

Betfred Group Limited
Annual report and consolidated
financial statements
Registered number 07717019
29 September 2019

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Company information

Directors of the Company:

F Done
N Barr
M Stebbings

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 annual strategic report and the audited financial statements for the period ended 29 September 2019.

Principal activities

The principal activity of the Group continued to be trading as a bookmaker utilising the trade name Betfred. During the period the Group operated through Licensed Betting Offices ("LBOs") and internet operations.

In the prior year year, the licence to operate the statutory monopoly on horserace pool betting came to an end and as a consequence of this the Group ceased its on course business to customer operation.

The Company acts as an investment holding company.

Performance of the business

The profit for the period after taxation was £156.7m (2018: loss of £40.7m).

An interim dividend of £10.2m was paid during the period (2018: £10.2m). The directors do not recommend the payment of a final dividend for the period (2018: £nil).

Key performance indicators

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

£'000	2019	2018
Amounts wagered	10,103,644	13,490,645
Turnover	621,376	727,631
Gross profit	475,005	552,167
Operating exceptional credit/(costs)	57,890	(119,620)
EBITDA, before operating exceptional credit/(costs)	48,533	119,371
Operating profit/(loss)	74,769	(41,434)
Net assets	171,129	27,717

On an annualised gross basis, turnover for the period has decreased across the business as a result of the maximum stake on FOBT machines reducing from £100 to £2 on 1 April 2019.

Operating profit for the year is £74,769,000 (2018: loss of £41,434,000) which is after a credit to exceptional costs of £57,890,000 (2018: cost of £119,620,000). The exceptional costs are predominantly in relation to the net reversal of impairments of the Retail Division following changes as a result of the Triennial review where the impact was not as bad as expected. The impairment reversals were presented as exceptional due to their material one off nature.

The impact of the FOBT regulation change on operating profit was not as bad as expected, and operating profit was favourable to budget.

The number of LBOs operating at 29 September 2019 was 1,578 (2018: 1,650). Loss making shops are constantly reviewed and closed where the business feels necessary.

The Group's strategy for the forthcoming period is focused on reviewing its Retail estate following the regulatory changes to FOBT stakes; and to continue to review the performance of its existing estate and online business, with a tight control of overheads and continued close management of the trading results.

Tpoolco Limited and Tote Direct Limited have been deconsolidated effective from 30 September 2018, as control was lost during the period.

Income from investments of £97.7m in the period to 29 September 2019 (2018: £0.9m) principally arises from a fair value gain of the Group's investment in Tpoolco Limited.

The Group has made contributions to horse racing of £nil during the period (2018: £8.7m).

Strategic report (continued)

Non-GAAP measure: Earnings before interest, tax, depreciation, impairment, amortisation and exceptional items (EBITDA)		
£'000	2019	2018
Operating profit/(loss)	74,769	(41,434)
Add back: depreciation of tangible fixed assets	18,147	22,319
Add back: amortisation of intangible fixed assets	13,507	18,866
Add back: exceptional items	(57,890)	119,620
EBITDA before exceptional items	48,533	119,371

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.

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 bookmaking industry is subject to specific taxation provisions and regulatory restrictions imposed by the Government. Betfred has appointed a senior member of staff to take on the responsibility as compliance officer and money laundering officer for the Group. It should be noted that the outlook for the industry as a whole can be markedly altered (for better or worse) by a change in government positioning.

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.

Cyber risk

Due to the Group having an online presence the risk of cyber-attack and the associated effects on reputation, data loss, earnings and information technology infrastructure is higher. 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.

Strategic report (continued)

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 Group is particularly susceptible to potentially fraudulent activity from customers including money laundering due to the high levels of cash transacting across the business. The Group has established policies and procedures in place with specific personnel focussed on detecting and deterring this sort of activity. Following the appointment of the Chief Compliance Officer and a Money Laundering Reporting Officer in 2016, the Group has expanded the Compliance Team and continues to be focussed on improving compliance. Despite these policies and procedures, which the Group continually strives to improve, the Group is always susceptible to this risk which could lead to future liabilities.

Brexit risk

The directors have assessed Brexit risk, and at this stage have assessed that there is no material impact on the Group's operations, however this remains under review as the nature of the Brexit arrangements remain uncertain.

By order of the board



N Barr
Director

Date: 12/02/20

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

Directors' report

The directors present their directors' report and the audited financial statements for the period ended 29 September 2019.

Directors

The following directors served during the period:

F Done

N Barr

M Stebbings

Political and charitable donations

During the period the Group made charitable donations of £1,386,000 (2018: £98,000) to various recipients including local charities serving the communities in which the Group operates and to gambling related charities.

The Group made no political donations during the period (2018: £nil).

Financial Instruments

The Group's cash flow fluctuates according to the timing of payments and receipts and the Group's overall profitability. The directors manage deposits to gain favourable interest rates commensurate with having funds available to meet the requirements on demand. Although interest received will vary according to interest rate levels, the differences to Group results arising are not sufficient to warrant the Group using derivatives or other methods to manage interest rates in any way.

The Group holds highly liquid investments in listed equities and unlisted investments for future use within the trade of the business. The Group does not hedge these investments as they consider the diversity in the investment portfolio is appropriate to cover any individual equity price risk with the overall portfolio expected to return positive returns to the Group.

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

The Directors reviewed the current open market value of the Group's interests in land and buildings against the book value and identified an impairment in the prior year. Some of these impairments were reversed in the current period (note 8).

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 themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Directors' report (continued)

Going concern

The Group is in a net current assets position of £77,792,000 at 29 September 2019 (2018: £5,515,000). 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.

Other information

Particulars of significant events which have occurred since the end of the financial year have been included in note 30.

