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Ladbrokes^{PLC}

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

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Unaudited interim results for the six months ended 30 June 2006

	Half year to 30 June 2006 £m	Half year to 30 June 2005 ⁽¹⁾ £m	Year to 31 December 2005 ⁽¹⁾ £m
Continuing operations			
Gross win	523.1	467.2	918.0
Net revenue	502.1	463.1	908.5
Operating profit ⁽²⁾	151.3	134.7	249.0
Net finance costs ⁽²⁾	(19.9)	(12.1)	(16.9)
Interest income on hotels sale proceeds	24.0	-	-
Profit before tax and non-trading items ⁽²⁾	155.4	122.6	232.1
Profit for the period from discontinued operations	10.8	69.5	181.8
Profit on disposal of hotels business	378.8	-	-
Non-trading items before tax	7.0	9.8	(19.9)
Profit before tax	552.0	201.9	394.0
Tax	(34.5)	(42.3)	(63.0)
Profit after tax	517.5	159.6	331.0
EBITDA ⁽²⁾ – continuing	171.3	152.9	286.2
Earnings per share ^{(2) (4)} – continuing	9.8p	5.7p	12.0p
Earnings per share ⁽⁴⁾ – total Group	43.0p	10.0p	20.7p
Proposed dividend per share ^{(3) (4)}	4.60p	3.80p	240.0p

⁽¹⁾ Restated – details of restatement explained in notes 1 (c) and 1 (d) to the financial statements.

⁽²⁾ Before non-trading items and discontinued operations. Non-trading items comprise profits/losses on unrealised gains/losses on derivatives. Profit from discontinued operations includes profit on disposal of the hotels business.

⁽³⁾ Half year to 30 June 2006 is the proposed interim dividend of 4.60p (30 June 2005: 3.80p). 2005 full year figure includes a proposed special dividend of 233.4 pence and a proposed final dividend of 6.60 pence, which together were paid on 25 April 2006.

⁽⁴⁾ 6 for 17 share consolidation took place on 13 April 2006, hence prior year earnings per share and dividend per share are not directly comparable.

Financial Highlights

- Operating profit from continuing operations increased by 12.3% to £151.3 million (H1 2005: £134.7 million).
- Ladbrokes gross win increased by 12.0% to £523.1 million (H1 2005: £467.2 million).
- Good World Cup with total of £17.5 million gross win across the tournament (£10.6 million in the first half and £6.9 million in the second half).
- Net debt of £924.7 million with net cash inflow from operating activities of £83.1 million.
- Effective tax rate of 24%.
- Interim dividend of 4.6 pence per share (2005 Interim dividend: 3.8 pence).
- Profit on disposal of Hilton International of £378.8 million, together with £24.0 million of interest income earned on the proceeds.
- At the end of April, Ladbrokes returned cash of £4.2 billion to shareholders following the sale of Hilton International to Hilton Hotels Corp.

Strategic Highlights

- Ladbrokes has signed a joint venture agreement with Italian betting company Pianeta Scommesse, which will establish Ladbrokes as a government-accredited provider of betting shop services in Italy.
- Ladbrokes' consultancy in China continues to expand – its role now extends to advising on the operation of 250 shops in Beijing and 50 newly launched shops in the province of Tianjin.
- Further international progress in Vietnam, where Ladbrokes is one of three shortlisted to operate the sports lottery and in Turkey, where it has formed a consortium with Intralot to bid for the Turkish national lottery.

Christopher Bell, Group Chief Executive Officer, commented:

“The first half of 2006, our first reporting period as a stand-alone entity, has seen record earnings for Ladbrokes, increasing 12.3% on last year. The results were driven by a good World Cup, further growth in eGaming, a larger Retail estate and improved results in Telephone Betting.

“Today we announce a joint venture with Pianeta Scommese, a betting shop provider in Italy. We plan to invest around €100 million to develop retail, internet and telephone betting propositions in Italy over the next 5 years, as the Government’s new licensing and taxation regime is introduced.

“Moving forward we will continue to exploit our brand and ability to innovate across all channels to ensure our eGaming business continues its growth and our Retail estate is well placed for the growth opportunities resulting from the implementation of the Gambling Act in 2007, the full effects of which will impact in 2008.”

Board changes

During the period, the Board was pleased to welcome the appointment of John Jarvis and today, the appointment of Henry Staunton. Ian Livingston will stand down from the Board at the end of October.

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Notes to editors:

Definitions of online gaming harmonised KPI’s (as released on 6 July 2006) are included in an appendix to this release.

A live conference call of the analyst presentation will be available at 9:30am (UK time) by dialling +44 (0) 20 7138 0816 and asking for the ‘Ladbrokes plc Interim Results’. In addition, a live audiocast of the presentation with slides will be held within the ‘Investor Centre’ on www.ladbrokesplc.com and a recording will be available from 3pm (UK time) the same day.

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

Performance overview:

Ladbrokes' first half year as a standalone betting and gaming business has been one of solid progress. The business achieved its highest ever first half operating profit of £151.3 million and made further progress with our international development plans.

As expected, the World Cup turned out to be the biggest betting event in our history, and gave a major boost to Ladbrokes' customer base, with over 220,000 new eGaming and Telephone customers in the first 6 months of 2006. In total, the tournament (which spanned both first and second halves of 2006) contributed £17.5 million in gross win across all channels.

Sportsbetting margins in Retail were positive between March and the half year, aided by good results at Cheltenham, Aintree, Ascot and of course the World Cup. This helped mitigate the unusually high levels of lost horse racing and poor results during January and February.

The initial response to Ladbrokes Xtra has been positive and a number of systems enhancements will be made in the second half of 2006, including a more comprehensive range of "betting-in-play".

In Retail, like for like gross win grew by 1.0% in the first half and costs continued to be tightly controlled, with a like for like increase of 3.2%, influenced mainly by property utility cost pressure.

eGaming continues to grow and the cost of attracting new customers remains low. Sportsbook showed strong growth in gross win, supported by Casino and Games. Growth in Poker has been less buoyant than last year, with competition challenges emerging, particularly in our important Swedish market, compounded by the distraction of the World Cup.

Strategy:

Good progress has been made in Europe. Today we announce a joint venture with Pianeta Scommesse in Italy, which will establish Ladbrokes as a government-accredited provider of betting shop services to the Italian market. Regulatory changes to the Italian market, expected within the next few months, make this underserved market an excellent opportunity for Ladbrokes.

In the first half, we also signed a Joint Venture with Cyberview to provide standalone sportsbetting facilities to casinos in Russia. We expect to have a number of units in operation by the end of 2006. We also expect our operation in China, which has already achieved further growth, to deliver a marginal profit contribution in 2007.

In view of ongoing uncertainties within the US legislative environment, the decision on whether to take business from US customers on our gaming sites remains under review and we will update the market in due course.

In July 2006 we opened a joint venture casino and sportsbar at the Paddington Hilton. Once again we have a casino operating licence, consistent with our aim of acquiring some of the 17 new casino licenses to be permitted by the 2005 Gambling Act.

Outlook:

The first half saw further growth in Retail and following a period which has seen significant changes in government policy on betting and gaming, we now enter a period of consolidation for our Retail business, as we look forward to the implementation of the 2005 Gambling Act in autumn 2007. We expect the benefits from late winter opening and £500 jackpot machines to start flowing through in 2008. Meanwhile, we continue to invest in our UK and Irish estates in readiness to take advantage of future opportunities.

