

**Tote Bookmakers Limited**

**Annual report and financial statements**

Registered number 852040

25 September 2016

THURSDAY



\*A5MCGMSW\*

A37

22/12/2016

#463

COMPANIES HOUSE

## **Contents**

Company information	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the strategic report, directors report and financial statements	6
Independent auditor's report to the members of Tote Bookmakers Limited	7
Profit and loss account and other comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes	12

## **Company information**

**Directors of the Company:**

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

**Company Secretary:**

M Hamilton

**Registered Office:**

The Spectrum  
56/58 Benson Road  
Birchwood  
Warrington  
WA3 7PQ

**Auditor:**

KPMG LLP  
1 St Peter's Square  
Manchester  
M2 3AE

## Strategic report

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

### Principal activities

The principal activities of the Company continued to be the operation of a retail bookmaking estate trading under the Betfred name. The retail business consists of traditional Licensed Betting Offices (LBOs) situated at locations throughout the UK as well as on approximately two thirds of the UK's 60 racecourses.

### Results

The profit for the period after taxation was £13,058,000 (2015: £3,976,000).

### Review of the business

The Company's immediate parent is Tote (Successor Company) Limited which is 100% owned by Lightcatch Limited. Betfred Group Limited owns 100% of the share capital of Lightcatch Limited and is the ultimate parent of the Company.

### Key performance indicators:

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

£'000	2016	2015
Amounts wagered	2,620,840	2,538,107
Turnover	141,194	130,004
Gross profit	110,306	103,552
Operating profit	17,053	8,492

The number of betting shops operating at 25 September 2016 was 423 (2015: 428). The estate is constantly being monitored and shops are opened and closed when management feel it is necessary to do so.

The operating profit in the period of £17.1m (2015: £8.5m) is after goodwill amortisation of £11.01m (2015: £12.1m).

Management's strategy for the forthcoming period is to continue reviewing its retail estate with a tight control of overheads and continued close management of the results.

### Principal risks and uncertainties

The board and senior management team 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 Company is susceptible to the risk of an economic downturn adversely affecting disposable income. Management monitors the situation closely and makes special offers to customers as appropriate.

#### Competitor risk

The Company faces competition in the main from other bookmakers, betting exchanges and internet gambling providers. Betting exchanges compete aggressively in that the prices offered are usually more favourable than those offered by traditional bookmakers. Management considers the commercial drivers of all the betting markets with its pricing in the light of this competition.

## Strategic report (continued)

### **Bookmaking risk**

The risk of incurring large losses on bets due to incorrect pricing is mitigated by the Company placing upper limits on bets, monitoring customers' betting patterns and using the latest information services available.

### **Regulatory risk**

The regulatory, legislative and fiscal environment under which the Company operates can change at short notice, leading to additional costs of compliance. The board and senior management monitor this risk closely to ensure that the developments are known about and managed at the earliest opportunity.

### **Currency risk**

Although primarily a sterling cash business the Company 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 of a significant level the board would consider foreign exchange loss mitigation tools if necessary. It has not been considered necessary to date.

### **Liquidity risk**

In order to maintain liquidity and to ensure that sufficient funds are available for expansion of the business and other future developments, the Company uses a mixture of debt finance.

### **Legislative risk**

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

### **Fraud risk**

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

### **Key performance indicators**

Key performance indicators continue to be used to monitor the business. All aspects of operations are subject to performance measurement and the Company is constantly looking to improve operating performances and reduce its operating costs to continue providing competitive products. The Company's key performance indicators are amounts wagered, net turnover, gross profit and operating profit.

By order of the Board



M Hamilton  
Company Secretary

Date: 20 December 2016

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

## **Directors' report**

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

### **Directors**

The directors who served the Company during the period were as follows:

F Done

J Haddock (resigned 6<sup>th</sup> October 2016)

N Barr (appointed 6<sup>th</sup> October 2016)

M Stebbings (appointed 6<sup>th</sup> October 2016)

### **Dividends**

Dividends paid during the period comprise an interim dividend of £nil (2015: £nil). The directors do not recommend the payment of a final dividend (2015: £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 Company continues and that appropriate training is arranged. It is the policy of the Company 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 Company places considerable value on the involvement of its employees. The Company 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.

