

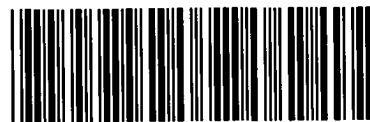
Sports Information Services Limited

Annual Report and Financial Statements

31 March 2018

Registered No. 04243307

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Annual report and financial statements for the year ended 31 March 2018

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Company Information

Directors

R J Ames (appointed 1 July 2017)
N Stocks

Secretary

SIS Cosec Limited

Auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Registered Office

Unit 1/2 Whitehall Avenue
Kingston
Milton Keynes
Buckinghamshire
MK10 0AX

Strategic report for the year ended 31 March 2018

The directors present their strategic report of Sports Information Services Limited (the 'Company') for the year ended 31 March 2018.

Principal activities and review of the business

The Company's principal activities are:

- Provision of integrated television and information services delivered via satellite or over IP to licensed betting offices (LBO) in the UK and overseas to provide betting opportunities for customers of the licensed betting offices (SIS Betting - Retail); and
- the provision of digital sportsbook products and services to the online betting and gaming industry (SIS Betting - Digital)

The Company has seen a reduction in Operation Profit before exceptional items from £19.2m to £6.4m principally driven by the reduction in media rights year on year, prior to new media rights agreements commencing on 1st April 2018, and increased non-trading costs.

The Company is committed to being the number one partner for innovative betting and gaming services worldwide and 2017-2018 has seen further significant development of the business' offering to achieve this aim.

SIS Betting – Retail remains at the core of the Company and although the final quarter of the year has seen an end to some rights, however the new financial year sees an overall increase in long term rights deals; Horse Racing Ireland (HRI), Association of Irish Racecourses (AIR) and Chelmsford City Racecourse (CCR) are all ongoing and Racecourse Media Group (RMG) commenced in April 2018. Additionally, in January 2018, the group introduced the SIS British Greyhound Service to the Retail market which has been successful.

SIS Betting – Digital has launched several new products into the digital market which have started to generate new revenue streams for the Company. There is now a portfolio of products including content streaming, internet protocol TV delivery and pricing services, and it is envisaged that these and other products in development will drive digital revenue growth over the coming years.

Business environment

The Company is one of the most experienced television, production and data providers to the retail betting industry. After several years of growth, the retail betting market has contracted during the last three years, due to increasing online competition, taxation charges and regulatory pressures faced by retail bookmakers. As a result, the Company has made a significant investment in its capabilities to deliver bespoke services to both retail and online bookmakers in the UK and globally. In October 2017, the Department of Digital, Culture, Media and Sport announced a range of proposals to strengthen protections around gambling. In May 2018, the government announced that the maximum stake on Fixed Odds betting Terminals (FOBT) will be reduced to £2, although the implementation date is still to be confirmed. This may well have further considerable effect on the retail betting market. The company has several contracts in place now that enable SIS to share the risk of LBO closures but remain partially exposed.

In all its areas of activity the Company will differentiate itself from the competition by adopting a customer led approach. This is further enhanced by ensuring that the management team and sales team is made up of highly experienced professionals.

Strategy

In January 2018, the board approved an updated strategy. The Company's organisational business model and customer and content strategy is aimed at supporting a new customer focused business with potential for sustainable growth. There are four main strands to the strategy:

Strategic report for the year ended 31 March 2018 (continued)

- Minimise decline of current UK retail business
- Become the key provider to chosen international retail markets
- Grow the digital business
- Refocus the business model to core capabilities

Minimise decline of UK retail business

Maximise and protect revenue streams from existing content, investigate new business models for customers and transform cost structure to cut the cost of delivery.

Become the key provider to chosen international retail markets

The Company will acquire complementary International content with leverage in other new markets.

Grow the digital business

The Company will acquire rights to appropriate content to produce a balanced portfolio bringing a new compelling short form linear format to market.

Refocus the business model to core capabilities

The Company will consolidate capabilities to pictures-with-data content acquisition and packaging to create and deliver compelling and value adding betting content in order to become a customer driven business.

Key performance indicators

	2018	2017	Definition, calculation and analysis
Turnover (%)	(14.2%)	(3.2%)	Year on year turnover expressed as a percentage. Reduction in 2018 driven by the reduced content within the main SIS retail product, principally in the final quarter, along with a reduction in LBO subscribers during the year.
Operating profit margin (%)	3.7%	9.5%	Operating profit margin is the ratio of operating profit (total operating profit before exceptional items) to sales, expressed as a percentage. Margin has decreased against the prior year and is predominantly due the reduced turnover as the division prepares for low margin low risk model from April 2018.
Average number of employees	357	392	The average number of employees in employment with the company. Reduction in employee numbers due to the ongoing efficiency programmes.

Principal risks and uncertainties

As part of Corporate Governance, the Company's risks as part of the Company's risks are formally reviewed by the Board of Directors twice a year, and appropriate processes are put in place to monitor and mitigate them.

The key business risks affecting the Company are set out below:

Exposure to credit, counterparty, liquidity and cash flow risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses. Details of the Company's debtors are shown in note 14 to the financial statements. Counterparty risk with respect to rights is monitored by the Board regularly.