Telephone Betting has shown good recovery in the first half of 2006 and whilst the competitive environment remains tough for Poker, performance in Sportsbook, Casino and Games is very positive and we believe that the eGaming channel will continue its good growth.

Despite a difficult Goodwood, in August, management remains positive about the prospects for the business this year and, looking further ahead, will continue to take full advantage of the opportunities that the market presents both at home and overseas.

Operating Results

Amount staked by business	Half year to 30 June 2006 £m	Half year to 30 June 2005 ⁽¹⁾ £m	Year to 31 December 2005 ⁽¹⁾ £m
European Retail	5,172.1	4,930.0	9,799.3
EGaming	587.4	423.7	892.4
Telephone Betting	578.8	341.4	780.2
Other ⁽²⁾	21.2	14.5	28.1
Total	6,359.5	5,709.6	11,500.0

Gross win by business	Half year to 30 June 2006 £m	Half year to 30 June 2005 £m	Year to 31 December 2005 £m
European Retail	407.6	377.7	754.6
EGaming	72.6	58.0	123.1
Telephone Betting	33.6	21.6	21.0
Other ⁽²⁾	9.3	9.9	19.3
Total	523.1	467.2	918.0

Net revenue by business	Half year to 30 June 2006 £m	Half year to 30 June 2005 ⁽¹⁾ £m	Year to 31 December 2005 ⁽¹⁾ £m
European Retail	392.7	377.2	752.4
EGaming	66.6	54.6	116.2
Telephone Betting	33.5	21.4	20.6
Other ⁽²⁾	9.3	9.9	19.3
Total	502.1	463.1	908.5

Profit from operations by business	Half year to 30 June 2006 £m	Half year to 30 June 2005 £m	Year to 31 December 2005 £m
European Retail	120.1	114.5	219.5
EGaming	19.8	17.5	41.4
Telephone Betting	16.6	8.5	(0.1)
Other ⁽²⁾	2.1	3.1	5.8
Central costs	(7.3)	(8.9)	(17.6)
Total	151.3	134.7	249.0

Profit is before non-trading items and discontinued operations.

(1) Restated – details of restatement explained in notes 1 (c) and 1 (d) to the financial statements

(2) Vernons

Business Review

European Retail

- Total gross win increased by 7.9% to £407.6 million (H1 2005: £377.7 million) and operating profit increased by 4.9% to £120.1 million (H1 2005: £114.5 million).

European Retail - UK

- Total gross win increased by 7.1% to £366.4 million (H1 2005: £342.1 million), with £12.6 million from our Jack Brown acquisition. Gross win has shown significant improvement since March, after a tough start to the year due to an unusually high number of race cancellations and favourites winning.
- Gross win, excluding the Jack Brown acquisition, increased by 3.4%. Like for like gross win, excluding acquisitions and new licences, grew by 1.0%.
- Gross win in the first quarter showed growth of 0.2%, whilst the second quarter growth was 13.2%, reflecting both the poor start to 2006 and the good results we have had since April.
- Over the Counter (OTC) gross win increased by 8.0% to £261.8 million (H1 2005: £242.5 million), with like for like OTC gross win up by 1.4%. Gross win margin was 16.9%, with good margins achieved in the key horse racing festival meetings in 2006.
- Ladbrokes Xtra was rolled out to the UK shop estate in time for the World Cup. The initial response to our unique range and display of virtual (football and racing) and foreign racing products has been encouraging.
- The World Cup contributed £10.6 million to UK Retail gross win, with £6.0 million in the first half and £4.6 million falling in July.
- Machine gross win increased by 5.0% to £104.6 million (H1 2005: £99.6 million), with average weekly FOBT gross win of £548 (£571 excluding Jack Brown), compared to £576 for the first half of 2005.
- The second half of 2006 will see the installation of 3,000 new bespoke dual screen FOBTs. The full FOBT estate will be replaced by the end of the first quarter of 2007 at a cost of £18 million.
- Total gross win growth in Scotland was better than the estate in England and Wales, despite introduction of the smoking ban.
- Operating costs increased by 9.9% to £201.6 million, reflecting a higher number of shops. Like for like costs increased by 3.2%, including the additional costs from Ladbrokes Xtra.
- Operating profit of £111.5 million increased by 2.5% (H1 2005: £108.8 million).
- Jack Brown has contributed EBITDA of £3.0 million in the first half of 2006.
- At 30 June 2006 Ladbrokes had 2,137 shops in the UK. The increase of three shops since 31 December 2005 was driven by one acquisition and 11 new licences, less two disposals and seven closures.

Business Review (continued)

European Retail - Ireland

- Gross win in Ireland increased by 37% to £23.2 million (H1 2005: £16.9 million), due to development activity, favourable horse racing results at key festivals and the tax free betting introduced in all shops from December 2005.
- While operating costs increased by 9.3% in Ireland as a result of the impact of a larger shop estate and related establishment costs, operating profit increased by 122.6% to £6.9 million (H1 2005: £3.1 million).
- Shop numbers in Ireland increased from 148 at 31 December 2005 to 165, with 13 acquisitions and four new licences.

European Retail - Belgium

- Gross win in Belgium showed marginal decline due to the highly competitive marketplace and operating profit decreased by 35% to £1.7 million (H1 2005: £2.6 million).
- In Belgium, the number of shops was 299 at the half year.

eGaming ⁽¹⁾

- eGaming gross win grew by 25% to £72.6 million (H1 2005: £58.0 million), with 420,000 unique active players (up 37%). Net revenue, after fair value adjustments for free bets, promotions and bonuses, increased by 22% to £66.6 million (H1 2005: £54.6 million as restated) as recruitment investment was stepped up to take advantage of the sporting calendar, which included the World Cup.
- In eGaming, the World Cup delivered £3.4 million gross win in the first half with a further £1.2 million in the second half.
- Sportsbook (including Ladbrokes Financials) gross win rose by 54% to £24.6 million. Average monthly active player days grew by 43% to 644,000 and yield per unique active player grew 7% to £75.
- Poker gross win grew by 15% to £21.3 million, impacted by increased competition, particularly in Sweden with the launch of the state lottery poker site. Average monthly active player days grew by 39% to 496,000 and yield per unique active player fell 28% to £161. During the World Cup, Poker experienced a marked dip in player levels and activity. High profile promotional events planned for the second half include Ladbrokes European Online Championship Of Poker and the popular televised Ladbrokes' Poker Million tournament (with Europe's largest TV poker prize pool of \$4.2 million). Additionally, a number of product developments will be launched later this year, including new language versions.

⁽¹⁾ Definitions of online gaming harmonised KPI's (as published on 6 July 2006) are included in an appendix to this release.

Business Review (continued)

- Casino gross win of £21.4 million grew by 16% and average monthly active player days were up 31% at 72,000. The market leading “1 click” suite of instant play casino games was successfully launched in the first half with further developments planned for the second half.
- Games gross win of £5.3 million grew by 3.9% (H1 2005: £5.1 million), with average monthly active player days up 30% to 70,000. In the second quarter we launched Bingo and Backgammon, and our first branded game ‘Deal or No Deal’ was launched in July with encouraging early signs.
- Operating costs of £43.0 million increased by 27% compared to the 22% increase in net revenue. This increase predominantly reflects higher marketing costs (up by £2.6 million), as the customer recruitment opportunity offered by the World Cup was maximised, with real money sign-ups 37% higher than the same period last year and adjusted cost per acquisition (including fair value adjustments to revenue, but after stripping out costs related solely to retention) down by 12% to £51, positioning us well for the second half.
- Operating profit increased to £19.8 million (H1 2005: £17.5 million), with net revenue conversion of 30% impacted by the marketing activity focused around the World Cup in the first half (H1 2005: 32%).