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



N Barr
Director

Date: 12/02/20

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), 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 of the Company 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;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the 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

Opinion

We have audited the financial statements of Betfred Group Limited for the period ended 29th September 2019 which comprise the consolidated profit and loss account and other comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 29th September 2019 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

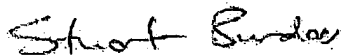
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

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

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

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

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



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

Date: 13/02/2020

Consolidated profit and loss account and other comprehensive income
for the period ended 29 September 2019

	Note	2019 Total £000	2018 Continuing £000	2018 Discontinued £000	Restated* 2018 Total £000
Amounts wagered		10,103,644	13,217,159	273,486	13,490,645
Turnover	3	621,376	705,477	22,154	727,631
Betting duty		(53,320)	(50,618)	(4,096)	(54,714)
Machine gaming duty		(64,319)	(87,076)	-	(87,076)
Statutory betting levy		(9,604)	(10,093)	(2,723)	(12,816)
Commissions paid		(19,128)	(20,858)	-	(20,858)
Gross profit		475,005	536,832	15,335	552,167
Administrative expenses - before goodwill amortisation		(447,165)	(445,014)	(12,755)	(457,769)
Administrative expenses - goodwill & licence amortisation	13	(13,507)	(18,866)	-	(18,866)
Exceptional credit/(costs)	8	57,890	(119,620)	-	(119,620)
Other operating income	4	2,546	1,174	1,480	2,654
Operating profit/(loss)	4-8	74,769	(45,494)	4,060	(41,434)
Income from investments	9	97,727	900	-	900
Interest receivable and similar income	10	2,448	1,075	-	1,075
Interest payable and similar expenses	11	(3,731)	(4,347)	-	(4,347)
Profit/(loss) before taxation		171,213	(47,866)	4,060	(43,806)
Tax on profit/(loss)	12	(14,521)	3,410	(324)	3,086
Profit/(loss) after taxation		156,692	(44,456)	3,736	(40,720)
<i>Loss attributable to</i>					
Shareholders of the parent company		156,692	(44,456)	3,357	(41,099)
Non-controlling interest		-	-	379	379
Total profit/(loss)		156,692	(44,456)	3,736	(40,720)
Other comprehensive income					
(Loss)/gain on disposal of non-controlling interest		(634)	19,504	634	20,138
Foreign exchange differences on translation of foreign operations		21	-	-	-
Re-measurement of the net defined benefit liability	22	(3,032)	(590)	-	(590)
Tax on other comprehensive income	12	515	100	-	100
Total comprehensive income for the financial period		153,562	(25,442)	4,370	(21,072)
<i>Total comprehensive income attributable to</i>					
Shareholders of the parent company		154,196	(25,442)	3,736	(21,706)
Non-controlling interest		(634)	-	634	634
Total comprehensive income		153,562	(25,442)	4,370	(21,072)

The notes on pages 17 to 41 form an integral part of these financial statements.

*For an explanation of the reclassification of prior year amounts please see note 1.18.

Consolidated balance sheet
at 29 September 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	13	91,922		101,263	
Tangible fixed assets	14	48,535		50,511	
Investments	15	110,418		1,788	
			250,875		153,562
Current assets					
Stock		253		435	
Debtors (including £52.0m (2018: £24.4m) due beyond one year)	16	116,012		63,724	
Cash at bank and in hand		54,662		58,576	
		170,927		122,735	
Creditors: amounts falling due within one year	17	(93,135)		(117,220)	
Net current assets			77,792		5,515
Total assets less current liabilities			328,667		159,077
Creditors: amounts falling due after more than one year	18		(1,903)		(54,167)
Provision for liabilities and charges	21		(155,635)		(77,193)
Pension liability and similar obligations	22		-		-
Net assets			171,129		27,717
Capital and reserves					
Called up equity share capital	23		19		19
Profit and loss account			171,110		27,064
Equity attributable to the parent's shareholders			171,129		27,083
Non-controlling interest			-		634
Shareholder's funds			171,129		27,717

The notes on pages 17 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: 12/02/20

Registration number: 07717019

Company balance sheet
at 29 September 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	15	113,015	113,015
Total assets less current liabilities		113,015	113,015
Capital and reserves			
Called up equity share capital	23	19	19
Profit and loss account		-	-
Merger relief reserve		112,996	112,996
Shareholder's funds		113,015	113,015

The notes on pages 17 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
Director

Date: 12/02/20

Registration number: 07717019

Consolidated statement of changes in equity
for the period ended 29 September 2019

Group

	Called up share capital £000	Profit & Loss account £000	Non- controlling interest £000	Total Shareholder Equity £000
Balance at 24 September 2017	19	58,920	-	58,939
Total comprehensive income for the period				
Loss for the period	-	(41,099)	379	(40,720)
Other comprehensive income	-	19,393	255	19,648
Total comprehensive income for the period	-	(21,706)	634	(21,072)
Transactions with owners, recorded directly in equity				
Dividends	-	(10,150)	-	(10,150)
Balance at 30 September 2018	19	27,064	634	27,717

	Called up share capital £000	Profit & Loss account £000	Non- controlling interest £000	Total Shareholder Equity £000
Balance at 30 September 2018	19	27,064	634	27,717
Total comprehensive income for the period				
Profit for the period	-	156,692	-	156,692
Other comprehensive income	-	(2,496)	(634)	(3,130)
Total comprehensive income for the period	-	154,196	(634)	153,562
Transactions with owners, recorded directly in equity				
Dividends	-	(10,150)	-	(10,150)
Balance at 29 September 2019	19	171,110	-	171,129

The notes on pages 17 to 41 form an integral part of these financial statements.

Company statement of changes in equity
for the period ended 29 September 2019

Company

	Called up share capital £000	Profit & Loss account £000	Merger relief reserve £000	Total Shareholder Equity £000
Balance at 24 September 2017	19	-	112,996	113,015
Total comprehensive income for the period				
Dividends received	-	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 30 September 2018	19	-	112,996	113,015

	Called up share capital £000	Profit & Loss account £000	Merger relief reserve £000	Total Shareholder Equity £000
Balance at 30 September 2018	19	-	112,996	113,015
Total comprehensive income for the period				
Dividends received	-	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 29 September 2019	19	-	112,996	113,015

The notes on pages 17 to 41 form an integral part of these financial statements.

