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Ladbrokes^{PLC}

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

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Vernons

**Preliminary statement of results
for the year ended 31 December 2006**

	Year ended 31 December 2006 £m	Year ended 31 December 2005 ⁽¹⁾ £m
Continuing operations		
Gross win	1,008.9	918.0
Net revenue ⁽¹⁾	970.0	908.5
Operating profit ⁽²⁾	268.1	249.0
Net finance costs ⁽²⁾	(45.6)	(16.9)
Interest income on hotels sale proceeds	24.0	-
Profit before tax and non-trading items ⁽²⁾	246.5	232.1
Profit for the year from discontinued operations before tax and non-trading items	10.8	181.8
Non-trading profit on disposal of discontinued operations	412.2	-
Other non-trading items before tax	0.3	(19.9)
Profit before tax	669.8	394.0
Tax	(52.6)	(63.0)
Profit after tax	617.2	331.0
EBITDA ⁽²⁾ – continuing	310.5	286.2
Earnings per share ⁽²⁾ ⁽⁴⁾ – continuing	22.0p	12.0p
Earnings per share ⁽⁴⁾ – total Group	67.2p	20.7p
Proposed dividend per share ⁽³⁾	8.6p	240.0p

⁽¹⁾ Restated – details of restatement explained in notes 1 (c) and 1 (d) to the financial statements. Net revenue is referred to as Total Revenue in the consolidated financial statements.

⁽²⁾ Before non-trading items and discontinued operations. Non-trading items comprise profit/losses on disposal of non-current assets, unrealised gains/losses on derivatives, and litigation and transaction costs.

⁽³⁾ Comprises proposed final dividend of 8.6 pence. 2005 figure includes a proposed special dividend of 233.4 pence, a proposed final dividend of 6.6 pence, which together were paid on 25 April 2006.

⁽⁴⁾ Total Group earnings per share in 2006 includes the profit on disposal of the hotels business. A 6 for 17 share consolidation took place on 13 April 2006, hence continuing earnings per share is not directly comparable.

Financial Highlights

- Operating profit ⁽¹⁾ from continuing operations increased by 7.7% to £268.1 million (2005: £249.0 million).
- Ladbrokes gross win increased by 9.9% to £1,008.9 million (2005: £918.0 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 £948.9 million with cash generated by operations of £264.7 million.
- Effective tax rate ⁽²⁾ of 17.8%.
- Final dividend of 8.6 pence per share.
- Earnings per share ⁽²⁾ of 22.0 pence.
- Profit on disposal of discontinued operations of £412.2 million, together with £24.0 million of interest income earned on the proceeds on disposal of the hotels business.
- At the end of April 2006, Ladbrokes returned cash of £4.2 billion to shareholders.

Ladbrokes Chief Executive, Christopher Bell, commented: "We can look back on a year of achievement, both at home and internationally and we are pleased to post a record profit performance. We began the year by selling the hotel division, delivering one of the biggest returns to shareholders on record and announcing our consultancy in China. Along the way we have expanded our online business, invested in our retail estate by launching Ladbrokes Xtra and commenced the rollout of the latest FOBTs. We ended the year by winning licences and acquiring shops in Italy and began 2007 by signing a JV to launch a betting business in Spain. Early trading in 2007 has been satisfactory with good football results but more cancellations of horse racing fixtures this year than last. 2007 has its own challenges but we remain confident in the future prospects for Ladbrokes plc."

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

(2) Before non-trading items for continuing operations

Commenting on the results for 2006, Sir Ian Robinson, Chairman, said:

“2006 has been a good year for Ladbrokes plc. In its first year following the sale of Hilton International in February 2006, management has successfully established Ladbrokes as a market leading, standalone betting and gaming company, in which profitability for continuing operations increased by 7.7%. We have also made substantial progress in furthering our international ambitions during 2006, which the Board is confident will create shareholder value in future years.

“As you are aware, we commenced discussions with 888 last November. These discussions continue and are complex because of the current conditions in the US. We will update the market as and when appropriate.”

Outlook

Trading in the first seven weeks of 2007 has been satisfactory, with good football results but a higher level of UK horse racing cancellations this year than last, due to the excessively wet weather.

eGaming continues to perform strongly and is ahead of our expectations. Telephone Betting is behind last year due to tough High Rollers comparators but is in line with our own expectations.

Our International expansion plans are on track and we anticipate positive contribution from 2008.

Following a 2006 that included a successful World Cup, the Board recognises that 2007 does have its own challenges but we remain confident in the future prospects for Ladbrokes plc.

Investment plans

Our main objective is to continuously improve returns for shareholders.

The rapidly changing global marketplace in which Ladbrokes operates presents us with an increasing number of opportunities for growth. Consequently, we will continue to proactively search for investment opportunities that enhance shareholder value, as typified by 888, Italy and Spain.

The Board

Since the half year, Ian Livingston has left the Board and we have welcomed John Jarvis and Henry Staunton as non-executive directors.

Pat Lupo has served two terms as a Non-Executive Director and has decided to retire at the AGM. During the last four years he has been both Chairman of the Remuneration Committee and our Senior Independent Director. We thank him for his significant contribution and his wise counsel. Christopher Rodrigues takes over as Chairman of the Remuneration Committee and

Nicholas Jones as our Senior Independent Director at the conclusion of the 2007 AGM.

Dividend

The Board has recommended a final dividend of 8.6 pence per share payable on 1 June 2007 to shareholders on the register on 2 March 2007. This final dividend, together with the interim dividend of 4.6 pence, gives a total dividend of 13.2 pence.

Chief Executive's Statement

Ladbrokes' latest journey as a pure betting and gaming business has been both exciting and challenging. We continue to work hard to prepare ourselves for development opportunities which will drive quality earnings growth over the next decade.