Telephone Betting

- Gross win excluding High Rollers was £20.3 million, up 29% (H1 2005: £15.7 million) with gross win margins of 8.8% compared to 5.9% in 2005.
- The World Cup, excluding High Rollers, delivered Telephone gross win of £0.9 million at a margin of 8.8% in the first half, with a further £0.7 million in the second half.
- Gross win from High Rollers was £13.3 million (H1 2005: £5.9 million).
- Unique active players were level at 100,100 (H1 2005: 99,800), but average monthly active player days grew by 2.6% and call volumes (excluding High Rollers) increased by 8.2%.
- Overall operating costs increased 23% to £11.8 million, compared to net revenue growth of 30%, with agent cost per call down 15%.
- Including the impact of High Rollers, operating profit almost doubled to £16.6 million (H1 2005: £8.5 million).

Vernons

- Operating profit fell by 32% to £2.1 million (H1 2005: £3.1 million) largely due to the impact of results in the Irish National Lottery based game, ‘Lucky Clover’, where margins ran 13 percentage points below last year at 29%.

Business Review (continued)

International development

- International expansion represents a new area of growth, and today's Italy announcement adds to existing agreements in China and Russia, which were announced earlier this year. EBIT contribution for this channel of between £20 million and £40 million is anticipated within 3-5 years. Asia and Europe are key targets, and a number of discussions are ongoing.
- Ladbrokes' joint venture with Pianeta Scommesse will target opportunities in retail, internet and telephone, as will be allowed under the Italian government's reforms to the betting market. These include increasing the number of licences, reducing betting tax on sports bets and allowing slot machines in betting shops. We plan to invest around €100 million in the Italian market over the coming 5 years.

Casino development

- Ladbrokes Casino and Sportsbar, which opened in July 2006, is a joint venture with Alan Goodenough (ex-London Clubs). It represents a strategic opportunity to gain an operating licence, in view of Ladbrokes' interest in some of the 17 new UK casinos under the 2005 Gambling Act.

Operating and Financial Review

Financial review

Revenue and profit before tax	Half year to 30 June 2006		Restated half year to 30 June 2005		Restated year to 31 December 2005	
	Net Revenue	Profit	Net Revenue	Profit	Net Revenue	Profit
Continuing operations:	£m	£m	£m	£m	£m	£m
European Retail	392.7	120.1	377.2	114.5	752.4	219.5
eGaming	66.6	19.8	54.6	17.5	116.2	41.4
Telephone Betting	33.5	16.6	21.4	8.5	20.6	(0.1)
Other ⁽¹⁾	9.3	2.1	9.9	3.1	19.3	5.8
Central costs	-	(7.3)	-	(8.9)	-	(17.6)
	502.1	151.3	463.1	134.7	908.5	249.0
Net finance costs	-	(19.9)	-	(12.1)	-	(16.9)
Interest income on hotels sale proceeds	-	24.0	-	-	-	-
Revenue and profit before tax	502.1	155.4	463.1	122.6	908.5	232.1
Discontinued operations:						
Hotels	263.7	10.8	887.6	69.5	1,848.9	181.8
Group revenue and profit before tax	765.8	166.2	1,350.7	192.1	2,757.4	413.9

Profit is before non-trading items and profit on disposal of the hotels business.

(1) Vernons

Sale of Hilton International and return of value

The sale of the Group's hotels division, Hilton International, was completed on 23 February 2006, with the Group receiving £3.2 billion in cash and generating a profit on disposal of £378.8 million. Subsequently, following a capital structure review, £4.2 billion was returned to shareholders on 25 April 2006 through ordinary and special dividends.

For the period until its disposal, the Group has presented the results of the hotels division as discontinued operations.

Trading summary – Continuing operations

Revenue for continuing operations increased by £39.0 million (8.4%) to £502.1 million, mainly as a result of the inclusion of the Jack Brown shops in European Retail, and growth in both eGaming and Telephone revenue.

Profit before finance costs, tax and non-trading items increased 12.3% to £151.3 million (H1 2005: £134.7 million) reflecting the increase in profit across all major segments and the reduction in central costs.

Finance costs

Interest income of £24.0 million was earned on the proceeds of the hotels disposal. The net finance costs of the continuing operations of £19.9 million were 64.5% greater than last year (H1 2005: £12.1 million), reflecting the new capital structure.

Profit before tax – Continuing operations

The increase in trading profits combined with the interest income in the period has given a 26.8% increase in profit before taxation and non-trading items to £155.4 million (H1 2005: £122.6 million).

Non-trading items – Sale of Hilton International

The £378.8 million non-trading profit relates to the disposal of the hotels business, Hilton International. There is no related tax charge. The Group has recognised a financial liability relating to guarantees to third parties given by the parent company in respect of lease liabilities of the disposed Hilton International subsidiaries. A corresponding financial asset has been recognised which relates to the indemnity received from Hilton Hotels Corp at the time of the disposal in relation to any loss the Group might incur under these guarantees.

Taxation

The Group taxation charge for continuing operations before non-trading items of £37.3 million represents an effective tax rate of 24.0% (year to 31 December 2005: 17.6%). This increased rate reflects the revised Group structure following the hotels disposal.

Issued share capital

During the period the company consolidated its ordinary shares, replacing every 17 existing shares of nominal value 10 pence with 6 shares of nominal value $28\frac{1}{3}$ pence. In addition, the holders of the Group's £300 million convertible bond exercised their conversion rights and converted all the bonds into ordinary shares by 30 June 2006.

Earnings per share (EPS) – Continuing operations

EPS (before non-trading items) was 9.8 pence (H1 2005: 5.7 pence). Comparison with prior year is affected by the share consolidation and convertible bond conversion described above. EPS (including the impact of non-trading items) was 10.7 pence (H1 2005: 5.9 pence). Fully diluted EPS was 10.1 pence (H1 2005: 5.7 pence) after adjustment for outstanding share options.

Earnings per share (EPS) – Group

EPS (before non-trading items) increased 8.3% to 10.4 pence (H1 2005: 9.6 pence), reflecting the increased profit before tax. EPS (including the impact of non-trading items) was 43.0 pence (H1 2005: 10.0 pence). Fully diluted EPS was 40.3 pence (H1 2005: 9.5 pence) after adjustment for outstanding share options.

Dividend

The Board has proposed an interim dividend of 4.6 pence per share (H1 2005: 3.8 pence). The dividend will be payable on 1 December 2006 to shareholders on the register on 8 September 2006.