Consolidated cash flow statement
for the period ended 29 September 2019

	<i>Note</i>	2019	2018
		£000	£000
Cash flows from operating activities			
Profit/(loss) for the period		156,692	(40,720)
Adjustments for:			
Depreciation, amortisation and impairment		19,271	95,982
Interest receivable and similar income		(2,448)	(1,075)
Interest payable and similar expenses		3,731	4,347
Investment income		(97,727)	(900)
Loss on sale of intangibles and tangible fixed assets		292	1,069
Change in value of other financial liabilities		-	(157)
Exchange gains/losses		20	-
Taxation		14,521	(3,086)
		94,352	55,460
Increase in trade and other debtors		(2,290)	(1,468)
(Increase)/decrease in stock		182	(417)
Decrease in trade and other creditors		(14,868)	(15,051)
Increase in provisions		76,238	55,355
		153,614	93,879
Contributions to defined benefit scheme		(2,770)	(540)
Tax paid		(4,246)	(8,927)
Net cash from operating activities		146,598	84,412
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		210	216
Proceeds from disposal of non-controlling interest		-	20,000
Interest received		2,448	1,075
Dividends received		3,018	900
Loans issued		(45,813)	(1,477)
Acquisition of a business	2	-	(490)
Acquisition of tangible fixed assets		(26,151)	(11,617)
Net cash from investing activities		(66,288)	8,607
Cash flows from financing activities			
Repayment of borrowings		(67,018)	(79,747)
Payment of finance lease liabilities		(298)	(909)
Interest paid		(937)	(3,809)
Dividends paid		(10,150)	(10,150)
Net cash from financing activities		(78,403)	(94,615)
Net increase/(decrease) in cash and cash equivalents		1,907	(1,596)
Cash and cash equivalents at start of period		58,576	60,172
Net cash disposed on deconsolidation of Tpoolco Limited		(5,821)	-
Cash and cash equivalents at end of period		54,662	58,576

The notes on pages 17 to 41 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Belfred Group Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 07717019 and the registered address is The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ.

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*"). The presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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.

1.1 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.

1.2 Going concern

The Group is in a net current assets position of £77,792,000 at 29 September 2019 (2018: £5,515,000). 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.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2018. 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.

1.4 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.

Notes (continued)

1.4 Foreign currency (continued)

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.

1.5 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.

1.6 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 recognised 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.

Notes (continued)

1.7 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.

1.8 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 1.14 below.

The Group 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 and 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.

Notes (continued)

1.9 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 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.

1.10 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 10 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.

Notes (continued)

1.10 Intangible assets, goodwill and negative goodwill (continued)

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.

1.11 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 probable 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.

Notes (continued)

1.12 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.

1.13 Turnover

The fair value of revenue is 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.

For open betting positions, the Company takes credit for the stakes it receives and provides for the estimated pay-out based on the average percentage by sport.

1.14 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 expenses 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)

1.15 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.16 Group reconstructions

In line with FRS 102, the Group has chosen to adopt merger accounting when performing group reconstructions.

1.17 Discontinued operations

Discontinued operations are components of the group that have been disposed of at the reporting date and previously represented a separate major line of business. They are included in the profit and loss account in a separate column for the current and comparative periods, including the gain or loss on sale.

1.18 Reclassification of prior year

During the period, the directors have reclassified prior year amounts of gross profit and administrative expenses in the profit and loss account. As a result, a prior year adjustment of £20,858,000 has been recorded. Commissions paid within gross profit has increased by £20,858,000 and administrative expenses have reduced by £20,858,000. The adjustment has no impact on operating loss.

2 Acquisitions and disposal of businesses

Acquisitions in the prior period

The Group acquired Kerching (Gibraltar) Limited in the prior period, an on line slot games business. It contributed revenue of £431,000 and a net loss of £144,000 to the Group's revenue and net loss in the prior year.

The Group also acquired Tpoolco Limited in the prior year, a newly incorporated company; and TDCO Limited, a newly incorporated company.

Disposal of businesses in the prior period

In the prior period, the Group sold 25% of its investment in TPoolco Limited to UK Tote Group Limited for a total consideration of £19,550,000. The profit on disposal of this investment was £19,295,000 and this was recognised directly in equity in the prior period.

Notes (continued)

2 Acquisitions and disposal of businesses (continued)

Disposal of businesses in the prior period (continued)

In the prior period, the Group sold 75% of its investment in TDCO Limited to UK Tote Group Limited for a total consideration of £450,000. The profit on disposal of this investment was £588,000 and this was recognised directly in equity in the prior period.

An option was granted for UK Tote Group Limited to purchase the remaining shareholding of TPoolco Limited and TDCO Limited over the next five years. The directors consider the exercise price of the call option to be comparable to the market value at the time of granting the option. As such, the option is expected to have a nil value at 29th September 2019.

Disposal of businesses in the current period

On 16th October 2019, UK Tote Group Limited purchased the remaining 75% of share capital of Tpoolco Limited. Tpoolco Limited owns 100% of Tote Direct Limited and Totepool Alderney Limited. In the prior period, the results of Tpoolco Limited, Tote Direct Limited and Totepool Alderney Limited were consolidated into the results of the Group and this is now shown separately within discontinued operations in the profit and loss account. As the group is deemed to have lost control of Tpoolco Limited, Tote Direct Limited and Totepool Alderney Limited at 29 September 2019, they have been deconsolidated from these financial statements with effect from 30 September 2018.

3 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 interest of the Company.

