Betfred Group Limited

Annual report and consolidated financial statements

Registered number 07717019

25 September 2016

Contents

Company information

Directors of the Company:	F Done J Haddock (resigned 6th October 2016) N Barr (appointed 6th October 2016) M Stebbings (appointed 6th October 2016)
Company Secretary:	M Hamilton
Registered Office:	The Spectrum 56/58 Benson Road Birchwood Warrington WA3 7PQ
Auditor:	KPMG LLP 1 St Peter's Square Manchester M2 3AE

Strategic report

The directors present their strategic report and the audited financial statements for the period ended 25 September 2016.

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 year the Group operated through Licensed Betting Offices ("LBOs"), including pool betting on racecourses, together with telephone and internet operations.

The Company acts as an investment holding company.

Business review

Key performance indicators:

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

£'000	2016	2015
Amounts wagered	10,847,303	10,435,216
Turnover	578,695	525,886
Gross profit	455,851	420,246
Operating exceptional costs	1,076	83,721
EBITDA, before operating exceptional costs	80,884	55,936
Operating profit/(loss)	38,438	(77,312)

On an annualised gross basis turnover for the period has significantly increased across the business as a result of an increased number of customers and an increased stake per bet. This demonstrates the Group's commitment and continued investment in both the UK retail estate, the online presence through betfred.com and totesport.com, and through Totepool betting on UK racecourses and through internal partners.

The number of LBOs operating at 25 September 2016 was 1,358 which compares to 1,368 at 27 September 2015. Whilst the Group has continued with its expansion plan, loss making shops are constantly reviewed and closed where the business feels necessary.

The Group's strategy for the forthcoming period is to continue with its expansion of the retail estate whilst reviewing the performance of its existing estate, with a tight control of overheads and continued close management of the trading results.

The Betfred Group has made contributions to horse racing of £12.3m during the period *(2015: £13.3m)*.

EBITDA prior to operating exceptional items was £80.8m compared to £55.9m in the prior period.

Strategic report *(continued)*

Non-GAAP measure: Earnings before interest, tax, depreciation, impairment and amortisation (EBITDA)

	Period ended 25 September 2016	Period ended 27 September 2015
	£000	£000
Operating profit/(loss)	38,438	(77,312)
Add back: depreciation of tangible fixed assets	24,038	28,116
Add back: amortisation of intangible fixed assets	17,332	21,411
Add back: exceptional items	1,076	83,721
EBITDA before exceptional items	**80,884**	**55,936**

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 known and managed at the earliest opportunity.

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.

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.

Strategic report *(continued)*

Cyber risk

Due to the acquisition of Petfre (Gibraltar) Limited and the associated increase in online gaming within the Group the risk of cyber-attack and the associated effects on reputation, data loss, earnings and information technology infrastructure has increased. The directors seek to manage this risk by having dedicated I.T. risk personnel who are charged with specifically preventing and minimising any such losses.

Legislative risk

The gaming industry is particularly susceptible to legislative changes specifically in regard to taxation laws and rates, planning permission on new and existing stores, licensing regulations and changes in general government attitudes towards gaming.

Fraud risk

The company is particularly susceptible to potentially fraudulent activity from customers including money laundering due to the high levels of cash transacting across the business. The company has established policies and procedures in place with specific personnel focussed on detecting and deterring this sort of activity. This includes a newly appointed Chief Compliance Officer and a Money Laundering Reporting Officer. Despite these policies and procedures, which the company continually strives to improve, the company is always susceptible to this risk which could lead to future liabilities.

By order of the Board

M. Hamilton

M Hamilton
Company Secretary

Date: 20 December 2016

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

Directors' report

The directors present their annual report and the audited financial statements for the period ended 25 September 2016.

Directors

The following directors served during the period:

F Done
J Haddock (resigned 6th October 2016)
N Barr (appointed 6th October 2016)
M Stebbings (appointed 6th October 2016)

Results and dividends

The profit for the period after taxation was £23.1m *(2015: £91.1m loss).* Further details of the results for the period are provided in the business review section below. The directors declared an interim dividend of £10.15m during the period (2015: nil).

Political and charitable donations

During the period the Group made charitable donations of £276,000 *(2015: £386,000)* 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 donations 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 auditor

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 auditor is 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 auditor is aware of that information.

Going concern

The Group is in a net current liabilities position of £48,344,000 at 25 September 2016 *(2015: £47,268,000).* 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 sensitised for reasonably possible changes in trading performance. 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.

Directors' report (continued)

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.

By order of the Board

M Hamilton

M Hamilton
Company Secretary

Date: 20 December 2016

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

Statement of the directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, 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), 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 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

1 St Peter's Square
Manchester
M2 3AE
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 25th September 2016 set out on pages 10 to 41. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 7, 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 25th September 2016 and of the group's profit for the period 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period is consistent with the financial statements.