Revenue recognition under IFRS

Following industry-wide clarification regarding the application of IAS 39 for betting and gaming transactions, Ladbrokes plc now accounts for such transactions as financial instruments. As a consequence the Group will now report the gains and losses arising on all betting and gaming activities as revenue, which is measured at the value of the consideration received or receivable from customers less fair value adjustments for free bets, promotions and bonuses. This is referred to as net revenue to differentiate it from gross win, which includes free bets, promotions and bonuses, as well as VAT payable on machine income. A reconciliation of gross win to net revenue is shown below:

	Half year to 30 June 2006 £m	Half year to 30 June 2005 £m	Full year to 31 December 2005 £m
Amounts staked	6,359.5	5,709.6	11,500.0
Gross win	523.1	467.2	918.0
Free bets, promotions, bonuses	(7.0)	(4.1)	(8.2)
VAT	(15.6)	(1.3)	(4.4)
Associate income	1.6	1.3	3.1
Net revenue	502.1	463.1	908.5

Previously the Group had reported the total amounts staked by customers on betting activities as revenue. The income statements for the year to 31 December 2005 and the half year to 30 June 2005 have been restated to reflect this change to reported revenue. These restatements have been revised from those previously announced to reflect the exclusion of free bets, promotions and bonuses. This adjustment has no impact on reported profit, cash flows or net assets.

Cash flow, capital expenditure and borrowings

Net cash flows from operating activities were £83.1 million. After interest received of £43.8 million and £46.9 million on capital expenditure, intangible additions and acquisitions on continuing activities, cash inflow was £80.0 million.

£3,241.4 million cash was received from the sale of the hotels business and £4,179.6 million was paid out in dividends. Proceeds of £65.3 million were received on the exercise of share options and the issue of shares.

At 30 June 2006, gross borrowings of £959.4 million and cash, deposits and short term investments of £19.3 million and derivatives of £15.4 million have resulted in a net debt of £924.7 million.

Unaudited financial statements

Consolidated income statement

	Half year to 30 June 2006		Restated half year to 30 June 2005		Restated year to 31 December 2005	
	Before non-trading items ⁽¹⁾ £m	Total £m	Before non-trading items ⁽¹⁾ £m	Total £m	Before non-trading items ⁽¹⁾ £m	Total £m
Continuing operations						
Amounts staked ⁽²⁾	6,359.5	6,359.5	5,709.6	5,709.6	11,500.0	11,500.0
Revenue	500.5	500.5	461.8	461.8	905.4	905.4
Share of results from associated undertakings	1.6	1.6	1.3	1.3	3.1	3.1
Total revenue	502.1	502.1	463.1	463.1	908.5	908.5
Cost of sales before depreciation	(288.5)	(288.5)	(270.9)	(270.9)	(542.7)	(542.7)
Administrative expenses	(42.3)	(42.3)	(39.3)	(39.3)	(79.6)	(79.6)
EBITDA	171.3	171.3	152.9	152.9	286.2	286.2
Depreciation and amounts written off non – current assets	(20.0)	(20.0)	(18.2)	(18.2)	(37.2)	(37.2)
Profit before tax and finance costs	151.3	151.3	134.7	134.7	249.0	249.0
Finance costs	(32.2)	(41.8)	(22.0)	(22.0)	(59.5)	(60.5)
Finance income	36.3	49.1	9.9	14.8	42.6	51.7
Profit before taxation	155.4	158.6	122.6	127.5	232.1	240.2
Income tax expense	(37.3)	(29.6)	(31.9)	(33.4)	(40.9)	(43.3)
Profit for the period – continuing operations	118.1	129.0	90.7	94.1	191.2	196.9
Discontinued operations						
Profit for the period from discontinued operations	7.0	388.5	63.0	65.5	160.6	134.1
Profit for the period	125.1	517.5	153.7	159.6	351.8	331.0
Attributable to:						
Minority interests	-	-	0.1	0.1	0.2	0.2
Equity holders of the parent	125.1	517.5	153.6	159.5	351.6	330.8
	125.1	517.5	153.7	159.6	351.8	331.0
Earnings per share from continuing operations:						
- basic	9.8p	10.7p	5.7p	5.9p	12.0p	12.3p
- diluted	9.3p	10.1p	5.5p	5.7p	11.7p	12.0p
Earnings per share on profit for the period:						
- basic	10.4p	43.0p	9.6p	10.0p	22.0p	20.7p
- diluted	9.8p	40.3p	9.2p	9.5p	20.9p	19.7p
Proposed dividends ⁽³⁾	4.60p	4.60p	3.80p	3.80p	240.0p	240.0p

⁽¹⁾ Non-trading items are profit on disposal of the Hotels division, unrealised gains and losses on derivatives and one-off tax credits. Details on the tax credits are given in note 3 to the financial statements.

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

⁽³⁾ The dividends paid in the half years to June 2006 and June 2005 were £4,179.6 million (240.00p per share) and £95.9 million (6.00p per share) respectively. An interim dividend of 4.60p per share (2005: 3.80p) was declared by the Directors at their meeting on 22 August 2006. These financial statements do not reflect this dividend payable.

Consolidated balance sheet

	30 June 2006 £m	Restated 30 June 2005 £m	Restated 31 December 2005 £m
ASSETS			
Non-current assets			
Goodwill and intangible assets	394.3	1,717.9	386.0
Property, plant and equipment	218.5	2,451.7	199.0
Interests in associates and other investments	8.2	59.9	(12.8)
Other financial assets	8.2	9.4	2.9
Deferred tax asset	16.7	40.7	16.6
Derivatives	20.4	69.7	51.7
Retirement benefit asset	12.4	0.5	-
	<u>678.7</u>	<u>4,349.8</u>	<u>643.4</u>
Current assets			
Inventories	-	15.4	-
Trade and other receivables	94.9	372.7	88.1
Assets classified as held for sale	2.2	2.9	2.2
Derivatives	12.9	20.9	8.5
Cash and cash equivalents	26.6	569.7	926.6
	<u>136.6</u>	<u>981.6</u>	<u>1,025.4</u>
Assets of disposal group classified as held for sale	-	-	3,767.9
Total assets	<u>815.3</u>	<u>5,331.4</u>	<u>5,436.7</u>
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	(141.3)	(95.7)	(158.2)
Obligations under finance leases	-	(2.3)	-
Derivatives	(17.1)	(28.3)	(41.7)
Trade and other payables	(214.8)	(611.4)	(182.5)
Corporation tax liabilities	(191.8)	(177.5)	(206.7)
	<u>(565.0)</u>	<u>(915.2)</u>	<u>(589.1)</u>
Non-current liabilities			
Interest-bearing loans and borrowings	(825.4)	(993.5)	(847.7)
Obligations under finance leases	-	(31.9)	-
Convertible bond	-	(280.2)	(279.7)
Derivatives	(0.8)	(18.0)	(5.1)
Other financial liabilities	(14.2)	(22.9)	-
Deferred tax liabilities	(79.7)	(447.7)	(86.6)
Retirement benefit obligation	-	(136.0)	(55.2)
Provisions	(24.3)	(13.6)	(9.4)
	<u>(944.4)</u>	<u>(1,943.8)</u>	<u>(1,283.7)</u>
Liabilities of disposal group classified as held for sale	(18.9)	-	(968.2)
Total liabilities	<u>(1,528.3)</u>	<u>(2,859.0)</u>	<u>(2,841.0)</u>
Net (liabilities)/assets	<u>(713.0)</u>	<u>2,472.4</u>	<u>2,595.7</u>
EQUITY			
Issued share capital	177.2	160.1	160.6
Share premium account	2,131.0	1,758.4	1,767.7
Equity component of convertible bond	-	34.3	34.3
Own shares	(5.5)	(16.3)	(16.0)
Foreign currency translation reserve	0.6	(8.5)	4.7
Other reserves	-	158.2	158.2
Retained earnings	(3,016.3)	383.2	483.2
Equity shareholders' (deficit)/funds	<u>(713.0)</u>	<u>2,469.4</u>	<u>2,592.7</u>
Equity minority interests	-	3.0	3.0
Total equity	<u>(713.0)</u>	<u>2,472.4</u>	<u>2,595.7</u>