Strategic report for the year ended 31 March 2018 (continued)

Principal risks and uncertainties (continued)

Exposure to credit, counterparty, liquidity and cash flow risk (continued)

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation from its operations and applying cash collection targets throughout the Company. The Company has not renewed its revolving credit facilities given the current surplus cash balances, however is confident that facilities could be re-introduced in the future should the need arise.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a finance lease. The Company manages this risk through monthly reporting and analysis of commitments and cash flow projections.

Foreign currency exchange risk

The Company is exposed to foreign exchange risks primarily arising from commercial transactions denominated in foreign currencies. The Company uses annual foreign currency forward contracts to reduce exposure to the variability of foreign exchange rates for Euros. During the year the Company had in place medium term foreign currency forward contracts to purchase Euros on a quarterly basis in order to hedge the contracted commitments with media rights holders. The total value of these contracts totalled €6.25m (2017 - €17.5m).

Interest rate risk

The Company is currently debt free and therefore has no exposure to the risk of changes in market interest rates.

Regulatory / Legislative risk

The Government announcement on minimum stakes placed on FOBT's is likely to impact the wider retail betting market and have an impact on LBO closures. The company has several contracts now in place to minimise this risk but remain partially exposed.

Competition

The Company operates in a number of competitive markets. This can result in a downward pressure on prices and loss of customers. The Company aims to mitigate this risk by continually expanding the range of products and services, monitoring the competition and its pricing strategy and continually investing in technology to ensure that the quality of service delivery remains unrivalled.

Data and transmission services

The Company's customers rely on real time data and uninterrupted content delivery. Loss of content would result in reduced quality in its services and potentially reduce income. Therefore, the Company has developed advanced disaster recovery solutions and has built back-up facilities which are located around the country.

Employees

The Company recognises that its employees are a key asset within the business. Losing key employees and being unable to recruit replacements with the right experience and skills could adversely impact the Company's performance. To manage this, the Company has training programmes to develop employees and has implemented several reward schemes that are linked to the Company's results and designed to retain key individuals.

Approved by the Board and signed on its behalf by:



M Stocks

Director

13 August 2018

Registered No. 04243307

Directors' report for the year ended 31 March 2018

The directors present their annual report and the audited financial statements of Sports Information Services Limited ('the Company') for the year ended 31 March 2018.

Results and dividends

The profit for the year after taxation amounted to £3,030,000 (2017 – profit of £16,317,000). A dividend of £15,000,000 was declared and paid during the year (2017 – £15,000,000). A dividend in specie of £nil was also received in the year, please refer to note 22 for further information.

Directors

The directors who served the company during the year were as follows:

R J Ames	(appointed 1 July 2017)
N Clark	(resigned 23 May 2018)
G J Smith	(resigned 13 Oct 2017)
N Stocks	

Directors' remuneration is disclosed in note 5 to the financial statements.

Political and charitable contribution

Charitable donations totalling £23,029 (2017 – £20,017) were paid during the year. No political donations were made in the current or prior year.

Research and Development

SIS continually invest in developing new and innovative products and solutions to ensure they offer customers value for money when providing regular short form betting opportunities.

Disabled employees

The Company's policy is that applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. Furthermore, in the event of members of staff becoming disabled every effort would be made to ensure that their employment with the Company continued and appropriate training arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should be, as far as possible, identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account in decisions which are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units, and of the Company as a whole.

Disclosure of information to the auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report for the year ended 31 March 2018 (continued)

Auditor

During the year, KPMG LLP was appointed as auditor. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



N Stocks

Director

13 August 2018

Directors' responsibilities statement

The directors are responsible for preparing the strategic report and the directors' report and the company financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP
1 St. Peter's Square
Manchester
M2 3AE
United Kingdom

Independent Auditor's Report to the Members of Sports Information Services Limited

for the year ended 31 March 2018

Opinion

We have audited the financial statements of Sports Information Services Limited ("the company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of Sports Information Services Limited (continued)

for the year ended 31 March 2018

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Stuart Burdass (Senior Statutory Auditor)

for and on behalf of KPMG LLP

Chartered Accountants and Statutory Auditors

1 St Peter's Square

Manchester

M2 3AE

13 August 2018

Income Statement and Statement of Comprehensive Income

for the year ended 31 March 2018

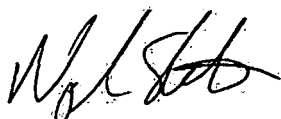
	Note	2018 £000	2018 £000	2018 £000	2017 £000	2017 £000	2017 £000
		Before individually significant items	Individually significant items (note 4)	Total	Before individually significant items	Individually significant items (note 4)	Total
Turnover	2	173,807	–	173,807	202,524	–	202,524
Operating expenses		(167,429)	(2,420)	(169,849)	(183,320)	672	(182,648)
Group operating profit	3	6,378	(2,420)	3,958	19,204	672	19,876
Profit on disposal of tangible fixed assets		6	–	6	–	–	–
Other interest receivable and similar income	7	488	–	488	1,034	–	1,034
Interest payable and similar expenses	8	(3)	–	(3)	(90)	–	(90)
Profit before taxation		6,869	(2,420)	4,449	20,148	672	20,820
Tax on profit	9	(1,756)	337	(1,419)	(4,503)	–	(4,503)
Profit after taxation		5,113	(2,083)	3,030	15,645	672	16,317
Other comprehensive (loss) / income:							
Remeasures of net defined benefit obligation		58	–	58	(1,500)	–	(1,500)
Cashflow hedges							
- change in value of hedging instrument		494	–	494	(1,017)	–	(1,017)
Total tax on components of other comprehensive income		165	–	165	500	–	500
Other comprehensive (loss) / income for the year, net of tax		717	–	717	(2,017)	–	(2,017)
Total comprehensive Income for the year		5,830	(2,083)	3,747	13,628	672	14,300