A buoyant first half and a successful World Cup provided the basis for Ladbrokes' highest ever profit before interest and taxation of £268.1 million. Good progress has been made across all of our established business channels and also in our fledgling International and Casino businesses - both of which show good promise.

In our UK shop business, we continue to improve the quality of our 2,141 shops, through an ongoing relocation, refurbishment and extension programme with continuing investment in technology and improved customer service.

Our UK and Irish shops saw the completion of the hardware rollout for Ladbrokes Xtra in time for the World Cup. By the half year of 2007 we will have completed the renewal of our EPOS system which will enable the full potential of the Ladbrokes Xtra content and customer betting opportunities to be realised. The additional betting opportunities on offer will be particularly relevant during winter evening opening, which commences in September 2007.

The entire population of approximately 6,700 Fixed Odds Betting Terminals (FOBTs) is being replaced by new dual screen machines and initial indications are that our machines business will be reinvigorated as a result.

Ladbrokes' shop estate is well positioned for the changes which will be enabled by the 2005 Gambling Act later this year and we expect to see the benefit flowing through in 2008.

eGaming grew operating profit by 13.5% and our Sportsbook, Casino and Games channels all showed strong double digit growth during 2006. Sportsbook performed particularly well as we embraced the opportunity of the World Cup and other major sporting events.

Unique active players* increased to nearly 550,000 in 2006 and adjusted cost per acquisition* has improved, along with growth of more than 20% in real money sign ups*.

Poker saw fierce competition during most of 2006, particularly from the state monopoly initiated poker site in Sweden, our second largest poker market. However, Poker has shown improvement in recent months, driven by the introduction of player points and offline marketing investment.

Ladbrokes' policy has always been to rigorously prohibit US based customers and we were therefore unaffected by the passing of the Unlawful Internet Gambling Enforcement Act in the US during October 2006.

Our aim in eGaming is for growth through product innovation and geographical expansion. The continued popularity of our eGaming sites overseas indicates the international appeal of the Ladbrokes brand and the growing interest in betting and gaming across the globe.

During 2006, we established a consultancy for the operation and development of the Happy Pool shops in China, which have now expanded into two other provinces outside Beijing. We believe China to be a strategic imperative amongst the world's emerging markets and we have prime mover advantage. Also in Asia, we are in competition for the Vietnamese sports lottery and anticipate the outcome of this process later this year.

Following the re-regulation of Italy's betting and gaming environment during 2006, we won 142 licences to open betting centres and corners. These represent 30 dual licence, 28 sports licence and three horse licence shops, as well as 51 corners, which we will open over the next 18 months. In addition, we have four shops operating in Turin and Milan. The Italian opportunity is a sound one and we will invest around EUR100 million in building our estate to at least 200 outlets over the next three years.

In Spain, the Madrid region has expressed its intention to regulate sportsbetting for the first time and we have announced a Joint Venture with Cirsa Slot – Spain's leading slot machine operator.

We expect our International channel to contribute £20-40 million EBIT per annum over the next three to five years and Italy and Spain will be central to this guidance.

Finally, we opened the Ladbrokes Casino and Sports Bar at London's Paddington Hilton, during 2006, as part of a Joint Venture agreement. In January 2007, we bought out our JV partners for £11.1 million and now own 100% of the enterprise. The casino is an attractive and innovative proposition and we believe it will position us well in our tenders for Manchester and several of the other 16 new UK casinos.

2006 has been a year of good progress and we anticipate another year of endeavour and preparation for our future, as we develop our business for responsible growth over the next decade.

* See appendix for definitions

Operating results

Amount staked by business	Year ended 31 December 2006	Year ended 31 December 2005 ⁽¹⁾
	£m	£m
European Retail	10,189.1	9,799.3
Egaming	1,216.9	892.4
Telephone Betting	939.9	780.2
Other ⁽²⁾	37.9	28.1
Total	12,383.8	11,500.0

Gross win by business	Year ended 31 December 2006	Year ended 31 December 2005
	£m	£m
European Retail	799.8	754.6
EGaming	144.4	123.1
Telephone Betting	46.1	21.0
Other ⁽²⁾	18.6	19.3
Total	1,008.9	918.0

Net revenue by business	Year ended 31 December 2006	Year ended 31 December 2005 ⁽¹⁾
	£m	£m
European Retail	771.5	752.4
EGaming	134.1	116.2
Telephone Betting	45.8	20.6
Other ⁽²⁾	18.6	19.3
Total	970.0	908.5

Profit from operations by business (before non-trading items)	Year ended 31 December 2006	Year ended 31 December 2005
	£m	£m
European Retail	212.7	219.5
EGaming	47.0	41.4
Telephone Betting	17.7	(0.1)
Other ⁽²⁾	5.9	5.8
Central costs	(15.2)	(17.6)
Total	268.1	249.0

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

(2) Vernons

Business Review

Gross win of £1,008.9 million increased by 9.9%, driven by a good World Cup, continued growth in eGaming and a recovery in Telephone Betting. After deducting gross profits tax, VAT on machines and other fair value adjustments, gross profit rose by 9.9% to £859.8 million.

Operating costs of £591.7 million increased by 10.9%, due principally to a larger Retail estate and utility, energy and content cost pressures.

Operating profit was the highest in our history at £268.1 million (2005: £249.0 million).

European Retail

- Total gross win increased by 6.0% to £799.8 million (2005: £754.6 million) and operating profit was £212.7 million (2005: £219.5 million), down 3.1%.