Consolidated cash flow statement

	Half year to 30 June 2006 £m	Restated half year to 30 June 2005 £m	Year to 31 December 2005 £m
Net cash flows from operating activities	83.1	192.2	420.3
Cash flows from investing activities			
Interest received	43.8	14.8	38.2
Dividends received from associates	0.5	1.3	4.2
Payments for intangible assets	(2.3)	(40.4)	(45.4)
Purchase of plant, property and equipment	(45.5) *	(82.6)	(196.9)
Proceeds from the sale of property, plant and equipment	0.7	88.9	539.5
Proceeds from disposal of hotels	3,241.4	-	-
Payments as part of the hotels disposal	(68.5)	-	-
Cash disposed with the hotels business	(54.2)	-	-
Purchase of subsidiaries	(6.2)	-	(76.5)
Net cash acquired with subsidiaries	-	-	4.4
Purchase of interests in associates and other investments	(0.9)	(5.7)	(5.9)
Proceeds from return of capital in associates	-	1.1	1.1
Proceeds on disposal of investments	1.6	-	0.3
	<u>3,110.4</u>	<u>(22.6)</u>	<u>263.0</u>
Cash flows from financing activities			
Proceeds from issue of shares	65.3	30.3	38.1
Proceeds from borrowings	163.1	1.3	1.3
Proceeds from associates repayment of loans	-	1.4	1.5
Payments of finance lease liabilities	-	(0.5)	(2.1)
Repayment of borrowings	(197.7)	(25.5)	(57.6)
Payments of new loans to associates	(1.3)	(0.2)	(0.2)
(Increase)/decrease in deposits - maturity greater than three months	(0.1)	(254.3)	2.5
Dividends paid	(4,179.6)	(95.9)	(156.8)
	<u>(4,150.3)</u>	<u>(343.4)</u>	<u>(173.3)</u>
Net (decrease)/increase in cash and cash equivalents	(956.8)	(173.8)	510.0
Net foreign exchange difference	(0.1)	0.7	6.3
Cash and cash equivalents at beginning of period	975.8	459.5	459.5
Cash and cash equivalents at end of period	<u>18.9</u>	<u>286.4</u>	<u>975.8</u>
Cash and cash equivalents comprise:			
Cash at bank and in hand and current asset investments	26.2	310.3	992.0
Bank overdraft	(7.3)	(23.9)	(16.2)
	<u>18.9</u>	<u>286.4</u>	<u>975.8</u>
Analysed as:			
Continuing operations	18.9	286.4	926.3
Discontinued operations	-	-	49.5
	<u>18.9</u>	<u>286.4</u>	<u>975.8</u>

* Continuing operations - £38.4 million, discontinued operations - £7.1 million

Consolidated statement of recognised income and expense

	Half year to 30 June 2006 £m	Half year to 30 June 2005 £m	Year to 31 December 2005 £m
Currency translation differences	(0.3)	(5.4)	7.6
Actuarial gains/(losses) on defined benefit pension scheme	4.5	(7.4)	(18.9)
Net gains on cash flow hedges	0.5	-	0.6
Tax on items directly taken to equity	(1.3)	1.6	(0.9)
Total income and expenses recognised directly in equity	3.4	(11.2)	(11.6)
Profit for the period	517.5	159.6	331.0
Total recognised income and expense for the period	520.9	148.4	319.4
Attributable to:			
Equity holders of the parent	520.9	148.3	319.3
Minority interest	-	0.1	0.1
	520.9	148.4	319.4

Notes to the financial statements

1. Basis of preparation

- (a) The accounting policies are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except as explained in note (c). The interim financial information was approved by a duly appointed and authorised committee of the Board of Directors on 24 August 2006 and is unaudited. The auditors have carried out a review and their report is set out on page 32.

The financial information set out in this document in respect of the year ended 31 December 2005 does not constitute the Group's statutory accounts for the year ended 31 December 2005, except as explained otherwise. The auditors' report on the statutory accounts for 2005 was unqualified and did not contain a statement under section 237 of the Companies Act 1985. Statutory accounts for 2005 have been delivered to the Registrar of Companies.

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

- Profits/losses on disposal of non-current assets
- Profits/losses on disposal of businesses and investments
- Unrealised gains/losses on derivatives arising from hedging interest rate and currency exposures
- Litigation settlements

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

- (c) The changes in accounting policies result from industry-wide clarification of the following standards:

IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement.'

Following industry-wide clarification regarding the application of IAS 39 for betting and gaming transactions, Ladbrokes plc now accounts for such transactions as financial instruments. As a consequence the Group will now report the gains and losses arising on all betting and gaming activities as revenue, which is measured at the value of the consideration received or receivable from customers. Previously the Group had reported the total amounts staked by customers on betting activities as revenue.

Revenue is measured at the fair value of the consideration received or receivable from customers for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

For licensed betting offices, on course betting, telephone, eGaming sportsbook businesses and online casino operations (including games and other number bets), revenue represents gains and losses, being the amounts staked less total payouts, from betting activity in the period. Open betting positions are carried at fair market value and gains and losses arising on these positions are recognised in revenue.

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

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

The income statements for the year to 31 December 2005 and the half year to 30 June 2005 have been restated to reflect this change to reported revenue. This adjustment has no impact on reported profit, cash flows or net assets. A reconciliation between the reported income statements and the restated income statements is given in note 11.

(d) Discontinued operations

In accordance with IFRS 5, the income statement for the half year to 30 June 2005 has been restated to reflect the classification of results (including interest and tax) between the continuing and discontinued operations of the Group following the sale of the Hilton International business to Hilton Hotels Corporation in February 2006.

The income statements for the year to 31 December 2005 and the half year to 30 June 2005 have also been restated to reflect the reclassification of a hotel associate from continuing operations to discontinued operations in the half year to 30 June 2006.

This associate was not part of the sale to HHC and was, therefore previously classified as continuing operations in the year to 31 December 2005 and the half year to 30 June 2005 and disclosed in Central costs. The impact of this adjustment is to increase profit before finance costs and tax for the continuing operations by £0.5m for both the year to 31 December 2005 and the half year to 30 June 2005. This associate was sold on 31 July 2006.

(e) Segmental analysis

Following the disposal of Hilton International in February 2006, the Group is now organised and managed along three principal segments according to product distribution channels – European Retail (which comprises all activities undertaken in licensed betting offices, on course betting and greyhound stadia), eGaming and Telephone Betting.