### **Market value of land and buildings**

In the opinion of the directors the current open market value of the Company's interests held in land and buildings exceeds the book value.

### **Political and charitable donations**

The Company made no political or charitable donations or incurred any political expenditure during either the current or preceding year.

**Directors' report** *(continued)*

**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 Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**M Hamilton**  
*Company secretary*

Date: *20 December 2016*

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

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

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company 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 Tote Bookmakers Limited**

We have audited the financial statements of Tote Bookmakers Limited for the period ended 25 September 2016 set out on pages 9 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 September 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

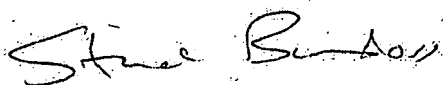
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Tote Bookmaker Limited** *(continued)*

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

Date: 20<sup>th</sup> December 2016

**Profit and loss account and other comprehensive income**  
*for the period ended 25 September 2016*

	<i>Note</i>	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
<b>Amounts wagered</b>		<b>2,620,840</b>	<b>2,538,107</b>
<b>Turnover</b>	<b>2</b>	<b>141,194</b>	<b>130,004</b>
Betting duty		<b>(8,749)</b>	<b>(7,545)</b>
Machine gaming duty		<b>(19,857)</b>	<b>(16,725)</b>
Statutory betting levy		<b>(2,282)</b>	<b>(2,182)</b>
<b>Gross profit</b>		<b>110,306</b>	<b>103,552</b>
Administrative expenses – before goodwill amortisation		<b>(82,577)</b>	<b>(83,217)</b>
Administrative expenses – goodwill amortisation		<b>(11,018)</b>	<b>(12,125)</b>
Other operating income	<b>3</b>	<b>342</b>	<b>282</b>
<b>Operating profit</b>	<b>3-6</b>	<b>17,053</b>	<b>8,492</b>
Interest receivable and similar income	<b>7</b>	<b>5</b>	<b>-</b>
Interest payable and similar charges	<b>8</b>	<b>(78)</b>	<b>(475)</b>
<b>Profit on ordinary activities before taxation</b>		<b>16,980</b>	<b>8,017</b>
Tax on profit on ordinary activities	<b>9</b>	<b>(3,922)</b>	<b>(4,041)</b>
<b>Profit for the financial period</b>		<b>13,058</b>	<b>3,976</b>
Other comprehensive income		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the financial period</b>		<b>13,058</b>	<b>3,976</b>

The notes on pages 12 to 29 form an integral part of these financial statements.

**Balance sheet**  
*at 25 September 2016*

	Note	2016 £000	2016 £000	2015 £000	2015 £000
<b>Fixed assets</b>					
Intangible assets	10		59,751		70,769
Tangible assets	11		9,458		12,037
			<u>69,209</u>		<u>82,806</u>
<b>Current assets</b>					
Stock		4		4	
Debtors due within one year	12	74,517		11,511	
Cash at bank		1,894		1,738	
		<u>76,415</u>		<u>13,253</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(90,057)</u>		<u>(52,979)</u>	
<b>Net current liabilities</b>			<u>(13,642)</u>		<u>(39,726)</u>
<b>Total assets less current liabilities</b>			<u>55,567</u>		<u>43,080</u>
<b>Creditors: amounts falling due after more than one year</b>	14				(124)
<b>Provisions for liabilities</b>	17		<u>(2,808)</u>		<u>(3,255)</u>
<b>Net assets</b>			<u>52,759</u>		<u>39,701</u>
<b>Capital and reserves</b>					
Called up equity share capital	19		50		50
Profit and loss account			<u>52,709</u>		<u>39,651</u>
<b>Shareholder's funds</b>			<u>52,759</u>		<u>39,701</u>

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

*N Barr*

**N Barr**  
Director

Date: 20 December 2016

Registration number: 852040

The notes on pages 12 to 29 form an integral part of these financial statements.

