Betfred Group Limited

Directors' report and financial statements

Registered number 07717019

Period ended 28 September 2014

Contents

Company information

Directors of the Company:	F Done B Nightingale (resigned 31 December 2014) J Haddock (appointed 24 December 2014)
Company Secretary:	M R Hamilton
Registered Office:	The Spectrum 56/58 Benson Road Birchwood Warrington WA3 7PQ
Auditors:	KPMG LLP 1 St Peter's Square Manchester M2 3AE
Registered number:	07717019

Strategic report

The directors present the annual report and audited financial statements for the 78 week period ended 28 September 2014. The results of the comparative period reflect the 53 weeks ended 31 March 2013.

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 Group has significantly increased its online gaming operations through the acquisitions of Petfre (Gibraltar) Limited in January 2014.

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	2014	2013
Gross turnover	13,262,645	8,023,929
Net turnover	729,199	414,394
Gross profit	593,068	362,400
Operating exceptional costs	7,746	981
EBITDA, before operating exceptional costs	101,941	69,222
Operating profit	31,498	30,506

In the 78 week period, the Group completed the acquisition of Petfre (Gibraltar) Limited to bring all of the entities trading under the Betfred, Totepool, Totesport and Betfred.com trademarks into one group. The period has been a positive one with EBITDA before operating exceptional costs above £101,000,000. The Group has faced challenge from competition in the online market but despite this challenge has grown the online business significantly through a focussed management team, the continued development of Betfred's award winning in house mobile application and the effective use of a third party affiliate management company. In the UK retail space, the Group has faced challenge from stiff competition due to the full period impact of Machine Gaming Duty but has maintained broadly consistent overall shop numbers and continues to maintain significant market share from this area. In the Tote business, benefit has been gained from more focused advertising, a reduced number of race abandonments and significant volume increases. The Tote Digital business continues to decline and the management team have plans in place to turn this business around in FY15. In addition to the above, the Group has abandoned the plans to develop an online business in Australia which has resulted in a £3.0m impact on profits for the year.

The number of LBOs operating at 28 September 2014 was 1,398 which compares to 1,400 at 31 March 2013. Whilst the company 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 year 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.

On 19 December 2013, the Group refinanced its existing loan facilities resulting in an extinguishment of the previous facility. Accordingly, £2,652,000 of unamortised deferred finance costs were written off to the profit and loss account. In addition, £4,486,000 of deferred finance costs relating to the new loan were capitalised and are being amortised over the life of the loan (4 years).

The Betfred Group has made contributions to horse racing of £19.1 million during the period *(2013: £12.5 million).*

EBITDA prior to operating exceptional items was £101.9 million compared to £69.2 million in the prior period.

Strategic report *(continued)*

Business review (continued)

Non-GAAP measure: Earnings before interest, tax, depreciation and amortisation (EBITDA)	78 week period year ended 28 September 2014	53 week period year ended 31 March 2013
Analysed as	£000	£000
Operating profit	31,498	30,506
Add back: depreciation of tangible fixed assets	36,412	22,121
Add back: amortisation of intangible fixed assets	26,285	15,614
Add back: exceptional items	7,746	981
EBITDA before exceptional items	101,941	69,222

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.

Strategic 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.

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 loss from this type of risk.

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.

By order of the Board

John Hal

J Haddock
Director

Date: 14/2/2015

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

Directors' report

The directors present their annual report and audited financial statements for the 78 week period ended 28 September 2014. The results of the comparative period reflect the 53 weeks ended 31 March 2013.

Directors

The following directors served during the period:

F Done
B Nightingale (resigned 31 December 2014)
J Haddock (appointed 24 December 2014)

Results and dividends

The profit for the period after taxation was £6.1 million *(2013: £14.5 million)*. Further details of the results for the year are provided in the business review section below. The directors do not recommend the payment of a dividend (2013: nil).

Political and charitable donations

During the period the Group made charitable donations of £319,000 *(2013: £308,000)* 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.

Going concern

The Group is in a net current liabilities position of £33,963,000 at 28 September 2014 *(2013: net current liabilities £17,635,000)*. 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

J Haddock
Director

Date: 17/2/2015

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

Statement of 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).

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 28 September 2014, set out on pages 10 to 40. 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 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 28 September 2014 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 Strategic Report and 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

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester,
M2 3AE

14 February 2015

Consolidated profit and loss account
for the 78 week period ended 28 September 2014

