

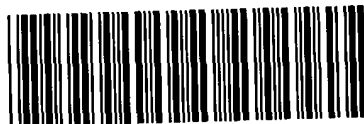
**Betfred Group Limited**

**Annual report and consolidated  
financial statements**

**Registered number 07717019**

**30 September 2018**

WEDNESDAY



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COMPANIES HOUSE

## **Contents**

|   |           |
|---|-----------|
| <b>Company information</b>  | <b>1</b>  |
| <b>Strategic report</b>   | <b>2</b>  |
| <b>Directors' report</b>  | <b>5</b>  |
| <b>Statement of directors' responsibilities in respect of the strategic report, directors report and financial statements</b> | <b>7</b>  |
| <b>Independent auditor's report to the members of Belfred Group Limited</b>   | <b>8</b>  |
| <b>Consolidated profit and loss account and other comprehensive income</b>  | <b>10</b> |
| <b>Consolidated balance sheet</b>   | <b>11</b> |
| <b>Company balance sheet</b>  | <b>12</b> |
| <b>Consolidated statement of changes in equity</b>  | <b>13</b> |
| <b>Company statement of changes in equity</b>   | <b>14</b> |
| <b>Consolidated cash flow statement</b>   | <b>15</b> |
| <b>Notes</b>  | <b>16</b> |

**Company information**

**Directors of the Company:**

F Done  
N Barr  
M Stebbings

**Company Secretary:**

M R 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 30 September 2018.

### Principal activities

The principal activity of the Group continued to be trading as a bookmaker. The Group utilises a number of trade names including Betfred, Totepool and Tote. During the period the Group operated through Licensed Betting Offices ("LBOs") and internet operations.

During the 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. It did, however, continue with its off course business to business pool betting operation. The trade and assets of Totepool were transferred into a new subsidiary undertaking, TPoolco Limited. Subsequently, Alizeti Capital Limited purchased a 25% stake in TPoolco Limited. Alizeti Capital Limited have an option to purchase the remaining 75% of TPoolco Limited within the next 5 years.

The Company acts as an investment holding company.

### Performance of the business

The loss for the period after taxation was £40.7m (2017: loss of £28.7m). The directors declared an interim dividend of £10.2m during the period (2017: £10.2m).

### Key performance indicators

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

| £'000                                      | 2018       | 2017       |
|--|------------|------------|
| Amounts wagered                            | 13,490,645 | 12,684,373 |
| Turnover                                   | 727,631    | 634,474    |
| Gross profit                               | 573,025    | 498,110    |
| Operating exceptional costs                | (119,620)  | (49,173)   |
| EBITDA, before operating exceptional costs | 119,371    | 83,347     |
| Operating (loss)/profit                    | (41,434)   | (13,392)   |
| Net assets                                 | 27,717     | 58,939     |

On an annualised gross basis, turnover for the period has increased across the business as a result of the full year impact of the expansion of the retail estate in the prior year; and an increased number of online customers.

The UK Government's decision to reduce the maximum stake on FOBT machines from £100 to £2 has impacted the operating loss for the year which is after exceptional costs of £119,620,000 (2017: £49,173,000). The exceptional costs are predominantly in relation to impairments of the Retail Division following the results of the Triennial review. The impairments were presented as exceptional due to their material and one-off nature.

The number of LBOs operating at 30 September 2018 was 1,650 (2017: 1,666). 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 results of the Triennial Review; 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.

The Group has made contributions to horse racing of £8.7m during the period (2017: £11.7m).

## Strategic report (continued)

| Non-GAAP measure: Earnings before interest, tax, depreciation, impairment, amortisation and exceptional items (EBITDA) |                                   |                                   |
|--|-----------------------------------|-----------------------------------|
|  | Period ended 30<br>September 2018 | Period ended 24<br>September 2017 |
|  | £000                              | £000                              |
| Operating (loss)/profit  | (41,434)                          | (13,392)                          |
| Add back: depreciation of tangible fixed assets  | 22,319                            | 26,568                            |
| Add back: amortisation of intangible fixed assets  | 18,866                            | 20,998                            |
| Add back: exceptional items  | 119,620                           | 49,173                            |
| <b>EBITDA before exceptional items</b>   | <b>119,371</b>                    | <b>83,347</b>                     |

### 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.

## Strategic report (continued)

### *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.

### *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.

The UK Government's decision to reduce the maximum stake on FOBT machines from £100 to £2 will lead us to remodel the Retail estate, however, the impact on customer behaviour will not be known for a number of years after implementation.

### *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: 15/01/19

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 30 September 2018.

### **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 £98,000 (2017: £129,000) 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 (2017: £nil).

### **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 (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 himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### **Going concern**

The Group is in a net current assets position of £5,515,000 at 30 September 2018 (2017: net current liabilities position of £19,139,000). The directors have considered the future profitability of the Group and its ability to continue as a going concern, and have prepared profit and cash flow forecasts into the future sensitised for reasonably possible changes in trading performance. Based on these projections, the directors are satisfied that, for the foreseeable future, the Group can meet its projected working capital requirements and service its debt financing. Consequently, the financial statements have been prepared on a going concern basis.

**Directors' report (continued)**

**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: 15/01/19

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



## **Statement of the directors' responsibilities in respect of the Strategic Report, the Directors' report and the financial statements**

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 its 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 30<sup>th</sup> September 2018 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 30<sup>th</sup> September 2018 and of the Group's loss 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.

### **Going concern**

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

### **Strategic report and directors' report**

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

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

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

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

### **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.

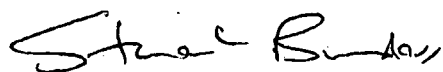
### **Auditor's responsibilities**

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](http://www.frc.org.uk/auditorsresponsibilities).

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

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



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

Date: 15/01/2019

**Consolidated profit and loss account and other comprehensive income**  
*for the period ended 30 September 2018*

|  | <i>Note</i> | 2018<br>£000    | 2017<br>£000    |
|--|-------------|-----------------|-----------------|
| Amounts wagered  |             | 13,490,645      | 12,684,373      |
| <b>Turnover</b>  | <b>3</b>    | <b>727,631</b>  | <b>634,474</b>  |
| Betting duty   |             | (54,714)        | (46,110)        |
| Machine gaming duty  |             | (87,076)        | (79,185)        |
| Statutory betting levy                                     |             | (12,816)        | (11,069)        |
| <b>Gross profit</b>  |             | <b>573,025</b>  | <b>498,110</b>  |
| Administrative expenses – before goodwill amortisation     |             | (478,627)       | (442,661)       |
| Administrative expenses – goodwill & licence amortisation  | 12          | (18,866)        | (20,998)        |
| Exceptional costs  | 8           | (119,620)       | (49,173)        |
| Other operating income                                     | 4           | 2,654           | 1,330           |
| <b>Operating loss</b>                                      | <b>4-8</b>  | <b>(41,434)</b> | <b>(13,392)</b> |
| Income from investment                                     |             | 900             | -               |
| Interest receivable and similar income                     | 9           | 1,075           | 1,459           |
| Interest payable and similar expenses                      | 10          | (4,347)         | (6,147)         |
| <b>Loss before taxation</b>                                |             | <b>(43,806)</b> | <b>(18,080)</b> |
| Tax on loss  | 11          | 3,086           | (10,602)        |
| <b>Loss after taxation</b>                                 |             | <b>(40,720)</b> | <b>(28,682)</b> |
| <i>Loss attributable to</i>                                |             |                 |                 |
| Shareholders of the parent company                         |             | (41,099)        | (28,682)        |
| Non-controlling interest                                   |             | 379             | -               |
| <b>Total loss</b>  |             | <b>(40,720)</b> | <b>(28,682)</b> |
| <b>Other comprehensive income</b>                          |             |                 |                 |
| Gain on disposal of non-controlling interest               |             | 20,138          | -               |
| Re-measurement of the net defined benefit liability        |             | (590)           | 2,933           |
| Tax on other comprehensive income                          |             | 100             | (499)           |
| <b>Total comprehensive income for the financial period</b> |             | <b>(21,072)</b> | <b>(26,248)</b> |
| <i>Total comprehensive income attributable to</i>          |             |                 |                 |
| Shareholders of the parent company                         |             | (21,706)        | (26,248)        |
| Non-controlling interest                                   |             | 634             | -               |
| <b>Total comprehensive income</b>                          |             | <b>(21,072)</b> | <b>(26,248)</b> |