KPMG

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 parent company 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
One St Peter's Square
Manchester
M2 3AE

Date: 20th December 2016

Consolidated profit and loss account and other comprehensive income
for the period ended 25 September 2016

	Note	2016 £000	2015 £000
Amounts wagered		**10,847,303**	10,435,216
Turnover	2	**578,695**	525,886
Betting duty		**(46,005)**	(39,244)
Machine gaming duty		**(66,563)**	(56,166)
Statutory betting levy		**(10,276)**	(10,230)
Gross profit		**455,851**	420,246
Administrative expenses – before goodwill amortisation		**(400,835)**	(394,465)
Administrative expenses – goodwill amortisation		**(17,332)**	(21,411)
Exceptional costs	7	**(1,076)**	(83,721)
Other operating income		**1,830**	2,039
Operating profit/(loss)	3-7	**38,438**	(77,312)
Income from investment		**1,200**	300
Interest receivable	8	**604**	302
Interest payable and similar charges	9	**(7,851)**	(11,515)
Profit/(loss) on ordinary activities before taxation		**32,391**	(88,225)
Tax on profit on ordinary activities	10	**(9,313)**	(2,865)
Profit/(loss) for the financial period		**23,078**	(91,090)
Other comprehensive income			
Foreign exchange differences on net investments		**-**	565
Re-measurement of the net defined benefit liability		**(4,217)**	(559)
Tax on other comprehensive income		**717**	108
Total comprehensive income/(expenditure) for the financial period		**19,578**	(90,976)

The notes on pages 16 to 41 form an integral part of these financial statements.

Consolidated balance sheet
at 25 September 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Intangible assets	*11*	**167,630**		185,063	
Tangible fixed assets	*12*	**65,916**		76,548	
Investments	*13*	**1,650**		1,650	
			235,196		263,261
Current assets					
Stock		**15**		15	
Debtors *(including £3.8m (2015: nil) due beyond one year)*	*14*	**33,884**		31,129	
Cash at bank and in hand		**43,000**		42,188	
		76,899		73,332	
Creditors: amounts falling due within one year	*15*	**(125,243)**		(120,600)	
Net current liabilities			**(48,344)**		(47,268)
Total assets less current liabilities			**186,852**		215,993
Creditors: amounts falling due after one year	*16*		**(72,767)**		(113,425)
Provision for liabilities and charges	*20*		**(15,341)**		(16,658)
Pension liability and similar obligations	*21*		**(3,406)**		-
Net assets			**95,338**		85,910
Called up share capital	*22*		**19**		19
Profit and loss account			**65,571**		56,143
Merger relief reserve			**29,748**		29,748
Shareholder's funds			**95,338**		85,910

The notes on pages 16 to 41 form an integral part of these financial statements.

These financial statements were approved by the board of directors and were signed on its behalf by:

N Barr

N Barr
Director

Date: 20 December 2016
Company number: 2578161

Company balance sheet
at 25 September 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Investments	*13*		**113,015**		113,015
Total assets less current liabilities			**113,015**		113,015
Called up share capital	*22*		**19**		19
Profit and loss account			**-**		-
Merger relief reserve			**112,996**		112,996
Shareholder's funds			**113,015**		113,015

The notes on pages 16 to 41 form an integral part of these financial statements.

These financial statements were approved by the board of directors and were signed on its behalf by:

N Barr

N Barr
Director

Date: 20 December 2016

Company number: 2578161

Consolidated statement of changes in equity
for the period ended 25 September 2016

Group

	Called up share capital £	Profit & Loss account £	Merger relief reserve £	Total Shareholder Equity £
Balance at 28 September 2014	19	67,219	112,996	180,234
Effect of FRS102 adjustments	-	(3,348)	-	(3,348)
Balance at 28 September 2014	19	63,871	112,996	176,886
Total comprehensive income for the period				
Loss for the period	-	(91,090)	-	(91,090)
Transfer	-	83,248	(83,248)	-
Other comprehensive income	-	114	-	114
Total comprehensive income for the period	-	(7,728)	(83,248)	(90,976)
Balance at 27 September 2015	**19**	**56,143**	**29,748**	**85,910**

	Called up share capital £	Profit & Loss account £	Merger relief reserve £	Total Shareholder Equity £
Balance at 27 September 2015	19	56,143	29,748	85,910
Total comprehensive income for the period				
Profit for the period	-	23,078	-	23,078
Other comprehensive income	-	(3,500)	-	(3,500)
Total comprehensive income for the period	-	19,578	-	19,578
Transactions with owners, recorded directly in equity				
Dividends	-	(10,150)	-	(10,150)
Balance at 25 September 2016	**19**	**65,571**	**29,748**	**95,338**

The notes on pages 16 to 41 form an integral part of these financial statements.

Company statement of changes in equity
for the period ended 25 September 2016

Company

	Called up share capital £	Profit & Loss account £	Merger relief reserve £	Total Shareholder Equity £
Balance at 28 September 2014	19	-	112,996	113,015
Total comprehensive income for the period				
Profit for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Balance at 27 September 2015	**19**	**-**	**112,996**	**113,015**

	Called up share capital £	Profit & Loss account £	Merger relief reserve £	Total Shareholder Equity £
Balance at 27 September 2015	19	-	112,996	113,015
Total comprehensive income for the period				
Profit for the period	-	10,150	-	10,150
Total comprehensive income for the period	-	10,150	-	10,150
Transactions with owners, recorded directly in equity				
Dividends	-	(10,150)	-	(10,150)
Balance at 25 September 2016	**19**	**-**	**112,996**	**113,015**

The notes on pages 16 to 41 form an integral part of these financial statements.

