

# Half-Year Statement

2009



The tough economic climate and unwelcome further tax increases provide the backdrop to the first half year. Trading conditions remain very challenging across our sector and pressure continues on discretionary disposable income.

Despite these pressures and the overall market conditions the Gala Coral Group (“Group”) has traded satisfactorily in the first half of the year. Overall EBITDA is marginally ahead of that achieved in the same period last year.

## Retail Betting

- Trading within Coral has been satisfactory. In the first half of the year, 28 new Coral shops were opened, 22 new licences and six new acquisitions.
- Whilst the Grand National proved to be a good result for the betting industry, the Cheltenham Festival was very customer friendly.
- The clear priority for Coral has been product differentiation – giving Coral customers a different experience in their betting shop. This is evident from introducing Sky TV into all our shops and enhancing our Coral TV offering as well as our in-play betting services.
- Coral successfully launched its first ever dedicated national football promotion rewarding customers who place four £10 football bets with a free £10 football bet, which has proved very popular with customers across the country.
- Importantly, we have also updated and enhanced Company policies and procedures around staff safety in our shops.
- Performance in our Italian betting shops, which trade under the Eurobet brand, has been strong in the first half of the year, and we are benefiting from trading throughout the period with a fully developed estate of over 360 shops. Whilst Italy is still a fledgling business, it has performed very well and after three years of trading it will have paid back its original investment. Further opportunities are emerging in Italy at the moment, including the liberalisation of online gaming, which is now imminent.

## Gaming

- Gala Bingo has steadied its admissions decline. This has been largely down to the enhanced value proposition that the Bingo team has developed based around a number of value offers to customers.
- The Gala High 5 game continues to show popularity and since its launch in September 2007 total prize money paid out is over £29 million.
- Casinos have performed extremely well in a challenging market and with increasing admissions, it is clear that our loyalty card, Fortune, has been a key part of this success. Importantly the business continues to grow its market share in a flat market.
- Within the Casino business we have seen the successful launch of our newly built multi-gaming complex in Gibraltar. This exciting new development offers the unique experience of all of Gala Coral’s high street brands: Gala Casino, Gala Bingo and Coral, in one building – a move we will bring to the UK if and when legislation permits.

## Remote

- Trading across our Remote platforms has been inconsistent in an increasingly competitive market.
- Galabingo.com has launched a fresh advertising campaign “*Splash The Cash*” which has helped to secure customer retention and attract new customers against very heavy competition from a wide range of other bingo sites. It remains a market leader.
- We added two new brands to our bingo portfolio – “Sharon’s Bingo” and “Minxy Bingo”, the latter designed to appeal to younger customers.
- Gala TV has had a major upgrade, with a new supplier, ETV, working closely with us to deliver a better product for our customers.
- Coral.co.uk has just launched a new offer – with a 10% cash-back offer on losing bets aggregated over a month.

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## Corporate Social Responsibility

- At the half-way mark, employees across the Group have raised over £400,000 for Sue Ryder Care and are on course to raise £750,000 by the end of our financial year.
- The Group has also won two prestigious national awards: The National Award from the National Training Awards, for our programme with Blackpool and the Fylde College to train our Casino Team Leaders, and, secondly, the Leisure Report Award for Corporate Citizenship; the second time that the Group has won this award in the past three years.
- Gala Coral has also been recognised by retaining its Investors in People status across the Group.

## The Chancellor's Budget

Government decisions continue to have a huge impact on our business. In this year's Budget the Treasury announced an increase in Amusement Machine Licence Duty (AMLDD) and changes to bingo taxation. We were disappointed that the Government raised the rate of AMLDD by 9% on all machines, well above the rate of inflation. Our long-running campaign to end double taxation (paying GPT and VAT) on bingo appeared to have worked when the Government announced that VAT would be abolished on bingo games. However, at the same time, the Treasury raised the level of GPT we have to pay in bingo by almost 50% (from 15% to 22%). Obviously this has had a negative impact on our business, the result being that we are now paying more tax on bingo following the Budget than we were before. We are campaigning hard on this across the country, and bingo club managers have been writing to their local MPs, and we will continue to make our views known to the Treasury. The Treasury also announced that it is going to carry out a review into the taxation of gaming machines. We are awaiting further information on this.

## Outlook

The first half of the year has been a demanding one for the Group, but despite this we continue to operate sector-leading businesses. The economic climate and the regulatory and political landscape remain challenges for the business that we intend to face head on. The Company is well placed to deal with these and aims to be as efficient an operator as possible across all of its operations.

A handwritten signature in black ink, appearing to read 'Neil Goulden'.

Neil Goulden

Executive Chairman