The notes on pages 16 to 42 form an integral part of these financial statements.

**Consolidated balance sheet**  
*at 30 September 2018*

|   | Note | 2018<br>£000 | 2018<br>£000 | 2017<br>£000 | 2017<br>£000 |
|---|------|--------------|--------------|--------------|--------------|
| <b>Fixed assets</b>   |      |              |              |              |              |
| Intangible assets   | 12   | 101,263      |              | 159,219      |              |
| Tangible fixed assets   | 13   | 50,511       |              | 76,453       |              |
| Investments   | 14   | 1,788        |              | 1,650        |              |
|   |      |              | 153,562      |              | 237,322      |
| <b>Current assets</b>   |      |              |              |              |              |
| Stock   |      | 435          |              | 18           |              |
| Debtors (including £24.4m (2017: £22.9m) due beyond one year) | 15   | 63,724       |              | 55,667       |              |
| Cash at bank and in hand                                      |      | 58,576       |              | 60,172       |              |
|   |      | 122,735      |              | 115,857      |              |
| <b>Creditors: amounts falling due within one year</b>         | 16   | (117,220)    |              | (134,996)    |              |
| <b>Net current liabilities</b>                                |      |              | 5,515        |              | (19,139)     |
| <b>Total assets less current liabilities</b>                  |      |              | 159,077      |              | 218,183      |
| <b>Creditors: amounts falling due after one year</b>          | 17   |              | (54,167)     |              | (134,395)    |
| <b>Provision for liabilities and charges</b>                  | 21   |              | (77,193)     |              | (24,849)     |
| <b>Pension liability and similar obligations</b>              | 22   |              | -            |              | -            |
| <b>Net assets</b>   |      |              | 27,717       |              | 58,939       |
| <b>Called up share capital</b>                                | 23   |              | 19           |              | 19           |
| <b>Profit and loss account</b>                                |      |              | 27,064       |              | 58,920       |
| <b>Equity attributable to the parent's shareholders</b>       |      |              | 27,083       |              | 58,939       |
| <b>Non-controlling interest</b>                               |      |              | 634          |              | -            |
| <b>Shareholder's funds</b>                                    |      |              | 27,717       |              | 58,939       |

The notes on pages 16 to 42 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: 15/01/19

Company number: 07717019

**Company balance sheet**  
*at 30 September 2018*

|  | <i>Note</i> | <i>Note</i> | <b>2018</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> |
|--|-------------|-------------|----------------------------|----------------------------|
| <b>Fixed assets</b>                          |             |             |                            |                            |
| Investments                                  | 13          | 14          | 113,015                    | 113,015                    |
| <b>Total assets less current liabilities</b> |             |             | <b>113,015</b>             | <b>113,015</b>             |
| <b>Shareholder's funds</b>                   |             |             |                            |                            |
| Called up share capital                      | 22          | 23          | 19                         | 19                         |
| Profit and loss account                      |             |             | -                          | -                          |
| Merger relief reserve                        |             |             | 112,996                    | 112,996                    |
| <b>Shareholder's funds</b>                   |             |             | <b>113,015</b>             | <b>113,015</b>             |

The notes on pages 16 to 42 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: 15/01/19

Company registered number: 07717019

**Consolidated statement of changes in equity**  
*for the period ended 30 September 2018*

**Group**

|  | Called up<br>share capital<br>£000 | Profit & Loss<br>account<br>£000 | Merger relief<br>reserve<br>£000 | Total<br>Shareholder<br>Equity<br>£000 |
|--|------------------------------------|----------------------------------|----------------------------------|--|
| Balance at 23 September 2016                                 | 19                                 | 65,571                           | 29,748                           | 95,338                                 |
| <b>Total comprehensive income for the period</b>             |                                    |                                  |                                  |  |
| Loss for the period  | -                                  | (28,682)                         | -                                | (28,682)                               |
| Other comprehensive income                                   | -                                  | 2,434                            | -                                | 2,434                                  |
| <b>Total comprehensive income for the period</b>             | -                                  | (26,248)                         | -                                | (26,248)                               |
| <b>Transactions with owners, recorded directly in equity</b> |                                    |                                  |                                  |  |
| Dividends  | -                                  | (10,151)                         | -                                | (10,151)                               |
| <b>Utilisation of merger relief reserve</b>                  | -                                  | 29,748                           | (29,748)                         | -                                      |
| Balance at 24 September 2017                                 | 19                                 | 58,920                           | -                                | 58,939                                 |

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

The notes on pages 16 to 42 form an integral part of these financial statements.

**Company statement of changes in equity**  
*for the period ended 30 September 2018*

**Company**

|  | Called up<br>share capital<br>£000 | Profit & Loss<br>account<br>£000 | Merger relief<br>reserve<br>£000 | Total<br>Shareholder<br>Equity<br>£000 |
|--|------------------------------------|----------------------------------|----------------------------------|--|
| Balance at 25 September 2016                                 | 19                                 | -                                | 112,996                          | 113,015                                |
| <b>Total comprehensive income for the period</b>             |                                    |                                  |                                  |  |
| Profit for the period  | -                                  | 10,151                           | -                                | 10,151                                 |
| <b>Total comprehensive income for the period</b>             | -                                  | 10,151                           | -                                | 10,151                                 |
| <b>Transactions with owners, recorded directly in equity</b> |                                    |                                  |                                  |  |
| Dividends  | -                                  | (10,151)                         | -                                | (10,151)                               |
| Balance at 24 September 2017                                 | 19                                 | -                                | 112,996                          | 113,015                                |

|  | Called up<br>share capital<br>£000 | Profit & Loss<br>account<br>£000 | Merger relief<br>reserve<br>£000 | Total<br>Shareholder<br>Equity<br>£000 |
|--|------------------------------------|----------------------------------|----------------------------------|--|
| Balance at 24 September 2017                                 | 19                                 | -                                | 112,996                          | 113,015                                |
| <b>Total comprehensive income for the period</b>             |                                    |                                  |                                  |  |
| Profit for the period  | -                                  | 10,150                           | -                                | 10,150                                 |
| <b>Total comprehensive income for the period</b>             | -                                  | 10,150                           | -                                | 10,150                                 |
| <b>Transactions with owners, recorded directly in equity</b> |                                    |                                  |                                  |  |
| Dividends  | -                                  | (10,150)                         | -                                | (10,150)                               |
| Balance at 30 September 2018                                 | 19                                 | -                                | 112,996                          | 113,015                                |

The notes on pages 16 to 42 form an integral part of these financial statements.