4 Other operating income

	2019 £000	2018 £000
Rental income	1,428	1,468
Other	1,118	1,186
	<u>2,546</u>	<u>2,654</u>

Notes (continued)

5 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2019 £000	2018 £000
Impairment of intangible assets	444	40,098
Reversal of impairment on intangible assets	(4,696)	-
Impairment of tangible fixed assets	1,517	15,775
Reversal of impairment on tangible fixed assets	(9,648)	(1,076)
Depreciation of tangible fixed assets	18,147	22,319
Net loss on disposal of tangible fixed assets	292	1,069
Amortisation of intangible assets	13,507	18,866
Operating lease land & buildings	46,458	46,762
Operating lease plant & machinery	6,631	5,478
Research and development expensed as incurred	1,316	2,493

Auditor's remuneration:

Audit of these financial statements	38	10
Audit of subsidiary financial statements pursuant to legislation	323	338
Other assurance services	-	4
Taxation compliance services	5	3
Other tax advisory services	-	22
All other services	-	25

6 Employee numbers and costs

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

	2019 No.	2018 No.
Office, management and sales staff	7,154	7,516

The aggregate payroll costs of the above were:

	2019 £000	2018 £000
Wages and salaries	172,991	174,753
Social security costs	11,124	11,273
Other pension costs	3,817	3,314
	187,932	189,340

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

Notes (continued)

7 Directors' remuneration

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

	2019	2018
	£000	£000
Aggregate emoluments	1,091	1,085
Company contributions to money purchase pension schemes	30	53
Compensation for loss of office	229	-
	<u>1,350</u>	<u>1,138</u>

The aggregate emoluments of the highest paid director were £414,000 (2018: £349,000) and company pension contributions of £13,000 (2018: £26,000) were made to a money purchase scheme on their behalf.

The number of directors who accrued benefits under company pension schemes was as follows:

	2019	2018
	No.	No.
Money purchase scheme	<u>2</u>	<u>2</u>

8 Exceptional items

	2019	2018
	£000	£000
<i>Pre-operating profit</i>		
Impairment of intangible assets - goodwill	-	30,791
Reversal of impairment of intangible assets - licences	(4,696)	-
Impairment of intangible assets - licences	444	9,307
Reversal of impairment of tangible fixed assets	(9,648)	(1,076)
Impairment of tangible fixed assets	1,517	15,775
Onerous lease provisions (reversed)/made during the period	(31,972)	58,030
Dilapidations provisions (reversed)/made during the period	(1,407)	3,464
Reversal of bad debt provision	(10,294)	-
Other provisions (reversed)/made during the period	(1,834)	3,329
	<u>(57,890)</u>	<u>119,620</u>

Exceptional items predominantly relate to net reversal of impairments in the Retail estate following the implementation of changes to FOBT stakes as a result of the Triennial Review with the maximum stake being reduced from £100 to £2. The results were not as bad as expected. The impairments are presented as exceptional due to being material and one-off in nature.

In the current period, the Group impaired goodwill by £nil (2018: £29,285,000) in respect of the Retail business and £nil (2018: £1,506,000) in relation to the Kerching acquisition.

9 Income from investments

The Group holds an investment in Sports Information Services (Holdings) Limited of 5.99%. Dividends of £2,399,000 were received in the period ended 29 September 2019 (2018: £900,000).

The Group holds an investment in shares listed on the London Stock Exchange. Dividends of £619,000 were received in the period ended 29 September 2019 (2018: £nil). The Group's investment in these shares was revalued in the period ended 29 September 2019 resulting in a fair value gain of £1,934,000 (2018: £nil).

An off market loan commitment from a third party was revalued in the period ended 29 September 2019 resulting in an increase in fair value of £6,014,000 (2018: £nil).

The Group's investment in Tpoolco Limited was revalued in the period ended 29 September 2019 resulting in a fair value gain of £86,761,000 (2018: £nil).

Notes (continued)

10 Interest receivable and similar income

	2019 £000	2018 £000
Bank interest receivable	175	30
Other interest receivable	2,011	995
Net interest received on pension liabilities	262	50
	<u>2,448</u>	<u>1,075</u>

11 Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on bank loans and overdrafts	2,047	3,361
Other interest payable	1	588
Unwinding of discounted provision	1,515	398
Net foreign exchange losses	168	-
	<u>3,731</u>	<u>4,347</u>

12 Taxation

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

	2019 £000	2019 £000	2018 £000	2018 £000
<i>Current tax</i>				
Current tax on income for the period	13,130		5,002	
Adjustments in respect of prior periods	(636)		(148)	
Total current tax		12,494		4,854
<i>Deferred tax (see note 20)</i>				
Origination and reversal of timing differences	948		(8,083)	
Adjustments in respect of prior periods	564		43	
Total deferred tax		1,512		(8,040)
Total tax		<u>14,006</u>		<u>(3,186)</u>

	2019 £000	2019 £000	2019 £000	2018 £000	2018 £000	2018 £000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	12,494	2,027	14,521	4,854	(7,940)	(3,086)
Recognised in other comprehensive income	-	(515)	(515)	-	(100)	(100)
Total tax	<u>12,494</u>	<u>1,512</u>	<u>14,006</u>	<u>4,854</u>	<u>(8,040)</u>	<u>(3,186)</u>

Notes (continued)

12 Taxation (continued)

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit/(loss) for the period	156,692	(40,720)
Total tax expense/(credit)	14,521	(3,086)
Profit/(loss) excluding taxation	171,213	(43,806)
Tax using the UK corporation tax rate of 19% (2018: 19%)	32,530	(8,323)
Effect of tax rates in foreign jurisdictions	(576)	(737)
Reduction in tax rate on deferred tax balances	140	795
Non-deductible expenses	1,554	8,490
Tax exempt revenues	(19,458)	(696)
Deferred tax not recognised	403	(2,510)
Over provided in prior periods	(72)	(105)
Total tax expense/(credit) included in profit or loss	14,521	(3,086)

A reduction in the UK corporation tax rate from 20% to 19% occurred on 1 April 2017. 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.