Statement of Financial Position

at 31 March 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Intangible assets	10	12,265	13,917
Tangible assets	11	6,757	7,324
Investments	12	2,453	2,453
		<u>21,475</u>	<u>23,694</u>
Current assets			
Stock	13	505	409
Debtors	14	36,434	50,723
Cash at bank and in hand (including restricted cash of £530,000 (2017: £nil))	15	88,515	82,966
		<u>125,454</u>	<u>134,098</u>
Creditors: amounts falling due within one year	17	(67,250)	(65,547)
Net current assets		<u>58,204</u>	<u>68,551</u>
Total assets less current liabilities		<u>79,679</u>	<u>92,245</u>
Creditors: amounts falling due after more than one year	18	–	(1,750)
Provisions for liabilities	19	(2,079)	(1,642)
Net assets		<u>77,600</u>	<u>88,853</u>
Capital and reserves			
Called up share capital	21	–	–
Retained earnings		77,466	89,213
Hedging reserve		134	(360)
Shareholders' funds		<u>77,600</u>	<u>88,853</u>

The financial statements were approved by the Board of Directors on 13 August 2018 and signed on its behalf by:



N Stocks
Director

Company registration number: 04243307

Statement of Changes in Equity

at 31 March 2018

	<i>Called-up share capital</i>	<i>Retained earnings</i>	<i>Hedging reserve</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Restated balance as at 1 April 2016	–	88,896	657	89,553
Profit for the year	–	16,317	–	16,317
Other comprehensive income for the year	–	(1,000)	(1,017)	(2,017)
Total comprehensive income for the year	–	15,317	(1,017)	14,300
Dividends	–	(15,000)	–	(15,000)
Total transactions with owners, recognised directly in equity	–	(15,000)	–	(15,000)
Balance as at 31 March 2017	–	89,213	(360)	88,853
Balance as at 1 April 2017	–	89,213	(360)	88,853
Profit for the year	–	3,030	–	3,030
Other comprehensive income for the year	–	223	494	717
Total comprehensive income for the year	–	3,253	494	3,747
Dividends	–	(15,000)	–	(15,000)
Total transactions with owners, recognised directly in equity	–	(15,000)	–	(15,000)
Balance as at 31 March 2018	–	77,466	134	77,600

Notes to the financial statements

at 31 March 2018

1. Accounting policies

General Information

Sports Information Services Limited is a private company limited by shares and is incorporated, domiciled and registered in the United Kingdom. The registered office address is Unit 1/2 Whitehall Avenue, Kingston, Milton Keynes, Buckinghamshire, MK10 0AX. The financial statements are prepared for year ended 31 March 2018.

Statement of compliance

The individual financial statements of Sports Information Service Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006. The presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on the going concern basis, in accordance with applicable UK Accounting Standards, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the section "Critical judgements and estimates in applying the accounting policies" of this note.

Going concern

The company had net liabilities (excluding cash) of £10,915,000 (2017: net assets of £5,887,000) and cash at bank and in hand of £88,515,000 (2017: £82,966,000). The Directors have prepared detailed forecasts and trading projections for at least 12 months following the date of these financial statements. The Directors' forecasts, updated for the current trading and the Directors' latest view of market conditions, demonstrate that the company will be able to meet its projected working capital requirements and satisfy its liabilities as they arise. In addition, the Directors have also considered a number of sensitised forecasts to reflect the inherent uncertainty in the economic climate and are satisfied that there is sufficient headroom to meet any financial obligations that arise.

Taking the above into account, the Directors consider it appropriate to adopt the going concern assumption in preparing these financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Sports Information Services Limited is a qualifying entity as its results are consolidated into the financial statements of Sports Information Services (Holdings) Limited which are publicly available. As a qualifying entity, the Company has taken advantage of the following exemptions:

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Exemptions for qualifying entities under FRS 102 (continued)

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Consolidated financial statements

The financial statements contain information about Sports Information Services Limited as an individual Company and do not contain consolidated financial information as the parent of a Group. The Company has taken the exemption under section 400 of the Companies Act 2006 from the requirement to prepare Group financial statements as it and its subsidiary undertakings are included in the Group financial statements of Sports Information Services (Holdings) Limited, a Company registered in England and Wales, which are publicly available.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of services supplied. Amounts received in advance from customers are deferred, and recognised in the Income Statement only once the service has been provided and, if for a period, over the term of the related contract.

Rendering of services

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Foreign currencies

(i) Functional and presentation currency

The Company's functional and presentation currency is pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance (expense)/ income'. All other foreign exchange gains and losses are presented in the Income Statement within 'Other operating (losses)/gains'.

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Employee benefits

The entity provides a range of benefits to employees, including paid holiday arrangements and defined contribution and defined benefit pension scheme.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

Defined benefit pension plan

A subsidiary undertaking of the Company, SIS Outside Broadcasts Limited, operated a defined benefit pension scheme, which requires contributions to be made to separately administered funds. The scheme was closed to new members in April 2008, from which time membership of a defined contribution plan has been available. The defined benefit pension scheme was closed from 31 March 2011. In March 2014 a flexible apportionment arrangement was implemented to transfer the liabilities in the scheme from SIS Outside Broadcasts Limited to its parent undertaking Sports Information Services Limited.