	Note	78 week period 28 September 2014 £000	78 week period 28 September 2014 £000	53 week period 31 March 2013 £000	53 week period 31 March 2013 £000
Gross turnover: Continuing operations	2	**12,374,056**		8,023,929	
Acquisitions		**888,589**		-	
			13,262,645		8,023,929
Amounts payable to winning customers			**(12,533,446)**		(7,609,535)
Net turnover			**729,199**		414,394
Betting duty			**(50,904)**		(33,003)
Machine gaming duty			**(66,664)**		(7,089)
Statutory levy			**(18,563)**		(11,902)
Gross profit			**593,068**		362,400
Administrative expenses - before amortisation		**(533,657)**		(322,612)	
- amortisation	4	**(26,285)**		(15,614)	
- exceptional costs	7	**(7,746)**		(981)	
			(567,688)		(339,207)
Other operating income	3		**6,118**		7,313
Operating profit:					
Continuing operations		**31,020**		30,506	
Acquisitions *(includes exceptional costs of £1.1m)*		**478**		-	
		31,498		30,506	
Operating profit	4		**31,498**		30,506
(Loss)/profit on sale of fixed assets	7		**(129)**		3,509
Income from investment	13		**-**		900
Other interest receivable and similar income	8		**1,574**		872
Interest payable and similar charges *(including exceptional items of £2.7m (2013:£nil)*	9		**(16,811)**		(12,843)
Profit on ordinary activities before taxation			**16,132**		22,944
Taxation	10		**(10,072)**		(8,403)
Profit on ordinary activities after taxation			**6,060**		14,541

The notes on pages 15 to 40 form an integral part of these financial statements.

Consolidated balance sheet
at 28 September 2014

	Note	28 September 2014 £000	28 September 2014 £000	31 March 2013 £000	31 March 2013 £000
Fixed assets					
Intangible assets	*11*	289,722		200,940	
Tangible fixed assets	*12*	89,027		83,140	
Investments	*13*	1,650		1,566	
			380,399		285,646
Current assets					
Debtors due within one year (including £nil due after more than one year *(2013: £13.9 million)*)	*14*	31,077		35,963	
Cash at bank and in hand, (including £nil restricted cash *(2013: £2.4 million)*)		41,255		23,580	
		72,332		59,543	
Creditors: amounts falling due within one year	*14*	(106,295)		(77,178)	
Net current liabilities			(33,963)		(17,635)
Total assets less current liabilities			346,436		268,011
Creditors: amounts falling due after one year	*15*		(155,017)		(194,998)
Provision for liabilities and charges	*16*		(11,185)		(6,415)
Net assets excluding pension asset			180,234		66,598
Pension asset	*21*		-		4,731
Net assets			180,234		71,329
Called up share capital	*19*		19		15
Profit and loss account	*19*		67,219		71,314
Merger relief reserve	*19*		112,996		-
Shareholders' funds			180,234		71,329

The notes on pages 15 to 40 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:

John Hadd

J Haddock
Director

Date: 14/2/2015

Company balance sheet
at 28 September 2014

	Note	28 September 2014 £000	31 March 2013 £000
Fixed assets			
Investments	*13*	113,015	15
Total assets less current liabilities and net assets		113,015	15
Called up share capital	*19*	19	15
Profit and loss account	*19*	-	-
Merger relief reserve	*19*	112,996	-
Shareholders' funds		113,015	15

The notes on pages 15 to 40 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:

John Hadd

J Haddock
Director

Date: 14/2/2015

Reconciliations of movements in shareholders' funds
for the 78 week period ended 28 September 2014

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Retained profit for the financial period	*19*	6,060	14,541	-	-
New share capital subscribed	*19*	4	-	4	15
Merger relief reserve	*19*	112,996	-	112,996	-
Other recognised gains and losses relating to the financial period	*19*	(10,155)	(4,520)	-	-
Net addition to shareholders' funds		108,905	10,021	113,000	15
Opening shareholders' funds		71,329	61,308	15	-
Closing shareholders' funds		180,234	71,329	113,015	15

Consolidated statement of total recognised gains and losses
for the 78 week period ended 28 September 2014

	Note	Group 2014 £000	Group 2013 £000
Profit for the financial year	*19*	6,060	14,541
Actuarial loss recognised in the pension scheme	*21*	(12,692)	(5,870)
Deferred tax arising on losses in the pension scheme		2,537	1,350
Total recognised gains and losses relating to the financial period		(4,095)	10,021

Consolidated cash flow statement

for the 78 week period ended 28 September 2014

	Note	2014 £000	2013 £000
Cash flow from operating activities	23	**93,414**	66,081
Returns on investments and servicing of finance	23	**(9,418)**	(5,649)
Taxation		**(7,256)**	(6,509)
Capital expenditure and financial investment	23	**(33,699)**	(10,105)
Acquisitions and disposals	23	**(81,207)**	(308)
Cash (outflow)/inflow before financing		**(38,166)**	43,510
Financing	23	**55,841**	(57,598)
Increase/(decrease) in cash in the period		**17,675**	(14,088)

Reconciliation of net cash flow to movement in net debt

	Note	2014 £000	2013 £000
Increase/(decrease) in cash in the period		**17,675**	(14,088)
Cash (outflow)/ inflow from change in debt		**(63,051)**	55,077
Change in net debt resulting from cash flows		**(45,376)**	40,989
Repayment of finance leases		**2,724**	2,521
Non cash movements		**(7,047)**	(1,892)
Movement in net debt in the period		**(49,699)**	41,618
Net debt at the start of the period	24	**(91,783)**	(133,401)
Net debt at the end of the period	24	**(141,482)**	(91,783)

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 78 week period ended 28 September 2014 *(2013: 53 week period ended 31 March 2013).*

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 28 September 2014. 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.