13 Intangible assets

Group

	Goodwill £000	Licences £000	Favourable leases £000	Other £000	Total £000
Cost					
At 30 September 2018	353,583	57,234	487	67	411,371
Disposals	-	(35,506)	-	-	(35,506)
At 29 September 2019	353,583	21,728	487	67	375,865
Amortisation and impairment					
At 30 September 2018	261,440	48,194	443	31	310,108
Disposals	-	(35,420)	-	-	(35,420)
Charge for the period	11,403	2,053	15	36	13,507
Impairment of assets	-	444	-	-	444
Reversal of impairment	-	(4,696)	-	-	(4,696)
At 29 September 2019	272,843	10,575	458	67	283,943
Net book value					
At 30 September 2018	92,143	9,040	44	36	101,263
At 29 September 2019	80,740	11,153	29	-	91,922

Company

The Company has no intangible assets.

Notes (continued)

14 Tangible fixed assets

Group

	Property £000	Alterations to premises £000	Plant, machinery & equipment £000	Fixtures & fittings £000	Total £000
Cost					
At 30 September 2018	23,632	61,412	126,520	76,058	287,622
Additions	119	776	8,676	911	10,482
Disposals	(208)	(6,074)	(26,378)	(13,921)	(46,581)
At 29 September 2019	23,543	56,114	108,818	63,048	251,523
Depreciation and impairment					
At 30 September 2018	10,254	54,234	105,864	66,759	237,111
Charge for the period	554	2,924	11,573	3,096	18,147
Disposals	(160)	(5,701)	(24,384)	(13,894)	(44,139)
Impairment of assets	182	597	41	697	1,517
Reversal of impairment	(2,139)	(2,364)	(116)	(5,029)	(9,648)
At 29 September 2019	8,691	49,690	92,978	51,629	202,988
Net book value					
At 30 September 2018	13,378	7,178	20,656	9,299	50,511
At 29 September 2019	14,852	6,424	15,840	11,419	48,535

The net book value of equipment includes an amount of £48,000 (2018: £910,000) in respect of assets held under finance leases. Depreciation on these assets in the current period was £855,000 (2018: £1,959,000).

The net book value of properties comprises:

	2019 £000	2018 £000
Freeholds	13,200	13,005
Long leaseholds (over 50 years)	851	457
Short leaseholds (under 50 years)	253	285
Other expenditure related to buildings	548	(369)
Total property	14,852	13,378

Contracted, but not accrued, capital commitments at 29 September 2019 were £nil (2018: £nil).

Fixed and floating charges are held over the assets of the Company, and the wider Group by the Group's bankers (see note 25).

Company

The Company has no tangible fixed assets.

Notes (continued)

15 Investments

Group

	Shares in associates £000	Other investments £000	Total £000
Cost			
At 30 September 2018	138	1,650	1,788
Additions	-	17,696	17,696
Change in fair value	(138)	91,072	90,934
At 29 September 2019	-	110,418	110,418
Provisions			
At 30 September 2018	-	-	-
Impairment losses	-	-	-
At 29 September 2019	-	-	-
Net book value			
At 30 September 2018	138	1,650	1,788
At 29 September 2019	-	110,418	110,418

Other investments of £110,418,000 (2018: £1,650,000) represents £1,566,000 (2018: £1,566,000) in relation to an investment in Sports Information Services (Holdings) Limited (SIS), in which the Group has a 5.99% holding; £84,000 (2018: £84,000) in relation to Greyhound TV Limited, in which the Group has a 16.67% holding; £19,630,000 (2018: £nil) in relation to an investment in publicly traded shares; £138,000 (2018: £138,000) in relation to an investment in TDCO Limited, in which the Group has a 25% holding; and £89,000,000 (2018: £nil) in relation to an investment in Tpoolco Limited, in which the Group has a 75% holding. A dividend of £2,399,000 was received in the period ended 29 September 2019 (2018: £900,000), in relation to the SIS investment; and a dividend of £619,000 was received in the period ended 29 September 2019 (2018: £nil) in relation to the publicly traded shares.

The Group's investment in Tpoolco Limited was previously held as a wholly owned subsidiary and fully consolidated into the Group's results. Tpoolco Limited was deconsolidated from the Group effective from 30 September 2018 as the Group lost control in the current period. The Group's investment in Tpoolco was transferred to Other Investments in the current period and the investment was fair valued. The impact on the profit and loss account is a fair value gain of £86,761,000 and this is included within Income from Investments.

Company

	Shares in Group undertakings £000
Cost and net book value	
At 30 September 2018 and 29 September 2019	113,015

Notes (continued)

15 Investments (continued)

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

	Aggregate of capital and reserves £000	Profit/ (loss) for the year £000	Registered office address	Class of shares held	Ownership 2019 %	Ownership 2018 %
Subsidiary undertakings						
Lightcatch Limited	46,980	(90)	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Done Brothers (Cash Betting) Limited	28,926	47,913	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Tote (Successor Company) Limited	229,064	95,055	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Tote Bookmakers Limited	74,724	4,337	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Petfre (Gibraltar) Limited	(24,603)	7,088	5/2 Waterport Place, Gibraltar	Ordinary	100	100
Kerching (Gibraltar) Limited	(1,475)	(237)	57/63 Line Wall Road, Gibraltar	Ordinary	100	100
Betfred International Holdings Limited	-	-	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	0
Betfred Spain S.A.	(1,610)	(1,629)	Calle Pedro De Meneses 8, Local 51001, Ceuta, Spain	Ordinary	100	0
Betfred USA Sports LLC	(867)	(836)	105 E.Reno Ave, Suite 8, Las Vegas, Nevada, 89119	Ordinary	100	0
Betfred USA Sports (Two) LLC	-	-	105 E.Reno Ave, Suite 8, Las Vegas, Nevada, 89119	Ordinary	100	0
Betfred USA (IP) LLC	-	-	105 E.Reno Ave, Suite 8, Las Vegas, Nevada, 89119	Ordinary	100	0
Betfred Sports (Iowa) LLC	(43)	(76)	105 E.Reno Ave, Suite 8, Las Vegas, Nevada, 89119	Ordinary	100	0
Other investments						
Tote Digital Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ			Ordinary	100	100
Tote Credit Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ			Ordinary	100	100
Bluegrass Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ			Ordinary	100	100
TDCO Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ			Ordinary	25	25

Notes (continued)

15 Investments (continued)

Tpoolco Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	75	75
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Tote Digital Limited, Tote Credit Limited and Bluegrass Limited are considered to be other investments as they are no longer trading. TDCO Limited and Tpoolco Limited are considered to be other investments as the Group lost control during the current period and TDCO Limited and Tpoolco Limited have been deconsolidated from the Group.

