Betfred Group Limited (formerly JCCO 282 Limited)

Directors' report and financial statements

Registered number 07717019

Period ended 31 March 2013

Contents

Company information

Directors of the Company:	F Done B Nightingale
Company Secretary:	M R Hamilton
Registered Office:	The Spectrum 56/58 Benson Road Birchwood Warrington WA3 7PQ
Auditors:	KPMG LLP St James' Square Manchester M2 6DS
Registered number:	07717019

Directors' report

The directors present their annual report and audited financial statements for the 53 week period ended 31 March 2013

Incorporation

The Company was incorporated as JCCO 282 Limited on 25 July 2011 and changed its name to Betfred Group Limited on 3 September 2012 On 20 April 2012 the Company undertook a share for share exchange with the shareholders of Lightcatch Limited as part of a wider group reconstruction The financial statements have been prepared applying the principles permitted by FRS 6 Acquisitions and Mergers which is further explained in Note 1

Principal activities

The principal activities of the Group continued to be trading as a bookmaker The Group utilises a number of trade names including Betfred, Totepool and Tote During the period the Group operated through trading outlets, including pool betting on racecourses, together with a telephone operation A small amount of business was done through the internet business acquired with the Horserace Totalisator Board ("the Tote")

The Company acts as an investment holding company

Results and dividends

The profit for the period after taxation was £14 5 million *(2012 loss of £6 4 million)* Further details of the results for the year are given in the business review section below The directors do not recommend the payment of a dividend

Business review

Following the acquisition of the Tote by Lightcatch Limited in the prior period, this financial period has been one of continued consolidation As part of the integration activities, an internal restructuring was undertaken such that the enlarged Betfred group can maximise the return on its investment in future periods

Key performance indicators

The Group's key financial performance indicators carefully monitored by the senior management team are

£'000	2013	2012
Gross turnover	8,023,929	6,735,596
Net turnover	414,394	331,540
Gross profit	362,400	295,785
EBITDA, before operating exceptional costs	69,222	53,248
Operating exceptional costs	981	18,582
Operating profit	30,506	3,377

In the year ended 31 March 2013, gross profit increased by 22 5% to £362 4 million driven by the additional business from the Tote and continued growth in the existing retail estate This has been achieved despite an increased number of race meeting abandonments compared to the prior period

The integration program is proceeding and the directors are pleased with the results to date The number of Licensed Betting Offices ("LBOs") operating at 31 March 2013 was 1,366 which compares to 1,369 at 25 March 2012 The decrease reflects the disposal of 25 LBOs in accordance with the conditions of the Tote acquisition (as imposed by the Office of Fair Trading), offset partly by the Group's continued organic growth through strategic acquisition of individual LBOs

The returns on the investment made in the Group's Tote internet betting platform last year have not met management's expectations and this situation is being carefully monitored on an ongoing basis

The telephone betting business continues to decline in terms of new account generation as the younger debit card customers choose internet and mobile devices as their means of access to betting services That said, the telephone remains the channel of choice for many customers, in particular those with horseracing as their primary market

The Group has made contributions to horse racing of £12 5 million during the period (2012 £12 5million)

Directors' report *(continued)*

Business review (continued)

EBITDA prior to operating exceptional items was £69 2 million compared to £53 2 million in the comparative period

Non-GAAP measure: Earnings before interest, tax, depreciation and amortisation (EBITDA)		
	2013	2012
Analysed as	**£000**	£000
Operating profit	**30,506**	3,377
Add back depreciation of tangible fixed assets *(2012 excluding exceptional additional depreciation of £11 7 million)*	**22,121**	19,856
Add back amortisation of intangible fixed assets as reported above	**15,614**	11,433
Add back exceptional items *(2012 including £11 7 million additional depreciation)*	**981**	18,582
EBITDA before operating exceptional items	**69,222**	53,248

The Group's strategy for the forthcoming year is one of continued improvement within the retail estate, in particular through control of overheads and continued close management of the trading results

Principal risks and uncertainties

Management routinely monitor the risks that the business faces in its day-to-day operations and appropriate actions are taken to mitigate these risks The following risks are considered pertinent to the business

General economic risk

As with any other bookmaker the business is susceptible to the risk of an economic downturn, adversely affecting disposable income Management monitors the situation closely and makes promotional offers to customers as appropriate

Competitor risk

Betting and gaming businesses face competition in the main from other bookmakers, betting exchanges and other interactive gaming providers Management considers the commercial drivers of all the betting markets with its pricing in the light of this competition

Bookmaking risk

The risk of incurring large losses on bets due to incorrect pricing is mitigated by the upper limits in place on bets, through the monitoring of customers' betting patterns and the use of the latest information services available

Regulatory risk

The regulatory, legislative and fiscal environment in which the Group operates can change at short notice, leading to additional costs of compliance Management monitor this risk closely to ensure that developments are understood and managed at the earliest opportunity

Currency risk

Although primarily a sterling cash business the Group is exposed, to a limited extent, to the financial risks resulting from movements in foreign currency exchange rates Whilst transactions in foreign currencies are not considered to be at a significant level currently, the board would consider foreign exchange loss mitigation tools if necessary It has not been considered necessary to date

Directors' report *(continued)*

Liquidity and interest rate risk

In order to maintain liquidity and to ensure that sufficient funds are available for expansion of the business and other future developments, the Group draws on a mixture of debt finance and retained earnings The Group has entered into interest rate swaps to reduce exposure to fluctuating interest rates

Directors

The following directors served during the period

F Done
B Nightingale

Political and charitable donations

During the period the Group made charitable donations of £308,000 *(2012 £295,000)* to various recipients including local charities serving the communities in which the Group operates and to gambling related charities The Group did not make any political contributions in either the current or preceding period

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

Employee involvement

The Group places considerable value on the involvement of its employees The Group has practices to keep employees informed on matters relevant to them as employees through regular meetings Employee representatives are consulted on a wide range of matters affecting their interests

Land and buildings

In the opinion of the directors the current open market value of the Group's interests in land and buildings exceeds the book value and therefore no impairment has been identified

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information

Auditor

KPMG LLP was appointed during the year as auditor of the Company 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

By order of the Board

M R Hamilton
Company Secretary

Date: 25 July 2013

The Spectrum
56-58 Benson Road
Birchwood
Warrington
Cheshire
WA3 7PQ

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Betfred Group Limited

We have audited the financial statements of Betfred Group Limited for the period ended 31 March 2013, set out on pages 8 to 37 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Betfred Group Limited

(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent 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

Stuart Burdass (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
St James Square
Manchester
M2 6DS