European Retail – UK

- Total gross win increased by 4.7% to £715.8 million (2005: £683.6 million). Gross win in the first half showed growth of 7.1%, whilst the second half grew by 2.3%, reflecting poor results on high volume horseracing events and football matches in October and November.
- On a like for like basis excluding acquisitions and new licences, total gross win showed an increase of 0.8%.
- Over the Counter ('OTC') gross win rose by 5.4% to £510.5 million (2005: £484.5 million) with like for like OTC gross win up by 1.1%. Gross win margin was 16.9% over the year, driven by good margins in some of the key horse race meetings in the first half and a successful World Cup, which contributed £10.6 million to UK Retail gross win.
- Ladbrokes Xtra hardware was rolled out to the UK shop estate in time for the World Cup and the full implementation of supporting EPOS software will be complete in spring 2007. The additional content and consequent betting opportunities provided by this unique service to further differentiate our product range, will prove particularly important when winter evening opening is introduced in September for the first time.
- Machine gross win increased by 3.1% to £205.3 million (2005: £199.1 million) with average weekly FOBT gross win of £538. We expect the full renewal of our FOBT estate to be completed in the first quarter of 2007 and we are encouraged by early performance.
- The smoking ban in Scotland started in March 2006. Similar to our experience in the Republic of Ireland, our Scottish shops were not adversely affected due to our comprehensive operational preparation. We do not believe that the commencement of the smoking bans in England,

Wales and Northern Ireland during 2007 will have a negative impact on our Retail business.

- Operating costs increased by 10.8% to £417.5 million (2005: £376.9 million). Staff costs rose by £12.3 million, property costs increased by £10.9 million, content costs rose by £5.2 million and other costs grew by £12.2 million. These increases principally reflect our larger estate and the introduction of FOBT tax. The estate has also been impacted by higher Sky television and Ladbrokes Xtra (new content) costs, higher energy and utility costs and increased depreciation.
- Like for like operating costs excluding FOBT tax increased by 4.0% and the increase will remain at this level in 2007. After including acquisition and new licence costs of 5% and FOBT tax of 2%, total operating costs increased by 10.8%, as above.
- Operating profit decreased by 6.0% to £195.4 million (2005: £207.8 million).
- At the year end, Ladbrokes had 2,141 shops in the UK. 22 new licences were opened, there was one acquisition and we closed 16 shops, including four following instructions from the OFT after review of the Jack Brown acquisition in 2005. In addition, 86 shops were relocated during the year, 57 were refurbished and 23 were extended as we continue to improve the quality of our estate.

European Retail - Ireland

- Gross win increased by 43% to £48.9 million (2005: £34.3 million) due to a 32% increase in shop numbers and the first full year of tax free betting in all Ladbrokes shops.
- Operating costs (excluding betting tax) increased by 24% due to the larger estate and like for like costs were up by 3.1%. Operating profit rose by 107% to £14.3 million.
- Our estate in Ireland increased from 148 to 195 shops, including our first shops in Northern Ireland following the acquisition of 16 shops in Londonderry. We now have the largest retail estate in Ireland.

European Retail - Belgium

- Gross win decreased by 4.4% and operating profit fell by 38% to £3.0 million (2005: £4.8 million), reflecting the highly competitive marketplace in Belgium.
- The Belgian estate decreased by 15 shops to 286, as non-profitable units were closed.

eGaming

- eGaming gross win achieved growth of 17%, reaching £144.4 million (2005: £123.1 million), with good double digit percentage growth in Sportsbook, Casino and Games and a significant increase of 26% in unique active players to 549,000. Net revenue, after fair value adjustments for free bets, promotions and bonuses, increased by 15% to £134.1 million (2005: £116.2 million as restated).
- Sportsbook (including Ladbrokes Financials) gross win showed positive growth of 41% to £46.4 million, including £4.6 million from the World Cup. Growth in the second half remained strong at 28% driven by continued expansion in the product offering including a significant increase in betting in play. For the year, average monthly active player days grew by 35% to 610,000 and yield per unique active player grew 7.5% to £114.
- Casino gross win of £44.7 million grew by 14%, with double digit growth in both the first and second halves of the year. Average monthly active player days were up 13% at 72,000, with unique active players up 17% and yield per unique active player flat at £454. This strong performance was aided by continual improvements to our proposition, including new products and the '1-click' suite of casino games.
- Poker gross win declined by 2.7% to £40.3 million, impacted by increased competition, particularly in Sweden with the launch of the state lottery poker site in April 2006 and by a dip in player activity and levels during the World Cup. Despite this, average monthly active player days for the year grew by 12% to 461,000, with unique active players up 20% and yield per unique active player down 26% to £227. Improvements were seen in quarter four following the release of new software and the launch of player points, with sign ups 39% higher than quarter three and average monthly active player days up 16%.
- Games gross win also showed significant growth of 35% to £13.0 million (2005: £9.6 million), with an increase of over 70% in the second half following the launch of Bingo and 'Deal or No Deal'. Average monthly active player days for the year were up 83% to 99,000, with unique active players up over 60%.
- Ladbrokes' policy has always been to rigorously prohibit business from US based customers. As a result, there was no direct impact from the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA).
- Operating costs of £80.2 million increased by 16% compared to the 15% increase in net revenue. Marketing costs increased by £3.1 million (22%), however real money sign-ups were 23% higher than last year and adjusted cost per acquisition (including fair value adjustments to revenue, but after stripping out costs related solely to retention) fell to £56 (2005: £62).

- Operating profit increased to £47.0 million (2005: £41.4 million), with net revenue conversion of 35.0% (2005: 35.6%).

Telephone Betting

- Including the impact of High Rollers, operating profit of £17.7 million compared favourably to the loss of £0.1 million reported in 2005.
- Net revenue including High Rollers rose by 122.3% to £45.8 million (2005: £20.6 million).
- Gross win excluding High Rollers increased by 11% to £33.9 million (2005: £30.5 million) with gross win margins of 7.2% compared to 7.3% in 2005.
- A good World Cup, excluding High Rollers, delivered Telephone gross win of £1.6 million at a margin of 12.6%.
- Net revenue from High Rollers was £12.2 million (2005: loss of £9.5 million).
- Overall operating costs increased 18% to £20.8 million. Efficiencies delivered by investment in call centre technology resulted in a lower agent cost per call, which reduced by 6.3%.
- Average monthly active player days grew by 2.5% and call volumes (excluding High Rollers) increased by 7.4%. Unique active players were broadly flat at 124,400 (2005: 125,300).