The company also holds the following investments in dormant companies.

	Registered office address	Class of shares held	Ownership 2019 %	Ownership 2018 %
Tote Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Tote Investors Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Tote Computer Services Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Tote Course Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Tote Europools Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Tote UK International Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Totepool Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Totesport Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Demmy the Bookmaker Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Hanley Racing Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Giftcircle Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
A&R Racing Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
The Chase Retail Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Betfred Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100
Dyne Management Limited	The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ	Ordinary	100	100

Notes (continued)

16 Debtors

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade debtors	1,584	2,363	-	-
Amounts owed by related parties	70,234	24,421	-	-
Off market loan commitment	6,014	-	-	-
Other debtors	9,434	7,493	-	-
Prepayments and accrued income	21,736	20,594	-	-
Deferred tax asset (note 20)	7,010	8,853	-	-
	116,012	63,724	-	-

Group

Included within amounts owed by related parties is £52,020,000 (2018: £24,421,000) which is not expected to be recovered in one year.

Amounts owed by related parties includes £6,894,000 (2018: £6,664,000) due from Moneta Communications Holdings Limited which bears interest at 3.25% plus LIBOR per annum; £11,083,000 (2018: £9,432,000) due from Tote Media Limited which bears interest at 3.25% plus LIBOR per annum; £16,617,000 (2018: £7,565,000) due from Sharp Gaming Limited which bears interest at 5.00% per annum; £1,721,000 (2018: £759,000) due from The Sportsman Media Group which bears interest at 5.00% per annum; £709,000 (2018: £nil) due from Gaming USA which bears interest at 3.25% plus LIBOR per annum; £14,997,000 (2018: £nil) due from Goldentree Financial Services PLC which bears interest at 7.00% per annum; and £18,086,000 (2018: £nil) due from FICM Limited which bears interest at 7.00% per annum.

17 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Bank loans and overdrafts (note 19)	-	13,513	-	-
Trade creditors	4,573	10,860	-	-
Customer accounts	18,465	17,674	-	-
Obligations under finance leases (note 19)	124	298	-	-
Corporation tax	9,121	1,224	-	-
Other taxation and social security	27,745	39,744	-	-
Unfavourable leases	154	202	-	-
Other creditors	10,881	14,746	-	-
Accruals and deferred income	22,072	18,959	-	-
	93,135	117,220	-	-

Notes (continued)

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Bank loans and overdrafts (note 19)	-	51,963	-	-
Obligations under finance leases (note 19)	-	124	-	-
Unfavourable leases	400	389	-	-
Other creditors	79	105	-	-
Accruals and deferred income	1,424	1,586	-	-
	<u>1,903</u>	<u>54,167</u>	<u>-</u>	<u>-</u>

19 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		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Creditors falling due more than one year				
Secured bank loans	-	53,000	-	-
Finance lease liabilities	-	124	-	-
	<u>-</u>	<u>53,124</u>	<u>-</u>	<u>-</u>
Total borrowings	-	53,124	-	-
Less unamortised issue costs	-	(1,037)	-	-
	<u>-</u>	<u>52,087</u>	<u>-</u>	<u>-</u>
Total borrowings less unamortised issue costs	-	52,087	-	-
Creditors falling within less than one year				
Secured bank loans	-	14,017	-	-
Finance lease liabilities	124	298	-	-
	<u>124</u>	<u>14,315</u>	<u>-</u>	<u>-</u>
Total borrowings	124	14,315	-	-
Less unamortised issue costs	-	(504)	-	-
	<u>124</u>	<u>13,811</u>	<u>-</u>	<u>-</u>
Total borrowings less unamortised issue costs	124	13,811	-	-

Bank loans

In the period ended 24 September 2017, the Group refinanced its loan facilities resulting in an extinguishment of the previous facility. The principal amount of the new facility was £175,000,000. £67,000,000 was repaid during the year (2018: £79,000,000) and the balance at 29th September 2019 is £nil (2018: £67,000,000) as the loan was repaid early before the original due date of 16 October 2021.

£2,529,000 of deferred finance costs relating to the new loan were capitalised in the period ended 24 September 2017. The remaining balance was amortised in the period ending 29 September 2019.

Finance lease and hire purchase contracts

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

Notes (continued)

19 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019 £000	2018 £000
Bank Loan 1	£	4.15%	2018	17	-	17
Bank Loan 2	£	1.75%-3% plus LIBOR	2021	67,000	-	67,000
Finance lease liabilities	£	4.15%	2020	422	124	422
					<u>124</u>	<u>67,439</u>

20 Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2019 £000	Assets 2018 £000	Liabilities 2019 £000	Liabilities 2018 £000	Net 2019 £000	Net 2018 £000
Accelerated capital allowances	5,700	7,596	-	-	5,700	7,596
Arising on business combinations	-	-	(1,896)	(1,537)	(1,896)	(1,537)
Employee benefits	615	145	-	-	615	145
Unused tax losses	-	447	-	-	-	447
Fair value gains	-	-	(329)	-	(329)	-
Other	695	665	-	-	695	665
Net tax assets/(liabilities)	<u>7,010</u>	<u>8,853</u>	<u>(2,225)</u>	<u>(1,537)</u>	<u>4,785</u>	<u>7,316</u>

Company

The Company has no deferred tax.