25/07/17

Consolidated profit and loss account

for the period ended 31 March 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Gross turnover: Continuing operations	2	**8,023,929**		4,790,275	
Acquisitions		-		1,945,321	
			8,023,929		6,735,596
Amounts payable to winning customers			**(7,609,535)**		(6,404,056)
Net turnover			**414,394**		331,540
Betting duty			**(33,003)**		(26,456)
Machine gaming duty			**(7,089)**		-
Statutory levy			**(11,902)**		(9,299)
Gross profit			**362,400**		295,785
Administrative expenses - before goodwill amortisation		**(322,612)**		(267,103)	
- goodwill amortisation	4	**(15,614)**		(11,433)	
- exceptional costs	7	**(981)**		(18,582)	
			(339,207)		(297,118)
Other operating income	3		**7,313**		4,710
Operating profit					
Continuing operations		**30,506**		9,335	
Acquisitions (2012 includes £5 6 million amortisation of goodwill and exceptional costs of £6 8 million)		-		(5,958)	
		30,506		3,377	
Operating profit	4		**30,506**		3,377
Profit on sale of fixed assets	7		**3,509**		-
Income from investment	13		**900**		720
Other interest receivable and similar income	8		**872**		905
Interest payable and similar charges	9		**(12,843)**		(10,854)
Profit/(loss) on ordinary activities before taxation			**22,944**		(5,852)
Taxation	10		**(8,403)**		(569)
Profit/(loss) on ordinary activities after taxation			**14,541**		(6,421)
Minority interests	19		**-**		-
Profit/(loss) for the financial period			**14,541**		(6,421)

The notes on pages 13 to 37 form an integral part of these financial statements

Consolidated balance sheet
at 31 March 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Intangible assets	*11*	200,940		216,593	
Tangible fixed assets	*12*	83,140		92,190	
Investments	*13*	1,566		1,566	
			285,646		310,349
Current assets					
Debtors due within one year (including £13 9 million due after more than one year *(2012 £14 5 million)*)	*14*	35,963		35,493	
Cash at bank and in hand, (including £2 4 million restricted cash *(2012 £2 5 million)*)		23,580		37,668	
		59,543		73,161	
Creditors: amounts falling due within one year	*14*	(77,178)		(95,049)	
Net current liabilities			(17,635)		(21,888)
Total assets less current liabilities			268,011		288,461
Creditors: amounts falling due after one year	*15*		(194,998)		(233,189)
Provision for liabilities and charges	*16*		(6,415)		(6,719)
Net assets excluding pension asset			66,598		48,553
Pension asset	*21*		4,731		12,755
Net assets			71,329		61,308
Called up share capital	*18*		15		15
Profit and loss account	*18*		71,314		61,293
Shareholders' funds			71,329		61,308
Minority interests	*19*		-		-
Equity			71,329		61,308

The notes on pages 13 to 37 form an integral part of these financial statements

These financial statements were approved by the board of directors on 25 July 2013 and were signed on its behalf by

Barry Nightingale
Director

Company balance sheet
at 31 March 2013

	Note	**2013 £000**	**2013 £000**	2012 £000	2012 £000
Fixed assets					
Investments	*13*		**15**		-
Current assets					
Debtors due within one year	*14*	-		-	
Cash at bank and in hand		-		-	
		-		-	
Creditors: amounts falling due within one year	*14*	-		-	
Net current liabilities					
Total assets less current liabilities			**15**		-
Creditors: amounts falling due after one year	*15*		-		-
Net assets			**15**		-
Called up share capital	*18*		**15**		-
Profit and loss account	*18*		-		-
Shareholders' funds			**15**		-

The notes on pages 13 to 37 form an integral part of these financial statements

These financial statements were approved by the board of directors on 25 July 2013and were signed on its behalf by

Barry Nightingale
Director

Reconciliations of movements in shareholders' funds
for the period ended 31 March 2013

	Note	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Retained profit/(loss) for the financial period	*18*	**14,541**	(6,421)	-	-
New share capital subscribed		-	15	**15**	-
Dividend paid		-	(14)	-	-
Transfer from minority interest		-	7,519	-	-
Other recognised gains and losses relating to the financial period	*18*	**(4,520)**	(6,695)	-	-
Net addition to/(reduction in) shareholders' funds		**10,021**	(5,596)	**15**	-
Opening shareholders' funds		**61,308**	66,904	-	-
Closing shareholders' funds		**71,329**	61,308	**15**	-

Consolidated statement of total recognised gains and losses
for the period ended 31 March 2013

	Note	Group 2013 £000	Group 2012 £000
Profit/(loss) for the financial year	*18*	**14,541**	(6,421)
Actuarial loss recognised in the pension scheme	*21*	**(5,870)**	(8,927)
Deferred tax arising on losses in the pension scheme		**1,350**	2,232
Total recognised gains and losses relating to the financial period		**10,021**	(13,116)

Consolidated cash flow statement

for the year ended 31 March 2013

	Note	**2013** **£000**	2012 £000
Cash flow from operating activities	*23*	**66,081**	35,017
Returns on investments and servicing of finance	*23*	**(5,649)**	(6,657)
Taxation		**(6,509)**	(4,049)
Capital expenditure and financial investment	*23*	**(10,105)**	(12,877)
Acquisitions and disposals	*23*	**(308)**	(123,880)
Cash inflow/ (outflow) before financing		**43,510**	(112,446)
Financing	*23*	**(57,598)**	145,229
(Decrease)/ increase in cash in the period		**(14,088)**	32,783

Reconciliation of net cash flow to movement in net debt

	Note	**2013** **£000**	2012 £000
(Decrease)/ increase in cash in the period		**(14,088)**	32,783
Cash outflow/ (inflow) from change in debt		**55,077**	(147,472)
Change in net debt resulting from cash flows		**40,989**	(114,689)
Repayment of finance leases		**2,521**	2,243
Non cash movements		**(1,892)**	(1,120)
Movement in net debt in the period		**41,618**	(113,566)
Net debt at the start of the period	*24*	**(133,401)**	(19,835)
Net debt at the end of the period	*24*	**(91,783)**	(133,401)

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

The following accounting policies have been applied consistently to the items which are considered material in relation to the financial statements, except as noted below

Basis of preparation

The results presented cover a 53 week period ended 31 March 2013 *(2012 52 week period ended 25 March 2012)*

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, and under the historical cost accounting rules.