Going concern

The Group is in a net current liabilities position of £33,963,000 at 28 September 2014 *(2013: net current liabilities £17,635,000).* 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 18 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.

Turnover

Turnover represents the amounts staked comprising the gross takings receivable from customers in respect of individual bets placed Licensed Betting Offices (LBOs) and via a telephone betting operation. Winnings re-staked prior to being withdrawn from Fixed Odds Betting Terminals are grossed up into revenue.

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 internet business, gross turnover represents the amounts staked on sportsbook betting and online gaming. Net turnover represents gross turnover less amounts payable to customers in respect of winning bets or online gaming. Revenue in respect of progressive jackpot is recognised over the period of the jackpot payment.

Open bets are deferred until the event date at the value of consideration received.

Notes *(continued)*

1 Accounting policies *(continued)*

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
Fixtures & Fittings	-	10% per annum
Motor Vehicles	-	25% per annum
Office Equipment	-	15% per annum
Alterations to premises	-	4% per annum

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment of fixed assets and goodwill (continued)

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

The charge for taxation is based on profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

2 Segmental information

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 seriously prejudicial to the business.

Notes *(continued)*

3 Other operating income

	2014 £000	2013 £000
Rental income	**1,958**	1,277
Royalties and service charges	**3,951**	5,122
Other	**209**	914
	6,118	7,313

4 Operating profit

	2014 £000	2013 £000
Operating profit is stated after charging:-		
Depreciation:		
Owned fixed assets	**34,097**	19,666
Fixed assets on hire purchase agreements	**2,315**	2,455
	36,412	22,121
Amortisation of intangibles	**26,285**	15,614
Auditors remuneration:		
Audit of these financial statements	**42**	15
Audit of subsidiary financial statements pursuant to legislation	**310**	135
Audit related assurance services	**53**	59
Operating lease rentals:		
Land and buildings	**54,343**	32,578
Plant, machinery and equipment	**6,229**	2,215
Exceptional items (note 7)	**16,862**	981

5 Employee numbers and staff costs

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

	2014 Number	2013 Number
Office, management and sales	**6,225**	5,755

Notes *(continued)*

5 Employee numbers and staff costs *(continued)*

	2014	2013
	£000	£000
Employee costs		
Wages and salaries	**186,324**	116,296
Social security costs	**13,019**	8,735
Pension costs	**11,090**	1,286
	210,433	126,317

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:-

	2014	2013
	£000	£000
Aggregate emoluments	**1,412**	622
Company contributions to money purchase pension schemes	**61**	20
	1,473	642

The aggregate emoluments of the highest paid director were £540,000 *(2013: £341,000)*.

7 Exceptional items

	2014	2013
	£000	£000
Pre operating profit		
Restructuring costs	**-**	981
Impairment of fixed assets	**4,396**	-
Property provisions	**5,039**	-
Pension curtailment	**(5,042)**	-
Linneweber VAT repayment	**3,006**	-
Other	**347**	-
	7,746	981
Post operating profit		
Fixed asset disposals	**129**	(3,509)
Deferred finance costs release	**2,652**	-
	2,781	(3,509)
Total exceptional items	**10,527**	(2,528)

Notes *(continued)*

7 Exceptional items *(continued)*

During the current period the Group refinanced and in doing so released the remaining £2,652,000 of loan fees which had been capitalised at the time of the original financing *(2013: £nil)* to the profit and loss account.

During the current period the Group has recognised impairments on certain fixed assets. This includes £2,755,000 of assets dedicated to onerous contracts *(2013: £nil)*, £523,000 of assets in Tote Credit Limited *(2013: £nil)* and £1,118,000 of assets in Petfre (Australia) Pty Limited in the post-acquisition period.

During the period £5,039,000 has been charged to the profit and loss account in respect of additional provisions for onerous leases and dilapidations. This has been recorded as an exceptional item on the grounds of its size.

During the current period the Group had to repay £3,006,000 to HMRC in respect of an initial refund of overpaid VAT that had been received in May 2010 in relation to its AWP machines due to a court ruling in HMRC's favour. The initial repayment relates to the claim made by the Group that the application of VAT to income from AWP machines contravened the European Union's principle of fiscal neutrality.

Pension scheme gains on curtailment, due to cessation of accrual amounted to £5,042,000 *(2013: £nil)*.

During the prior period, the Group incurred costs associated with the acquisition of the Tote of £409,000 along with other costs of £572,000.

During the prior 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 £3,828,000 in the Group. Other fixed asset disposals in the current year realised a loss of £129,000 *(2013: 314,000)*.