Vernons

- Operating profit increased to £5.9 million (2005: £5.8 million) with the successful launch of online instant win games and good retention rates across both Pools and Numbers products.

International development

- Following the award of licences in the recent Italian tender process, we plan to open 61 betting centres and 51 corners in the next 18 months. Ladbrokes has recently acquired four betting centres and will seek to achieve our target of around 200 outlets over the next three years. Ladbrokes also purchased a remote licence in Italy and will target opportunities in internet and telephone.
- In preparation for the regulation of sports betting in the Madrid region, Ladbrokes has formed a joint venture company with the Spanish market leader, Cirsa Slot. The expectation is that other regions will regulate sports betting following Madrid's announcement.
- Together, we anticipate that opportunities in Italy and Spain will be central to our three to five year guidance of £20-40 million EBIT per annum.

- Ladbrokes also provides a consultancy service to the operator of 400 Happy Pool betting shops in China, which have now expanded into three provinces. In addition, Ladbrokes has formed a joint venture company with MegaInfo Holdings Ltd, in order to develop betting products for the Chinese Sports Lottery.
- Asia and Europe remain our key international targets and Ladbrokes is exploring a number of additional opportunities in these areas.

Casino development

- The Ladbrokes Casino and Sportsbar at London's Paddington Hilton has steadily increased its membership numbers since opening in July 2006.
- Ladbrokes will bid for the regional casino licence in Manchester and is interested in operating several of the 16 new small and large casinos to be awarded under the 2005 Gambling Act.

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A live conference call of the analyst presentation will be available at 9:30am (UK time) by dialing +44 (0) 20 8817 9301 and asking for the 'Ladbrokes plc Preliminary results'. In addition, a live audiocast of the presentation to analysts, together with this news release and slide presentation, will be available on Ladbrokes' corporate website which can be found at www.ladbrokesplc.com

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.

Operating and Financial Review

Financial review

Revenue and profit before tax	Year ended		Restated year ended	
	31 December 2006		31 December 2005	
	Net Revenue	Profit	Net Revenue	Profit
	£m	£m	£m	£m
Continuing operations:				
European Retail	771.5	212.7	752.4	219.5
EGaming	134.1	47.0	116.2	41.4
Telephone Betting	45.8	17.7	20.6	(0.1)
Other ⁽¹⁾	18.6	5.9	19.3	5.8
Central costs	-	(15.2)	-	(17.6)
	<u>970.0</u>	<u>268.1</u>	<u>908.5</u>	<u>249.0</u>
Net finance costs	-	(45.6)	-	(16.9)
Interest income on the hotels sale proceeds	-	24.0	-	-
Revenue and profit before tax	<u>970.0</u>	<u>246.5</u>	<u>908.5</u>	<u>232.1</u>
Discontinued operations:				
Hotels	<u>263.7</u>	<u>10.8</u>	<u>1,848.9</u>	<u>181.8</u>
Group revenue and profit before tax	<u>1,233.7</u>	<u>257.3</u>	<u>2,757.4</u>	<u>413.9</u>

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

(1) Vernons

Sale of Hilton International and return to shareholders

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 £384.2 million. Subsequently, following a capital structure review, £4.2 billion was returned to shareholders on 25 April 2006 through ordinary and special dividends.

Additionally the Group sold its share in a Limited Partnership and has recognised a gain of £28.0 million on its disposal. This relates to deferred recognition of a gain following the sale of 10 hotels to the Limited Partnership in 2002.

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 £61.5 million (6.8%) to £970.0 million, mainly as a result of the inclusion of the Jack Brown shops in European Retail for a full year, and growth in both eGaming and Telephone Betting revenue.

Profit before finance costs, tax and non-trading items increased 7.7% to £268.1 million (2005: £249.0 million) reflecting an increase in profit in eGaming, Telephone Betting and a reduction in central costs offset by a decline in European Retail.

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 £45.6 million were 169.8% greater than last year (2005: £16.9 million), reflecting the increased leverage of the new capital structure. Our net debt to EBITDA ratio for 2006 was 3.1 times and our target remains 3.5 to 3.75 times.

Profit before tax – Continuing operations

The increase in trading profits combined with the interest income in the period has given a 6.2% increase in profit before taxation and non-trading items to £246.5 million (2005: £232.1 million).

Non-trading items – Sale of Hilton International

The £412.2 million non-trading profit relates to the disposal of the hotels businesses. There is no related tax charge.

Taxation

The Group taxation charge for continuing operations before non-trading items of £43.9 million represents an effective tax rate of 17.8% (2005: 17.6%). This rate includes a prior year settlement with HMRC and the Group expects the ongoing rate to be around 20% for the medium term.

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 the bond into ordinary shares in 2006.

Earnings per share (EPS) – Continuing operations

EPS (before non-trading items) was 22.0 pence (2005: 12.0 pence). Comparison with the prior year is affected by the share consolidation and the convertible bond conversion described above. EPS (including the impact of non-trading items) was 21.2 pence (2005: 12.3 pence). Diluted EPS was 20.7 pence (2005: 12.0 pence) after adjustment for outstanding share options.

Earnings per share (EPS) – Group

EPS (before non-trading items) increased 3.6% to 22.8 pence (2005: 22.0 pence), reflecting the increased profit before tax. EPS (including the impact of non-trading items) was 67.2 pence (2005: 20.7 pence). Diluted EPS was 64.7 pence (2005: 19.7 pence) after adjustment for outstanding share options.

Dividend

The Board has proposed a final dividend of 8.6 pence per share (2005: 6.6 pence). The dividend will be payable on 1 June 2007 to shareholders on the register on 2 March 2007.