Consolidated cash flow statement
for the period ended 25 September 2016

	Note	**2016**	2015
		£000	£000
Cash flows from operating activities			
Profit/(loss) for the period		**23,078**	(91,090)
Adjustments for:			
Depreciation, amortisation and impairment		**41,370**	132,775
Foreign exchange losses		**-**	567
Interest receivable and similar income		**(604)**	(302)
Interest payable and similar charges		**7,851**	11,515
Investment income		**(1,200)**	(300)
Profit on sale of fixed assets		**(402)**	(601)
Change in value of other financial liabilities		**(204)**	-
Taxation		**9,313**	2,865
		79,202	55,429
(Increase)/decrease in trade and other debtors		**(1,630)**	1,734
(Increase) in stocks		**-**	(15)
Increase in trade and other creditors		**191**	19,027
(Decrease)/increase in provisions		**(715)**	43
		77,048	76,218
Contributions to defined benefit scheme		**(540)**	-
Tax paid		**(7,645)**	(7,278)
Net cash from operating activities		**68,863**	68,940
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**1,083**	1,094
Interest received		**333**	302
Dividends received		**1,200**	300
Acquisition of tangible fixed assets	*12*	**(13,986)**	(16,930)
Net cash from investing activities		**(11,370)**	(15,234)
Cash flows from financing activities			
Repayment of borrowings		**(39,227)**	(42,329)
Payment of finance lease liabilities		**(2,400)**	(2,869)
Interest paid		**(4,904)**	(7,575)
Dividends paid		**(10,150)**	-
Net cash from financing activities		**(56,681)**	(52,773)
Net increase/(decrease) in cash and cash equivalents		**812**	933
Cash and cash equivalents at start of period		**42,188**	41,255
Cash and cash equivalents at end of period		**43,000**	42,188

The notes on pages 16 to 41 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Betfred Group Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 29. No transition adjustments have been recognised in respect of the Company.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 28 September 2014 have not been restated.
- Separate financial instruments – carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at 28 September 2014.
- Lease incentives – for leases commenced before 28 September 2014 the Company continued to account for lease incentives under previous UK GAAP.
- Lease arrangements – in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at 28 September 2014 rather than commencement date of the arrangement.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss.

1.3 Going concern

The Group is in a net current liabilities position of £48,344,000 at 25 September 2016 *(2015: £47,268,000)*. 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 sensitised for reasonably possible changes in trading performance. Based on these projections, the directors are satisfied that, for the foreseeable future and at least 12 months from the date of signing of these accounts, 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 25 September 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

1.5 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.6 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.8 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.15 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	-	2% per annum
Leasehold buildings	-	period of the lease
Plant, machinery and computer equipment	-	33.3% per annum
Fixtures & Fittings	-	10% per annum
Motor Vehicles	-	25% per annum
Office Equipment	-	15% per annum
Alterations to premises	-	4% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.10 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Company/Group elected not to restate business combinations that took place prior to transition date. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately. On transition, the Company/Group reassessed goodwill and certain intangible assets which had indefinite useful lives to determine their useful lives under FRS 102 and amortise these assets over that period going forward.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Intangible assets, goodwill and negative goodwill

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.

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

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other 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

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 period 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.13 Provisions

A provision is recognised in the balance sheet when the entity 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 benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Turnover

The statutory revenue measure has changed from total amounts wagered under UK GAAP to fair value of revenue, being total amounts wagered less amounts payable to winning customers. Amounts wagered comprises gross stakes in respect of individual bets placed on betting products in the period.

Retail turnover represents the amounts wagered by customers in respect of individual bets placed at Licensed Betting Offices (LBOs), less the amounts paid to winning customers.

Turnover on pool betting represents the amounts wagered, less pay-outs to customers 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 racecourses and from stakes transmitted into UK pools from UK and international betting partners.

In the internet business, turnover represents the amounts wagered, less pay-outs on sportsbook betting and online gaming. Turnover in respect of progressive jackpot is recognised over the period of the jackpot payments.

Under old UK GAAP open betting positions were deferred until the event date at the value of consideration received. Under FRS 102 the Company takes credit for the stakes it receives and provides for the estimated pay-out based on the average percentage by sport *(see note 29)*.

1.15 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

All activities relate to betting operations. Further disclosure of the results by type of event has not been disclosed as the Directors consider this would be prejudicial to the business.

Turnover split by geographical market is not disclosed as the directors feel it would be prejudicial to the interests of the company.

3 Other operating income

	2016 £000	2015 £000
Rental income	**1,041**	1,026
Other	**387**	412
Net gain on disposal of tangible fixed assets	**402**	601
	1,830	2,039

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £000	2015 £000
Impairment:		
Impairment loss on goodwill	**-**	83,248
Impairment loss on tangible assets	**962**	1,111
Reversal of impairment loss recognised on tangible fixed assets	**(514)**	(359)
Auditor's remuneration:		
Audit of these financial statements	**10**	42
Audit of subsidiary financial statements pursuant to legislation	**220**	310
Audit related assurance services	**5**	53
Research and development expensed as incurred	**995**	-

5 Staff numbers and costs

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

	2016 Number	2015 Number
Office, management and sales	**6,124**	6,112

	2016 £000	2015 £000
Employee costs		
Wages and salaries	**141,565**	127,954
Social security costs	**9,223**	8,797
Pension costs	**1,470**	1,801
	152,258	138,552

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

Notes *(continued)*

6 Directors' remuneration

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

	2016 £000	2015 £000
Aggregate emoluments	**915**	1,083
Company contributions to money purchase pension schemes	**38**	49
Compensation for loss of office	**-**	153
	953	1,285

The aggregate emoluments of the highest paid director were £495,000 *(2015: £520,000)* and company pension contributions of £38,000 *(2015: £34,000)* were made to a money purchase scheme on their behalf. Retirement benefits are accruing to one director under money purchase schemes.