8 Other interest receivable and similar income

	2014 £000	2013 £000
Net return on pension scheme liability	405	417
Bank interest receivable	1,169	455
	1,574	872

9 Interest payable and similar charges

	2014 £000	2013 £000
Interest payable on bank loans and overdrafts	9,986	6,684
Interest payable on deferred consideration	1,171	3,947
Amortisation of loan issue costs	2,403	1,892
Other interest	599	320
Release of deferred finance costs relating to previous facility (see note 7)	2,652	-
	16,811	12,843

Notes *(continued)*

10 Taxation

Analysis of charge in period

	2014 £000	2013 £000
Current tax		
UK Corporation Tax on income for the period	**8,946**	7,343
Prior period adjustment	**(770)**	(308)
	8,176	7,035
Deferred taxation (see note 17)		
Origination and reversal of timing differences	**(2,161)**	(1,675)
Effect of rate change	**(47)**	(24)
Prior period adjustment	**1,118**	(251)
Pension adjustment *(note 21)*	**2,986**	3,318
	1,896	1,368
Tax on profit on ordinary activities	**10,072**	8,403

Factors affecting the tax charge for the period

The current tax charge for the period is higher *(53 week period ended 31 March 2013: higher)* than the standard rate of corporation tax in the UK of 22.33% *(53 week period ended 31 March 2013: 24%)*. The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	**16,132**	22,944
Current tax charge at 22.33% *(2013: 24%)*	**3,602**	5,506
Effects of:		
Expenses not deductible for tax purposes and non taxable income	**2,671**	(3,252)
Depreciation in excess of capital allowances	**2,721**	5,197
Prior period adjustment	**(770)**	(308)
Utilisation of tax losses	**(2)**	-
Foreign tax rate differential	**(53)**	-
Other	**7**	(108)
Current tax charge for the period	**8,176**	7,035

Factors affecting the tax charge in future periods

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2013) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2013) and 23% (effective from 1 April 2014) were substantively enacted on 26 March 2013 and 3 July 2013 respectively. This will reduce the Group's future current tax charge accordingly. The March 2014 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 2013 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 current tax charge and reduce the deferred tax asset at 28 September 2014.

Notes *(continued)*

11 Intangible fixed assets

Group

	Goodwill £000	Licences £000	Total £000
Cost			
At 31 March 2013	217,653	35,000	**252,653**
Adjustment*	(15,119)	-	**(15,119)**
Additions	130,186	-	**130,186**
At 28 September 2014	332,720	35,000	**367,720**
Amortisation			
At 31 March 2013	43,380	8,333	**51,713**
Charge for the period	18,785	7,500	**26,285**
At 28 September 2014	62,165	15,833	**77,998**
Net book value			
At 28 September 2014	**270,555**	**19,167**	**289,722**
At 31 March 2013	174,273	26,667	200,940

*During the period the Group repaid £90,000,000 of deferred consideration and £8,008,000 of related interest, in relation to its acquisition of the Tote, at a discounted value of £82,889,000. The related discount of £15,119,000 has been treated as a reduction to the original consideration.

Additions to goodwill of £130,186,000 relate to an acquisition during the period as detailed in note 18.

During the period the Directors considered if there were any indicators of impairment of goodwill or other intangible assets. No indicators of impairment were identified.

Company

The Company owns no intangible fixed assets.

Notes *(continued)*

12 Tangible fixed assets

Group	Property	Alterations to Premises	Plant Machinery & Equipment	Fixtures & Fittings	Motor Vehicles and Office Equipment	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 31 March 2013	15,273	46,781	63,219	46,179	849	**172,301**
Acquisitions	-	-	5,939	168	57	**6,164**
Additions	28	5,680	34,735	1,757	270	**42,470**
Disposals	(75)	(512)	(2,289)	(465)	(600)	**(3,941)**
At 28 September 2014	15,226	51,949	101,604	47,639	576	**216,994**
Depreciation						
At 31 March 2013	2,345	21,590	39,026	25,665	535	**89,161**
Impairment	9	1,730	1,685	972	-	**4,396**
Charge for the period	1,056	7,494	20,559	7,074	229	**36,412**
Disposals	(19)	(348)	(794)	(299)	(542)	**(2,002)**
At 28 September 2014	3,391	30,466	60,476	33,412	222	**127,967**
Net book value						
At 28 September 2014	**11,835**	**21,483**	**41,128**	**14,227**	**354**	**89,027**
At 31 March 2013	12,928	25,191	24,193	20,514	314	83,140

The net book value of equipment includes an amount of £9,636,000 *(2013: £4,267,000)* in respect of assets held under finance leases. Depreciation on these assets in the current year was £2,315,000 *(2013: £2,455,000).*

The net book value of properties comprises:

	2014	2013
	£000	£000
Freeholds	**9,815**	10,290
Long leaseholds (over 50 years)	**589**	594
Short leaseholds (under 50 years)	**552**	673
Other expenditure related to buildings	**879**	1,371
Total property	**11,835**	12,928

Contracted, but not accrued, capital commitments at 28 September 2014 were £nil *(31 March 2013: £2,154,000).*

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 £1,650,000 *(2013: £1,566,000)* held on the Group balance sheet represents £1,566,000 *(2013: £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 *(2013: £nil)* in relation to Greyhound TV Limited, in which the Group has a 16.67% holding. A dividend of £nil was received in the period ended 28 September 2014 *(2013: £900,000)*, in relation to the SIS investment.