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 (or total 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:

	Year ended 31 December 2006 £m	Year ended 31 December 2005 £m
Amounts staked	12,383.8	11,500.0
Gross win	1,008.9	918.0
Free bets, promotions, bonuses	(12.3)	(8.2)
VAT	(30.6)	(4.4)
Associate income	4.0	3.1
Net revenue	970.0	908.5

Previously the Group had reported the total amounts staked by customers on betting activities as revenue. The income statement for the year ended 31 December 2005 has been restated to reflect this change to reported revenue. This adjustment has no impact on reported profit, cash flows or net assets.

Cash flow, capital expenditure and borrowings

Cash generated by operations was £264.7 million. After finance costs and income taxes paid of £108.2 million, interest received of £54.7 million and £119.8 million on capital expenditure, intangible additions and acquisitions on continuing activities, cash inflow was £91.4 million.

£3,241.4 million cash was received from the sale of the hotels business and £4,208.4 million was paid out in dividends. Proceeds of £70.3 million were received on the exercise of share options and the issue of shares.

At 31 December 2006, gross borrowings of £986.2 million and cash, deposits and short term investments of £33.7 million and derivatives of £3.6 million have resulted in a net debt of £948.9 million.

Consolidated income statement

	Year ended 31 December 2006		Restated year ended 31 December 2005	
	Before non-trading items ⁽¹⁾ £m	Total £m	Before non-trading items ⁽¹⁾ £m	Total £m
Continuing operations				
Amounts staked ⁽²⁾	12,383.8	12,383.8	11,500.0	11,500.0
Revenue	966.0	966.0	905.4	905.4
Share of results from associated undertakings	4.0	4.0	3.1	3.1
Total revenue	970.0	970.0	908.5	908.5
Cost of sales before depreciation	(573.3)	(573.3)	(542.7)	(542.7)
Administrative expenses	(86.2)	(88.7)	(79.6)	(79.6)
EBITDA	310.5	308.0	286.2	286.2
Depreciation and amounts written off non current assets	(42.4)	(42.4)	(37.2)	(37.2)
Profit before tax and finance costs	268.1	265.6	249.0	249.0
Finance costs	(62.3)	(80.6)	(59.5)	(60.5)
Finance income	40.7	58.0	42.6	51.7
Profit before taxation	246.5	243.0	232.1	240.2
Income tax expense	(43.9)	(47.7)	(40.9)	(43.3)
Profit for the year – continuing operations	202.6	195.3	191.2	196.9
Discontinued operations				
Profit for the year from discontinued operations	7.0	421.9	160.6	134.1
Profit for the year	209.6	617.2	351.8	331.0
Attributable to:				
Minority interests	-	-	0.2	0.2
Equity holders of the parent	209.6	617.2	351.6	330.8
	209.6	617.2	351.8	331.0
Earnings per share from continuing operations:				
- basic	22.0p	21.2p	12.0p	12.3p
- diluted	21.5p	20.7p	11.7p	12.0p
Earnings per share on profit for the period:				
- basic	22.8p	67.2p	22.0p	20.7p
- diluted	22.2p	64.7p	20.9p	19.7p
Proposed dividends ⁽³⁾	8.6p	8.6p	240.0p	240.0p

⁽¹⁾ Non-trading items are profit on disposal of the Hotels division, profits/losses on disposal of non-current assets, unrealised gains and losses on derivatives, and litigation and transaction costs. Details on the non-trading items are given in notes 3 and 5 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⁾ A final year end dividend of 8.6p per share (2005: 240.0p) amounting to a total dividend of £54.0m (2005: £4,179.6m) was declared by the Directors on 22 February 2007. These financial statements do not reflect this dividend payable. The 2005 final and special dividend of 240.0p (£4,179.6m) and the 2006 interim dividend of 4.6p (£28.8m) were paid in 2006.

Consolidated balance sheet

	31 December 2006 £m	Restated 31 December 2005 £m
ASSETS		
Non-current assets		
Goodwill and intangible assets	427.5	386.0
Property, plant and equipment	243.1	199.0
Interests in associates and other investments	11.0	(12.8)
Other financial assets	8.5	2.9
Deferred tax asset	13.1	16.6
Derivatives	12.7	51.7
Retirement benefit asset	22.6	-
	738.5	643.4
Current assets		
Trade and other receivables	75.0	88.1
Assets classified as held for sale	2.2	2.2
Derivatives	0.8	8.5
Cash and short term deposits	36.4	926.6
	114.4	1,025.4
Assets of disposal group classified as held for sale	-	3,767.9
Total assets	852.9	5,436.7
LIABILITIES		
Current liabilities		
Interest bearing loans and borrowings	(36.7)	(158.2)
Derivatives	(9.9)	(41.7)
Trade and other payables	(173.4)	(182.5)
Corporation tax liabilities	(161.6)	(206.7)
	(381.6)	(589.1)
Non-current liabilities		
Interest-bearing loans and borrowings	(952.2)	(847.7)
Convertible bond	-	(279.7)
Derivatives	-	(5.1)
Other financial liabilities	(16.3)	-
Deferred tax liabilities	(114.6)	(86.6)
Retirement benefit obligation	-	(55.2)
Provisions	(15.1)	(9.4)
	(1,098.2)	(1,283.7)
Liabilities of disposal group classified as held for sale	-	(968.2)
Total liabilities	(1,479.8)	(2,841.0)
Net (liabilities)/assets	(626.9)	2,595.7
EQUITY		
Issued share capital	177.9	160.6
Share premium account	2,126.8	1,767.7
Equity component of convertible bond	-	34.3
Own shares	(5.4)	(16.0)
Foreign currency translation reserve	2.2	4.7
Other reserves	-	158.2
Retained earnings	(2,928.4)	483.2
Equity shareholders' (deficit)/funds	(626.9)	2,592.7
Equity minority interests	-	3.0
Total equity	(626.9)	2,595.7