2. Segment information

Half year to 30 June 2006	Revenue £m	Profit before taxation and non- trading items £m	Profit before taxation and after non-trading items £m
Continuing operations:			
European Retail	392.7	120.1	120.1
eGaming	66.6	19.8	19.8
Telephone Betting	33.5	16.6	16.6
Other	9.3	2.1	2.1
Central costs	-	(7.3)	(7.3)
Total	502.1	151.3	151.3
Net finance income	-	4.1	7.3
	502.1	155.4	158.6
Discontinued operations:			
Hotels	263.7	10.8	393.4
	765.8	166.2	552.0

Segment information (continued)

Restated half year to 30 June 2005

	Revenue £m	Profit before taxation and non- trading items £m	Profit before taxation and after non-trading items £m
Continuing operations:			
European Retail	377.2	114.5	114.5
eGaming	54.6	17.5	17.5
Telephone Betting	21.4	8.5	8.5
Other	9.9	3.1	3.1
Central costs	-	(8.9)	(8.9)
Total	<u>463.1</u>	<u>134.7</u>	<u>134.7</u>
Net finance costs	-	(12.1)	(7.2)
	<u>463.1</u>	<u>122.6</u>	<u>127.5</u>
Discontinued operations:			
Hotels	<u>887.6</u>	<u>69.5</u>	<u>74.4</u>
	<u>1,350.7</u>	<u>192.1</u>	<u>201.9</u>

Restated year to 31 December 2005

	Revenue £m	Profit before taxation and non- trading items £m	Profit before taxation and after non-trading items £m
Continuing operations:			
European Retail	752.4	219.5	219.5
eGaming	116.2	41.4	41.4
Telephone Betting	20.6	(0.1)	(0.1)
Other	19.3	5.8	5.8
Central costs	-	(17.6)	(17.6)
Total	<u>908.5</u>	<u>249.0</u>	<u>249.0</u>
Net finance costs	-	(16.9)	(8.8)
	<u>908.5</u>	<u>232.1</u>	<u>240.2</u>
Discontinued operations:			
Hotels	<u>1,848.9</u>	<u>181.8</u>	<u>153.8</u>
	<u>2,757.4</u>	<u>413.9</u>	<u>394.0</u>

3. Non-trading items

	Half year to 30 June 2006 £m	Half year to 30 June 2005 £m	Year to 31 December 2005 £m
Continuing operations:			
Unrealised gains on derivatives	3.2	4.9	8.1
Total non-trading profit before taxation	3.2	4.9	8.1
Taxation thereon	(1.0)	(1.5)	(2.4)
Non-trading tax credit ^(a)	8.7	-	-
Non-trading items after taxation	10.9	3.4	5.7

^(a) Tax credit on convertible bond conversion and hedging adjustments.

4. Taxation

The total tax charge on continuing operations was £29.6 million (Half year to 30 June 2005: £33.4 million; full year to 31 December 2005: £43.3 million). The taxation charge relates to £29.0 million of UK tax and £0.6 million of overseas tax.

5. Discontinued operations

On 23 February 2006 the Group completed the sale of the hotels division to Hilton Hotels Corp. The effect of the disposal was as follows:

	Half year to 30 June 2006 £m
Sales proceeds	3,241.4
Total net assets sold	(2,768.6)
Costs of disposal	(97.8)
Recycled foreign exchange	3.8
Profit on disposal	378.8

Discontinued operations (continued)

Profit for discontinued operations comprised the following:

	Half year to 30 June 2006 £m	Restated half year to 30 June 2005 £m	Restated year to 31 December 2005 £m
Revenue	263.7	887.6	1,848.9
Expenses	(252.5)	(815.0)	(1,661.9)
Profit from discontinued operations	11.2	72.6	187.0
Net finance costs	(0.4)	(3.1)	(5.2)
Profit from discontinued operations after finance costs	10.8	69.5	181.8
Profit on disposal of hotels business to Hilton Hotels Corp	378.8	-	-
Profit on sale of non-current assets ^(a)	-	9.6	12.8
Losses on sale of non-current assets ^(b)	-	(4.7)	(40.8)
Profit before tax and non-trading finance costs	389.6	74.4	153.8
Non-trading finance income	3.8	-	-
Profit before tax from discontinued operations	393.4	74.4	153.8
Taxation:			
- related to pre tax profit	(3.8)	(6.5)	(21.2)
- related to non-trading items	(1.1)	(2.4)	1.5
Profit for the period from discontinued operations	388.5	65.5	134.1

(a) The profit on sale of non-current assets in 2005 relates to disposal of non-core assets.

(b) The majority of the loss on sale of non-current assets in 2005 relates to the disposal of 16 hotels to The Managed Hotels Unit Trust with an associated goodwill write-off.

Discontinued operations (continued)

The major classes of assets and liabilities of the hotels division held for sale as at disposal were:

	£m
ASSETS	
Non-current assets	
Goodwill and intangible assets	1,375.0
Property, plant and equipment	1,923.4
Interests in associates and other investments	72.8
Other financial assets	5.0
Deferred tax asset	27.4
Retirement benefit asset	0.4
	<hr/>
	3,404.0
Current assets	
Inventories	15.1
Trade and other receivables	282.9
Cash and cash equivalents	67.8
	<hr/>
	365.8
	<hr/>
Total assets held for sale	3,769.8
LIABILITIES	
Current liabilities	
Interest-bearing loans and borrowings	(43.6)
Obligations under finance leases	(2.6)
Trade and other payables	(425.9)
Corporation tax liabilities	(37.9)
	<hr/>
	(510.0)
Non-current liabilities	
Interest-bearing loans and borrowings	(12.3)
Obligations under finance leases	(30.8)
Other financial liabilities	(20.6)
Deferred tax liabilities	(329.3)
Retirement benefit obligation	(91.6)
Provisions	(3.6)
	<hr/>
	(488.2)
	<hr/>
Total liabilities held for sale	(998.2)
	<hr/>
Net assets held for resale	2,771.6
Minority equity interest	(3.0)
	<hr/>
Group's share of disposed net assets	2,768.6

Discontinued operations (continued)

Cash flows relating to the hotels division were:

	Half year to 30 June 2006 £m	Half year to 30 June 2005 £m	Year to 31 December 2005 £m
Cash flows relating to discontinued operations			
Net cash flows from operating activities	4.7	99.8	314.2
Investing activities	(6.6)	39.5	401.0
Financing activities	-	(31.0)	(33.8)
Proceeds from disposal of hotels	3,241.4	-	-
Costs of hotels disposal	(68.5)	-	-
Cash disposed with the hotels business	(54.2)	-	-
Cash flows relating to discontinued operations	3,116.8	108.3	681.4

Income and expenses recognised directly in equity relating to the assets of the disposed group were:

	Half year to 30 June 2006 £m	Half year to 30 June 2005 £m	Year to 31 December 2005 £m
Currency translation differences	1.0	(4.4)	9.2
Actuarial losses on defined benefit pension scheme	(2.9)	(7.1)	(10.9)
Tax on items directly taken to equity	0.9	2.1	3.3
Total income and expenses recognised directly in equity	(1.0)	(9.4)	1.6

6. Dividends paid and proposed

	Half year to 30 June 2006 pence	Half year to 30 June 2005 pence	Year to 31 December 2005 Pence
Pence per share - proposed			
Interim	4.60	3.80	-
Final (excluding special)	-	-	6.60
Special	-	-	233.40
	4.60	3.80	240.00

The dividends paid in the half years to June 2006 and June 2005 were £4,179.6 million (240.00p per share) and £95.9 million (6.00p per share) respectively. An interim dividend of 4.60p per share (2005: 3.80p) was declared by the Directors at their meeting on 22 August 2006. These financial statements do not reflect this dividend payable.

7. 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. The earnings per share figures for prior years have not been restated to reflect the share consolidation during the half year to 30 June 2006.