21 Provisions for liabilities and charges

Group

	Deferred tax £000	Dilapidation provision £000	Onerous lease provision £000	VAT provision £000	Other provision £000	Total £000
Balance at 30 September 2018	1,537	4,991	67,336	-	3,329	77,193
Provisions made during the period	688	1,229	3,930	111,536	-	117,383
Provisions used/released during the period	-	(2,718)	(35,904)	-	(1,834)	(40,456)
Unwinding of discounted amount	-	-	1,515	-	-	1,515
Balance at 29 September 2019	<u>2,225</u>	<u>3,502</u>	<u>36,877</u>	<u>111,536</u>	<u>1,495</u>	<u>155,635</u>

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

- An onerous lease provision of £36,877,000 (2018: £67,336,000) 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.
- £3,502,000 (2018: £4,991,000) in relation to dilapidation costs associated with the Group's retail estate.

Notes (continued)

21 Provisions for liabilities and charges (continued)

The VAT provision is in relation to the group's successful claim in the prior year against HMRC in respect of VAT paid on the Group's FOBT machines, dating back to 2005. This resulted in a gross repayment of £107m (prior to fees and other distributions). In the current year, HMRC were granted an appeal at the Upper Tier tribunal which will be heard at some point in the future. We have therefore not recognised the value of the claim in these financial statements as the final outcome of the case is still unknown. The provision is the amount received, which may become repayable, including interest and after accounting for fees which may become recoverable.

Company

The Company has no provisions.

22 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, Tote (Successor Company) Limited is an associate employer.

Assets are held, separately from those of Tote (Successor Company) Limited, in trustee-administered funds. The pension scheme has a sole independent corporate trustee.

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) Limited 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 the period ended 29 September 2019, amounted to £2,770,000 (2018: £540,000).

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 (Successor Company) Limited is an associate employer. The latest available actuarial review of the scheme was at 31 March 2018. This valuation has been updated to 29 September 2019 by a qualified actuary, independent of the scheme's sponsoring employer.

Net pension (liability)/asset

	2019 £000	2018 £000
Defined benefit obligation	(114,354)	(100,668)
Plan assets	122,111	108,519
Surplus in plan	7,757	7,851
Unrecognised surplus	(7,757)	(7,851)
Net pension surplus/(deficit)	-	-

Notes (continued)

22 Employee Benefits (continued)

Movements in present value of defined benefit obligations

	2019 £000	2018 £000
At 30 September 2018	100,668	106,351
Interest expense	2,797	2,700
Re-measurement: actuarial losses/(gains)	15,074	(3,459)
Benefits paid & expenses	(4,572)	(4,924)
Losses due to benefit changes	387	
At 29 September 2019	<u>114,354</u>	<u>100,668</u>

Movements in fair value of plan assets

	2019 £000	2018 £000
At 30 September 2018	108,519	107,998
Interest income	3,059	2,750
Actuarial gains	12,335	2,155
Contributions by employer	2,770	540
Benefits paid & expenses	(4,572)	(4,924)
At 29 September 2019	<u>122,111</u>	<u>108,519</u>

If there had been no limit on the expected return of scheme assets due to the surplus not being recoverable, the expected return on scheme assets would have been £4,725,000 (2018: £7,261,000) . £7,757,000 (2018: £7,851,000) of expected returns are not disclosed in the profit and loss account due to the surplus not being recognised. Therefore, the net re-measurement loss for the current period recognised in other comprehensive income is £3,032,000 (2018: loss of £590,000) .

Expense recognised in the profit and loss account

	2019 £000	2018 £000
Net interest receivable on net defined benefit liability	(262)	(50)
Total expense recognised in profit or loss	<u>(262)</u>	<u>(50)</u>

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

	2019 Fair value £000	2018 Fair value £000
Government debt	27,423	22,065
Corporate bonds	8,530	8,298
Cash	577	232
Absolute Return Funds	17,611	15,615
Insurance Policies	45,960	43,212
Direct Lending/Real Estate Debt	22,010	19,097
	<u>122,111</u>	<u>108,519</u>
Actual return on plan assets	<u>17,559</u>	<u>1,474</u>

Notes (continued)

22 Employee Benefits (continued)

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 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 year end were as follows:

	2019	2018
Discount rate	1.85	2.85
Inflation (CPI)	3.10	2.20
Inflation (RPI)	2.10	3.20
Future salary increases	n/a	n/a
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.10	2.20
Allowance for pension in payment increases of CPI or 5% p.a. if less	2.10	2.20
Allowance for pension in payment increases of CPI or 3% p.a. if less	2.10	2.20
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	2.10	2.20
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.10	3.20
Allowance for pension in payment increases of RPI or 3% p.a. if less	3.00	3.00
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	2.50	2.50

The last full actuarial valuation was performed on 31 March 2018, and has been updated to 29 September 2019.

In valuing the liabilities of the pension fund at 29 September 2019, 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 2019: 26.4 years
- Female retiring at age 60 in 2019: 28.4 years
- Male retiring at age 60 in 2039: 27.9 years
- Female retiring at age 60 in 2039: 30.0 years

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension (GMP) benefits for the effect of unequal GMPs accrued between 1990 and 1997. The issues determined by the judgement affect many other UK defined benefit pension schemes. We are working with the trustee of our pension scheme, and our actuarial and legal advisers, to understand the extent to which the judgement crystallises additional liabilities for the pension scheme.

The true impact of GMP equalisation on the scheme will not be known until members' benefits have been rectified, which could take over a year. However, we understand that it is necessary under the relevant accounting standard, to make allowance for the estimated impact of GMP equalisation as at the date of the judgement.

The estimated impact of the equalisation of GMP benefits is £407,000. This has not been recognised in the profit and loss account as there is an unrecognised pension surplus. The unrecognised pension surplus has been reduced by the value of the equalisation of GMP benefits.

Defined contribution plans

The group operates a defined contribution pension plan.

The total expenses relating to these plans in the current period was £3,817,000 (2018: £3,314,000).