7 Exceptional items

	2016 £000	2015 £000
Pre operating profit		
Impairment of goodwill	**-**	83,248
Redundancy costs	**602**	-
Other	**474**	473
	1,076	83,721

During the prior period the Group impaired the goodwill, in respect of the acquisition of its digital business, by £83,248,000.

In the current period there is £602,000 in respect of redundancy costs and a further £474,000 resulting from the tribunal settlement in relation to the closure of the Betfred call centre.

In the prior period there were £473,000 of other exceptional costs which relate to closure costs of the Petfre Australia business.

Notes *(continued)*

8 Other interest receivable and similar income

	2016 £000	2015 £000
Bank interest receivable	**269**	193
Other interest receivable	**64**	109
Net interest costs on pensions	**271**	-
	604	302

9 Interest payable and similar charges

	2016 £000	2015 £000
Interest payable on bank loans and overdrafts	**4,574**	7,236
Amortisation of loan issue costs	**2,500**	1,117
Other interest	**330**	339
Unwinding of discounted provision	**447**	2,823
	7,851	11,515

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	£000	2015 £000	£000
Current tax				
Current tax on income for the period		**11,266**		6,115
Adjustments in respect of prior periods		**(780)**		(186)
Total current tax		**10,486**		5,929
Deferred tax (see note 19)				
Origination and reversal of timing differences	**(2,625)**		(1,954)	
Change in tax rate	**57**		-	
Adjustments in respect of prior periods	**678**		60	
Adjustments from change in GAAP	**-**		(1,278)	
Total deferred tax		**(1,890)**		(3,172)
Total tax		**8,596**		2,757

Notes *(continued)*

10 Taxation *(continued)*

	2016			2015		
	£000 Current tax	**£000 Deferred tax**	**£000 Total tax**	£000 Current tax	£000 Deferred tax	£000 Total tax
Recognised in Profit and loss account	**10,486**	(1,173)	**9,313**	5,929	(3,064)	2,865
Recognised in other comprehensive income	**-**	(717)	**(717)**	-	(108)	(108)
Total tax	**10,486**	(1,890)	**8,596**	5,929	(3,172)	2,757

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the period	**23,078**	(91,090)
Total tax expense	**9,313**	2,865
Profit excluding taxation	**32,391**	(88,225)
Tax using the UK corporation tax rate of 20% (2015: 20.5%)	**6,478**	(17,181)
Effect of tax rates in foreign jurisdictions	**487**	(193)
Reduction in tax rate on deferred tax balances	**57**	-
Non-deductible expenses	**2,625**	20,485
Tax exempt revenues	**(232)**	(60)
Over provided in prior periods	**(102)**	(186)
Total tax expense included in profit or loss	**9,313**	2,865

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 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 25th September 2016 has been calculated based on these rates.

Notes *(continued)*

11 Intangible assets and goodwill

Group	Goodwill £000	Licences £000	Total £000
Cost			
At 28 September 2015	332,720	35,000	**367,720**
Disposals	(101)	-	**(101)**
At 25 September 2016	332,619	35,000	**367,619**
Amortisation and impairment			
At 28 September 2015	161,824	20,833	**182,657**
Charge for the period	12,332	5,000	**17,332**
At 25 September 2016	174,156	25,833	**199,989**
Net book value			
At 28 September 2015	170,896	14,167	185,063
At 25 September 2016	**158,463**	**9,167**	**167,630**

Company

The Company owns no intangible fixed assets.

Notes *(continued)*

12 Tangible fixed assets

Group	Property	Alterations to Premises	Plant Machinery & Equipment	Fixtures & Fittings	Total
	£000	£000	£000	£000	£000
Cost					
At 28 September 2015	14,688	53,437	110,214	48,096	**226,435**
Additions	-	1,002	11,823	1,161	**13,986**
Disposals	(104)	(99)	(1,875)	(534)	**(2,612)**
At 25 September 2016	**14,584**	**54,340**	**120,162**	**48,723**	**237,809**
Depreciation					
At 28 September 2015	3,861	35,444	72,932	37,650	**149,887**
Impairment	-	575	7	380	**962**
Reversal of impairment	-	(283)	(17)	(214)	**(514)**
Charge for the period	319	4,601	16,150	2,520	**23,590**
Disposals	(18)	(99)	(1,615)	(300)	**(2,032)**
At 25 September 2016	**4,162**	**40,238**	**87,457**	**40,036**	**171,893**
Net book value					
At 28 September 2015	10,827	17,993	37,282	10,446	76,548
At 25 September 2016	**10,422**	**14,102**	**32,705**	**8,687**	**65,916**

The net book value of equipment includes an amount of £4,322,000 (*2015: £6,879,000*) in respect of assets held under finance leases. Depreciation on these assets in the current period was £2,558,000 (*2015: £2,758,000).*

The net book value of properties comprises:

	2016	2015
	£000	£000
Freeholds	**8,877**	9,109
Long leaseholds (over 50 years)	**583**	586
Short leaseholds (under 50 years)	**161**	512
Other expenditure related to buildings	**801**	620
Total property	**10,422**	10,827

Contracted, but not accrued, capital commitments at 25 September 2016 were £nil (*2015: £1,620,000*).