Company

	Shares in group undertakings £000
Cost and net book value	
At beginning of year	15
Additions	113,000
At end of year	**113,015**

On 16 January 2014 the company acquired Petfre (Gibraltar) Limited (see note 18) for a total consideration of £113,000,000 as part of a share for share exchange transaction.

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	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
Petfre (Gibraltar) Limited*	Gibraltar	Betting	100% ordinary
Petfre (Australia) Pty Limited*	Australia	Betting	100% ordinary

* Investment held via Lightcatch Limited

Notes *(continued)*

14 Working capital

Debtors

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Trade debtors	**2,218**	557	-	-
Other debtors	**10,281**	22,557	-	-
Prepayments and accrued income	**16,126**	11,542	-	-
Deferred tax asset (note 17)	**2,452**	1,307	-	-
	31,077	35,963	-	-

Included within other debtors is an amount of £nil (*2013: £13,927,000*) which falls due after more than one year.

Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Bank loans and overdrafts	**27,853**	17,831	-	-
Trade creditors	**9,438**	9,644	-	-
Amounts owed to winning customers	**8,207**	3,306	-	-
Obligations under finance lease and hire purchase contracts	**2,593**	3,033	-	-
Corporation tax	**3,544**	2,461	-	-
Other taxes and social security costs	**17,447**	15,284	-	-
Other creditors	**12,733**	12,789	-	-
Accruals	**24,480**	12,830	-	-
	106,295	77,178	-	-

15 Financing

Creditors: amounts falling due after more than one year

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Bank loans	**146,493**	92,895	-	-
Obligations under finance lease and hire purchase contracts	**5,798**	1,604	-	-
Deferred consideration	-	90,000	-	-
Other creditors	**95**	755	-	-
Accrued interest on deferred consideration	-	6,836	-	-
Accruals	**2,631**	2,908	-	-
	155,017	194,998	-	-

Notes *(continued)*

15 Financing *(continued)*

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

On 19 December 2013, the Group refinanced its existing loan facilities resulting in an extinguishment of the previous facility. Accordingly, £2,652,000 of unamortised deferred finance costs were written off to the profit and loss account. In addition, £4,486,000 of deferred finance costs relating to the new loan were capitalised and are being amortised over the life of the loan (4 years).

The bank loan of £177,394,000 *(2013: £114,912,000)* 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.

The Company has entered into interest rate swap arrangements covering £85.8 million (2013: £76.2 million) 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.

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

During the period the Group repaid £90,000,000 of deferred consideration and £8,008,000 of related interest, in relation to its acquisition of the Tote, at a discounted value of £82,889,000. The related discount of £15,119,000 has been treated as a reduction to the original consideration.

Notes *(continued)*

15 Financing *(continued)*

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

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank loans and overdrafts				
Within one year	**28,970**	19,631	-	-
In the second to fifth years	**148,993**	95,281	-	-
	177,963	114,912	-	-
Less: unamortised issue costs				
Within one year	**(1,117)**	(1,800)	-	-
In the second to fifth years	**(2,500)**	(2,386)	-	-
	(3,617)	(4,186)	-	-
	174,346	110,726	-	-
Finance lease and hire purchase contracts				
Within one year	**2,830**	3,325	-	-
In the second to fifth years	**6,225**	1,633	-	-
	9,055	4,958	-	-
Less: future finance costs				
Within one year	**(237)**	(292)	-	-
In the second to fifth years	**(427)**	(29)	-	-
	(664)	(321)	-	-
	8,391	4,637	-	-
Total borrowings including finance leases and hire purchase contracts				
Within one year	**31,800**	22,956	-	-
In the second to fifth years	**155,218**	96,914	-	-
	187,018	119,870	-	-
Less: unamortised issue costs and future finance costs				
Within one year	**(1,354)**	(2,092)	-	-
In the second to fifth years	**(2,927)**	(2,415)	-	-
	(4,281)	(4,507)	-	-
	182,737	115,363	-	-

Notes *(continued)*

16 Provisions for liabilities and charges

Group

	Provisions £000
Group	
At 31 March 2013	6,415
Released during the period	(1,122)
Reclassification from creditors	853
Charge to profit and loss in the period	5,039
At 28 September 2014	**11,185**

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

- An onerous lease provision of £9,667,000 *(2013: £3,779,000)* 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.
- £1,518,000 *(2013: £1,514,000)* in relation to dilapidation costs associated with the Group's retail estate.