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss in the period in which they occur. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the statement of comprehensive income. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year and is determined by multiplying the fair value of the scheme assets by the same discount rate which is used in arriving at the present value of the benefit obligation. The difference between the expected return on plan assets and the interest cost is recognised in Income Statement as other finance income or expense.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they occur. The defined benefit pension asset or liability in the Statement of Financial Position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Defined contribution pension plan

The Company operates a contributory money-purchase pension scheme. Payments made to the fund are charged in the financial statements as part of employment costs as incurred.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when the entity recognises costs for a restructuring and involves the payment of termination benefits.

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the reporting date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the reporting date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the reporting date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

Intangible fixed assets

Rights

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Costs to acquire broadcast rights are capitalised as intangible assets as at the date when the Company has a contractual obligation to pay the acquisition cost. Where the payments are for a period over one year, the intangible asset is carried at the present value of the contracted future payments.

When the right to broadcast commences, the intangible asset is amortised over the contract term of the rights. The carrying value of broadcast rights are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any expenses of acquisition and installation less accumulated depreciation and accumulated impairment losses.

Tangible fixed assets are written off in equal instalments over the following estimated useful asset lives:

Installed equipment	–	3 - 8 years
Studio equipment	–	5 years
Fixtures, fittings and other equipment	–	3 - 7 years
Leasehold improvements	–	4 years or over the life of the lease

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Assets that are in the process of being built for use are categorised as Assets Under Construction (AUCs). Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use. Once completed these assets are transferred to depreciating tangible fixed assets.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

Leased Assets

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 April 2014) and continues to credit such lease incentives to the Income Statement over the period to the first review date on which the rent is adjusted to market rates.

Finance leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the Statement of Financial Position and depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the Statement of Financial Position. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method. The interest elements of the rental obligations are charged in the Income Statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Income Statement, unless the asset

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Impairment of non-financial assets (continued)

has been revalued when the amount is recognised in the other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Income Statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Income Statement.

Investments

Investments in subsidiaries companies are held at historical cost less accumulated impairment losses.

Stocks

The stock holding comprises stock that is used within the LBO estate, largely decoders and other small items that can be transferred out as a fixed asset or consumable items. The stock cost formula is on a FIFO basis and is valued at the lower of cost and estimated selling price less costs to complete and sell. The fair value is based upon a professional internal estimate less any further anticipated costs to be incurred during the disposal.

At the end of each reporting date stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Income Statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method where applicable.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Income Statement.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (iii) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Financial instruments (continued)

Financial Liabilities

Basic financial liabilities, including trade and other creditors are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Hedging arrangements

The Company applies hedge accounting for transactions entered into to reduce exposure to the variability of foreign exchange rates for Euros. There were no interest rate swaps remaining during the year.

The effective portion of changes in the fair value of the designated hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Notes to the financial statements (continued)

at 31 March 2018

1. Accounting policies (continued)

Related party transactions

The Company is exempt under the terms of section 33.1A of FRS 102, from disclosing related party transactions with entities that are wholly owned subsidiaries of the Sports Information Services (Holdings) Limited Group.

Critical judgements and estimates in applying the accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 25.

Notes to the financial statements (continued)

at 31 March 2018

2. Turnover

An analysis of turnover by geographical market is given below:

	2018 £000	2017 £000
UK and Ireland	161,249	188,792
Other	12,558	13,732
	<u>173,807</u>	<u>202,524</u>

3. Operating Profit

This is stated after charging/(crediting):

	2018 £000	2017 £000
Depreciation of owned fixed assets (note 11)	2,812	2,822
Depreciation of assets held under finance leases (note 11)	757	1,310
Amortisation of Intangible asset (note 10)	9,515	14,207
Operation lease rentals	1,170	1,184
Services provided by the company's auditor and its associates:		
Fees payable for the audit of the parent undertaking and group financial statements	65	91
Fees payable for other services	50	65
Fees payable for tax services	124	—
Gain on foreign exchange	<u>(603)</u>	<u>(1,606)</u>

The Company changed its auditor during the year to 31st March 2018. The table above reflects payments made to the current auditor, KPMG LLP, in 2018 and to the previous auditor, Ernst and Young, during 2017.

Notes to the financial statements (continued)

at 31 March 2018

4. Individually significant items

		2018 £000	2017 £000
Provision against intercompany debtors	(a)	646	(672)
Pension ETV Exercise	(b)	1,774	–
		<u>2,420</u>	<u>(672)</u>

- (a) In 2013, the Company reviewed its recoverability of intercompany debtors following the announcement by its subsidiary undertaking, SIS Outside Broadcasts Limited, to exit the external outside broadcast sector, and thus made an exceptional charge of £23,633,000 through the Income Statement. In 2015, 2016 and 2017 a total of £16,452,000 has been released against this provision. The charge in 2018 relates to a further increase to the provision following the review of the expected recoverable amount at the reporting date. There are no tax or cash impacts in either year.
- (b) The pension ETV relates to the managed wind down of the Outside Broadcast business that provided services to third parties. Since the operation was wound down in April 2014, the Company has been managing the liabilities of the defined benefit pension scheme. During 2017-18 an enhanced transfer value exercise was offered to the deferred members of the pension scheme and the charge above relates to the settlement loss as a result of members transferring out their benefits (£1,411,000) along with the administration cost of running the exercise (£363,000). The tax effect of the charge is a credit of £333,000 (2017: charge of £184,000) and there has been a net cash outflow of £665,000 (2017: £670,000) during the year ended 31 March 2018.

5. Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration in respect of qualifying services (excluding pension contributions)	1,390	732
Remuneration (excluding pension fund contributions) of the highest paid director were:	<u>508</u>	<u>315</u>

Included within the above in 2018 is a payment of £344,000 in relation to compensation for loss of office. The Company made contributions to a money purchase pension scheme totalling £70,217 (2017 – £35,183) on behalf of its directors and of £45,742 (2017 – £10,000) on behalf of the highest paid director.

No share options have been granted to or exercised by any of the directors.

6. Staff costs

	2018 £000	2017 £000
Wages and salaries	16,334	16,575
Social security costs	1,606	1,637
Pension costs	1,058	1,060
	<u>18,998</u>	<u>19,272</u>

Notes to the financial statements (continued)

at 31 March 2018

6. Staff costs (continued)

The average monthly number of persons (including directors) employed by the Company was 357 (2016 – 392).

	2018	2017
Directors	3	2
Senior Management	7	7
Operational	206	232
Support	141	151
	<u>357</u>	<u>392</u>

7. Interest receivable and similar income

	2018 £000	2017 £000
Bank interest receivable	<u>488</u>	<u>1,034</u>

8. Interest payable and similar charges

	2018 £000	2017 £000
Other finance costs	21	(4)
Finance charges payable under finance leases	(24)	(86)
	<u>(3)</u>	<u>(90)</u>

9. Tax

Tax expense included in the income statement

The tax charge is made up as follows:

	2018 £000	2017 £000
Current tax:		
UK corporation tax on the profit for the year	1,396	4,298
Adjustments to current taxation in respect of prior years	127	277
Foreign Tax	8	–
Total current tax	<u>1,531</u>	<u>4,575</u>
Deferred tax:		
Origination and reversal of timing differences	(122)	(146)
Adjustment to deferred tax in respect of prior periods	–	(4)
Effect of change in rates	10	78
Total tax charge on profit on ordinary activities (note 9)	<u>1,419</u>	<u>4,503</u>

Notes to the financial statements (continued)

at 31 March 2018

9. Tax (continued)

Tax credit included in other comprehensive income

	2018 £000	2017 £000
Current tax credit on pension scheme	(259)	(300)
Deferred tax charge/(credit) on change in value of hedging instrument	94	(200)
Total tax credit included in other comprehensive income	(165)	(500)

	£000	2018 £000	£000	£000	2017 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in income statement	1,531	(112)	1,419	4,575	(72)	4,503
Recognised in other comprehensive income	(259)	94	(165)	(300)	(200)	(500)
Total tax	1,272	(18)	1,254	4,275	(272)	4,003

Reconciliation of effective tax rate

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017 – 20%).

The differences are explained below:

	2018 £000	2017 £000
Profit for the year	3,030	16,317
Tax charge for the year	1,419	4,503
Profit before tax	4,449	20,820
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 20%)	845	4,164
Effects of:		
Expenses not deductible for tax purposes	318	238
Income not taxable	(58)	(253)
Other differences	(36)	(23)
Partnership profits and losses	(50)	–
Adjustments in respect of prior years	127	273
Adjustments in respect of pensions	259	–
Effect of change in rates	14	104
Tax charge for the year	1,419	4,503

Notes to the financial statements (continued)

at 31 March 2018

9. Tax (continued)

Deferred tax

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Decelerated capital allowances	(1,281)	(1,251)	–	–	(1,281)	(1,251)
Hedging instruments	–	(68)	25	–	25	(68)
Other timing differences	(297)	(216)	–	–	(297)	(216)
Tax (assets) / liabilities	(1,578)	(1,535)	25	–	(1,553)	(1,535)
Net tax (assets) / liabilities	(1,578)	(1,535)	25	–	(1,553)	(1,535)

It is expected that £25,000 of the deferred tax liability will reverse in the next twelve months

Factors affecting future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2018 has been calculated based on the rate that is expected to be applicable at the time of reversal of the asset.

10. Intangible fixed assets

	<i>Rights</i> <i>£000</i>
Cost:	
At 1 April 2017	47,034
Disposals	(14,473)
Additions	7,862
At 31 March 2018	40,423
Amortisation:	
At 1 April 2017	33,117
Charge for the year	9,515
Disposal	(14,474)
At 31 March 2018	28,158
Net book amount:	
At 31 March 2018	12,265
At 1 April 2017	13,917

Notes to the financial statements (continued)

at 31 March 2018

10. Intangible fixed assets (continued)

The Company invests in future core media rights from significant UK and overseas racecourse and dog track groups. Lead-in amounts are payable on these agreements between the date the contracts were signed and the start date for the rights.

Rights are amortised on a straight line basis over their term, usually up to five years.

The carrying value of the intangible assets will be fully amortised by December 2025.