**Statement of changes in equity**  
*for the period ended 25 September 2016*

	Called up share capital £	Profit & Loss account £	Total Shareholder Equity £
Balance at 28 September 2014	50	35,505	35,555
Effect of FRS102 adjustments	-	170	170
	<hr/>	<hr/>	<hr/>
Balance at 28 September 2014	50	35,675	35,725
<b>Total comprehensive income for the period</b>			
Profit for the period	-	3,976	3,976
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	3,976	3,976
	<hr/>	<hr/>	<hr/>
<b>Balance at 27 September 2015</b>	<b>50</b>	<b>39,651</b>	<b>39,701</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Called up share capital £	Profit & Loss account £	Total Shareholder Equity £
Balance at 27 September 2015	50	39,651	39,701
<b>Total comprehensive income for the period</b>			
Profit for the period	-	13,058	13,058
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	13,058	13,058
	<hr/>	<hr/>	<hr/>
<b>Balance at 25 September 2016</b>	<b>50</b>	<b>52,709</b>	<b>52,759</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 29 form an integral part of these financial statements.

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

Tote Bookmakers Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

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

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 24.

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

- Separate financial instruments – carrying amount of the Company’s cost of investment in subsidiaries is its deemed cost at 28 September 2014.
- Lease incentives – for leases commenced before 28 September 2014 the Company continued to account for lease incentives under previous UK GAAP.
- Lease arrangements – in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at 28 September 2014 rather than commencement date of the arrangement.

The Company’s ultimate parent undertaking, Betfred Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Betfred Group Limited are prepared in accordance with FRS 102 and are publicly available. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

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.

#### **1.3 Going concern**

The directors are required to assess whether the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the future profitability of the Company 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 performances. Based on these projections, the directors are satisfied that, for the foreseeable future and at least 12 months from the date of signing these accounts, the Company can meet its projected working capital requirements and consequently, the financial statements have been prepared on a going concern basis. The directors have received a confirmation from its ultimate parent undertaking that it will provide support to the Company for at least 12 months from the date of these financial statements to allow the Company to meet its liabilities as they fall due.

## **Notes (continued)**

### **1.4 Classification of financial instruments issued by the Company**

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

- (a) they include no contractual obligations upon the company 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 company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's 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 company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

### **1.5 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 interest 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.

### **1.6 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 remeasurement to fair value is recognised immediately in profit or loss.

## **Notes (continued)**

### **1.7 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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 Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The 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 depreciation is calculated as follows:

Freehold buildings	-	2% per annum
Leasehold buildings	-	Period of the lease
Plant, machinery and computer equipment	-	33.3% per annum
Fixtures and fittings	-	10% per annum
Motor vehicles	-	25% per annum
Office equipment	-	15% per annum
Alterations to premises	-	4% to 10% 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.

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

#### **Goodwill**

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

#### **Amortisation**

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

Goodwill	-	up to 20 years
----------	---	----------------



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.9 Impairment excluding stocks and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost-less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 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.

#### 1.11 Employee benefits

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

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

##### Termination benefits

Termination benefits are recognised as an expense when the Company 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 Company 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.

#### 1.12 Provisions

A provision is recognised in the balance sheet when the Company 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 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 until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### 1.13 Turnover

Amounts wagered does not represent the statutory revenue measure and comprise the gross takings receivable from customers in respect of individual bets placed in the Company's Licensed Betting Offices (LBOs). Winnings re-staked prior to being withdrawn from Fixed Odds Betting Terminals are grossed up into amounts wagered.

Turnover is measured at the fair value of the consideration received or receivable from customers being the net of amounts wagered less amounts paid or payable to winning customers.

The Company also acts as an affiliate of the Tote pool and recognises commission on Tote pool bets placed in the Company's LBOs.