In the prior year a provision of £1,122,000 existed in relation to a VAT refund received from HMRC. This was released during the year.

Company

The Company has no provisions.

17 Deferred tax asset

	Deferred taxation £000
Group	
At 31 March 2013	1,307
Arising on acquisitions	55
Credit to profit and loss in the period	1,090
At 28 September 2014	**2,452**

The elements of deferred taxation are as follows:

	2014 £000	2013 £000
Accelerated capital allowances	2,208	775
Other timing differences	100	532
Losses	144	-
Deferred tax asset	2,452	1,307

Company

The company has no deferred tax.

Notes *(continued)*

18 Acquisitions

Petfre (Gibraltar) Limited

On 16 January 2014 the Company acquired 100% of the ordinary share capital of Petfre (Gibraltar) Limited and subsidiaries (for a list of principal subsidiary undertakings acquired see note 13). The resulting goodwill of £130.1 million was capitalised and is being amortised 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 business operates 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	Fair value adjustments £000	Fair value £000
Fixed assets			
Goodwill	16,325	(16,325)	-
Intangible assets	7	-	7
Tangible assets	6,788	(624)	6,164
Current assets			
Debtors	5,142	56	5,198
Cash at bank and in hand	1,681	-	1,681
Total assets	29,943	(16,893)	13,050
Trade creditors	(9,865)	322	(9,543)
Other creditors	(205)	-	(205)
Corporation tax	(366)	-	(366)
Other taxes and social security	(321)	-	(321)
Accruals and deferred income	(477)	(1,483)	(1,960)
Intercompany creditors	(4,535)	-	(4,535)
Total creditors due in less than one year	(15,769)	(1,161)	(16,930)
Intercompany creditors	(13,252)	-	(13,252)
Total creditors due in more than one year	(13,252)	-	(13,252)
Net liabilities acquired	922	(18,054)	(17,132)
Purchase consideration and costs of acquisition			
Shares issued			(4)
Merger relief reserve			(112,996)
Goodwill			130,132

The acquired undertaking made a profit of £365,000 from the beginning of its financial period to the date of the acquisition. In its previous financial period commencing on 1 April 2012 and ending on 31 March 2013 the profit was £3,670,000.

Notes *(continued)*

18 Acquisitions *(continued)*

Total cash inflow on acquisition was £1,681,000 relating to cash acquired.

Fair value adjustments relate to

- £16,325,000 relating to goodwill subsumed on acquisition.
- £486,000 relating to impairment of fixed assets.
- £138,000 related to additional depreciation to bring in line with Lightcatch Group policy.
- £1,161,000 (net) relating to balance sheet reclassifications from creditors to debtors.
- £1,105,000 relating to write off of other debtors that were deemed not to meet the definition of an asset.

19 Reserves

Called up share capital

	2014 £	2013 £
Allotted, called up and fully paid:		
195,200 Ordinary shares of £0.10 each	19,520	15,000

During the period £45,200 Ordinary shares of £0.10 each were issued.

Profit and loss account

	Group £000	Company £000
At beginning of period	71,314	-
Profit for the financial period	6,060	-
Other recognised gains and losses	(10,155)	-
At end of period	67,219	-

Merger relief reserve

	Group £000	Company £000
Created on acquisition of Petfre (Gibraltar) Limited	112,996	112,996
At end of period	112,996	112,996

On 16 January 2014 the group acquired Petfre (Gibraltar) Limited in a share for share exchange transaction. 45,200 £0.10p Ordinary shares were issued at a premium of £112,995,750. Under S.612 of the Companies Act 2006 this premium was taken to merger relief reserve.

Notes *(continued)*

20 Commitments and contingencies

Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Group 2014	2013
Land and Buildings		
Operating leases which expire:	**£000**	£000
Within one year	**1,475**	990
In the second to fifth years inclusive	**8,148**	6,018
Over five years	**24,698**	25,601
	34,321	32,609
Other		
Operating leases which expire:		
Within one year	**166**	6
In the second to fifth years inclusive	**1,786**	2,209
	1,952	2,215

Contingencies

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 28 September 2014 the Group's potential exposure under the unlimited cross-guarantee arrangement was £136,727,000 *(2013: £94,385,000)*.

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. There were no contributions paid to the fund in either the current or previous year. There were no outstanding or prepaid contributions either at the beginning or end of the financial year.

b) The Group operates money purchase schemes. The pension cost charge represents contributions payable by Done Brothers (Cash Betting) Limited and amounted to £182,000 *(2013: £344,000).*

c) As part of the acquisition of Tote (Successor Company) Limited in 2011 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 28 September 2014. The next actuarial valuation will take place as at 31 March 2015.