Fixed and floating charges are held over the assets of the Company, and the wider Group by the Group's bankers (see note 24).

Company

The Company owns no tangible fixed assets.

Notes *(continued)*

13 Fixed asset investments

Group

The investment of £1,650,000 *(2015: £1,650,000)* held on the Group balance sheet represents £1,566,000 *(2015: £1,566,000)* in relation to an investment in Satellite Information Services (Holdings) Limited (SIS), in which the Group has a 5.99% holding, and £84,000 *(2015: £84,000)* in relation to Greyhound TV Limited, in which the Group has a 16.67% holding. A dividend of £1,200,000 was received in the period ended 25 September 2016 *(2015: £300,000)*, in relation to the SIS investment.

Company

	Shares in group undertakings £000
Cost and net book value	
At beginning and end of the period	**113,015**

The trading companies in which the Company held an interest at the period end are as follows:

	Aggregate of capital and reserves £'000	**Profit or loss for the period £'000**	**Country of incorporation**	**Class of shares held**	**Ownership 2016 %**	**Ownership 2015 %**
Principal subsidiary undertakings						
Lightcatch Limited	106,115	(6,968)	United Kingdom	Ordinary	100	100
Done Brothers (Cash Betting) Limited	35,293	22,707	United Kingdom	Ordinary	100	100
Tote (Successor Company) Limited	67,392	(533)	United Kingdom	Ordinary	100	100
Tote Bookmakers Limited	52,759	13,058	United Kingdom	Ordinary	100	100
Tote Digital Limited	-	-	United Kingdom	Ordinary	100	100
Tote Direct Limited	41,019	2,401	United Kingdom	Ordinary	100	100
Tote Credit Limited	(8,378)	2,664	United Kingdom	Ordinary	100	100
Totepool Alderney Limited	1,735	301	Alderney	Ordinary	100	100
Petfre (Gibraltar) Limited	(12,310)	(4,412)	Gibraltar	Ordinary	100	100
Petfre (Australia) Pty Limited	4,984	-	Australia	Ordinary	100	100

The company also holds the following investments in dormant companies.

	Country of incorporation	**Class of shares held**	**Ownership 2016 %**	**Ownership 2015 %**
Tote Limited	United Kingdom	Ordinary	100	100
Tote Investors Limited	United Kingdom	Ordinary	100	100
Tote Computer Services Limited	United Kingdom	Ordinary	100	100
Tote Course Limited	United Kingdom	Ordinary	100	100
Tote Europools Limited	United Kingdom	Ordinary	100	100
Tote UK International Limited	United Kingdom	Ordinary	100	100
Totepool Limited	United Kingdom	Ordinary	100	100
Totesport Limited	United Kingdom	Ordinary	100	100
Demmy the Bookmaker Limited	United Kingdom	Ordinary	100	100
Hanley Racing Limited	United Kingdom	Ordinary	100	100
Giftcircle Limited	United Kingdom	Ordinary	100	100
A&R Racing Limited	United Kingdom	Ordinary	100	100
The Chase Retail Limited	United Kingdom	Ordinary	100	100
Betfred Limited	United Kingdom	Ordinary	100	100
Done Management Limited	United Kingdom	Ordinary	100	100

Notes *(continued)*

14 Debtors

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Trade debtors	**5,609**	3,912	**-**	-
Other debtors	**10,534**	8,707	**-**	-
Prepayments and accrued income	**12,378**	14,272	**-**	-
Deferred tax asset (note 19)	**5,079**	4,238	**-**	-
Corporation tax asset	**284**	-		
	33,884	31,129	**-**	-

Amounts included within other debtors of £3,804,000 *(2015: nil)* are not expected to be recovered in one year.

15 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Bank loans and overdrafts (note 17)	**26,069**	24,884	**-**	-
Trade creditors	**11,471**	12,224	**-**	-
Customer accounts	**10,222**	12,570	**-**	-
Amounts owed to group undertakings	**-**	-	**-**	-
Obligations under finance leases (note 17)	**2,715**	2,830	**-**	-
Corporation tax liability	**5,215**	2,090	**-**	-
Taxation and social security costs	**27,149**	25,772	**-**	-
Other creditors	**11,865**	13,054	**-**	-
Other financial liability (note 18)	**924**	1,128	**-**	-
Accruals and deferred income	**29,613**	26,048	**-**	-
	125,243	120,600	**-**	-

16 Creditors: amounts falling after more than one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Bank loans and overdrafts (note 17)	**70,338**	108,250	**-**	-
Obligations under finance leases (note 17)	**407**	2,692	**-**	-
Other creditors	**98**	110	**-**	-
Accruals and deferred income	**1,924**	2,373	**-**	-
	72,767	113,425	**-**	-

Notes *(continued)*

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Creditors falling due more than one year				
Secured bank loans	**70,338**	108,250	-	-
Finance lease liabilities	**407**	2,692	-	-
	70,745	110,942	-	-
Creditors falling due within less than one year				
Secured bank loans	**26,069**	24,884	-	-
Finance lease liabilities	**2,715**	2,830	-	-
	28,784	27,714	-	-

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.