Continuing operations

Half year to 30 June 2006	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	129.0	130.8	10.7p	10.1p
Non-trading items net of tax	(10.9)	(10.9)	(0.9)p	(0.8)p
Adjusted profit attributable to shareholders	118.1	119.9	9.8p	9.3p
Restated half year to 30 June 2005	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	94.1	99.2	5.9p	5.7p
Non-trading items net of tax	(3.4)	(3.4)	(0.2)p	(0.2)p
Adjusted profit attributable to shareholders	90.7	95.8	5.7p	5.5p
Restated year to 31 December 2005	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	196.9	208.4	12.3p	12.0p
Non-trading items net of tax	(5.7)	(5.7)	(0.3)p	(0.3)p
Adjusted profit attributable to shareholders	191.2	202.7	12.0p	11.7p

Total Group

Half year to 30 June 2006	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	517.5	519.3	43.0p	40.3p
Non-trading items net of tax	(392.4)	(392.4)	(32.6)p	(30.5)p
Adjusted profit attributable to shareholders	125.1	126.9	10.4p	9.8p
Restated half year to 30 June 2005	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	159.5	164.6	10.0p	9.5p
Non-trading items net of tax	(5.9)	(5.9)	(0.4)p	(0.3)p
Adjusted profit attributable to shareholders	153.6	158.7	9.6p	9.2p
Restated year to 31 December 2005	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	330.8	342.3	20.7p	19.7p
Non-trading items net of tax	20.8	20.8	1.3p	1.2p
Adjusted profit attributable to shareholders	351.6	363.1	22.0p	20.9p

* Diluted earnings includes an adjustment to the attributable profit to reflect a reduction in the interest charge net of tax of £1.8 million (June 2005: £5.1 million, December 2005: £11.5 million) which would result from the conversion of the convertible bond to equity.

Earnings per share (continued)

The number of shares used in the calculation is shown below:

	Half year to 30 June 2006 millions	Half year to 30 June 2005 millions	Year to 31 December 2005 millions
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,203.3	1,595.1	1,599.4
Effect of dilutive potential ordinary shares:			
Share options	10.5	13.5	14.0
Convertible bond conversion to ordinary share capital	73.7	115.4	115.4
Issue of contingently issuable shares	1.2	2.5	4.6
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	<u>1,288.7</u>	<u>1,726.5</u>	<u>1,733.4</u>

8. Net debt

The Group's net debt structure is as follows:

	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
Non current assets			
Derivatives	20.4	69.7	51.7
Current assets			
Derivatives	12.9	20.9	8.5
Cash and cash equivalents	26.6	569.7	994.6
Current liabilities			
Interest-bearing loans and borrowings	(141.3)	(95.7)	(206.5)
Obligations under finance leases	-	(2.3)	(2.6)
Derivatives	(17.1)	(28.3)	(41.7)
Non current liabilities			
Derivatives	(0.8)	(18.0)	(5.1)
Interest-bearing loans and borrowings	(825.4)	(993.5)	(860.0)
Obligations under finance leases	-	(31.9)	(31.0)
Convertible bond	-	(280.2)	(279.7)
Net debt per balance sheet	<u>(924.7)</u>	<u>(789.6)</u>	<u>(371.8)</u>
Net debt adjustments :			
Equity component of convertible bond	-	(34.3)	(34.3)
Amortisation of convertible bond	-	4.8	7.3
Interest rate fair value of net investment hedges	-	2.7	0.9
Adjusted net debt	<u>(924.7)</u>	<u>(816.4)</u>	<u>(397.9)</u>
Continuing operations	<u>(924.7)</u>	<u>(816.4)</u>	<u>(371.7)</u>
Discontinued operations	-	-	(26.2)

Net debt movement in the period:

	Half year to 30 June 2006 £m	Half year to 30 June 2005 £m	Year to 31 December 2005 £m
Opening net debt	(397.9)	(976.0)	(976.0)
Net cash inflow from operating activities	76.0	192.2	420.3
Cash inflows/(outflows) from investing activities	3,117.5	(22.6)	263.0
Proceeds from associates repayment of loans	-	1.4	1.5
Payment of new loans to associates	(1.3)	(0.2)	(0.2)
Dividends paid	(4,179.6)	(95.9)	(156.8)
Exchange movements	11.6	38.7	(5.8)
Issue of ordinary share capital	65.3	30.3	38.1
Disposal of hotels debt	75.7	-	-
Conversion of convertible bond	274.2	-	-
Other non-cash movements	33.8	15.7	18.0
Closing net debt	<u>(924.7)</u>	<u>(816.4)</u>	<u>(397.9)</u>

9. Reconciliation of profit to net cash inflow from operating activities

	Half year to 30 June 2006 £m	Half year to 30 June 2005 £m	Year to 31 December 2005 £m
Profit before tax and finance costs – continuing	151.3	134.7	249.0
Profit before tax and finance costs - discontinuing	11.2	72.6	187.0
Profit before tax and finance costs	<u>162.5</u>	<u>207.3</u>	<u>436.0</u>
Depreciation	17.8	64.5	124.7
Amortisation of intangible assets	2.2	3.5	8.1
Costs of share based payments	1.4	3.1	6.2
Movement on derivatives	(2.0)	(9.0)	(22.2)
Other items	(4.9)	3.3	(4.2)
Operating cashflows before movements in working capital	<u>177.0</u>	<u>272.7</u>	<u>548.6</u>
(Increase)/decrease in assets classified as held for sale	(6.3)	0.4	0.6
Decrease in inventories	-	0.4	0.7
Increase in receivables	(3.3)	(5.5)	(13.5)
Increase/(decrease) in payables	16.6	(23.6)	26.6
Increase/(decrease) in provisions	4.9	(4.7)	(5.3)
Decrease in retirement benefit obligations	(60.2)	-	-
Share of results from associates	(0.9)	(0.5)	(4.3)
Cash generated by operations	<u>127.8</u>	<u>239.2</u>	<u>553.4</u>
Income taxes paid	(33.3)	(21.7)	(64.4)
Finance costs paid	(11.4)	(25.3)	(68.7)
Net cash inflow from operating activities	<u>83.1</u>	<u>192.2</u>	<u>420.3</u>

Cash and cash deposits in the balance sheet comprise:

	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
Continuing operations			
Cash at bank and in hand	26.2	80.5	25.9
Short-term deposits and current asset investments	-	229.8	900.4
Deposits with maturity greater than three months	0.4	259.4	0.3
	<u>26.6</u>	<u>569.7</u>	<u>926.6</u>
Discontinued operations			
Cash at bank and in hand	-	-	47.4
Short-term deposits and current asset investments	-	-	18.3
Deposits with maturity greater than three months	-	-	2.3
	<u>-</u>	<u>-</u>	<u>68.0</u>
	<u>26.6</u>	<u>569.7</u>	<u>994.6</u>

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

	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
Continuing operations			
Cash at bank and in hand	26.2	80.5	25.9
Short-term deposits and current asset investments	-	229.8	900.4
Bank overdrafts (included in current liabilities)	(7.3)	(23.9)	-
	<u>18.9</u>	<u>286.4</u>	<u>926.3</u>
Discontinued operations			
Cash at bank and in hand	-	-	47.4
Short-term deposits and current asset investments	-	-	18.3
Bank overdrafts (included in current liabilities)	-	-	(16.2)
	<u>-</u>	<u>-</u>	<u>49.5</u>
	<u>18.9</u>	<u>286.4</u>	<u>975.8</u>