**Consolidated cash flow statement**  
*for the period ended 30 September 2018*

|   | Note | 2018<br>£000   | 2017<br>£000   |
|---|------|----------------|----------------|
| <b>Cash flows from operating activities</b>           |      |                |                |
| Loss for the period                                   |      | (40,720)       | (28,682)       |
| Adjustments for:                                      |      |                |                |
| Depreciation, amortisation and impairment             |      | 95,982         | 91,669         |
| Interest receivable and similar income                |      | (1,075)        | (1,459)        |
| Interest payable and similar expenses                 |      | 4,347          | 6,147          |
| Investment income                                     |      | (900)          | -              |
| Loss on sale of intangibles and tangible fixed assets |      | 1,069          | 116            |
| Change in value of other financial liabilities        |      | (157)          | (767)          |
| Taxation  |      | (3,086)        | 10,602         |
|   |      | <hr/> 55,460   | <hr/> 77,626   |
| Increase in trade and other debtors                   |      | (1,468)        | (12,891)       |
| Increase in stock                                     |      | (417)          | (3)            |
| (Decrease)/increase in trade and other creditors      |      | (15,051)       | 22,051         |
| Increase/(decrease) in provisions                     |      | 55,355         | 4,942          |
|   |      | <hr/> 93,879   | <hr/> 91,725   |
| Contributions to defined benefit scheme               |      | (540)          | (540)          |
| Tax paid  |      | (8,927)        | (10,439)       |
|   |      | <hr/> 84,412   | <hr/> 80,746   |
| <b>Net cash from operating activities</b>             |      |                |                |
| <b>Cash flows from investing activities</b>           |      |                |                |
| Proceeds from sale of tangible fixed assets           |      | 216            | 89             |
| Proceeds from disposal of non-controlling interest    |      | 20,080         | -              |
| Interest received                                     |      | 1,075          | 1,459          |
| Dividends received                                    |      | 900            | -              |
| Loans issued  |      | (1,477)        | (17,282)       |
| Acquisition of a business                             | 2    | (490)          | (55,300)       |
| Acquisition of tangible fixed assets                  |      | (11,617)       | (22,123)       |
|   |      | <hr/> 8,607    | <hr/> (93,157) |
| <b>Net cash from investing activities</b>             |      |                |                |
| <b>Cash flows from financing activities</b>           |      |                |                |
| Repayment of borrowings                               |      | (79,747)       | (124,725)      |
| New borrowings  |      | -              | 175,000        |
| Loan issue costs                                      |      | -              | (2,529)        |
| Payment of finance lease liabilities                  |      | (989)          | (3,029)        |
| Interest paid   |      | (3,809)        | (4,983)        |
| Dividends paid  |      | (10,150)       | (10,151)       |
|   |      | <hr/> (94,615) | <hr/> 29,583   |
| <b>Net cash from financing activities</b>             |      |                |                |
| Net (decrease)/increase in cash and cash equivalents  |      | (1,596)        | 17,172         |
| Cash and cash equivalents at start of period          |      | 60,172         | 43,000         |
|   |      | <hr/> 58,576   | <hr/> 60,172   |
| <b>Cash and cash equivalents at end of period</b>     |      |                |                |

The notes on pages 16 to 42 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") as issued in August 2014. The presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The amendments to FRS102 issued in December 2017 and effective from January 2019 have been early adopted. The transition has had no effect on the financial statements.

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

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

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

#### 1.2 Measurement convention

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

#### 1.3 Going concern

The Group is in a net current assets position of £5,515,000 at 30 September 2018 (2017: net current liabilities position of £19,139,000). 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. The Group has also prepared various models taking into account the potential impact of any changes to FOBT's (as discussed in the Strategic Report). Based on these projections, the directors are satisfied that, for the foreseeable future and at least 12 months from the date of signing of these accounts, the Group can meet its projected working capital requirements and service its debt financing. Consequently, the financial statements have been prepared on a going concern basis.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.4 Basis of consolidation**

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

#### **1.5 Foreign currency**

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

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

#### **1.6 Classification of financial instruments issued by the Group**

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

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.7 Basic financial instruments**

##### *Trade and other debtors / creditors*

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

##### *Interest-bearing borrowings classified as basic financial instruments*

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

##### *Investments in preference and ordinary shares*

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

#### **1.8 Other financial instruments**

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

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

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

##### *Derivative financial instruments and hedging*

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.9 Tangible fixed assets and depreciation**

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

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

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

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

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

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

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

#### **1.10 Business combinations**

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

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

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.11 Intangible assets, goodwill and negative goodwill**

##### **Goodwill**

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

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

Goodwill - up to 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.

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

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

## **Notes (continued)**

### **I Accounting policies (continued)**

#### **1.12 Employee benefits**

##### *Defined contribution plans and other long term employee benefits*

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

##### *Defined benefit plans*

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

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

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

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

##### *Termination benefits*

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is 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.

#### **1.13 Provisions**

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.14 Turnover

The 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

#### 1.15 Expenses

##### *Operating lease*

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

##### *Finance lease*

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

##### *Interest receivable and interest payable*

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

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

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



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.16 Taxation

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

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

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

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

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

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

#### 1.17 Group reconstructions

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

## Notes (continued)

### 2 Acquisitions and disposal of businesses

#### *Acquisitions in the current period*

On 1<sup>st</sup> April 2018, the Group acquired Kerching (Gibraltar) Limited for a total consideration of £492,000. The company is 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 for the year.

#### *Effect of acquisition*

The acquisition had the following effect on the Group's assets and liabilities:

|  | Recognised values<br>on acquisition<br>£000 |
|--|---|
| Acquiree's net assets at the acquisition date: |   |
| Intangible assets                              | 67  |
| Tangible fixed assets                          | 99  |
| Trade and other debtors                        | 82  |
| Cash at bank and in hand                       | 2   |
| Trade and other creditors                      | (1,344)                                     |
|  | <hr/>                                       |
| Net identifiable assets and liabilities        | (1,094)                                     |
| Consideration paid                             | 492   |
|  | <hr/>                                       |
| Goodwill on acquisition                        | 1,586                                       |
|  | <hr/>                                       |

The Group initially expected the useful life of goodwill from this acquisition to be 10 years. However, on 30<sup>th</sup> September 2018, the Directors considered whether any fair value adjustments were necessary and the remaining goodwill of £1,506,000 was written off (see note 8).

On 10<sup>th</sup> April 2018, the Group acquired TPoolco, a newly incorporated company for a nominal amount of £1; and TDCO Limited, a newly incorporated company for a nominal amount of £1.

#### *Acquisitions in the prior period*

The Group acquired 322 LBO's from Ladbrokes Betting & Gaming Limited and Coral Racing Limited in the prior period. The new shops contributed revenue of £67,642,000 and net profit of £1,273,000 in the prior year.