Bank loan

The bank loan of £96,407,000 *(2015: £133,134,000)* bears interest at LIBOR plus a margin, varying between 2.0% and 3.75% per annum. The loan is due for repayment at various dates up to 31 December 2017.

Lightcatch Limited, a subsidiary of the Company, has entered into interest rate swap arrangements covering £62.4m (2015: £72.4m) of its bank loan facility whereby it pays a fixed rate of 1.7175% on this portion of its borrowings. The arrangements expire on 31 December 2017 and reduce in line with loan repayments over the term of the loan. For the fair value of this arrangement see note 18.

Finance lease and hire purchase contracts

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

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Bank Loan 1	£	2-3.75% plus LIBOR	2017	93,921	**93,921**	131,463
Bank Loan 2	£	4.15%	2018	2,486	**2,486**	4,171
Finance lease liabilities	£	4.15%	2018	3,122	**3,122**	5,522
					99,529	141,156

Notes *(continued)*

18 Other financial liabilities

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Amounts falling due within one year				
Financial liabilities designated as fair value through profit or loss	924	1,128	-	-
	924	1,128	-	-

19 Deferred tax asset

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2016 £000	2015 £000	Liabilities 2016 £000	2015 £000	Net 2016 £000	2015 £000
Accelerated capital allowances	(3,885)	(3,765)	-	-	(3,885)	(3,765)
Arising on business combinations	-	-	1,558	2,607	1,558	2,607
Employee benefits	(579)	-	-	-	(579)	-
Unused tax losses	(402)	(313)	-	-	(402)	(313)
Other	(213)	(160)	-	-	(213)	(160)
Net tax (assets) / liabilities	(5,079)	(4,238)	1,558	2,607	(3,521)	(1,631)

Company

The Company has no deferred tax.

20 Provisions for liabilities and charges

Group

	Deferred tax £000	Dilapidation provision £000	Onerous lease provision £000	Total £000
Balance at 28 September 2015	2,607	1,513	12,538	16,658
Provisions made during the period	-	632	2,101	2,733
Provisions used during the period	(1,049)	(185)	(3,263)	(4,497)
Unwinding of discounted amount	-	-	447	447
Balance at 25 September 2016	**1,558**	**1,960**	**11,823**	**15,341**

Property related provisions are expected to unwind over the next 3 to 5 years, and include:

- An onerous lease provision of £11,823,000 *(2015: £12,538,000)* in relation to loss making outlets within the group shop portfolio. An associated impairment loss has been recorded in relation to assets dedicated to these contracts.
- £1,960,000 *(2015: £1,513,000)* in relation to dilapidation costs associated with the Group's retail estate.

Company

The Company has no provisions.

Notes *(continued)*

21 Employee benefits

The Group, operates a funded pension scheme, the Horserace Totalisator Board (1968) Pension Scheme. The scheme provides benefits based on final pensionable pay for all qualifying staff and as a result of its participation in that scheme, the Tote (Successor Company) is an associate employer.

Assets are held, separately from those of Tote (Successor Company) Limited, in trustee-administered funds. The trustees to the pension scheme include representatives from both past and present employees.

There is no investment by the funds in the businesses of the Group, headed by Betfred Group Limited, the Company or any of its subsidiary or associated undertakings.

Due to the Tote (Successor Company) being an associate employer the actuaries are unable to identify and separate the Company's share of the underlying assets and liabilities and are therefore accounted for as a defined contribution pension scheme within the financial statements of the Group.

Contributions to the scheme are charged to the Group's profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. These contributions are determined by professionally qualified actuaries on the basis of regular funding reviews using the projected unit method and, for 2016, amounted to £540,000 *(2015: £861,000).*

The information disclosed below is in respect of the whole of the plans for which the participating companies have been allocated a share of cost under an agreed group policy throughout the periods shown.

Horserace Totalisator Board (1968) Pension Scheme

The information disclosed below is in respect of the Horserace Totalisator Board (1968) Pension Scheme for which Tote Bookmakers Limited is an associate employer. The latest actuarial review of the scheme was at 31 March 2015. This valuation has been updated to 25 September 2016 by a qualified actuary, independent of the scheme's sponsoring employer.

Net pension (liability)/asset

	2016 £000	2015 £000
Defined benefit obligation	**(115,927)**	(89,672)
Plan assets	**112,521**	96,761
Net pension liability	**(3,406)**	7,089

Movements in present value of defined benefit obligation

	2016 £000	2015 £000
At 28 September 2015	**89,672**	93,493
Expenses	**-**	114
Interest expense	**3,235**	3,489
Re-measurement: actuarial gains	**27,057**	(3,935)
Benefits paid	**(4,037)**	(3,489)
At 25 September 2016	**115,927**	89,672

Notes *(continued)*

21 Employee Benefits *(continued)*

Movements in fair value of plan assets

	2016 £000	2015 £000
At 28 September 2015	**96,761**	96,639
Interest income	**3,506**	3,605
Re-measurement: return on plan assets less interest income	**15,751**	(553)
Contributions by employer	**540**	559
Benefits paid	**(4,037)**	(3,489)
At 25 September 2016	**112,521**	96,761

Net re-measurement losses total £11,306,000 with £7,089,000 relating to the prior period unrecognised asset and therefore the net re-measurement loss for the current period recognised in other comprehensive income is £4,217,000.