10. Issued capital and reserves

	Share capital £m	Share premium £m	Convertible bond adjustment £m	Other reserve £m	Own shares £m	Retained earnings £m	Foreign currency translation £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2005	158.6	1,729.6	34.3	158.2	(14.5)	322.2	(3.0)	2,385.4	2.9	2,388.3
Total income and expense for the period	-	-	-	-	-	311.6	7.7	319.3	0.1	319.4
Issue of shares	2.0	38.1	-	-	-	-	-	40.1	-	40.1
Net decrease due to shares held in ESOP trusts	-	-	-	-	(1.5)	-	-	(1.5)	-	(1.5)
Equity dividends	-	-	-	-	-	(156.8)	-	(156.8)	-	(156.8)
Cost of share based payments	-	-	-	-	-	6.2	-	6.2	-	6.2
At 31 December 2005	160.6	1,767.7	34.3	158.2	(16.0)	483.2	4.7	2,592.7	3.0	2,595.7
At 1 January 2006	160.6	1,767.7	34.3	158.2	(16.0)	483.2	4.7	2,592.7	3.0	2,595.7
Total income and expense for the period	-	-	-	-	-	521.2	(0.3)	520.9	-	520.9
Issue of shares	16.6	328.3	-	-	-	-	-	344.9	-	344.9
Reserves transfer	-	34.3	(34.3)	(158.2)	-	158.2	-	-	-	-
Share based payment awards	-	0.7	-	-	-	(0.7)	-	-	-	-
Net increase due to shares held in ESOP trusts	-	-	-	-	10.5	-	-	10.5	-	10.5
Exchange recycled to profit on disposal	-	-	-	-	-	-	(3.8)	(3.8)	-	(3.8)
Minority interests disposed	-	-	-	-	-	-	-	-	(3.0)	(3.0)
Equity dividends	-	-	-	-	-	(4,179.6)	-	(4,179.6)	-	(4,179.6)
Cost of share based payments	-	-	-	-	-	1.4	-	1.4	-	1.4
At 30 June 2006	177.2	2,131.0	-	-	(5.5)	(3,016.3)	0.6	(713.0)	-	(713.0)

11. Restatement of income statements for prior periods

Year to 31 December 2005

	Reported Before non-trading items	<i>Adjustment</i> Financial instruments (IAS 39)	<i>Adjustment</i> Discontinued operations	Restated Before non-trading items
	£m	£m	£m	£m
Amounts staked ⁽¹⁾	11,502.4	(2.4)	-	11,500.0
Continuing operations				
Revenue	11,502.4	(10,597.0)	-	905.4
Share of results from associated undertakings	2.6	-	0.5	3.1
Total revenue	11,505.0	(10,597.0)	0.5	908.5
Cost of sales before depreciation	(11,139.7)	10,597.0	-	(542.7)
Administrative expenses	(79.6)	-	-	(79.6)
EBITDA	285.7	-	0.5	286.2
Depreciation and amounts written off non - current assets	(37.2)	-	-	(37.2)
Profit before tax and finance costs	248.5	-	0.5	249.0
Finance costs	(59.5)	-	-	(59.5)
Finance income	42.6	-	-	42.6
Profit before taxation	231.6	-	0.5	232.1
Income tax expense	(40.9)	-	-	(40.9)
Profit for the year – continuing operations	190.7	-	0.5	191.2
Discontinued operations				
Profit for the year from discontinued operations	161.1	-	(0.5)	160.6
Profit for the year	351.8	-	-	351.8
Attributable to:				
Minority interests	0.2	-	-	0.2
Equity holders of the parent	351.6	-	-	351.6
	351.8	-	-	351.8
Earnings per share from continuing operations:				
- basic	11.9p	-	0.1p	12.0p
- diluted	11.7p	-	-	11.7p
Earnings per share on profit for the year:				
- basic	22.0p	-	-	22.0p
- diluted	20.9p	-	-	20.9p

⁽¹⁾ Amounts staked does not represent the Group's statutory revenue and comprises the total amount staked by customers on betting and gaming activities.

Restatement of income statements for prior periods (continued)

Half year to 30 June 2005

	Reported Before non-trading items	<i>Adjustment</i> Financial Instruments (IAS 39)	<i>Adjustment</i> Discontinued operations	Restated Before non-trading items
	£m	£m	£m	£m
Amounts staked ⁽¹⁾	5,710.5	(0.9)	-	5,709.6
Continuing operations				
Revenue	6,598.9	(5,248.7)	(888.4)	461.8
Share of results from associated undertakings	0.5	-	0.8	1.3
Total revenue	6,599.4	(5,248.7)	(887.6)	463.1
Cost of sales before depreciation	(6,271.1)	5,248.7	751.5	(270.9)
Administrative expenses	(53.0)	-	13.7	(39.3)
EBITDA	275.3	-	(122.4)	152.9
Depreciation and amounts written off non - current assets	(68.0)	-	49.8	(18.2)
Profit before tax and finance costs	207.3	-	(72.6)	134.7
Finance costs	(25.1)	-	3.1	(22.0)
Finance income	9.9	-	-	9.9
Profit before taxation	192.1	-	(69.5)	122.6
Income tax expense	(38.4)	-	6.5	(31.9)
Profit for the period – continuing operations	153.7	-	(63.0)	90.7
Discontinued operations				
Profit for the period from discontinued operations	-	-	63.0	63.0
Profit for the period	153.7	-	-	153.7
Attributable to:				
Minority interests	0.1	-	-	0.1
Equity holders of the parent	153.6	-	-	153.6
	153.7	-	-	153.7
Earnings per share from continuing operations:				
- basic	9.6p	-	(3.9)p	5.7p
- diluted	9.2p	-	(3.7)p	5.5p
Earnings per share profit for the period:				
- basic	9.6p	-	-	9.6p
- diluted	9.2p	-	-	9.2p

⁽¹⁾ Amounts staked does not represent the Group's statutory revenue and comprises the total amount staked by customers on betting and gaming activities.

Independent review report to Ladbrokes plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Statement of Recognised Income and Expense and the related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
London
24 August 2006

Appendix

Definitions of Online Gaming Harmonised KPI's

Cost per Acquisition⁽¹⁾

Total of all online and offline marketing spend (including promotions and bonuses netted from revenue), all affiliate expenses relating to deals where affiliates are paid a one-off fee for each sign-up and all bonus costs (except those relating to sign-ups from revenue share affiliates) divided by the aggregate of the number of real money sign-ups from non-affiliate sources and the number of real money sign-ups through affiliates that are paid a one-off fee.

Real Money Sign-up⁽¹⁾

A new player who has registered and deposited funds into an account with the company. Customers are categorised between lines of business according to where they first register on the gaming site to address the issues posed by shared wallets.

Unique Active Player⁽¹⁾

A player who has contributed to rake and/or placed a wager in the period.

Yield per Unique Active Player⁽¹⁾

Net Gaming Revenue (net of customer bonuses and other fair value adjustments to revenues) divided by the number of Unique Active Players in the period.

Monthly Active Player Days

The sum of, for all Unique Active Players in the period, the number of days they have played during the period.

(1) As published in the KPI Harmonisation release dated 6 July 2006.