Consolidated cash flow statement

	Year ended 31 December 2006 £m	Year ended 31 December 2005 £m
Net cash flows from operating activities	156.5	420.3
Cash flows from investing activities		
Interest received	54.7	38.2
Dividends received from associates	0.8	4.2
Payments for intangible assets	(9.0)	(45.4)
Purchase of plant, property and equipment	(91.9)	(196.9)
Proceeds from the sale of property, plant and equipment	1.0	539.5
Proceeds from disposal of hotels division	3,241.4	-
Costs of disposal of hotels division	(74.7)	-
Cash disposed with discontinued operations	(54.2)	-
Purchase of subsidiaries	(26.0)	(76.5)
Net cash acquired with subsidiaries	-	4.4
Purchase of interests in associates and other investments	(0.5)	(5.9)
Proceeds from disposal of investment in associates	1.0	-
Proceeds from return of capital in associates	-	1.1
Proceeds on disposal of investments	-	0.3
	3,042.6	263.0
Cash flows from financing activities		
Proceeds from issue of shares	70.3	38.1
Proceeds from borrowings	179.6	1.3
Proceeds from repayment of loans by associates	7.8	1.5
Purchase of ESOP shares	(5.0)	-
Payments of finance lease liabilities	-	(2.1)
Repayment of borrowings	(185.3)	(57.6)
Payments of new loans to associates	(1.8)	(0.2)
Decrease in deposits - maturity greater than three months	-	2.5
Dividends paid	(4,208.4)	(156.8)
	(4,142.8)	(173.3)
Net (decrease)/increase in cash and cash equivalents	(943.7)	510.0
Net foreign exchange difference	1.3	6.3
Cash and cash equivalents at beginning of the year	975.8	459.5
Cash and cash equivalents at end of the year	33.4	975.8
Cash and cash equivalents comprise:		
Cash at bank and in hand and current asset investments	36.1	992.0
Bank overdraft	(2.7)	(16.2)
	33.4	975.8
Analysed as:		
Continuing operations	33.4	926.3
Discontinued operations	-	49.5
	33.4	975.8

Consolidated statement of recognised income and expense

	Year ended 31 December 2006 £m	Year ended 31 December 2005 £m
Currency translation differences	1.3	7.6
Recycled foreign exchange	(3.8)	-
Actuarial gains/(losses) on defined benefit pension scheme	9.6	(18.9)
Net gains on cashflow hedges	1.1	0.6
Tax on items directly taken to equity	(2.9)	(0.9)
Total income and expenses recognised directly in equity	5.3	(11.6)
Profit for the year	617.2	331.0
Total recognised income and expense for the year	<u>622.5</u>	<u>319.4</u>
Attributable to:		
Equity holders of the parent	622.5	319.3
Minority interest	-	0.1
	<u>622.5</u>	<u>319.4</u>

Notes to the financial statements

1. Basis of preparation

(a) The consolidated accounts of Ladbrokes plc and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have been prepared in accordance with the accounting policies followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2006 or 31 December 2005. The annual report and accounts for the year ended 31 December 2006 were approved by the Board of Directors today, along with this preliminary announcement, but have not yet been delivered to the Registrar of Companies. The auditor's report on the statutory accounts for 2006 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. The auditor's report on the statutory accounts for 2005 was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

The 2006 report and accounts, together with details of the dividend arrangements and the annual general meeting, will be despatched to shareholders on 29 March 2007. The Annual General Meeting will take place at the QE2 Conference Centre at 11am on 18 May 2007.

(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 and transaction costs

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 statement for the year ended 31 December 2005 has 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

The income statement for the year ended 31 December 2005 has been restated to reflect the reclassification of a hotel associate from continuing operations to discontinued operations.

This associate was not part of the sale to Hilton Hotels Corporation and was, therefore previously classified within continuing operations in the year ended 31 December 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 the year ended 31 December 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

2006	Revenue £m	Profit before taxation and non- trading items £m	Profit before taxation and after non- trading items £m
Continuing operations:			
European Retail	771.5	212.7	212.7
eGaming	134.1	47.0	47.0
Telephone Betting	45.8	17.7	17.7
Other	18.6	5.9	5.9
Central costs	-	(15.2)	(17.7)
Total	970.0	268.1	265.6
Net finance costs	-	(21.6)	(22.6)
	970.0	246.5	243.0
Discontinued operations:			
Hotels	263.7	10.8	426.8
	<u>1,233.7</u>	<u>257.3</u>	<u>669.8</u>
Restated 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	908.5	249.0	249.0
Net finance costs	-	(16.9)	(8.8)
	908.5	232.1	240.2
Discontinued operations:			
Hotels	1,848.9	181.8	153.8
	<u>2,757.4</u>	<u>413.9</u>	<u>394.0</u>

3. Non-trading items

	2006 £m	2005 £m
Continuing operations:		
Litigation and transaction costs	(2.5)	-
Unrealised (losses)/gains on derivatives	(1.0)	8.1
Total non-trading profit before taxation	<u>(3.5)</u>	<u>8.1</u>
Non-trading tax charge ^(a)	<u>(3.8)</u>	<u>(2.4)</u>
Non-trading items after taxation	<u>(7.3)</u>	<u>5.7</u>

^(a) Tax charge on hedging adjustments.

4. Taxation

The total tax charge on continuing operations was £47.7 million (2005: £43.3 million) and includes a £18.0 million prior year credit in respect of current income tax. The taxation charge relates to £45.4 million of UK tax and £2.3 million of overseas tax. Of the £47.7 million total tax charge on continuing operations, £32.4 million (2005: £57.5 million) is current income tax and £15.3 million (2005: £(14.2) million – credit) is deferred income tax.