The Group also acquired 3 LBO's from Stanley International Betting Limited in the prior period.

#### *Disposal of non-controlling interest in the current period*

On 18<sup>th</sup> July, the Group sold 25% of its investment in TPoolco Limited to Alizeti Capital Limited for a total consideration of £19,550,000. The profit on disposal of the non-controlling interest amounting to £19,295,000 has been recognised directly in equity.

On 18<sup>th</sup> July, the Group sold 75% of its investment in TDCO Limited to Alizeti Capital Limited for a total consideration of £450,000. The profit on disposal of £588,000 has been recognised directly in equity.

An option was granted for Alizeti Capital 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 30<sup>th</sup> September 2018 although this could change in the future.

## Notes (continued)

### 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 interests of the Company.

### 4 Other operating income

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Rental income                                 | 1,468        | 1,255        |
| Other   | 1,186        | 191          |
| Net loss on disposal of tangible fixed assets | -            | (116)        |
|   | <u>2,654</u> | <u>1,330</u> |

### 5 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Impairment of intangible assets                                  | 40,098       | 37,839       |
| Impairment of tangible fixed assets                              | 15,775       | 7,120        |
| Reversal of impairment loss recognised on tangible fixed assets  | (1,076)      | (1,053)      |
| Depreciation of tangible fixed assets                            | 22,319       | 26,764       |
| Net loss on disposal of tangible fixed assets                    | 1,069        | 137          |
| Amortisation of intangible assets                                | 18,866       | 20,998       |
| Operating lease land & buildings                                 | 46,762       | 41,259       |
| Operating lease plant & machinery                                | 5,478        | 4,664        |
| <i>Auditor's remuneration:</i>                                   |              |              |
| Audit of these financial statements                              | 10           | 23           |
| Audit of subsidiary financial statements pursuant to legislation | 338          | 349          |
| Other assurance services   | 4            | -            |
| Taxation compliance services                                     | 3            | -            |
| Other tax advisory services                                      | 22           | -            |
| All other services   | 25           | 1            |
| Research and development expensed as incurred                    | <u>2,493</u> | <u>-</u>     |

**Notes (continued)**

**6 Staff numbers and costs**

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

|                              | 2018<br>Number | 2017<br>Number |
|------------------------------|----------------|----------------|
| Office, management and sales | 7,516          | 7,097          |
|                              | <hr/>          | <hr/>          |
|                              | 2018<br>£000   | 2017<br>£000   |
| Employee costs               |                |                |
| Wages and salaries           | 174,753        | 158,897        |
| Social security costs        | 11,273         | 10,121         |
| Pension costs                | 3,314          | 1,830          |
|                              | <hr/>          | <hr/>          |
|                              | 189,340        | 170,848        |

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

**7 Directors' remuneration**

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

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Aggregate emoluments                                    | 1,085        | 703          |
| Company contributions to money purchase pension schemes | 53           | 51           |
|   | <hr/>        | <hr/>        |
|   | 1,138        | 754          |

The aggregate emoluments of the highest paid director were £349,000 (2017: £257,000) and company pension contributions of £26,000 (2017: £nil) were made to a money purchase scheme on their behalf.

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

|                       | 2018<br>No. | 2017<br>No. |
|-----------------------|-------------|-------------|
| Money purchase scheme | 2           | 2           |

## Notes (continued)

### 8 Exceptional items

|   | 2018           | 2017          |
|---|----------------|---------------|
|   | £000           | £000          |
| <i>Pre operating profit</i>                 |                |               |
| Impairment of intangible assets - goodwill  | 30,791         | 37,839        |
| Impairment of intangible assets - licences  | 9,307          | -             |
| Impairment of tangible fixed assets         | 15,775         | 6,263         |
| Reversal in impairment of fixed assets      | (1,076)        | -             |
| Onerous lease provisions made in the period | 58,030         | 5,071         |
| Dilapidations provisions made in the period | 3,464          | -             |
| Other provisions                            | 3,329          | -             |
|   | <u>119,620</u> | <u>49,173</u> |

Exceptional items amounted to a charge of £119,620,000 (2017: £49,173,000), predominantly relating to impairments in the Retail estate following the results of the Triennial Review with the maximum stake on FOBT machines being reduced from £100 to £2. The impairments are presented as exceptional due to being material and one-off in nature.

In the current period, the Group impaired goodwill by £29,285,000 (2017: £nil) in respect of the Retail business and £1,506,000 (2017: £nil) in relation to the Kerching acquisition. In the prior period the Group impaired goodwill by £37,839,000 and tangible fixed assets by £6,263,000, in respect of the digital business.

### 9 Interest receivable and similar income

|  | 2018         | 2017         |
|--|--------------|--------------|
|  | £000         | £000         |
| Bank interest receivable                     | 30           | 420          |
| Other interest receivable                    | 995          | 1,039        |
| Net interest received on pension liabilities | 50           | -            |
|  | <u>1,075</u> | <u>1,459</u> |

### 10 Interest payable and similar expenses

|   | 2018         | 2017         |
|---|--------------|--------------|
|   | £000         | £000         |
| Interest payable on bank loans and overdrafts | 3,361        | 1,983        |
| Amortisation of loan issue costs              | -            | 475          |
| Net interest payment on pension liabilities   | -            | 67           |
| Other interest                                | 588          | 252          |
| Unwinding of discounted provision             | 398          | 370          |
|   | <u>4,347</u> | <u>6,147</u> |

## Notes (continued)

### 11 Taxation

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

|  | 2018<br>£000 | 2018<br>£000   | 2017<br>£000 | 2017<br>£000  |
|--|--------------|----------------|--------------|---------------|
| <i>Current tax</i>                             |              |                |              |               |
| Current tax on income for the period           | 5,002        |                | 10,647       |               |
| Adjustments in respect of prior periods        | (148)        |                | 40           |               |
| <b>Total current tax</b>                       |              | <b>4,854</b>   |              | <b>10,687</b> |
| <i>Deferred tax (see note 20)</i>              |              |                |              |               |
| Origination and reversal of timing differences | (8,083)      |                | 270          |               |
| Adjustments in respect of prior periods        | 43           |                | 144          |               |
| <b>Total deferred tax</b>                      |              | <b>(8,040)</b> |              | <b>414</b>    |
| <b>Total tax</b>                               |              | <b>(3,186)</b> |              | <b>11,101</b> |

|  | 2018<br>£000 | 2018<br>£000   | 2018<br>£000   | 2017<br>£000  | 2017<br>£000 | 2017<br>£000  |
|--|--------------|----------------|----------------|---------------|--------------|---------------|
|  | Current tax  | Deferred tax   | Total tax      | Current tax   | Deferred tax | Total tax     |
| Recognised in Profit and loss account    | 4,854        | (7,940)        | (3,086)        | 10,687        | (85)         | 10,602        |
| Recognised in other comprehensive income | -            | (100)          | (100)          | -             | 499          | 499           |
| <b>Total tax</b>                         | <b>4,854</b> | <b>(8,040)</b> | <b>(3,186)</b> | <b>10,687</b> | <b>414</b>   | <b>11,101</b> |

#### Reconciliation of effective tax rate

|  | 2018<br>£000   | 2017<br>£000  |
|--|----------------|---------------|
| Loss for the period  | (40,720)       | (28,682)      |
| Total tax (credit)/expense                                 | (3,086)        | 10,602        |
| (Loss)/profit excluding taxation                           | (43,806)       | (18,080)      |
| Tax using the UK corporation tax rate of 19% (2017: 19.5%) | (8,323)        | (3,526)       |
| Effect of tax rates in foreign jurisdictions               | (737)          | 2,613         |
| Reduction in tax rate on deferred tax balances             | 795            | -             |
| Non-deductible expenses                                    | 8,490          | 8,892         |
| Tax exempt revenues  | (696)          | (97)          |
| Deferred tax not recognised                                | (2,510)        | 2,536         |
| Over provided in prior periods                             | (105)          | 184           |
| <b>Total tax expense included in profit or loss</b>        | <b>(3,086)</b> | <b>10,602</b> |

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. The deferred tax asset at 30 September 2018 has been calculated based on these rates.