On 20 April 2012 the Company undertook a share for share exchange with the Shareholders of Lightcatch Limited as part of a wider group restructuring exercise

Taking into consideration the requirements of the Companies Act 2006 and appropriate UK accounting standards, the transfer has been accounted for as a group reconstruction in accordance with FRS 6 Acquisitions and Mergers Merger principles have, therefore, been applied and the comparative consolidated figures have been presented as if the Company had always held a 100% investment in Lightcatch Limited (the 2012 consolidated comparative figures are the consolidated figures previously reported Lightcatch Limited)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2013 Except for the group restructure accounted for with merger accounting as described above, the acquisition method of accounting has been adopted Under this method, the results and cash flows of subsidiary undertakings acquired or disposed of in the year are included in the group profit and loss account and the group cash flow statement respectively from the date of acquisition or up to the date of disposal The purchase consideration for acquired businesses has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

In respect of the purchase of the minority interest in the Company's subsidiary in the prior year, Done Bros (Cash Betting) Limited, no fair value adjustments have been made to the assets and liabilities of the subsidiary as the overall ownership interests in the assets of the Group, including its subsidiary, were unchanged by the transaction

Going concern

The directors have considered the future profitability of the Group and its ability to continue as a going concern, and have prepared profit and cash flow forecasts into the future Based on these projections, the directors are satisfied that, for the foreseeable future, the Group can meet its projected working capital requirements and service its debt financing Consequently, the financial statements have been prepared on a going concern basis

Change in accounting estimate

During the prior period the Directors undertook a review of the useful economic life (UEL) of each category of tangible fixed assets to bring them in line with the policy adopted by its fellow subsidiaries This review led to the following adjustments

	Previous UEL	**Revised UEL**	**2012 Additional depreciation***
Fixtures and fittings	5 years	10 years	£1 8 million
Plant, machinery and computer equipment	4-7 years	3 years	£9 9 million

**An adjustment has been recorded in the prior period to reflect the revised depreciation policy with effect from the start of that period*

Notes *(continued)*

1 Accounting policies

Turnover

Turnover represents the amounts staked comprising the gross takings receivable from customers in respect of individual bets placed in the Company's Licensed Betting Offices (LBOs) and telephone betting

Winnings re-staked prior to being withdrawn from Fixed Odds Betting Terminals are grossed up into revenue

Open betting positions are deferred until the event date at the value of consideration received

Turnover on pool betting represents the amount staked in relation to pool betting from the Group's high-street shops through off-course electronic terminals, EPoS terminals in other major national high-street bookmakers, racecourse outlets on course at UK race courses and from stakes transmitted into UK pools from UK and international betting partners

In the case of internet placed bets turnover represents the amounts staked by customers in respect of individual bets placed on events that have occurred by the period end

Goodwill

Goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised Positive goodwill is amortised to nil by equal annual instalments over its useful economic life Other purchased goodwill is also amortised over its expected useful life

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Goodwill	-	up to 20 years

Intangible assets

Intangible fixed assets purchased separately from a business are capitalised at their cost

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably

Intangible assets are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, as follows

Pool betting licence	-	7 years

Fixed assets and depreciation

Tangible assets, stated at cost less accumulated depreciation, represent properties and equipment and these are written off over their expected useful economic lives Depreciation is accordingly provided on the straight line basis over the following periods

Freehold buildings	-	2% per annum
Leasehold buildings	-	period of the lease
Plant, machinery and computer equipment	-	33 3% per annum (see earlier – amended in prior period)
Fixtures & Fittings	-	10% per annum (see earlier – amended in prior period)
Motor Vehicles	-	25% per annum
Office Equipment	-	15% per annum
Alterations to premises	-	4% per annum

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment of fixed assets and goodwill

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable If any such indication exists, the asset's recoverable amount is estimated The carrying value of intangible assets is also reviewed for impairment at the end of the first full year after acquisition

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount Impairment losses are recognised in the profit and loss account unless they arise on a previously revalued fixed asset An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if not impairment loss had been recognised

Tangible assets are reviewed for impairment in any period where events or changes in circumstances indicate that the carrying value may not be recoverable

Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less any provision for diminution in value Income from investments is taken to the profit and loss account when the Group's right to receive payment is established

Development costs

Costs arising from the continuing development of existing systems and related products are written off against income in the period incurred although no benefit may have been received in that period Development expenditure attributable to major projects whose technical feasibility and commercial viability are reasonably assured is capitalised and amortised over the period in which benefits are expected to accrue

Notes (continued)

1 Accounting policies *(continued)*

Leasing and hire purchase commitments

Assets acquired under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised and are depreciated over the sorter of the lease term and the asset's useful life The capital element of future obligations under leased and hire purchase contracts are included as liabilities in creditors in the balance sheet The interest element of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the shorter of the lease term and the date of the next rent review

Rental income

Rental income is recognised on a straight line basis with any incentives provided spread on a straight-line basis over the shorter of the lease term and the date of the next rent review

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a 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, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet 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 balance sheet 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 tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- 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

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 balance sheet date

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited directly to equity

Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Notes *(continued)*

1 Accounting policies *(continued)*

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount

Interest rate swaps

Interest differentials arising on interest rate swaps are recognised by accruing the net interest payable Interest rate swaps are not revalued to fair value or shown on the group or company balance sheets at the year end If they are terminated early any gain/loss arising is spread over the remaining maturity of the original instrument

Post-retirement benefits

Defined contribution arrangements

The Group operate a number of defined contribution pension schemes The assets of the schemes are held separately from those of the Group in independently administered funds The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period

Defined benefit arrangements

The Group operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Group and require contributions to be made to a separately administered fund The scheme was closed to new members in November 2007

The cost of providing benefits under the defined benefit plans is determined separately for each plan 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 on a straight-line basis over the vesting period or immediately if the benefits have vested 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 profit and loss account 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 relating 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 of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur

The defined benefit pension asset or liability in the balance sheet 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

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefit will be required to settle the obligation Where the impact is expected to be material, provisions are determined by discounting the expected future cash flows that reflect risks specific to the Group

Notes *(continued)*

2 Segmental information

All activities relate to betting operations All activities relate to operations in the United Kingdom

3 Other operating income

	2013 £000	2012 £000
Rental income	**1,277**	916
Royalties and service charges	**5,122**	2,782
Other	**914**	1,012
	7,313	4,710

4 Operating profit

	2013 £000	2012 £000
Operating profit is stated after charging -		
Depreciation		
Owned fixed assets	**19,666**	16,979
Fixed assets on hire purchase agreements	**2,455**	2,877
	22,121	19,856
Amortisation of intangibles	**15,614**	11,433
Auditors remuneration		
Audit of these financial statements - current group auditor	**15**	-
- previous group auditor	**-**	97
Audit of subsidiary financial statements pursuant to legislation		
- current group auditor	**135**	-
- previous group auditor	**-**	33
Audit related assurance services - current group auditor	**59**	-
Loss on disposal of fixed assets	**-**	530
Operating lease rentals		
Land and buildings	**32,578**	29,550
Plant, machinery and equipment	**2,215**	1,753
Exceptional items (note 7)	**981**	18,582