5. Discontinued operations

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

	£m
Sales proceeds	3,241.4
Total net assets sold	(2,765.9)
Costs of disposal	(95.1)
Recycled foreign exchange	3.8
Profit on disposal	<u>384.2</u>

Profit for discontinued operations comprised the following:

	2006	Restated 2005
	£m	£m
Revenue	263.7	1,848.9
Expenses	<u>(252.5)</u>	<u>(1,661.9)</u>
Profit from discontinued operations	11.2	187.0
Net finance costs	<u>(0.4)</u>	<u>(5.2)</u>
Profit from discontinued operations after finance costs	10.8	181.8
Profit on disposal of hotels division to Hilton Hotels Corp	384.2	-
Profit on sale of non-current assets ^(a)	28.0	12.8
Losses on sale of non-current assets ^(b)	-	<u>(40.8)</u>
Profit before tax and non-trading finance costs	423.0	153.8
Non-trading finance income	<u>3.8</u>	-
Profit before tax from discontinued operations	426.8	153.8
Taxation:		
- related to pre tax profit	(3.8)	(21.2)
- related to non-trading items	<u>(1.1)</u>	<u>1.5</u>
Profit for the year from discontinued operations	421.9	134.1
Profit for the year from discontinued operations before non-trading items	<u>7.0</u>	<u>160.6</u>

(a) The profit on sale of non-current assets in 2006 relates to the sale of the interest in a Limited Partnership. The profit includes recognition of a deferred gain on disposal following the sale of 10 hotels to the Limited Partnership in 2002. The profit on sale of non current assets in 2005 related to the disposal of non-core assets.

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

5. Discontinued operations (continued)

The major classes of assets and liabilities of the hotels division held for sale as at disposal and at 31 December 2005 were:

	23 February 2006 £m	31 December 2005 £m
ASSETS		
Non-current assets		
Goodwill and intangible assets	1,375.0	1,382.8
Property, plant and equipment	1,923.4	1,926.9
Interests in associates and other investments	72.8	73.2
Other financial assets	5.0	5.2
Deferred tax asset	27.6	26.5
Retirement benefit asset	0.4	0.4
	<hr/> 3,404.2	<hr/> 3,415.0
Current assets		
Inventories	15.1	15.1
Trade and other receivables	282.9	269.8
Cash and cash equivalents	67.8	68.0
	<hr/> 365.8	<hr/> 352.9
Total assets held for sale	<hr/> 3,770.0	<hr/> 3,767.9
LIABILITIES		
Current liabilities		
Interest-bearing loans and borrowings	(43.6)	(48.3)
Obligations under finance leases	(2.6)	(2.6)
Trade and other payables	(427.9)	(420.9)
Corporation tax liabilities	(37.9)	(10.7)
	<hr/> (512.0)	<hr/> (482.5)
Non-current liabilities		
Interest-bearing loans and borrowings	(12.3)	(12.3)
Obligations under finance leases	(30.8)	(31.0)
Other financial liabilities	(20.6)	(20.8)
Deferred tax liabilities	(329.3)	(329.3)
Retirement benefit obligation	(92.5)	(88.7)
Provisions	(3.6)	(3.6)
	<hr/> (489.1)	<hr/> (485.7)
Total liabilities held for sale	<hr/> (1,001.1)	<hr/> (968.2)
Net assets held for resale	<hr/> 2,768.9	<hr/> 2,799.7
Minority equity interest	(3.0)	(3.0)
Group's share of disposed net assets	<hr/> 2,765.9	<hr/> 2,796.7

5. Discontinued operations (continued)

Cash flows relating to the hotels division were:

	2006 £m	2005 £m
Cash flows relating to discontinued operations		
Net cash flows from operating activities	4.7	314.2
Investing activities	(5.3)	401.0
Financing activities	7.8	(33.8)
Proceeds from disposal of hotels	3,241.4	-
Costs of hotels disposal	(74.7)	-
Cash disposed with the hotels business	(54.2)	-
Cash flows relating to discontinued operations	<u>3,119.7</u>	<u>681.4</u>

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

	2006 £m	2005 £m
Currency translation differences	1.0	9.2
Actuarial losses on defined benefit pension scheme	(3.8)	(10.9)
Tax on items directly taken to equity	1.1	3.3
Total income and expenses recognised directly in equity	<u>(1.7)</u>	<u>1.6</u>

6. Dividends paid and proposed

Pence per share	2006 pence	2005 pence
Interim	4.6	3.8
Final (excluding special)	8.6	6.6
Special	-	233.4
	<u>13.2</u>	<u>243.8</u>

A final year end dividend of 8.6p per share (2005: 240.0p) amounting to a total dividend of £54.0m (2005: £4,179.6m) was declared by the Directors on 22 February 2007. These financial statements do not reflect this dividend payable. The 2005 final and special dividend of 240.0p (£4,179.6m) and the 2006 interim dividend of 4.6p (£28.8m) were paid in 2006.

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. Total Group earnings per share in 2006 includes the profit on disposal of the hotels business. A 6 for 17 share consolidation took place on 13 April 2006, hence continuing earnings per share is not directly comparable.

Continuing operations

2006	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	195.3	198.4	21.2p	20.7p
Non-trading items net of tax	7.3	7.3	0.8p	0.8p
Adjusted profit attributable to shareholders	<u>202.6</u>	<u>205.7</u>	<u>22.0p</u>	<u>21.5p</u>
Restated 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	<u>191.2</u>	<u>202.7</u>	<u>12.0p</u>	<u>11.7p</u>

7. Earnings per share (continued)

Discontinued operations

2006	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	421.9	421.9	46.0p	44.0p
Non-trading items net of tax	(414.9)	(414.9)	(45.2)p	(43.3)p
Adjusted profit attributable to shareholders	7.0	7.0	0.8p	0.7p

Restated 2005	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	133.9	133.9	8.4p	7.7p
Non-trading items net of tax	26.5	26.5	1.6p	1.5p
Adjusted profit attributable to shareholders	160.4	160.4	10.0p	9.2p

Total Group

2006	Earnings £m	Diluted earnings* £m	Basic EPS pence per Share	Diluted EPS pence per share
Profit attributable to shareholders	617.2	620.3	67.2p	64.7p
Non-trading items net of tax	(407.6)	(407.6)	(44.4)p	(42.5)p
Adjusted profit attributable to shareholders	209.6	212.7	22.8p	22.2p

Restated 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 £3.1 million (2005: £11.5 million) which would have resulted from the conversion of the convertible bond to equity.