**Notes (continued)**

**12 Intangible assets**

**Group**

|                                    | <b>Goodwill</b> | <b>Licences</b> | <b>Favourable<br/>leases</b> | <b>Other</b> | <b>Total</b>   |
|------------------------------------|-----------------|-----------------|------------------------------|--------------|----------------|
|                                    | <b>£000</b>     | <b>£000</b>     | <b>£000</b>                  | <b>£000</b>  | <b>£000</b>    |
| <b>Cost</b>                        |                 |                 |                              |              |                |
| At 24 September 2017               | 353,022         | 57,588          | 487                          | -            | 411,097        |
| Acquisitions                       | 1,586           | -               | -                            | 67           | 1,653          |
| Disposals                          | (1,025)         | (354)           | -                            | -            | (1,379)        |
| <b>At 30 September 2018</b>        | <b>353,583</b>  | <b>57,234</b>   | <b>487</b>                   | <b>67</b>    | <b>411,371</b> |
| <b>Amortisation and impairment</b> |                 |                 |                              |              |                |
| At 24 September 2017               | 219,202         | 32,522          | 154                          | -            | 251,878        |
| Disposals                          | (679)           | (55)            | -                            | -            | (734)          |
| Charge for the period              | 12,126          | 6,420           | 289                          | 31           | 18,866         |
| Impairment                         | 30,791          | 9,307           | -                            | -            | 40,098         |
| <b>At 30 September 2018</b>        | <b>261,440</b>  | <b>48,194</b>   | <b>443</b>                   | <b>31</b>    | <b>310,108</b> |
| <b>Net book value</b>              |                 |                 |                              |              |                |
| At 24 September 2017               | 133,820         | 25,066          | 333                          | -            | 159,219        |
| <b>At 30 September 2018</b>        | <b>92,143</b>   | <b>9,040</b>    | <b>44</b>                    | <b>36</b>    | <b>101,263</b> |

**Company**

The Company has no intangible assets.

**Notes (continued)**

**13 Tangible fixed assets**

| Group                              | Property<br>£000 | Alterations to<br>Premises<br>£000 | Plant Machinery<br>& Equipment<br>£000 | Fixtures &<br>Fittings<br>£000 | Total<br>£000  |
|------------------------------------|------------------|------------------------------------|--|--------------------------------|----------------|
| <b>Cost</b>                        |                  |                                    |  |                                |                |
| At 24 September 2017               | 19,429           | 57,101                             | 137,280                                | 66,065                         | 279,875        |
| Additions                          | -                | 1,397                              | 9,034                                  | 1,285                          | 11,716         |
| Disposals                          | (6,615)          | (7,200)                            | (53,815)                               | (7,679)                        | (75,309)       |
| Adjustments*                       | 10,818           | 10,114                             | 34,021                                 | 16,387                         | 71,340         |
| <b>At 30 September 2018</b>        | <b>23,632</b>    | <b>61,412</b>                      | <b>126,520</b>                         | <b>76,058</b>                  | <b>287,622</b> |
| <b>Depreciation and impairment</b> |                  |                                    |  |                                |                |
| At 24 September 2017               | 4,771            | 44,099                             | 111,007                                | 43,545                         | 203,422        |
| Impairment                         | 468              | 3,787                              | 151                                    | 11,369                         | 15,775         |
| Reversal of impairment             | (7)              | (583)                              | (15)                                   | (471)                          | (1,076)        |
| Charge for the period              | 784              | 3,778                              | 14,488                                 | 3,269                          | 22,319         |
| Disposals                          | (6,579)          | (7,142)                            | (53,632)                               | (7,316)                        | (74,669)       |
| Adjustments*                       | 10,817           | 10,295                             | 33,865                                 | 16,363                         | 71,340         |
| <b>At 30 September 2018</b>        | <b>10,254</b>    | <b>54,234</b>                      | <b>105,864</b>                         | <b>66,759</b>                  | <b>237,111</b> |
| <b>Net book value</b>              |                  |                                    |  |                                |                |
| At 24 September 2017               | 14,658           | 13,002                             | 26,273                                 | 22,520                         | 76,453         |
| <b>At 30 September 2018</b>        | <b>13,378</b>    | <b>7,178</b>                       | <b>20,656</b>                          | <b>9,299</b>                   | <b>50,511</b>  |

\*The adjustments shown above relate to reclassification of cost and accumulated depreciation only and have no impact on the net book value of tangible fixed assets.

The net book value of equipment includes an amount of £910,000 (2017: £2,879,000) in respect of assets held under finance leases. Depreciation on these assets in the current period was £1,959,000 (2017: £2,205,000).

The net book value of properties comprises:

|  | 2018<br>£000  | 2017<br>£000  |
|--|---------------|---------------|
| Freeholds                              | 13,004        | 13,245        |
| Long leaseholds (over 50 years)        | 457           | 476           |
| Short leaseholds (under 50 years)      | 285           | 378           |
| Other expenditure related to buildings | (369)         | 559           |
| <b>Total property</b>                  | <b>13,377</b> | <b>14,658</b> |

Contracted, but not accrued, capital commitments at 30 September 2018 were £nil (2017: £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)**

**14 Investments**

**Group**

|                       | Shares in associates<br>£000 | Other investments<br>£000 | Total<br>£'000 |
|-----------------------|------------------------------|---------------------------|----------------|
| <b>Cost</b>           |                              |                           |                |
| At 24 September 2017  | -                            | 1,650                     | 1,650          |
| Additions             | 138                          | -                         | 138            |
| At 30 September 2018  | 138                          | 1,650                     | 1,788          |
| <b>Provisions</b>     |                              |                           |                |
| At 24 September 2017  | -                            | -                         | -              |
| Impairment losses     | -                            | -                         | -              |
| At 30 September 2018  | -                            | -                         | -              |
| <b>Net book value</b> |                              |                           |                |
| At 30 September 2018  | 138                          | 1,650                     | 1,788          |
| At 24 September 2017  | -                            | 1,650                     | 1,650          |

Other investments of £1,650,000 (2017: £1,650,000) represents £1,566,000 (2017: £1,566,000) in relation to an investment in Sports Information Services (Holdings) Limited (SIS) (formerly Satellite Information Services (Holdings) Limited), in which the Group has a 5.99% holding; and £84,000 (2017: £84,000) in relation to Greyhound TV Limited, in which the Group has a 16.67% holding. A dividend of £900,000 was received in the period ended 30 September 2018 (2017: £nil), in relation to the SIS investment.