11. Tangible fixed assets

	<i>Installed equipment</i>	<i>Studio equipment</i>	<i>Fixtures, fittings and other equipment</i>	<i>Leasehold improve- ment</i>	<i>Payment on account /AUC's</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:						
At 1 April 2017	29,488	7,096	14,245	8,041	421	59,291
Additions	822	536	591	43	1,074	3,066
Transfers	–	284	137	–	(421)	–
Disposals	(34)	(1,013)	(704)	–	–	(1,751)
At 31 March 2018	30,276	6,903	14,269	8,084	1,074	60,606
Depreciation:						
At 1 April 2017	28,597	5,788	10,540	7,042	–	51,967
Charge for the year	503	774	1,784	508	–	3,569
Disposals	(18)	(968)	(701)	–	–	(1,687)
At 31 March 2018	29,082	5,594	11,623	7,550	–	53,849
Net book amount:						
At 31 March 2018	1,194	1,309	2,646	534	1,074	6,757
At 1 April 2017	891	1,308	3,705	999	421	7,324

At the prior year-end, assets with a net book value of £55,000 for studio equipment, £419,000 for fixtures and fittings and £286,000 for leasehold improvements related to leased assets. As at 31 March 2018 there are no leased assets.

Notes to the financial statements (continued)

at 31 March 2018

12. Investments

	<i>Total</i>
	<i>£000</i>
Cost:	
At 1 April 2017	4,808
At 31 March 2018	<u>4,808</u>
Provision for impairment:	
At 1 April 2017	2,355
At 31 March 2018	<u>2,355</u>
Net book amount:	
At 31 March 2018	<u>2,453</u>
At 1 April 2017	<u>2,453</u>

<i>Name</i>	<i>Country of Incorporation</i>	<i>Ownership</i>
SIS Outside Broadcasts Limited	England	100%
SIS Live Limited	England	100%
SIS Link Inc	USA	100%
SIS Link SARL (dissolved 10 June 2016)	France	100%
SIS Live Partnership	n/a	70%
SIS Greyhounds (Holdings) Limited	England	100%

Each undertaking has the following registered address: Unit 1 / 2 Whitehall Avenue, Kingston, Milton Keynes, Buckinghamshire, MK10 0AX; with the exception of SIS Link SARL whose registered address is: 140 BIS, Rue de Rennes, 75006 Paris.

In December 2009, the Company and SIS Outside Broadcasts Limited entered into a partnership agreement. The purpose of this partnership is to carry on the joint obligations under the Commonwealth Games 2010 (CWG) contract. The name of the partnership, under the terms of the partnership agreement, is SIS Live.

In March 2016 an agreement was made with the Company's wholly owned subsidiary, SIS Live Limited, to capitalise an outstanding debt of £1,465,222 in return for 1,465,222 ordinary shares of £1 each.

SIS Link SARL was dissolved in June 2016. Trading in the entity had ceased in 2013.

As at 31 March 2015 the carrying value of Sports Information Services Limited's investment in the SIS Live Partnership has been fully provided for due to the partnership holding an overall net liability position of which the Company's share was as follows:

	<i>2018</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>
Share of assets	1,123	3,405
Share of liabilities	(4,936)	(6,957)
	<u>(3,813)</u>	<u>(3,552)</u>

Notes to the financial statements (continued)

at 31 March 2018

13. Stocks

	2018	2017
	£000	£000
Finished goods	505	409

14. Debtors

	2018	2017
	£000	£000
Trade debtors	18,200	16,675
Amounts owed by group undertakings	7,266	8,901
Other debtors	647	7,271
Prepayments and accrued income	8,634	16,341
Derivative financial instruments	134	–
Deferred tax asset (note 9)	1,553	1,535
	<u>36,434</u>	<u>50,723</u>

15. Cash at bank

	2018	2017
	£000	£000
Cash at bank	87,985	82,966
Restricted Cash	530	–
Cash at bank and in hand	<u>88,515</u>	<u>82,966</u>

Restricted cash is the amount held in a bond with Lloyds bank relating to rent free periods given to the assignee of a property lease.

16. Obligations under finance leases

The future minimum finance lease payments are as follows:

	2018	2017
	£000	£000
Amounts payable:		
Not later than one year	–	1,515
Later than one year and not later than five years	–	–
Later than five years	–	–
Total gross payments	–	1,515
Less: finance charges allocated to future periods	–	(31)
Carrying amount of liability	<u>–</u>	<u>1,484</u>

The finance leases were repaid in full during the year and primarily related to transportation and fittings equipment used in the Company's operations.

Notes to the financial statements (continued)

at 31 March 2018

17. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Obligations under finance leases (note 16)	–	1,484
Trade creditors	8,871	8,542
Amounts owed to group undertakings	12,460	12,475
Corporation tax	440	1,151
Other creditors	965	1,113
Other taxation and social security	3,626	4,557
Deferred income and payments in advance	25,322	18,363
Accruals	15,566	17,502
Derivative financial instruments (note 20)	–	360
	<u>67,250</u>	<u>65,547</u>

18. Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Deferred rights consideration	–	1,750
	<u>–</u>	<u>1,750</u>

Total deferred rights consideration as at 31 March 2018 of £nil (2017 – £1,750,000). The payment due for upfront rights costs was made during the year.