5 Employee numbers and staff costs

The average number of persons employed by the Group, on a full time equivalent basis, during the period -

	2013 Number	2012 Number
Office, management and sales	**5,755**	5,527

Notes *(continued)*

5 Employee numbers and staff costs *(continued)*

	2013 £000	2012 £000
Employee costs		
Wages and salaries	**116,296**	102,269
Social security costs	**8,735**	7,102
Pension costs	**1,286**	1,518
	126,317	110,889

The Company did not have any direct employees in the current or prior period

6 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were -

	2013 £000	2012 £000
Aggregate emoluments	**622**	562
Company contributions to money purchase pension schemes	**20**	120
	642	682

The aggregate emoluments of the highest paid director were £341,000 *(2012 £437,000)*

7 Exceptional items

	2013 £000	2012 £000
Pre-operating profit		
Onerous lease provision release	**-**	(498)
Reorganisation costs	**981**	7,394
Additional depreciation	**-**	11,686
	981	18,582
Post operating profit		
Fixed asset disposals	**(3,509)**	-
Total exceptional items	**(2,528)**	18,582

During the current period the Group incurred costs associated with the acquisition of the Tote of £409,000 (2012 £7,394,000 including £4,866,000 redundancy costs), along with other costs of £572,000 (2012 £nil)

During the current period the Group completed the disposal of a number of shops, in accordance with a condition of Betfred's acquisition of the Tote imposed by the Office of Fair Trading This disposal realised a profit of £3,823,000 in the Group Other fixed asset disposals in the period realised a loss of £314,000

During the prior period the Group released provisions held in relation to onerous leases and dilapidations of £498,000

Notes *(continued)*

7 Exceptional items *(continued)*

As detailed in note 1, during the prior period the estimated useful economic life of a number of fixed assets was revised The impact of this change in the prior period was both a one-off 'catch-up' charge for assets that had reached their revised useful economic life and an incremental increase in the ongoing annual depreciation charge The total impact in the prior year was an additional depreciation charge of £11,686,000

8 Other interest receivable and similar income

	2013	2012
	£000	£000
Net return on pension scheme liability	**417**	646
Bank interest receivable	**455**	259
	872	905

9 Interest payable and similar charges

	2013	2012
	£000	£000
Interest payable on bank loans and overdrafts	**6,684**	6,328
Interest payable on deferred consideration	**3,947**	2,889
Amortisation of loan issue costs	**1,892**	1,120
Other interest	**320**	517
	12,843	10,854

10 Taxation

Analysis of charge in period

	2013	2012
	£000	£000
Current tax		
UK Corporation Tax on income for the period	**7,343**	3,436
Prior period adjustment	**(308)**	(115)
	7,035	3,321
Deferred taxation (see note 16)		
Origination and reversal of timing differences	**(1,675)**	(4,179)
Effect of rate change	**(24)**	-
Prior period adjustment	**(251)**	-
	(1,950)	(4,179)
Adjustment in respect of pension liability	**3,318**	1,427
	1,368	(2,752)
Tax on profit on ordinary activities	**8,403**	569

Notes *(continued)*

10 Taxation *(continued)*

Factors affecting the tax charge for the period

The current tax charge for the period is higher *(2012 higher)* than the standard rate of corporation tax in the UK of 24% *(2012 26%)* The differences are explained below

	2013 £000	2012 £000
Profit/ (loss) on ordinary activities before taxation	**22,944**	(5,852)
Current tax charge/ (credit) at 24% *(2012 26%)*	**5,506**	(1,522)
Effects of		
Expenses not deductible for tax purposes	**244**	1,184
Non-taxable income	**(3,496)**	(2,255)
Depreciation in excess of capital allowances	**5,197**	6,050
Prior period adjustment	**(308)**	(115)
Other	**(108)**	(21)
Current tax charge for the period	**7,035**	3,321

Factors affecting the tax charge in future periods

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the Group's future corporation tax charge accordingly The deferred tax asset at 31 March 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Group's future corporation tax charge and reduce the Group's deferred tax asset accordingly

Notes *(continued)*

11 Intangible fixed assets

Group	Goodwill £000	Licences £000	Total £000
Cost			
At 26 March 2012	218,531	35,000	**253,531**
Transfer to tangible fixed assets	(1,532)	-	**(1,532)**
Fair value adjustment*	474	-	**474**
Additions	180	-	**180**
At 31 March 2013	217,653	35,000	**252,653**
Amortisation			
At 26 March 2012	33,605	3,333	**36,938**
Transfer to tangible fixed assets	(839)	-	**(839)**
Charge for the period	10,614	5,000	**15,614**
At 31 March 2013	43,380	8,333	**51,713**
Net book value			
At 31 March 2013	**174,273**	**26,667**	**200,940**
At 25 March 2012	184,926	31,667	216,593

* During the period the fair values assigned to certain assets and liabilities acquired with the Tote in the previous period were amended in accordance with the provisions of UK GAAP for further information which has come to light on conditions which existed at the date of acquisition (see note 17)

Company

The Company owns no intangible fixed assets

Notes *(continued)*

12 Tangible fixed assets

Group	Property £000	Alterations to Premises £000	Plant Machinery & Equipment £000	Fixtures & Fittings £000	Motor Vehicles and Office Equipment £000	Total £000
Cost						
At 26 March 2012	17,024	46,304	65,399	45,975	1,428	**176,130**
Transfer from intangible fixed assets	-	-	1,532	-	-	**1,532**
Additions	-	2,196	9,244	2,292	74	**13,806**
Disposals	(1,751)	(1,719)	(12,956)	(2,088)	(653)	**(19,167)**
At 31 March 2013	15,273	46,781	63,219	46 179	849	**172,301**
Depreciation						
At 26 March 2012	2,802	17,650	40,220	22,603	665	**83,940**
Transfer from intangible fixed assets	-	-	839	-	-	**839**
Charge for the period	1,065	5,342	10,469	4,916	329	**22,121**
Disposals	(1,522)	(1,402)	(12,502)	(1,854)	(459)	**(17,739)**
At 31 March 2013	2,345	21,590	39,026	25,665	535	**89,161**
Net book value						
At 31 March 2013	**12,928**	**25,191**	**24,193**	**20,514**	**314**	**83,140**
At 25 March 2012	14,222	28,654	25,179	23,372	763	92,190

The net book value of equipment includes an amount of £4,267,000 (*2012 £6,722,000*) in respect of assets held under finance leases Depreciation on these assets in the current year was £2,455,000 (*2012 £2,877,000)*