Expense recognised in the profit and loss account

	2016 £000	2015 £000
Expenses	**-**	114
Net interest on net defined benefit liability	**271**	-
Total expense recognised in profit or loss	**271**	114

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

	25 September 2016 Fair value £000	27 September 2015 Fair value £000
Equities	**11,364**	10,488
Government debt	**17,835**	10,845
Corporate bonds	**12,463**	11,877
Cash	**507**	137
Absolute Return Funds	**20,622**	20,556
Insurance Policies	**49,730**	42,858
	112,521	96,761
Actual return on plan assets	**19,257**	2,938

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.

Notes *(continued)*

21 Employee Benefits *(continued)*

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 return on the pensioner buy in insurance policy is determined by reference to UK long dated government yields at the balance sheet date. The long term expected rate of return on various classes of growth assets are each based on UK long dated government yields with an allowance for out-performance.

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

%	**25 September 2016**	27 September 2015
Discount rate	**2.15**	3.70
Inflation (CPI)	**1.95**	1.95
Inflation (RPI)	**2.95**	2.95
Future salary increases	**n/a**	n/a
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**1.95**	1.95
Allowance for pension in payment increases of CPI or 5% p.a. if less	**1.95**	1.95
Allowance for pension in payment increases of CPI or 3% p.a. if less	**1.95**	1.95
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	**1.95**	1.95
Allowance for pension in payment increases of CPI or 5% p.a. if less	**2.95**	2.95
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.95**	2.95
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	**2.50**	2.50

The last full actuarial valuation was performed on 31 March 2016, and has been updated to 25 September 2016.

In valuing the liabilities of the pension fund at 25 September 2016, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year old to live for a number of years as follows:

- Male retiring at age 60 in 2016: 26.9 years
- Female retiring at age 60 in 2016: 29.0 years
- Male retiring at age 60 in 2036: 28.7 years
- Female retiring at age 60 in 2036: 31.0 years

Notes *(continued)*

22 Capital and reserves

Called up share capital

	2016	2015
	£	£
195,200 Ordinary shares of £0.10 each	**19,520**	19,520

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		**Company**	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Less than one year	**37,529**	34,490	-	-
Between one and five years	**114,905**	115,733	-	-
More than five years	**42,421**	56,138	-	-
	194,855	206,361	-	-

During the year £35,763,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2015: 36,883,000).*

24 Contingencies and commitments

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 25 September 2016 the Group's potential exposure under the unlimited cross-guarantee arrangement was £50,922,000 (*2015: £89,274,000*).

Given the Company's nature of business, the company is susceptible to fraudulent customer activity and potential attempts of money laundering which sometimes can give rise to future liabilities either by way of repayment of net winnings or by fines from regulatory authorities. There are no individually material cases of this nature which the company is dealing with at the date of these financial statements and the directors do not believe there is a probable risk of payment of material liabilities. Nevertheless, there always remains the risk of potential future liability given the Company's nature of business.

Notes *(continued)*

25 Related parties

Group

Loans

Moneta Communications Holdings Limited in which Mr F Done or members of his close family have a controlling or beneficial interest have received loans from Betfred Group Limited as follows:

	2016	2015
	£000	£000
Unsecured Loans (amounts owed to the group):		
Balances outstanding at 27 September 2015	**2,860**	3,023
Amounts advanced in the period	**943**	(163)
Balances outstanding at 25 September 2016	**3,803**	2,860

The maximum amount receivable during the period was £3,803,881 *(2015: £3,147,000)*.The maximum available under the terms of the facility is £10,000,000. These transactions were made on normal commercial terms with interest being charged at 5%.

Amounts advanced to Tote Media Limited, owned by the Done family, at the end of the period were £1,858,000 (2015: £nil)

Transactions with key management personnel

Total compensation of key management personnel in the period amounted to £2,012,000 *(2015:£1,556,000)*.

Administrative expenses

Excluding the rental costs referred to below, total expenses of £37,777,000 (*2015: £39,234,000*) were incurred in respect of entities in which Mr F Done or close family members have a controlling or beneficial interest. Included within this amount is £31,069,000 (*2015:* £31,560,000) paid to Satellite Information (Holdings) Limited for TV streaming in the Group's LBOs. The Group has a 5.99% holding in Satellite Information (Holdings) Limited. Expenses were incurred on normal commercial terms.

Rental costs

Rental costs include £2,618,000 *(2015: £2,548,000)* 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 *(2015: £nil)*. Rents were made on normal commercial terms.

Investment income

Investment income during the period of £1,200,000 *(2015: £300,000)* was received from Satellite Information (Holdings) Limited which is considered to be a related party as Mr F Done is a director of that company.

There were no related party transactions in the company with the exception of the SIS dividend received of £2,100,000.

26 Ultimate parent company

The directors consider the Company to be under the control of the Done family.

Notes *(continued)*

27 Subsequent event

After the period end the company acquired 322 additional operating sites which became available for purchase as a result of the merger between Ladbrokes Plc and Gala Coral Group Limited. Total consideration was £55m.