	28 September 2014	31 March 2013	25 March 2012
	£000	£000	£000
Present value of funded defined benefit obligations	**(93,493)**	(98,728)	(94,953)
Fair value of scheme assets, before cash in escrow	**96,639**	96,782	85,292
	3,146	(1,946)	(9,661)
Restriction on surplus	**(3,146)**	-	-
Cash held in escrow to fund the pension deficit	-	6,229	20,000
Net scheme asset	-	4,283	10,339
Related deferred tax asset	-	448	2,416
Net pension asset	-	4,731	12,755

As part of the transaction which resulted in the Group acquiring the sponsoring employers of the scheme in 2011 £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. As at 28 September 2014 £20,000,000 has been transferred from escrow to the scheme leaving £nil remaining. These monies are due unconditionally to the pension scheme and so are presented within the pension asset/liability.

Additionally £2,500,000 was placed into a separate escrow account which was only payable to the scheme on fulfilment of certain conditions. During the period to 28 September 2014 £2,500,000 has been released to the scheme leaving £nil remaining at 28 September 2014 *(31 March 2013: £2,407,000).*

Assets were taken into account at market value. At 28 September 2014, the market value of the non-insurance policy assets was £57,015,000 *(2013: £96,693,000).* The insurance policy assets were valued at £39,624,000 *(2013: £89,000).*

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

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 28 September 2014.

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

Movements in present value of defined benefit obligation

	28 September 2014 £000	31 March 2013 £000	25 March 2012 £000
Scheme liabilities at start of period	**98,728**	94,953	85,052
Current service cost	**405**	1,521	1,452
Interest cost	**5,799**	4,126	3,014
Contributions by members	**100**	391	368
Actuarial losses/(gains)	**2,735**	10,013	8,023
Benefits paid, death in service insurance premiums and expenses	**(9,232)**	(2,746)	(2,956)
Liabilities extinguished on settlements	**-**	(9,530)	-
Curtailment gains	**(5,042)**	-	-
Scheme liabilities at end of period	**93,493**	98,728	94,953

Movements in fair value of scheme assets

	28 September 2014 £000	31 March 2013 £000	25 March 2012 £000
Fair value of scheme assets at start of period	**96,782**	85,292	78,607
Expected return on scheme assets	**6,204**	4,543	3,660
Actuarial gains/(losses)	**(6,811)**	4,143	(904)
Contributions by employer	**9,596**	14,689	6,517
Contributions by members	**100**	391	368
Benefits paid, death in service insurance premiums and expenses	**(9,232)**	(2,746)	(2,956)
Assets distributed on settlements	**-**	(9,530)	-
Fair value of scheme assets at end of period before cash in escrow	**96,639**	96,782	85,292
Cash held in escrow to fund the pension deficit	**-**	6,229	20,000
	96,639	103,011	105,292

Expense recognised in the profit and loss account

	28 September 2014 £000	31 March 2013 £000	25 March 2012 £000
Current service cost	**405**	1,521	1,452
Interest on defined benefit pension scheme obligation	**5,799**	4,126	3,014
Expected return on defined benefit pension scheme assets	**(6,204)**	(4,543)	(3,660)
Curtailment gains	**(5,042)**	-	-
Total	**(5,042)**	1,104	806

Notes *(continued)*

21 Pension schemes *(continued)*

The current service cost expense of £6,000 *(31 March 2013: £1,521,000 and* the net return expected on scheme assets of £219,000 *(2013: £417,000)* are 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 £10,155,000 *(31 March 2013: £4,520,000).*

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

	28 September 2014 Fair value £000	31 March 2013 Fair value £000	25 March 2012 Fair value £000
Equities	**9,646**	18,716	16,690
Government debt	**9,400**	7,102	7,557
Corporate bonds	**12,619**	40,074	32,913
Property	**-**	7,603	7,545
Cash	**204**	179	197
Absolute Return Funds	**25,146**	23,019	20,280
Insurance Policies	**39,624**	89	110
	96,639	96,782	85,292
Cash held in escrow to fund the pension deficit	**-**	6,229	20,000
	96,639	103,011	105,292

The expected long term rate of return on scheme assets for the period commencing 78 week period ended 28 September 2014 is as follows:

	28 September 2014	31 March 2013
Equities	6.9%	7.2%
Government debt	2.9%	3.2%
Corporate bonds	4.1%	4.6%
Property	5.9%	6.2%
Cash	0.5%	0.5%
Absolute Return Funds	5.9%	6.2%
Insurance Policies	2.9%	3.2%
Overall for the scheme	5.11%	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.

Notes *(continued)*

21 Pension schemes *(continued)*

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

%	28 September 2014	31 March 2013	25 March 2012
Discount rate	**3.8**	4.1	4.6
Inflation (CPI)	**2.1**	2.4	2.2
Future salary increases	**n/a**	3.9	3.7
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.1**	2.4	2.2
Allowance for discretionary pension in payment increases for pre 6 April 1997 benefits	**2.1**	2.4	2.2
Allowance for pension in payment increases of CPI or 5% p.a. if less	**2.1**	2.4	2.2
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	**2.1**	2.4	2.2

In valuing the liabilities of the pension fund at 28 September 2014, 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 28 September 2014 would have increased by £1,870,000 *(2013: £1,975,000)* before deferred tax.