Notes (continued)

23 Capital and reserves

Called up share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
195,200 ordinary shares of £0.10 each	<u>19,520</u>	<u>19,520</u>

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.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Land and buildings				
Less than one year	35,955	40,065	-	-
Between one and five years	82,459	105,881	-	-
More than five years	23,229	33,079	-	-
	<u>141,643</u>	<u>179,025</u>	<u>-</u>	<u>-</u>
Other				
Less than one year	3,310	4,709	-	-
Between one and five years	3,390	796	-	-
More than five years	-	-	-	-
	<u>6,700</u>	<u>5,505</u>	<u>-</u>	<u>-</u>

During the year £53,089,000 (2018: £52,240,000) was recognised as an expense in the profit and loss account in respect of operating leases.

25 Commitments and 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 29 September 2019 the Group's potential exposure under the unlimited cross-guarantee arrangement was £nil (2018: £8,424,000).

Given the Group's nature of business, the Group 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 Group 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 Group's nature of business.

Notes (continued)

26 Related parties

Group

Loans

Moneta Communications Holdings Limited has a facility with the Group and as at 29 September 2019 £6,894,000 (2018: £6,664,000) was outstanding. The loan carries interest at 3.25% + LIBOR. Moneta Communications Holdings Limited is an entity which Mr F Done or close family has a beneficial interest.

The Sportsman Media Group also has a facility with the Group and as at 29 September 2019 £1,721,000 (2018: £759,000) was outstanding. The loan carries interest at 5%. The Sportsman Media Group is an entity which Mr F Done or close family has a beneficial interest.

Gaming USA Limited also has a facility with the Group and as at 29 September 2019 £709,000 (2018: £nil) was outstanding. The loan carries interest at 3.25% + LIBOR. Gaming USA Limited is an entity which Mr F Done or close family has a beneficial interest.

Goldentree Financial Services PLC also has a facility with the Group and as at 29 September 2019 £14,997,000 (2018: £nil) was outstanding. The loan carries interest at 7%. Goldentree Financial Services PLC is an entity which Mr F Done or close family has a beneficial interest.

FICM Limited has a short term facility with the Group and as at 29 September 2019 £18,086,000 (2018: £nil) was outstanding. The loan carries interest at 7%. FICM Limited is an entity which Mr F Done or close family has a beneficial interest.

Transactions with key management personnel

Total compensation of key management personnel in the period amounted to £2,591,000 (2018: £2,277,000).

Turnover

Included in Turnover is £2,553,000 (2018: £2,503,000) received from Tote Direct Limited for commissions received. The amount due from Tote Direct Limited at 29 September 2019 was £nil (2018: £nil). Tote Direct Limited is 100% owned by Tpoolco Limited which was 75% owned by Betfred Group Limited at 29 September 2019. UK Tote Group Limited purchased the remaining 75% of Tpoolco Limited on 16 October 2019 so is deemed to be the ultimate controlling party of Tote Direct Limited at 29 September 2019.

Also included in Turnover is £1,151,000 (2018: £1,109,000) paid to Totepool Alderney Limited for amounts wagered less commissions. The amount owed to Totepool Alderney Limited at 29 September 2019 was £103,000 (2018: £255,000). Totepool Alderney Limited is 100% owned by Tpoolco Limited which was 75% owned by Betfred Group Limited at 29 September 2019. UK Tote Group Limited purchased the remaining 75% of Tpoolco Limited on 16 October 2019 so is deemed to be the ultimate controlling party of Totepool Alderney Limited at 29 September 2019.

Administrative expenses

Excluding the rental costs referred to below, total expenses of £49,793,000 (2018: £46,718,000) 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 £40,780,000 (2018: £36,535,000) paid to Sports Information Services (Holdings) Limited for TV streaming in the Group's LBOs. The Group has a 5.99% holding in Sports Information Services (Holdings) Limited (formerly Satellite Information Services (Holdings) Limited). Expenses were incurred on normal commercial terms.

Rental costs

Rental costs include £2,208,000 (2018: £2,431,000) 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 (2018: £nil). Rents were made on normal commercial terms.

Notes (continued)

26 Related parties (continued)

Investment income

Investment income during the period of £2,399,000 (2018: £900,000) was received from Sports Information Services (Holdings) Limited which is considered to be a related party as Mr F Done is a director of that company.

Investment income during the period of £6,014,000 (2018: £nil) was received from Tpoolco Limited which is considered to be a related party as Tote (Successor Company) Limited owned 75% of the shares as at 29 September 2019.

Company

There were no related party transactions in the Company.

27 Ultimate parent company

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

28 Accounting estimates and judgements

Key sources of estimation uncertainty

The Group 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. The Directors consider that their estimates are appropriate.

The results of the Triennial Review of stakes and prizes are now known with the maximum stake on FOBT machines being reduced from £100 to £2. The outcome led to a significant decline in expected future cash flows leading to impairments and provisions being recognised in the prior period. However, the impact on customer behaviour was not as significant as initially expected resulting in some of the impairments and provisions previously recognised being reversed or released in the current period (see note 8).

The group holds a defined benefit pension scheme which is in a surplus position as at 29 September 2019. This has not been recognised on the balance sheet as it is not deemed to be recoverable.

29 Contingent Assets and Liabilities

Contingent Liability

The Company has guaranteed property deposits amounting to £10,948,000 as at 29 September 2019 (2018: £nil).

30 Subsequent events

On 16th October 2019, UK Tote Group Limited exercised their option to purchase the remaining 75% of the share capital of Tpoolco Limited and the remaining 25% of the share capital of TDCO Limited from Tote (Successor Company) Limited for a total consideration of £95m. From 16th October 2019, UK Tote Group Limited own 100% of the share capital of Tpoolco Limited and 100% of the share capital of TDCO Limited and are the ultimate controlling party.

On 14 January 2020, the Gambling Commission announced that, from April 2020, credit cards can no longer be used to gamble on-line. The Group has reviewed the potential impact and does not expect it to be material.