7. Earnings per share (continued)

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

	2006 millions	2005 millions
Weighted average number of ordinary shares for the purposes of basic earnings per share	919.1	1,599.4
Effect of dilutive potential ordinary shares:		
Share options	7.9	14.0
Convertible bond conversion to ordinary share capital	30.0	115.4
Issue of contingently issuable shares	1.2	4.6
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	<u>958.2</u>	<u>1,733.4</u>

At 31 December 2006, there were 627.8 million 28¹/₃p ordinary shares in issue. At 31 December 2005, there were 1,606.0 million 10p ordinary shares in issue.

8. Net debt

The Group's net debt structure is as follows:

	Total - Continuing Operations 2006 £m	Continuing Operations 2005 £m	Discontinued Operations 2005 £m	Total 2005 £m
Non-current assets				
Derivatives	12.7	51.7	-	51.7
Current assets				
Derivatives	0.8	8.5	-	8.5
Cash and cash equivalents	36.4	926.6	68.0	994.6
Current liabilities				
Bank overdrafts	(2.7)	-	-	-
Interest bearing loans and borrowings	(34.0)	(158.2)	(48.3)	(206.5)
Obligations under finance leases	-	-	(2.6)	(2.6)
Derivatives	(9.9)	(41.7)	-	(41.7)
Non-current liabilities				
Derivatives	-	(5.1)	-	(5.1)
Interest bearing loans and borrowings	(952.2)	(847.7)	(12.3)	(860.0)
Obligations under finance leases	-	-	(31.0)	(31.0)
Convertible bond	-	(279.7)	-	(279.7)
Net debt per balance sheet	(948.9)	(345.6)	(26.2)	(371.8)
Net debt adjustments :				
Equity component of convertible bond	-	(34.3)	-	(34.3)
Amortisation of convertible bond	-	7.3	-	7.3
Interest rate fair value of net investment hedges	-	0.9	-	0.9
Adjusted net debt	(948.9)	(371.7)	(26.2)	(397.9)

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

	2006 £m	2005 £m
Profit before tax and finance costs – continuing	268.1	249.0
Profit before tax and finance costs - discontinued	11.2	187.0
Profit before tax and finance costs	<u>279.3</u>	<u>436.0</u>
Depreciation	38.1	124.7
Amortisation of intangible assets	4.3	8.1
Costs of share-based payments	2.3	6.2
(Increase)/decrease in assets classified as held for sale	(6.3)	0.6
Decrease in inventories	-	0.7
Increase in receivables	(1.8)	(13.5)
Increase in payables	3.2	26.6
Increase/(decrease) in provisions	5.7	(5.3)
Contribution to retirement benefit scheme	(67.6)	(21.8)
Share of results from associates	(3.3)	(4.3)
Other items	10.8	(4.6)
Cash generated by operations	<u>264.7</u>	<u>553.4</u>
Income taxes paid	(48.9)	(64.4)
Finance costs paid	(59.3)	(68.7)
Net cash inflow from operating activities	<u>156.5</u>	<u>420.3</u>

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

Cash and short term deposits in the balance sheet comprise:

	2006 £m	2005 £m
Continuing operations		
Cash at bank and in hand	36.1	25.9
Short-term deposits and current asset investments	-	900.4
Deposits with maturity greater than three months	0.3	0.3
	<u>36.4</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>68.0</u>
	<u>36.4</u>	<u>994.6</u>

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

	2006 £m	2005 £m
Continuing operations		
Cash at bank and in hand	36.1	25.9
Short-term deposits and current asset investments	-	900.4
Bank overdrafts (included in current liabilities)	<u>(2.7)</u>	<u>-</u>
	33.4	926.3
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)	<u>-</u>	<u>(16.2)</u>
	<u>-</u>	<u>49.5</u>
	<u>33.4</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 recognised income and expense for the year	-	-	-	-	-	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 recognised income and expense for the year	-	-	-	-	-	625.0	(2.5)	622.5	-	622.5
Issue of shares for cash	4.3	66.0	-	-	-	-	-	70.3	-	70.3
Issue of shares on conversion of convertible bond	13.0	287.0	(25.8)	-	-	-	-	274.2	-	274.2
Share-based payment awards	-	6.1	-	-	-	(0.7)	-	5.4	-	5.4
Reserves transfer	-	-	(8.5)	(158.2)	-	166.7	-	-	-	-
Cost of share-based payments	-	-	-	-	-	5.8	-	5.8	-	5.8
Net increase due to shares held in ESOP trusts	-	-	-	-	10.6	-	-	10.6	-	10.6
Minority interests disposed	-	-	-	-	-	-	-	-	(3.0)	(3.0)
Equity dividends	-	-	-	-	-	(4,208.4)	-	(4,208.4)	-	(4,208.4)
At 31 December 2006	177.9	2,126.8	-	-	(5.4)	(2,928.4)	2.2	(626.9)	-	(626.9)

11. Restatement of income statement for prior year

Year ended 31 December 2005

	<i>Reported Before non-trading items</i>	<i>Adjustment Financial instruments (IAS 39)</i>	<i>Adjustment Discontinued operations</i>	<i>Restated Before non-trading items</i>
	£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.

Appendix

Definitions of Online Gaming KPI's

Cost per Acquisition

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

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

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

Yield per Unique Active Player

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.