19. Provisions for liabilities

	Property £000	WEEE £000	Total £000
At 1 April 2017	1,270	372	1,642
Utilised during the year	(118)	–	(118)
Charge for the year	480	75	555
At 31 March 2018	<u>1,632</u>	<u>447</u>	<u>2,079</u>

Property

The property provision relates to the obligations on surrender of property leases to re-instate the premises to the same state and condition as before occupancy including making good all damage caused by removal as well as the onerous element of lease commitments for properties that are vacant prior to the lease end date. The provision is based on independent advice and is management's best estimate of the provision required as at 31 March 2018. The provision will be utilised by 2023.

WEEE

The Waste Electrical and Electronic Equipment (WEEE) Directive aims to minimise the impact of electrical goods on the environment by increasing re-use and recycling, reducing the amount of WEEE going to landfill. It asks producers to be responsible for financing the collection, treatment, and recovery of WEEE, and distributors to allow consumers to return their waste for free. Therefore, the WEEE provision relates to the collection, treatment and recovery of waste electrical equipment that is leased to licensed betting offices in the UK.

Notes to the financial statements (continued)

at 31 March 2018

20. Derivative financial instruments

	Current		Non-current	
	2018	2017	2018	2017
	£000	£000	£000	£000
<i>Derivatives that are designated and effective as hedging instruments carried at fair value</i>				
Assets				
Forward foreign currency contracts	134	–	–	–
Liabilities				
Forward foreign currency contracts	–	(360)	–	–

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2018 were €6.25m (2017: €17.5m).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 March 2018 are recognised in the Income Statement in the period or periods during which the hedged forecast transaction affects the Income Statement. This is generally within 12 months of the end of the reporting period.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward foreign currency contracts are valued using quoted forward exchange rates. The entity has no interest rate swaps.

21. Issued share capital

	2018		2017	
	No.	£	No.	£
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1	<u>1</u>	1	<u>1</u>

22. Dividends

During the year, a dividend of £15,000,000 was declared and paid (2017 – £15,000,000).

The Company also received a dividend in specie from one of its subsidiaries, SIS Live Limited for £nil value. This relates to a debt for an original value of £2,004,305 which was owed by SIS Live Partnership. The debt has been fully written down as payment is unlikely to materialise, however this dividend means the Company will be entitled to these monies should the debt be paid.

Notes to the financial statements (continued)

at 31 March 2018

23. Financial instruments

The Company has the following financial instruments:

	2018 £000	2017 £000
<i>Financial assets at fair value through profit or loss</i>		
Derivative financial assets	134	–
<i>Financial assets that are debt instruments measured at amortised cost:</i>		
Trade debtors	18,200	16,675
Amounts owed by group undertakings	7,266	8,901
Cash and cash equivalents	88,515	82,966
Other debtors	647	7,271
	<u>114,628</u>	<u>115,813</u>
<i>Financial liabilities at fair value through profit or loss</i>		
Derivative financial liabilities	–	360
<i>Financial liabilities measured at amortised cost:</i>		
Trade creditors	8,871	8,542
Amounts owed to group undertakings	12,460	12,475
Other creditors	965	1,113
	<u>22,296</u>	<u>22,130</u>

24. Capital commitments

The Company has the following capital commitments:

	2018 £000	2017 £000
Capital expenditure	<u>1,913</u>	<u>1,184</u>

The committed capital expenditure principally relates to the investment in betting shop and production equipment.

Notes to the financial statements (continued)

at 31 March 2018

25. Pensions

The Company is the parent undertaking of SIS Outside Broadcasts Limited. The SIS Outside Broadcasts Pension Scheme began on 1 April 2008 and was created to reflect the old BBC defined benefit scheme for SIS Outside Broadcasts Limited employees. In March 2014 a flexible apportionment arrangement was implemented to transfer the liabilities in the scheme from SIS Outside Broadcasts Limited to the Company.

The valuation used in these accounts has been based on the most recent actuarial valuation at 31 March 2016. The scheme assets are stated at their market values at the respective reporting dates and overall expected rates of return are established by applying discount rate to each category of scheme assets.

The final salary defined pension scheme was closed from 31 March 2011.

During 2017-18 the Company worked with the pension administrators and trustees to offer an enhanced transfer value exercise to the deferred members of the pension scheme. Free independent financial advice was provided to all members who considered the option. The exercise resulted in a number of members transferring their benefits out of the scheme into alternative arrangements that more suited their requirements.

The assets and liabilities of the schemes at 31 March 2018 are:

	2018 £000	2017 £000
Corporate Bonds	21,035	26,155
Cash	1,120	1,542
Fair value of scheme assets	22,155	27,697
Present value of defined benefit obligation	(14,881)	(20,271)
Surplus	7,274	7,426
Irrecoverable surplus	(7,274)	(7,426)
Defined benefit pension asset/liability	–	–

The amounts recognised in the Income Statement and in the other comprehensive income for the year are analysed as follows:

	2018 £000	2017 £000
Recognised in the income statement		
Expected return on assets	(715)	(777)
Interest cost	519	608
Loss on settlement	1,411	–
Restriction on return of assets	204	169
Total charge to the income statement	1,419	–