The net book value of properties comprises

	2013 £000	2012 £000
Freeholds	**10,290**	11,137
Long leaseholds (over 50 years)	**594**	598
Short leaseholds (under 50 years)	**673**	806
Other expenditure related to buildings	**1,371**	1,681
Total property	**12,928**	14,222

Contracted, but not accrued, capital commitments at 31 March 2013 were £2,154,000 (*2012 £Nil*)

Fixed and floating charges are held over the assets of the Company, and the wider Group by the Group's bankers (see note 20)

Company

The Company owns no tangible fixed assets

Notes *(continued)*

13 Investments

Group

The investment of £1,566,000 *(2012 £1,566,000)* held on the Group balance sheet represents the investment in Satellite Information Services (Holdings) Limited, in which the Group has a 5 99% holding A dividend of £900,000 was received in the year ended 31 March 2013 *(2012 £720,000)*

Company

	Shares in group undertakings £000
Cost and net book value	
At beginning of year	-
Additions	15
At end of year	**15**

During the year, as part of wider group restructuring, the Company undertook a share for share exchange with the shareholders of Lightcatch Limited At 31 March 2013, the Company therefore holds 100% of the ordinary share capital and voting rights of Lightcatch Limited

The principal companies in which the Company's interest at the year end is more than 20% are as follows

	Country of incorporation	**Principal activity**	**Class and percentage of shares held**
Principal subsidiary undertakings			
Lightcatch Limited	United Kingdom	Holding company	100% ordinary
Done Brothers (Cash Betting) Limited*	United Kingdom	Betting	100% ordinary
Tote (Successor Company) Limited*	United Kingdom	On course pool betting	100% ordinary
Tote Bookmakers Limited*	United Kingdom	Betting	100% ordinary
Tote Direct Limited*	United Kingdom	Betting	100% ordinary
Tote Digital Limited (formerly JCCO 283 Limited)	United Kingdom	Holding company	100% ordinary
Tote Credit Limited**	United Kingdom	Betting	100% ordinary
Totesport Alderney Limited**	Guernsey	Online Gaming	100% ordinary
Totepool Alderney Limited**	Guernsey	Online pool betting	100% ordinary

* Investment held via Lightcatch Limited
** Investment held via Tote Digital Limited (formerly JCCO 283 Limited)

Notes *(continued)*

14 Working capital

Debtors

	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Amounts falling due within one year				
Trade debtors	**557**	3,208	-	-
Other debtors	**22,557**	24,047	-	-
Prepayments and accrued income	**11,542**	8,238	-	-
Deferred tax asset (note 16)	**1,307**	-	-	-
	35,963	35,493	-	-

Included within other debtors is an amount of £13,927,000 (2012 £14,527,000) which falls due after more than one year

Creditors: amounts falling due within one year

	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Bank loans and overdrafts	**17,831**	30,376	-	-
Trade creditors	**9,644**	12,440	-	-
Amounts owed to winning customers	**3,306**	3,862		
Obligations under finance lease and hire purchase contracts	**3,033**	2,894	-	-
Corporation tax	**2,461**	1,935	-	-
Other taxes and social security costs	**15,284**	12,881	-	-
Other creditors	**12,789**	19,078	-	-
Accruals	**12,830**	11,583	-	-
	77,178	95,049	-	-

15 Financing

Creditors: amounts falling due after more than one year

	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Bank loans	**92,895**	133,535	-	-
Obligations under finance lease and hire purchase contracts	**1,604**	4,264	-	-
Deferred consideration	**90,000**	90,000	-	-
Other creditors	**755**	734	-	-
Accrued interest on deferred consideration	**6,836**	2,889		
Accruals	**2,908**	1,767	-	-
	194,998	233,189	-	-

Notes *(continued)*

15 Financing (continued)

The maturity of borrowing obligations including obligations under finance lease and hire purchase contracts is as follows

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Bank loans and overdrafts				
Within one year	**19,631**	32,176	-	-
In the second to fifth years	**95,281**	137,813	-	-
	114,912	169,989	-	-
Less unamortised issue costs				
Within one year	**(1,800)**	(1,800)	-	-
In the second to fifth years	**(2,386)**	(4,278)	-	-
	(4,186)	(6,078)	-	-
	110,726	163,911	-	-
Finance lease and hire purchase contracts				
Within one year	**3,325**	3,173	-	-
In the second to fifth years	**1,633**	4,522	-	-
	4,958	7,695	-	-
Less future finance costs				
Within one year	**(292)**	(279)	-	-
In the second to fifth years	**(29)**	(258)	-	-
	(321)	(537)	-	-
	4,637	7,158	-	-
Total borrowings including finance leases and hire purchase contracts				
Within one year	**22,956**	35,349	-	-
In the second to fifth years	**96,914**	142,335	-	-
	119,870	177,684	-	-
Less unamortised issue costs and future finance costs	**(4,507)**	(6,615)	-	-
	115,363	171,069	-	-

All bank borrowings are secured by mortgage debentures and first legal charges over various properties and assets There is a right of offset incorporated in all legal mortgages, life policies and mortgage debentures

Notes *(continued)*

15 Financing *(continued)*

Bank loan

The bank loan of £110,726,000 (2012 £163,911,000) bears interest at LIBOR plus a margin, varying between 3 75% and 4 0% per annum The loan is due for repayment at various dates up to 30 June 2015

The Group has entered into interest rate swap arrangements covering £76 2 million (2012 £92 2 million) of its bank loan facility whereby it pays a fixed rate of 1 635% on this portion of its borrowings The arrangements expire on 30 June 2015 and reduce in line with loan repayments over the term of the loan

Finance lease and hire purchase contracts

Finance lease and hire purchase contracts are repayable by instalments Usual contract terms are 3-5 years

Deferred consideration

Deferred consideration is repayable in three equal instalments of £30,000,000 due on 13 January 2016, 13 January 2017 and 13 January 2018 respectively and carries interest at 4 25% per annum

16 Provisions for liabilities and charges

	Deferred taxation £000	Other provisions £000	Total £000
Group			
At 26 March 2012	643	6,076	6,719
(Credited)/ charged to profit and loss	(1,950)	339	(1,611)
	(1,307)	6,415	5,108
Reclassified to debtors (note 14)	1,307	-	1,307
At 31 March 2013	**-**	**6,415**	**6,415**

Deferred taxation

The elements of deferred taxation are as follows

	2013 £000	2012 £000
Accelerated capital allowances	**(775)**	(1,388)
Other timing differences	**(532)**	2,031
Deferred tax (asset)/liability	**(1,307)**	643