Shares in associates of £138,000 (2017: £nil) is in relation to an investment in TDCO Limited, in which the Group has a 25% holding.

**Company**

|  | Shares in<br>Group<br>undertakings<br>£000 |
|--|--|
| <b>Cost and net book value</b>             |  |
| At 24 September 2017 and 30 September 2018 | 113,015                                    |

## Notes (continued)

### 14 Investments (continued)

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

|  | Aggregate<br>of capital<br>and<br>reserves | Profit/(loss)<br>for the year | Registered office address   | Class of<br>shares<br>held | Ownership<br>2018 | Ownership<br>2017 |
|--|--|-------------------------------|---|----------------------------|-------------------|-------------------|
|  | £000                                       | £000                          |   |                            | %                 | %                 |
| <i>Principal subsidiary undertakings</i> |  |                               |   |                            |                   |                   |
| Lightcatch Limited                       | 57,220                                     | (986)                         | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 100               | 100               |
| Done Brothers (Cash Betting) Limited     | (18,988)                                   | (37,853)                      | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 100               | 100               |
| Tote (Successor Company) Limited         | 134,009                                    | 58,595                        | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 100               | 100               |
| Tote Bookmakers Limited                  | 70,387                                     | 5,514                         | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 100               | 100               |
| Tote Digital Limited                     | -  | -                             | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 100               | 100               |
| Tote Direct Limited                      | 162  | 2,026                         | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 75                | 100               |
| Toto Credit Limited                      | (6,504)                                    | 130                           | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 100               | 100               |
| Totepool Alderney Limited                | 443  | 462                           | Century House, 12 Victoria Street, Alderney, Channel Islands, GY9 3UF     | Ordinary                   | 75                | 100               |
| Petfre (Gibraltar) Limited               | (31,691)                                   | 9,268                         | 5/2 Waterport Place, Gibraltar  | Ordinary                   | 100               | 100               |
| Bluegrass Limited                        | (2,697)                                    | 27                            | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 100               | 100               |
| Kerching (Gibraltar) Limited             | (1,238)                                    | (144)                         | 5/2 Waterport Place, Gibraltar  | Ordinary                   | 100               | Nil               |
| TPoolco Limited                          | 2,268                                      | 1,248                         | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 75                | nil               |

\* Profit/loss stated for investment in TPoolco Limited is from 18 July 2018 to 30 September 2018.

**Notes (continued)**

**14 Investments (continued)**

|                   | Aggregate<br>of capital<br>and<br>reserves<br>£000 | Profit/(loss)<br>for the year<br>£000 | Registered office address   | Class of<br>shares<br>held | Ownership<br>2018<br>% | Ownership<br>2017<br>% |
|-------------------|--|---------------------------------------|---|----------------------------|------------------------|------------------------|
| <i>Associates</i> |  |                                       |   |                            |                        |                        |
| TDCO Limited*     | (192)  | (304)                                 | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 25                     | Nil                    |

\* Profit/loss stated for investment in TDCO Limited is from 18 July 2018 to 30 September 2018.

The company also holds the following investments in dormant companies.

|                                | Registered office address   | Class of<br>shares<br>held | Ownership<br>2018<br>% | Ownership<br>2017<br>% |
|--------------------------------|---|----------------------------|------------------------|------------------------|
| 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                    |
| Done Management Limited        | The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ | Ordinary                   | 100                    | 100                    |

**Notes (continued)**

**15 Debtors**

|                                | <b>Group</b>  |               | <b>Company</b> |             |
|--------------------------------|---------------|---------------|----------------|-------------|
|                                | <b>2018</b>   | <b>2017</b>   | <b>2018</b>    | <b>2017</b> |
|                                | <b>£000</b>   | <b>£000</b>   | <b>£000</b>    | <b>£000</b> |
| Trade debtors                  | 2,363         | 3,176         | -              | -           |
| Loans receivable               | 24,421        | 22,944        | -              | -           |
| Other debtors                  | 7,493         | 5,101         | -              | -           |
| Prepayments and accrued income | 20,594        | 20,622        | -              | -           |
| Deferred tax asset (note 20)   | 8,853         | 3,824         | -              | -           |
|                                | <b>63,724</b> | <b>55,667</b> | -              | -           |

**Group**

Included within loans receivable is £24,421,000 (2017: £22,944,000) which is not expected to be recovered in one year.

Loans receivable includes £6,664,000 (2017: £6,612,000) due from Moneta Communications Holdings Limited which bears interest at 3.25% plus LIBOR per annum; £9,432,000 (2017: £14,256,000) due from Great Leighs Estates Limited which bears interest at 3.25% plus LIBOR per annum; £7,563,000 (2017: £2,076,000) due from Sharp Gaming Limited which bears interest at 5.00% per annum; and £759,000 (2017: £nil) due from The Sportsman Media Group which bears interest at 5.00% per annum.

**16 Creditors: amounts falling due within one year**

|  | <b>Group</b>   |                | <b>Company</b> |             |
|--|----------------|----------------|----------------|-------------|
|  | <b>2018</b>    | <b>2017</b>    | <b>2018</b>    | <b>2017</b> |
|  | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b> |
| Bank loans and overdrafts (note 18)        | 13,513         | 14,236         | -              | -           |
| Trade creditors                            | 10,860         | 14,957         | -              | -           |
| Customer accounts                          | 17,674         | 17,785         | -              | -           |
| Amounts owed to Group undertakings         | -              | -              | -              | -           |
| Obligations under finance leases (note 18) | 298            | 824            | -              | -           |
| Corporation tax liability                  | 1,224          | 5,297          | -              | -           |
| Taxation and social security costs         | 39,744         | 34,185         | -              | -           |
| Unfavourable leases                        | 202            | 908            | -              | -           |
| Other creditors                            | 14,746         | 13,554         | -              | -           |
| Other financial liability (note 19)        | -              | 157            | -              | -           |
| Accruals and deferred income               | 18,959         | 33,093         | -              | -           |
|  | <b>117,220</b> | <b>134,996</b> | -              | -           |

**17 Creditors: amounts falling after more than one year**

|  | <b>Group</b>  |                | <b>Company</b> |             |
|--|---------------|----------------|----------------|-------------|
|  | <b>2018</b>   | <b>2017</b>    | <b>2018</b>    | <b>2017</b> |
|  | <b>£000</b>   | <b>£000</b>    | <b>£000</b>    | <b>£000</b> |
| Bank loans and overdrafts (note 18)        | 51,963        | 130,460        | -              | -           |
| Obligations under finance leases (note 18) | 124           | 448            | -              | -           |
| Unfavourable leases                        | 389           | 1,703          | -              | -           |
| Other creditors                            | 105           | 102            | -              | -           |
| Accruals and deferred income               | 1,586         | 1,682          | -              | -           |
|  | <b>54,167</b> | <b>134,395</b> | -              | -           |