Notes to the financial statements (continued)

at 31 March 2018

25. Pensions (continued)

	2018 £000	2017 £000
<i>Taken to the other comprehensive income</i>		
Actual return on scheme assets	171	5,842
Less expected return on scheme assets	(715)	(777)
Restriction on return of assets	204	169
	(340)	5,234
Irrecoverable surplus	152	(2,903)
Actuarial loss on the defined benefit obligation	246	(3,831)
<i>Actuarial loss recognised in the statement of comprehensive income</i>	58	(1,500)
	2018	2017
<i>Main assumptions:</i>		
Discount rate	2.70%	2.75%
Salary growth	N/A	N/A
Inflation assumption	3.50%	3.65%
Rate of increase in pension payments – RPI up to 10%	3.50%	3.65%
Rate of increase in pension payments – RPI up to 5%	3.35%	3.45%
Base Mortality Table	S2PMA_L/S2P FA_L tables	S2PMA- L/S2PFA_L
Loading to mortality rates	90.0%	90%
Mortality Projection Basis	CMI 2017 (core) projection with 1% p.a. long term improvements	CMI 2016 (core) projection with 1% p.a. long term improvements

Changes in the present value of the defined benefit obligations are analysed as follows:

	2018 £000
At 1 April 2017	20,271
Interest cost	519
Loss on settlement	1,411
Actuarial gain	(246)
Benefits paid	(7,074)
At 31 March 2018	14,881

Notes to the financial statements (continued)

at 31 March 2018

25. Pensions (continued)

Changes in the fair value of plan assets are analysed as follows

	2018 £000
At 1 April 2017	27,697
Expected return on plan assets	715
Employer contributions	1,361
Actuarial experienced gains	(544)
Benefits paid	(7,074)
At 31 March 2018	<u>22,155</u>

Amounts for the current year is:

	2018 £000
Fair value of scheme assets	22,155
Present value of defined benefit obligation	(14,881)
Surplus/(shortfall)	<u>7,274</u>
Irrecoverable surplus	(7,274)
Experience adjustment on plan assets	(544)
Experience adjustment on plan liabilities	<u>-</u>

The cumulative amount of actuarial gains and losses recognised since 1 April 2014 in the other comprehensive income of the Company is a net loss of £5,943,000 (2017 – £6,001,000).

26. Other financial commitments

At 31 March 2018 the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018 £000	2017 £000
Operating leases which expire:		
Not later than one year	1,328	1,331
Later than one year and not later than five years	4,346	4,175
Later than five years	5,388	6,327
	<u>11,062</u>	<u>11,833</u>

Notes to the financial statements (continued)

at 31 March 2018

27. Contingent Liabilities

Other litigation

The Company is currently subject to two litigation claims. In relation to one of them, legal advice continues to indicate a successful outcome. In relation to the second, the claim has only just been received and until the defence has been prepared any assessment of the merits of the claim is premature. In both cases, no provision is deemed necessary at this stage as the directors do not believe a payment is probable nor can be reliably estimated.

28. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption in section 33.1A of FRS 102, not to disclose transactions with its wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 March 18, are as follows:

	<i>Sales to related party</i>	<i>Purchases from related party</i>	<i>Tax losses of related party utilised</i>	<i>Amounts owed from related party</i>	<i>Amounts owed to related party</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Ladbrokes Coral Group plc					
2018	58,259	15,340	–	3,761	–
2017	55,763	1,876	–	5,364	42
William Hill Organisation Limited					
2018	33,315	30	–	9,302	–
2017	40,070	25	–	3,630	–
Betfred Group					
2018	24,337	38	–	1	–
2017	26,677	25	–	727	–
Catalyst Media Group plc					
2018	–	–	22	–	–
2017	–	–	16	–	–
Caledonia Investments plc					
2018	–	–	949	–	–
2017	–	–	–	–	–

Ladbrokes Coral Group plc owns 23.41%, William Hill Organization Limited owns 19.51%, Catalyst Media Group plc owns 20.54% and Caledonia Investments plc owns 22.55% of the ordinary shares in the holding company, Sports Information Services (Holdings) Limited. The Betfred Group, made up of Done Brothers (Cash Betting) Limited and Tote (Successor Company) Limited, owns 6% of the ordinary shares in the holding Company.

Notes to the financial statements (continued)

at 31 March 2018

28. Related party transactions (continued)

On the 1st November 2016 Ladbrokes Coral Group plc announced a merger between Ladbrokes plc and certain businesses within Gala Coral Group Limited. The table above reflects transactions with Ladbrokes plc up to 31 October 2016 and the merged group from 1 November 2016 onwards.

During April 2017, SIS signed an agreement with Great Leighs Estates Limited to extend the media rights at Chelmsford City Racecourse. This resulted in the conversion of £6,750,000 secured loan notes, along with accrued interest and penalties (total of £7,862,330) being converted into intangible assets as upfront media rights payments, with the balance repayable to SIS (by way of discounted media rights fees) in equal monthly instalments over the duration of the extended rights agreement (December 2025). It should be noted that Mr Fred Done, a director and shareholder of the holding company, provides a personal guarantee for the full outstanding balance at any point in time.

See note 5 for disclosure of the directors' remuneration.

Amounts contributed to pension funds are as follows:

	£'000
Sports Information Services Limited Pension Scheme (Standard Life)	2,138
SIS Outside Broadcast Limited Pension Scheme	<u>1,361</u>

29. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Sports Information Services (Holdings) Limited, a Company incorporated in England, which is the only parent undertaking to consolidate these financial statements. Copies of Sports Information Services (Holdings) Limited financial statements are available from the following address:

Sports Information Services (Holdings) Limited
Unit 1/2 Whitehall Avenue
Kingston
Milton Keynes
Buckinghamshire
MK10 0AX