Financial Conduct Authority. For further details, please contact: The Share Centre, PO Box 2000, Aylesbury, Bucks HP21 8PB; Telephone: 01296 414141.

American depositary receipts (ADRs)

Ladbrokes Coral has a sponsored level 1 ADR programme for which Deutsche Bank Trust Company Americas acts as depositary. The ADRs are traded on the Over the Counter market in the US under the symbol LDCOY, where one ADR is equal to one ordinary share. When dividends are paid to shareholders, the depositary makes the equivalent payment in US Dollars to ADR holders.

UK tax on capital gains

Information for UK capital gains tax purposes, which includes details of rights and capitalisation issues which have occurred since 31 March 1982, is available at www.ladbrokescoralplc.com/investors.

Shareholders:
For queries regarding your shareholding, please contact our Registrar, Computershare Investor Services PLC:

By telephone: +44 (0)370 702 0127

@ By email: web.queries@computershare.co.uk

Online: www.investorcentre.co.uk

In writing: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

ADR holders:
Registered ADR holders should contact the Ladbrokes Coral ADR shareholder services line:

By telephone: +1 866 249 2593

Online: www.adr.db.com

Be on your guard – beware of fraudsters
The Company is aware of shareholders receiving unsolicited calls or correspondence concerning investment matters. Calls are typically from people stating they are 'brokers' based overseas and they offer to 'buy' the individual's shares at inflated prices claiming that there is a 'secret' takeover or merger. Shareholders are advised to be very wary of any unsolicited advice, offers to sell or buy their shares or offers of free company reports. Operations to buy shares at inflated prices or to sell what often turn out to be worthless, high risk or even non-existent shares are commonly known as 'boiler room' scams.

More detailed information on boiler room scams is available at www.ladbrokescoralplc.com/investors. If you think you have been contacted by share fraudsters, you can report the matter to the Financial Conduct Authority by calling +44 (0)800 111 6768 or by completing the online form available at www.fca.org.uk/scamsmart.

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Glossary

ABB
Association of British Bookmakers.

Actives
The number of individuals who have placed a bet during the year.

Bet in Play
Betting-in-Play allows bettors the opportunity to bet on outcomes during a live event.

Category B2 gaming machine
Gaming machine with maximum stake of £100 and maximum prize of £500.

Category B3 gaming machine
Gaming machine with maximum stake of £2 and maximum prize of £500.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Gambling Act
The Gambling Act 2005 is the primary piece of legislation governing gambling regulations in Great Britain.

GamCare
A charitable organisation which provides counselling to those with gambling related problems.

Gambling Commission
Set up under the Gambling Act 2005, the Gambling Commission regulates casinos, bingo, gaming machines and lotteries. It is also responsible for the regulation of betting and remote gambling, as well as helping to protect children and vulnerable people.

Gaming Machines
Betting shops can operate machines with B2 content (including old FOBT content) and B3 content, as defined by the 2005 Gambling Act.

Gross Win
Total customer stakes less customer winnings plus commission, i.e. the amount of money left behind by the customer.

MGD (Machine Games Duty)
MGD is charged at 25% of the gross profit generated from machine games.

Net Revenue
Gross win less fair value adjustments, e.g. fair value of reward points, free bets and promotional bonuses, VAT and associate income.

Operating profit
Profit before net finance expense, tax and exceptional items.

OTC
Over the Counter.

POC
Point of consumption tax.

Real Money Sign-up
A new player who has registered and deposited funds into an account with the Company. To address the issues posed by shared wallets, customers are categorised between lines of business according to where they first register on the gaming site.

Responsible Gambling Trust
A charity that funds treatment, education and research related to problem gambling.

SIS (Satellite Information Services)
Ladbrokes owns 23.4% of SIS, a leading supplier of television programming and sports data to licensed betting offices in the UK, Ireland, Isle of Man and Channel Islands.

SSBTs
Self Service Betting Terminals.

The Coral Group
The proposed merger between Gala Coral Group Limited and Ladbrokes plc is with certain businesses of Gala Coral, including Coral Retail, Eurobet Retail and Gala Coral's online business.

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