## Notes (continued)

### 18 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<br>2018<br>£000 | Group<br>2017<br>£000 | Company<br>2018<br>£000 | Company<br>2017<br>£000 |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| <b>Creditors falling due more than one year</b>        |                       |                       |                         |                         |
| Secured bank loans                                     | 53,000                | 132,000               | -                       | -                       |
| Finance lease liabilities                              | 124                   | 448                   | -                       | -                       |
| <b>Total borrowings</b>                                | <b>53,124</b>         | <b>132,448</b>        | <b>-</b>                | <b>-</b>                |
| Less unamortised issue costs                           | (1,037)               | (1,540)               | -                       | -                       |
| <b>Total borrowings less unamortised issue costs</b>   | <b>52,087</b>         | <b>130,908</b>        | <b>-</b>                | <b>-</b>                |
| <b>Creditors falling due within less than one year</b> |                       |                       |                         |                         |
| Secured bank loans                                     | 14,017                | 14,750                | -                       | -                       |
| Finance lease liabilities                              | 298                   | 824                   | -                       | -                       |
| <b>Total borrowings</b>                                | <b>14,315</b>         | <b>15,574</b>         | <b>-</b>                | <b>-</b>                |
| Less unamortised issue costs                           | (504)                 | (514)                 | -                       | -                       |
| <b>Total borrowings less unamortised issue costs</b>   | <b>13,811</b>         | <b>15,060</b>         | <b>-</b>                | <b>-</b>                |

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

#### Bank loans

On 17 October 2016, the Group refinanced its existing loan facilities resulting in an extinguishment of the previous facility. The principal amount of the new facility was £175,000,000. £79,000,000 of this was repaid during the year (2017: £29,000,000) and the remaining balance at 30<sup>th</sup> September 2018 is £67,000,000 (2017: £146,000,000).

£2,529,000 of deferred finance costs relating to the new loan were capitalised and are being amortised over the life of the loan (5 years).

The bank loan of £67,000,000 (2017: £146,000,000) bears interest at LIBOR plus a margin, varying between 1.75% and 3.00% per annum. The loan is due for repayment at various dates up to 16 October 2021. However, the Group has arranged to repay the amount outstanding in December 2018. See note 30 for further details.

Lightcatch Limited, a subsidiary of the Company, had entered into interest rate swap arrangements covering £nil (2017: £49.0m) of its previous bank loan facility whereby it paid a fixed rate of 1.7175% on this portion of its borrowings. The arrangements expired on 20 December 2017.

#### 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)**

**18 Interest-bearing loans and borrowings (continued)**

*Terms and debt repayment schedule*

| Group                     | Currency | Nominal interest rate | Year of maturity | Repayment schedule | 2018          | 2017           |
|---------------------------|----------|-----------------------|------------------|--------------------|---------------|----------------|
|                           |          |                       |                  |                    | £000          | £000           |
| Bank Loan 1               | £        | 4.15%                 | 2018             | 17                 | 17            | 750            |
| Bank Loan 2               | £        | 1.75-3% plus LIBOR    | 2021             | 67,000             | 67,000        | 146,000        |
| Finance lease liabilities | £        | 4.15%                 | 2020             | 422                | 422           | 1,272          |
|                           |          |                       |                  |                    | <u>67,439</u> | <u>148,022</u> |

**19 Other financial liabilities**

|   | Group<br>2018<br>£000 | Group<br>2017<br>£000 | Company<br>2018<br>£000 | Company<br>2017<br>£000 |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
| Amounts falling due within one year                                   |                       |                       |                         |                         |
| Financial liabilities designated as fair value through profit or loss | -                     | 157                   | -                       | -                       |
|   | <u>-</u>              | <u>157</u>            | <u>-</u>                | <u>-</u>                |

**20 Deferred tax asset**

Deferred tax assets and liabilities are attributable to the following:

| Group                               | Assets<br>2018<br>£000 | Assets<br>2017<br>£000 | Liabilities<br>2018<br>£000 | Liabilities<br>2017<br>£000 | Net<br>2018<br>£000 | Net<br>2017<br>£000 |
|-------------------------------------|------------------------|------------------------|-----------------------------|-----------------------------|---------------------|---------------------|
| Accelerated capital allowances      | 7,596                  | 3,797                  | -                           | -                           | 7,596               | 3,797               |
| Arising on business combinations    | -                      | -                      | (1,537)                     | (4,548)                     | (1,537)             | (4,548)             |
| Employee benefits                   | 145                    | -                      | -                           | -                           | 145                 | -                   |
| Unused tax losses                   | 447                    | -                      | -                           | -                           | 447                 | -                   |
| Other                               | 665                    | 27                     | -                           | -                           | 665                 | 27                  |
| <b>Net tax assets/(liabilities)</b> | <b>8,853</b>           | <b>3,824</b>           | <b>(1,537)</b>              | <b>(4,548)</b>              | <b>7,316</b>        | <b>(724)</b>        |

**Company**

The Company has no deferred tax.

## Notes (continued)

### 21 Provisions for liabilities and charges

#### Group

|                                     | Deferred tax<br>£000 | Dilapidation<br>provision<br>£000 | Onerous<br>lease<br>provision<br>£000 | Other<br>provision<br>£000 | Total<br>£000 |
|-------------------------------------|----------------------|-----------------------------------|---------------------------------------|----------------------------|---------------|
| Balance at 24 September 2017        | 4,548                | 2,621                             | 17,680                                | -                          | 24,849        |
| Provisions made during the period   | -                    | 3,464                             | 58,030                                | 3,329                      | 64,823        |
| Provisions used during the period   | (3,011)              | (1,094)                           | (8,772)                               | -                          | (12,877)      |
| Unwinding of discounted amount      | -                    | -                                 | 398                                   | -                          | 398           |
| <b>Balance at 30 September 2018</b> | <b>1,537</b>         | <b>4,991</b>                      | <b>67,336</b>                         | <b>3,329</b>               | <b>77,193</b> |

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

- An onerous lease provision of £67,336,000 (2017: £17,680,000) 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.
- £4,991,000 (2017: £2,621,000) in relation to dilapidation costs associated with the Group's retail estate.

#### 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 trustees to the pension scheme include representatives from both past and present employees.

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

Due to 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 2018, amounted to £540,000 (2017: £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 Bookmakers Limited is an associate employer. The latest actuarial review of the scheme was at 31 March 2015. This valuation has been updated to 30 September 2018 by a qualified actuary, independent of the scheme's sponsoring employer.

**Notes (continued)**

**22 Employee Benefits (continued)**

*Net pension (liability)/asset*

|                            | 2018<br>£000 | 2017<br>£000 |
|----------------------------|--------------|--------------|
| Defined benefit obligation | (100,668)    | (106,351)    |
| Plan assets                | 108,519      | 107,998      |
| Surplus/(deficit) in plan  | 7,851        | 1,647        |
| Unrecognised surplus       | (7,851)      | (1,647)      |
| Net pension liability      | -            | -            |

*Movements in present value of defined benefit obligation*

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| At 24 September 2017                     | 106,351      | 115,927      |
| Interest expense                         | 2,700        | 2,438        |
| Re-measurement: actuarial (gains)/losses | (3,459)      | (7,539)      |
| Benefits paid & expenses                 | (4,924)      | (4,475)      |
| At 30 September 2018                     | 100,668      | 106,351      |

*Movements in fair value of plan assets*

|                           | 2018<br>£000 | 2017<br>£000 |
|---------------------------|--------------|--------------|
| At 24 September 2017      | 107,998      | 112,521      |
| Interest income           | 2,750        | 2,371        |
| Actuarial (losses)/gains  | 2,155        | (2,959)      |
| Contributions by employer | 540          | 540          |
| Benefits paid             | (4,924)      | (4,475)      |
| At 30 September 2018      | 108,519      | 107,998      |

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 £7,261,000 (2017: £4,580,000). £7,851,000 (2017: £1,647,000) 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 £590,000 (2017: profit of £2,933,000).