On 17 October 2016 the Group refinanced its existing loan facilities resulting in an extinguishment of the previous facility. The new facility amounted to £195m and included finance for the acquisition detailed above. The bank loan of £195m bears interest at LIBOR plus a margin, varying between 1.75% and 3.00% per annum. The loan is due for repayment at various dates up to 16 October 2021.

28 Accounting estimates and judgements

Key sources of estimation uncertainty

The company is party to a number of leases on properties that are no longer required for trading. Judgement is applied in determining whether leases are onerous. Whilst every effort is made to profitably sub-let these properties, it is not always possible to do so. Where a lease is onerous to the Group, a provision is established for the difference between amounts contractually payable to the landlord and amounts contractually receivable from the tenant (if any). In addition, provisions exist for the expected future dilapidation cost on leasehold properties and the expected future costs of removing asbestos from leasehold properties. The Directors consider that their estimates are appropriate.

Notes *(continued)*

29 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 25 September 2016 and the comparative information presented in these financial statements for the period ended 27 September 2015.

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the table.

Group reconciliation of equity

		29 September 2014			**27 September 2015**		
		Adopted UK GAAP	Effect of transition to FRS 102	FRS 102	**Adopted UK GAAP**	**Effect of transition to FRS 102**	**FRS 102**
	Note	£000	£000	£000	**£000**	**£000**	**£000**
Fixed assets							
Intangible assets		289,722	-	289,722	**185,063**	-	**185,063**
Tangible fixed assets		89,027	-	89,027	**76,548**	-	**76,548**
Investments		1,650	-	1,650	**1,650**	-	**1,650**
		380,399	-	380,399	**263,261**	-	**263,261**
Current assets							
Stocks		-	-	-	**15**	-	**15**
Debtors (due with one year)		31,077	-	31,077	**31,129**	-	**31,129**
Cash at bank and in hand		41,255	-	41,255	**42,188**	-	**42,188**
		72,332	-	72,332	**73,332**	-	**73,332**
Creditors: amounts due within one year	*a/b*	(106,295)	485	(105,810)	**(119,755)**	**(845)**	**(120,600)**
Net current liabilities		(33,963)	485	(33,478)	**(46,423)**	**(845)**	**(47,268)**
Creditors: amounts falling due after more than one year		(155,017)	-	(155,017)	**(113,425)**	-	**(113,425)**
Provisions for liabilities							
Other provisions	*c*	(11,185)	(3,833)	(15,018)	**(14,051)**	**(2,607)**	**(16,658)**
		(200,165)	(3,348)	(203,513)	**(173,899)**	**(3,452)**	**(177,351)**
Net assets		180,234	(3,348)	176,886	**89,362**	**(3,452)**	**85,910**
Capital and reserves							
Called up share capital		19	-	19	**19**	-	**19**
Profit and loss account		67,219	(3,348)	63,871	**59,595**	**(3,452)**	**56,143**
Merger relief reserve		112,996	-	112,996	**29,748**	-	**29,748**
Shareholders' equity		180,234	(3,348)	176,886	**89,362**	**(3,452)**	**85,910**

Notes *(continued)*

29 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Group reconciliation of profit

	Note	Adopted UK GAAP £000	2015 Effect of transition to FRS 102 £000	FRS 102 £000
Gross turnover	a	10,435,299	(83)	10,435,216
Amounts payable to winning customers	a	(9,909,159)	(171)	(9,909,330)
Net turnover		526,140	(254)	525,886
Betting duty		(39,244)	-	(39,244)
Machine gaming duty		(56,166)	-	(56,166)
Statutory levy		(10,230)	-	(10,230)
Gross profit		420,500	(254)	420,246
Administrative expenses – before goodwill amortisation	b	(392,784)	(1,681)	(394,465)
Administrative expenses – goodwill amortisation		(21,411)	-	(21,411)
Exceptional costs	d	(84,473)	752	(83,721)
Other operating income	d	1,438	601	2,039
Operating loss		(76,730)	(582)	(77,312)
Profit on sale of fixed assets	d	800	(800)	-
Income from investment		300	-	300
Interest receivable and similar income		302	-	302
Interest payable and similar charges		(11,515)	-	(11,515)
Loss on ordinary activities before taxation		(86,843)	(1,382)	(88,225)
Taxation	c	(4,143)	1,278	(2,865)
Loss for the period		(90,986)	(104)	(91,090)

Notes to the reconciliation of profit and equity

a) Under UK GAAP the Group provided for 100% of the stakes in relation to open bets with the statutory revenue number being total amounts wagered less open stakes. Under FRS 102 the Group has provided for the anticipated payout only, based on the average payout, on a sport by sport basis. Additional taxation has been provided for as a result of this adjustment. The statutory revenue number under FRS102 is net turnover representing the fair value of the consideration receivable from customers.

b) On transition to FRS102 off balance sheet interest rate swap arrangements were brought onto the balance sheet at fair value, meeting the definition of other financial instruments under FRS102. No deferred taxation asset was recognised at a company level as it is not deemed recoverable through future taxable profits.

c) This relates to taxation in relation to the above adjustments as well as deferred taxation impacts of amortisation charged on the Tote License intangible asset.

d) This is a nil profit impact presentational adjustment to reclassify exceptional items which no longer meet the criteria under FRS102.