Male retiring at age 60 in 2014: 26.5 years

Female retiring at age 60 in 2014: 28.8 years

Male retiring at age 60 in 2033: 28.1 years

Female retiring at age 60 in 2033: 30.5 years

History of the Scheme

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

Balance sheet

	28 September 2014 £000	31 March 2013 £000	25 March 2012 £000
Present value of funded defined benefit obligations	**(93,493)**	(98,728)	(94,953)
Fair value of scheme assets, before cash in escrow	**96,639**	96,782	85,292
	3,146	(1,946)	(9,661)
Restriction on surplus	**(3,146)**	-	-
Cash held in escrow to fund the pension deficit	**-**	6,229	20,000
Net scheme asset	**-**	4,283	10,339
Related deferred tax asset	**-**	448	2,416
Net pension asset	**-**	4,731	12,755

Notes *(continued)*

21 Pension schemes *(continued)*

Experience adjustments

	28 September 2014 £000	31 March 2013 £000	25 March 2012 £000
Experience adjustments on scheme liabilities	(1,793)	729	-
Experience adjustments on scheme assets	(6,811)	4,143	(1,661)
	(8,604)	4,872	(1,661)

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

The Group expects to contribute approximately £540,000 to its defined benefit schemes in the next financial year.

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.

Loans

Entities in which Mr F Done or members of his close family have a controlling or beneficial interest have received loans from Lightcatch Limited as follows:

	2014 £000	2013 £000
Unsecured Loans (amounts owed to the group):		
Balances outstanding at beginning of period	-	-
Amounts advanced in the period	3,023	-
Balances outstanding at end of period	3,023	-

The maximum amount receivable during the period was £4,576,000 *(2013: £nil)*.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%.

Administrative expenses

Excluding the rental costs referred below, total expenses of £49,288,000 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 £42,860,000 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 £2,146,000 *(2013: £1,994,000)* 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 *(2013: £nil)*. Rents were made on normal commercial terms.

Investment income

There was no investment income received during the period. During the previous period £900,000 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.

Notes *(continued)*

23 Analysis of cash flows

	2014 £000	2013 £000
Reconciliation of operating profit to operating cash flows		
Operating profit	31,498	30,506
Depreciation charges	36,412	22,121
Amortisation charges	26,285	15,614
Impairment of tangible fixed assets	4,396	-
(Increase)/decrease in debtors	(1,198)	2,942
Increase/(decrease) in creditors	5,484	(6,044)
Movement in provisions	4,770	339
Difference between pension charge and cash contributions	(14,233)	603
	93,414	66,081

	2014 £000	2014 £000	2013 £000	2013 £000
Returns on investment and servicing of finance				
Interest received	1,169		455	
Investment income received	-		900	
Interest paid	(9,988)		(6,648)	
Interest element of finance lease rental payments	(599)		(320)	
		(9,418)		(5,649)
Capital expenditure and financial investment				
Purchase of intangible fixed assets	-		(180)	
Purchase of tangible fixed assets	(35,425)		(12,662	
Sale of tangible fixed assets	1,810		2,737	
Purchase of investment	(84)		-	
		(33,699)		(10,015)
Acquisitions and disposals				
Purchase of subsidiary undertaking*	(82,888)		(308)	
Net cash acquired with subsidiary undertaking	1,681		-	
		(81,207)		(308)
Financing				
Debt due within one year:				
New borrowings	43,053		-	
Repayment of bank loans and overdrafts	(33,714)		(32,268)	
Debt due after more than one year:				
Repayment of bank loans	(95,281)		(22,809)	
New borrowings	148,993		-	
Loan issue cost	(4,486)		-	
Capital element of finance lease rental payments	(2,724)		(2,521)	
		55,841		(57,598)

Notes *(continued)*

*Includes £82,889,000 in relation to the payment of deferred consideration of the acquisition of The Tote in July 2011 paid in the current period.

24 Analysis of changes in net debt

	At 31 March 2013 £000	Cash flows £000	Other non-cash movements £000	At 28 September 2014 £000
Cash:				
held at bank and in hand	21,173	20,082	-	41,255
restricted cash	2,407	(2,407)	-	-
Total cash held on balance sheet	23,580	17,675	-	41,255
Bank overdrafts	-	(569)	-	(569)
Debt due within one year	(17,831)	(8,770)	(683)	(27,284)
Debt due after one year	(92,895)	(53,712)	114	(146,493)
Finance lease and hire purchase obligations	(4,637)	2,724	(6,478)	(8,391)
	(115,363)	(60,327)	(7,047)	(182,737)
Total	**(91,783)**	**(42,652)**	**(7,047)**	**(141,482)**

The non-cash items above relate to new finance leases of £6,478,000 and net movement on loan issue costs of £569,000.

25 Controlling party

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