Other provisions

Other provisions include

- A provision of £1,122,000 (*2012 £1,122,000*) against a refund received in a previous year from HMRC in relation to a claim regarding VAT partial exemption rates The refund was made on a without prejudice basis
- An onerous lease provision of £3,779,000 (*2012 £3,554,000*) in relation to costs associated with closing a number of retail outlets within the Group
- £1,514,000 (*2012 £1,400,000*) in relation to dilapidation costs associated with the Group's retail estate

Property related provisions are expected to unwind over the next 3 to 5 years

Company

The Company has no provisions

Notes *(continued)*

17 Acquisitions

On 13 July 2011 the Group acquired 100% of the ordinary share capital of Tote (Successor Company) Limited and subsidiaries (for a list of subsidiary undertakings acquired see note 13) The resulting goodwill of £168 million was capitalised and is being written off over 20 years Management consider that 20 years appropriately reflects the durability of the purchased goodwill based on the following key factors the market in which the betting shops operate is well established, the group is a significant operator in the market and is competitive, and, the proven and sustained demand for bookmaking services in the market

	Book value £000	Re-valuation £000	Policy alignment £000	Other adjustments £000	Fair value adjustments £000	Fair value £000
Fixed assets						
Goodwill	131,076	-	-	(131,076)	-	-
Intangible assets	-	35,000	-	-	-	35,000
Tangible assets	44,532	(2,542)	-	-	-	41,990
Investments	1,565	-	-	-	-	1,565
Current assets						
Debtors	6,568	-	-	-	(95)	6,473
Cash at bank and in hand	13,922	-	-	-	-	13,922
Total assets	197,663	32,458	-	(131,076)	(95)	98,950
Creditors: amounts falling due in less than one year						
Trade creditors	(2,514)	-	-	-	-	(2,514)
Other creditors	(2,854)	-	-	-	183	(2,671)
Corporation tax	(60)	-	-	-	-	(60)
Other taxes and social security	(3,101)	-	1,210	-	-	(1,891)
Accruals and deferred income	(18,449)	(930)	-	-	(562)	(19,941)
Total creditors due in less than one year	(26,978)	(930)	1,210	-	(379)	(27,077)
Provisions for liabilities and charges						
Deferred tax	(2,863)	1,317	-	-	-	(1,546)
Other	(1,587)	(2,246)	-	-	-	(3,833)
Total provisions for liabilities and charges	(4,450)	(929)	-	-	-	(5,379)
Net assets excluding pension liability	**166,235**	**30,599**	**1,210**	**(131,076)**	**(474)**	**66,494**
Pension liability	(3,745)	(1,089)	-	-	-	(4,834)
Net assets acquired	**162,490**	**29,510**	**1,210**	**(131,076)**	**(474)**	**61,660**

	£000
Purchase consideration and costs of acquisition	
Cash	134,480
Deferred consideration	90,000
Costs of acquisition	5,221
	229,701
Goodwill	**168,041**

Notes *(continued)*

17 Acquisitions *(continued)*

Fair value adjustments

Fair value adjustments of £474,000 have been made during the period in accordance with the provisions of UK GAAP

Consideration payable

Total cash outflow in the prior period was £123 9 million, net of £13 9 million cash acquired with the business and including £3 3 million advisor fees Costs of acquisition include advisor fees (£3 3 million) and an accrual of £1 9 million in relation to contracted payments

The deferred consideration is payable in three equal instalments plus accrued interest at 4 25% The respective instalments are payable (i) four years, six months from the date of acquisition, (ii) five years, six months and, (iii) six years and six months after acquisition There are no conditions attached to the deferred consideration and therefore the full discounted amount has been recognised

18 Reserves

Called up share capital

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£**	£
Allotted, called up and fully paid:				
At beginning of period	-	-	1	-
Allotted	15	-	14,999	1
At end of period	**15**	-	**15,000**	1

On 8 March 2012, an ordinary resolution was passed such that the Ordinary share of £1 was subdivided into 1,000 Ordinary shares of £0 10 each On 20 April 2012 Company issued 149,990 Ordinary shares of £0 10 each to existing shareholders of Lightcatch Limited in exchange for their shares in that company The aggregate allotted, called up and fully paid ordinary share capital of the Company at the period end is therefore 150,000 Ordinary shares of £0 10 each

In respect of the issue of new shares, the criteria for merger relief under the Companies Act were met and hence the shares have been recorded at nominal value with no share premium

Profit and loss account

	Group	Company
	£000	**£000**
At beginning of period	61,293	-
Profit for the financial period	14,541	-
Other recognised gains and losses	(4,520)	-
At end of period	**71,314**	-

Notes *(continued)*

19 Minority interests

	2013	2012
	£000	£000
At beginning of the period	-	7,519
Profit on ordinary activities after taxation	-	-
Transfer to profit and loss reserve	-	(7,519)
At the end of the period	-	-

Minority interests related to former Done Brothers (Cash Betting) Limited shareholders who exchanged their investment in Done Brothers (Cash Betting) Limited for shares in Lightcatch Limited and subsequently have exchanged these shares for shares in Betfred Group Limited (formerly JCCO 282 Limited)

20 Commitments and contingencies

Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	Group	
	2013	2012
Land and Buildings	**£000**	£000
Operating leases which expire		
Within one year	**990**	1,791
In the second to fifth years inclusive	**6,018**	5,112
Over five years	**25,601**	24,908
	32,609	31,811
Other		
Operating leases which expire		
Within one year	**6**	42
In the second to fifth years inclusive	**2,209**	1,729
	2,215	1,771

Contingencies

In the year ended 20 March 2010, the Group recognised a £1 2 million credit following a refund of overpaid VAT from HMRC In addition, a fair value adjustment was recorded in 2012 as part of the acquisition accounting relating to the Tote to release the provision of £1 2 million against a similar receipt from HMRC by the Tote Both VAT repayments relate to the claim made by both Done Brothers (Cash Betting) Limited and the Tote that the application of VAT to income from AWP machines contravened the European Union's principle of fiscal neutrality HMRC have challenged a similar claim Should HMRC ultimately be successful in this case then the Group would have to repay the monies received, although the directors consider this unlikely

The Company is an obligor to a wider group banking arrangement and, as such, has entered into a cross guarantee in respect of the borrowings of the Betfred group of companies, headed by Betfred Group Limited In addition the Company's assets are secured by a number of fixed and floating charges held by the financing parties of the banking arrangement At 31 March 2013 the Group's potential exposure under the unlimited cross-guarantee arrangement was £94,385,000 (2012 £134,011,000)