*Expense recognised in the profit and loss account*

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Net interest payable/(receivable) on net defined benefit liability | -            | 67           |
| Total expense recognised in profit or loss                         | -            | 67           |



## Notes (continued)

### 22 Employee Benefits (continued)

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

|                                 | 30 September<br>2018<br>Fair value<br>£000 | 24 September<br>2017<br>Fair value<br>£000 |
|---------------------------------|--|--|
| Government debt                 | 22,065                                     | 22,201                                     |
| Corporate bonds                 | 8,298                                      | 8,081                                      |
| Cash                            | 232  | 206  |
| Absolute Return Funds           | 15,615                                     | 18,523                                     |
| Insurance Policies              | 43,212                                     | 45,490                                     |
| Direct Lending/Real Estate Debt | 19,097                                     | 13,497                                     |
|                                 | <hr/> 108,519                              | <hr/> 107,998                              |
| Actual return on plan assets    | <hr/> 1,474                                | <hr/> (588)                                |

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 period end were as follows:

| %  | 30 September<br>2018 | 24 September<br>2017 |
|--|----------------------|----------------------|
| Discount rate  | 2.85                 | 2.60                 |
| Inflation (CPI)  | 2.20                 | 2.20                 |
| Inflation (RPI)  | 3.20                 | 3.20                 |
| Future salary increases  | n/a                  | n/a                  |
| Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less | 2.20                 | 2.20                 |
| Allowance for pension in payment increases of CPI or 5% p.a. if less     | 2.20                 | 2.20                 |
| Allowance for pension in payment increases of CPI or 3% p.a. if less     | 2.20                 | 2.20                 |
| Allowance for pension in payment increases of CPI or 2.5% p.a. if less   | 2.20                 | 2.20                 |
| Allowance for pension in payment increases of RPI or 5% p.a. if less     | 3.20                 | 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 2015, and has been updated to 30 September 2018.

In valuing the liabilities of the pension fund at 24 September 2017, 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 2018: 26.6 years
- Female retiring at age 60 in 2018: 28.6 years
- Male retiring at age 60 in 2038: 28.1 years
- Female retiring at age 60 in 2038: 30.2 years

## Notes (continued)

### 23 Capital and reserves

#### Called up share capital

|                                       | 2018<br>£ | 2017<br>£ |
|---------------------------------------|-----------|-----------|
| 195,200 Ordinary shares of £0.10 each | 19,520    | 19,520    |

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

### 24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

|                            | Group<br>2018<br>£000 | Group<br>2017<br>£000 | Company<br>2018<br>£000 | Company<br>2017<br>£000 |
|----------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Less than one year         | 44,774                | 46,102                | -                       | -                       |
| Between one and five years | 106,677               | 126,085               | -                       | -                       |
| More than five years       | 33,079                | 43,789                | -                       | -                       |
|                            | <u>184,530</u>        | <u>215,976</u>        | <u>-</u>                | <u>-</u>                |

During the year £52,240,000 (2017: £45,923,000) was recognised as an expense in the profit and loss account in respect of operating leases.

### 25 Contingencies and commitments

The Company is an obligor to a wider Group banking arrangement and, as such, has entered into a cross guarantee in respect of the borrowings of the Betfred Group of companies, headed by Betfred Group Limited. In addition the Company's assets are secured by a number of fixed and floating charges held by the financing parties of the banking arrangement. At 30 September 2018 the Group's potential exposure under the unlimited cross-guarantee arrangement was £8,424,000 (2017: £87,508,000).

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

## **Notes (continued)**

### **26 Related parties**

#### **Group**

##### *Loans*

Moneta Communications Holdings Limited has a facility with the Group and as at 30 September 2018 £6,664,000 (2017: £6,612,000) was outstanding. The loan carries interest at 3.25% + LIBOR. Moneta Communications Holdings Limited is an entity which Mr F Done or close family members have a beneficial interest.

The Sportsman Media Group also has a facility with the Group and as at 30 September 2018 £759,000 (2017: £nil) was outstanding. The loan carries interest at 5%. The Sportsman Media Group is an entity which Mr F Done or close family members have a beneficial interest.

##### *Transactions with key management personnel*

Total compensation of key management personnel in the period amounted to £2,277,000 (2017: £1,802,000).

##### *Administrative expenses*

Excluding the rental costs referred to below, total expenses of £46,718,000 (2017: £39,345,000) 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 £36,535,000 (2017: £31,468,000) paid to Sports Information Services (Holdings) Limited (formerly Satellite 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 £2,431,000 (2017: £2,852,000) 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 (2017: £nil). Rents were made on normal commercial terms.

##### *Investment income*

Investment income during the period of £900,000 (2017: £nil) was received from Sports Information Services (Holdings) Limited (formerly Satellite Information Services (Holdings) Limited) which is considered to be a related party as Mr F Done is a director of that company.

#### **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.

## **Notes (continued)**

### **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. This outcome has led to a significant decline in expected future cash flows leading to an impairment being recognised in the period (note 8). This is based on our current estimate of a reduction in the annualised operating profit.

A regulatory change of this nature is unprecedented and its impact on customer behaviour will not be known for a number of years after implementation. Further impairments (or reversals of the existing impairment charge) could be made when customer behaviour becomes known.

The Group owns 75% of TPoolco Limited and although there is an option in place for Alizeti Capital Limited to purchase the remaining 75% within the next 5 years, the Directors consider that the Group retains control over TPoolco Limited until the option is exercised due to the Group having significant knowledge and know-how required to operate the TotePool business; and uncertainty of when the option will be exercised.

### **29 Contingent Assets and Liabilities**

#### **Contingent Asset**

Prior to year end the Group was successful in its claim against HMRC in respect of VAT paid on the Group's FOBT machines, dating back to 2005. This is expected to result in a gross repayment of £107m (prior to fees and other distributions). Post year end, HMRC were granted an appeal at the Upper Tier tribunal which will be heard at some point in the future. We have not recognised the value of the claim in these financial statements as the final outcome of the case is still unknown.

### **30 Subsequent events**

After the period end, the Group repaid its existing loan facilities resulting in an extinguishment of the loan facility.

After the period end, the Group also received confirmation that the reduction of the maximum stake on FOBT machines from £100 to £2 would be implemented in April 2019. Management has therefore factored this implementation date into its future cash flows when carrying out the impairment review and the date has been factored into the impairment amount in these financial statements.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. We are working with the trustees of our pension schemes, and our actuarial and legal advisers, to understand the extent to which the judgment crystallises additional liabilities for The Horserace Totalisator Board (1968) Pension Scheme. It is estimated that the likely increase in liabilities as a result of this judgment will be 1%-3% of total scheme liabilities, which is expected to be recognised as past service cost for the financial year ending 29th September 2019.