Notes *(continued)*

21 Pension schemes

The Group currently operates three types of pension scheme -

a) Group companies have, in the past, contributed to a scheme of which one of the directors and others are beneficiaries This is of the nature of a defined contribution scheme The assets of the scheme are held separately from those of the Group The pension cost charge represents contributions payable to the fund and amounted to £nil *(2012 £nil)* There were no outstanding or prepaid contributions either at the beginning or end of the financial period

b) The Group operates money purchase schemes The pension cost charge represents contributions payable by Done Brothers (Cash Betting) Limited amounted to £182,000 *(2012 £344,000)*

c) As part of the acquisition, by Lightcatch Limited, of Tote (Successor Company) Limited, during the prior period, the Group assumed the responsibility of the Horserace Totalisator Board (1968) Pension Scheme This is a funded pension scheme providing benefits based on final pensionable pay for all qualifying staff The scheme was closed to new entrants in November 2007 Further details are provided below

Horserace Totalisator Board (1968) Pension Scheme

The information disclosed below is in respect of the Horserace Totalisator Board (1968) Pension Scheme for which Tote (Successor Company) Limited is the sponsoring employer The latest actuarial review of the scheme was at 31 March 2012 This valuation was updated by qualified actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2013 The next actuarial valuation will take place as at 31 March 2015

The comparative information for 2012 has been included below for information purposes given that the Group assumed the obligations under the pension scheme only from 13 July 2011, following the acquisition of Tote (Successor Company) Limited

	31 March 2013 £000	25 March 2012 £000	13 July 2011 £000
Present value of funded defined benefit obligations	**(98,728)**	(94,953)	(85,052)
Fair value of scheme assets, before cash in escrow	**96,782**	85,292	78,607
	(1,946)	(9,661)	(6,445)
Cash held in escrow to fund the pension deficit	**6,229**	20,000	25,000
Net scheme asset	**4,283**	10,339	18,555
Related deferred tax asset	**448**	2,416	1,611
Net pension asset	**4,731**	12,755	20,166

As part of the acquisition of Tote (Successor Company) Limited described in note 17, £25,000,000 in additional contributions were ring fenced for funding the Horserace Totalisator Board (1968) Pension Scheme Of this, £5,000,000 was paid to the pension scheme on 13 July 2011 and £20,000,000 was held in an escrow account in the name of Tote (Successor Company) Limited During the period £13,771,000 has been transferred from escrow to the scheme As at 31March 2013 £6,229,000 *(2012 £20,000,000)* remains to be released These monies are due unconditionally to the pension scheme and therefore have been presented net against the pension liability within scheme assets

Additionally £2,500,000 was placed into a separate escrow account which is only payable to the scheme on fulfilment of certain conditions During the period £93,000 has been released to the scheme leaving £2,407,000 remaining at the 31 March 2013 *(2012 £2,500,000)*

Notes *(continued)*

21 Pension schemes *(continued)*

The latest actuarial review of the scheme was at 31 March 2012 This valuation was updated by qualified actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2013

Assets were taken into account at market value At 31 March 2013, the market value of the non-insurance policy assets was £96,693,000 *(2012 £85,182,000)* The insurance policy assets were valued at £89,000 *(2012 £110,000)* These assets were sufficient to cover 98% *(2012 90%)* of the benefits that had accrued to members, allowing for expected future increases in earnings

The next actuarial valuation will take place as at 31 March 2015

Movements in present value of defined benefit obligation

	31 March 2013 £000	25 March 2012 £000	13 July 2011 £000
Scheme liabilities at start of period	**94,953**	85,052	82,465
Current service cost	**1,521**	1,452	754
Interest cost	**4,126**	3,014	1,134
Contributions by members	**391**	368	227
Actuarial losses/(gains)	**10,013**	8,023	1,463
Benefits paid, death in service insurance premiums and expenses	**(2,746)**	(2,956)	(991)
Liabilities extinguished on settlements	**(9,530)**	-	-
Scheme liabilities at end of period	**98,728**	94,953	85,052

Movements in fair value of scheme assets

	31 March 2013 £000	25 March 2012 £000	13 July 2011 £000
Fair value of scheme assets at start of period	**85,292**	78,607	77,403
Expected return on scheme assets	**4,543**	3,660	1,489
Actuarial gains/(losses)	**4,143**	(904)	(757)
Contributions by employer	**14,689**	6,517	1,236
Contributions by members	**391**	368	227
Benefits paid, death in service insurance premiums and expenses	**(2,746)**	(2,956)	(991)
Assets distributed on settlements	**(9,530)**	-	-
Fair value of scheme assets at end of period before cash in escrow	**96,782**	85,292	78,607
Cash held in escrow to fund the pension deficit	**6,229**	20,000	25,000
	103,011	105,292	103,607

Expense recognised in the profit and loss account

	31 March 2013 £000	25 March 2012 £000	13 July 2011 £000
Current service cost	**1,521**	1,452	754
Interest on defined benefit pension scheme obligation	**4,126**	3,014	1,134
Expected return on defined benefit pension scheme assets	**(4,543)**	(3,660)	(1,489)
Total	**1,104**	806	399

Notes *(continued)*

21 Pension schemes *(continued)*

The current service cost expense of £1,521,000 (2012 £1,452,000) is recognised in administration expenses in the profit and loss account and the net return expected on scheme assets of £417,000 (2012 £646,000) is recognised in interest receivable

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £4,520,000 *(2012 £8,927,000)*

The fair value of the scheme assets and the return on those assets were as follows

	31 March 2013 Fair value £000	25 March 2012 Fair value £000	13 July 2011 Fair value £000
Equities	**18,716**	16,690	20,654
Government debt	**7,102**	7,557	2,760
Corporate bonds	**40,074**	32,913	31,666
Property	**7,603**	7,545	7,453
Cash	**179**	197	325
Absolute Return Funds	**23,019**	20,280	15,626
Insurance Policies	**89**	110	123
	96,782	85,292	78,607
Cash held in escrow to fund the pension deficit	**6,229**	20,000	25,000
	103,011	105,292	103,607

The expected long term rate of return on scheme assets for the period commencing 31 March 2013 is as follows

Equities	**7.2%**
Government debt	**3.2%**
Corporate bonds	**4.6%**
Property	**6.2%**
Cash	**0.5%**
Absolute Return Funds	**6.2%**
Insurance Policies	**3.2%**
Overall for the scheme	**5.24%**

None of the fair value of the assets include any of the Group's own financial instruments or property, or any other assets used by the Group

The long-term expected rate of return on cash is determined by reference to bank base rates at the balance sheet dates The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows

%	**31 March 2013**	25 March 2012	13 July 2011
Discount rate	**4 1**	4 6	5 4
Inflation (CPI)	**2.4**	2 2	2 6
Future salary increases	**3.9**	3 7	4 1
Allowance for revaluation of deferred pensions of CPI or 5% p a if less	**2 4**	2 2	2 6
Allowance for discretionary pension in payment increases for pre 6 April 1997 benefits	**0.0**	0 0	0 0
Allowance for pension in payment increases of CPI or 5% p a if less	**2 4**	2 2	2 6
Allowance for pension in payment increases of CPI or 2 5% p a if less	**2.4**	2 2	2 5

Notes *(continued)*

21 Pension schemes *(continued)*

In valuing the liabilities of the pension fund at 31 March 2013, mortality assumptions have been made as indicated below If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2013 would have increased by £1,975,000 (2012 £2,016,000) before deferred tax

Male retiring at age 60 in 2013 26 5 years

Female retiring at age 60 in 2013 28 7 years

Male retiring at age 60 in 2033 28 1 years

Female retiring at age 60 in 2033 30 4 years

History of the Scheme

The history of the scheme for the current and prior periods is as follows

Balance sheet

	31 March 2013 £000	25 March 2012 £000	13 July 2011 £000
Present value of scheme liabilities	**(98,728)**	(94,953)	(85,052)
Fair value of scheme assets	**96,782**	85,292	78,607
Cash held in escrow to fund the pension deficit	**6,229**	20,000	25,000
Total assets	**103,011**	105,292	103,607
Net pension asset, before related deferred tax asset	**4,283**	10,339	18,555
Related deferred tax asset	**448**	2,416	1,611
Net pension asset	**4,731**	12,755	20,166

Experience adjustments

	31 March 2013 £000	25 March 2012 £000	13 July 2011 £000
Experience adjustments on scheme liabilities	**729**	-	-
Experience adjustments on scheme assets	**4,143**	(904)	(757)
	4,872	(904)	(757)

Only three periods' history has been disclosed as this scheme only became part of the Group in 2011

The Group expects to contribute approximately £7 2 million to its defined benefit schemes in the next financial year (which includes £6 2 million to be transferred from escrow)

22 Related party disclosures

The wholly owned subsidiaries of Betfred Group Limited have taken advantage of the exemption contained in FRS 8 and have therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group

Notes *(continued)*

22 Related party disclosures

Loans

Entities in which Mr F Done or members of his close family have a controlling or beneficial interest have made loans to Done Brothers (Cash Betting) Limited as have close family members as follows

	2013 £000	2012 £000
Unsecured Loans (amounts owed by the group)		
Balances outstanding at beginning of period	-	701
Amounts repaid in the period	-	(701)
Balances outstanding at end of period	-	-

The maximum liability outstanding during the period was £nil *(2012 £701,000)* These transactions were made on normal commercial terms with interest being charged at rates of up to 3% above the bank base rate

Entities in which Mr F Done or members of his close family have a controlling or beneficial interest have received loans from Done Brothers (Cash Betting) Limited as follows

	2013 £000	2012 £000
Unsecured Loans (amounts owed to the group)		
Balances outstanding at beginning of period	-	5,559
Amounts repaid in the period	-	(5,559)
Balances outstanding at end of period	-	-

The maximum amount receivable during the period was £nil *(2012 £5,559,000)* These transactions were made on normal commercial terms with interest being charged at rates of up to 5% above LIBOR

Rental costs

Rental costs include £1,944,000 *(2012 £1,887,000)* in respect of entities in which Mr F Done, or close family members, have a controlling or beneficial interest No amounts were outstanding at the period end *(2012 £nil)* Rents were made on normal commercial terms

Investment income

Investment income of £900,000 (2012 £720,000) has been received in the period from Satellite Information (Holdings) Limited which is considered to be a related party as Mr F Done is a director of that company

Notes *(continued)*

23 Analysis of cash flows

Reconciliation of operating profit to operating cash flows

	2013 £000	2012 £000
Operating profit	**30,506**	3,377
Depreciation charges (2012 including £11 7 million additional depreciation)	**22,121**	31,542
Amortisation charges	**15,614**	11,433
Loss on sale of fixed assets	**-**	529
Decrease in debtors	**2,942**	7,925
(Decrease)/increase in creditors	**(6,044)**	8,259
Movement in provisions	**339**	(2,983)
Difference between pension charge and cash contributions	**603**	(5,065)
Cash paid into escrow to fund pension scheme	**-**	(20,000)
Net cash inflow from operating activities	**66,081**	35,017

	2013 £000	2013 £000	2012 £000	2012 £000
Returns on investment and servicing of finance				
Interest received	**455**		266	
Investment income received	**900**		720	
Interest paid	**(6,684)**		(7,283)	
Interest element of finance lease rental payments	**(320)**		(360)	
		(5,649)		(6,657)
Capital expenditure and financial investment				
Purchase of intangible fixed assets	**(180)**		(1,113)	
Purchase of tangible fixed assets	**(12,662)**		(12,566)	
Sale of tangible fixed assets	**2,737**		802	
		(10,105)		(12,877)
Acquisitions and disposals				
Purchase of subsidiary undertaking, net of cash acquired	**(308)**		(123,880)	
		(308)		(123,880)
Financing				
Debt due within one year				
Repayment of other loans	**-**		(10,812)	
New borrowings	**-**		24,915	
Repayment of bank loans and overdrafts	**(32,268)**		-	
Debt due after more than one year				
Repayment of bank loans	**(22,809)**		(625)	
Repayment of other loans	**-**		(165)	
New borrowings	**-**		134,160	
Capital element of finance lease rental payments	**(2,521)**		(2,244)	
		(57,598)		145,229

Notes *(contınued)*

24 Analysis of changes in net debt

	At 25 March 2012 £000	Cash flows £000	Other non-cash movements £000	At 31 March 2013 £000
Cash				
held at bank and ın hand	35 168	(13,995)	-	21,173
restncted cash	2,500	(93)	-	2,407
Total cash held on balance sheet	37,668	(14,088)	-	23,580
Bank overdrafts	(613)	613	-	-
Debt due wıthın one year	(29,763)	31,655	(19,723)	(17,831)
Debt due after one year	(133,535)	22,809	17,831	(92,895)
Fınance lease and hıre purchase oblıgatıons	(7,158)	2,521	-	(4,637)
	(171,069)	57,598	(1,892)	(115,363)
Total	**(133,401)**	**43,510**	**(1,892)**	**(91,783)**

The non-cash ıtems above relate to amortısatıon of loan ıssue costs £1,892,000 *(2012 £1,120,000)*

25 Controlling party

The dırectors consıder the company to be under the control of the Done famıly