## **Notes (continued)**

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

#### **1.14 Expenses**

##### *Operating lease*

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

##### *Finance lease*

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

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

Interest payable and similar charges include interest payable, finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

#### **1.15 Taxation**

Tax on the profit or loss for the year 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.

## Notes (continued)

### 2 Turnover

The turnover and profit before tax are attributable to betting operations via retail outlets. New retail outlets are opened and/or purchased in accordance with the nature of the business. These are not considered to be acquisitions. All turnover originates from the United Kingdom.

### 3 Other operating income

	2016 £000	2015 £000
Rental income	302	235
Other income receivable	40	47
	<u>342</u>	<u>282</u>

### 4 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

	2016 £000	2015 £000
Impairment of tangible assets	191	460
Reversal of impairment of tangible fixed assets	(201)	(80)
Depreciation of tangible fixed assets	3,655	5,160
Amortisation of intangible assets	11,018	12,125
Operating lease land & buildings	7,214	7,658

*Auditor's remuneration:*

	2016 £000	2015 £000
Auditor's remuneration - audit of the financial statements	<u>45</u>	<u>40</u>

## Notes (continued)

### 5 Employee numbers and costs

The average number of staff employed by the Company during the financial period amounted to:

	2016 No.	2015 No.
Number of office, management and sales staff	1,576	1,595

The aggregate payroll costs of the above were:

	2016 £000	2015 £000
Wages and salaries	32,261	32,003
Social security costs	1,896	1,878
Other pension costs	204	209
	<u>34,361</u>	<u>34,090</u>

### 6 Directors' remuneration

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

	2016 £000	2015 £000
Aggregate emoluments	228	245
Company contributions to money purchase pension schemes	11	12
Compensation for loss of office	-	44
	<u>239</u>	<u>301</u>

The aggregate emoluments of the highest paid director were £142,000 (2015: £140,000) and company pension contributions of £11,000 (2015: £10,000) were made to a money purchase scheme on his behalf.

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

	2016 No.	2015 No.
Money purchase scheme	1	1

## Notes (continued)

### 7 Other interest receivable and similar income

	2016 £000	2015 £000
Other interest receivable	5	-

### 8 Interest payable and similar charges

	2016 £000	2015 £000
Unwinding of discount on provisions	78	475
Total other interest payable and similar charges	78	475

### 9 Taxation

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

	2016 £000	£000	2015 £000	£000
<i>Current tax</i>				
Current tax on income for the period	4,251		4,309	
Adjustments in respect of prior periods	(35)		(130)	
Total current tax		4,216		4,179
<i>Deferred tax (see note 16)</i>				
Origination and reversal of timing differences	(287)		(224)	
Change in tax rate	(23)		5	
Adjustment	-		(28)	
Adjustments in respect of prior periods	16		109	
Total deferred tax		(294)		(138)
Total tax		3,922		4,041

## Notes (continued)

### 9 Taxation (continued)

	2016			2015	
	£000	£000	£000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax
Recognised in Profit and loss account	4,216	(294)	3,922	4,179	(138)
Total tax	4,216	(294)	3,922	4,179	(138)

### Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the period	13,058	3,976
Total tax expense	3,922	4,041
Profit excluding taxation	16,980	8,017
Tax using the UK corporation tax rate of 20% (2015: 20.5%)	3,396	1,643
Reduction in tax rate on deferred tax balances	25	0
Non-deductible expenses	1,669	2,510
Tax exempt revenues	0	18
Group relief for nil consideration	(1,149)	0
Under / (over) provided in prior periods	(19)	(130)
Total tax expense included in profit or loss	3,922	4,041

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 25<sup>th</sup> September 2016 has been calculated based on these rates.

## Notes (continued)

### 10 Intangible fixed assets and goodwill

	Goodwill £000
<b>Cost</b>	
At 27 September 2015	130,693
<b>At 25 September 2016</b>	<b>130,693</b>
<b>Amortisation</b>	
At 27 September 2015	59,924
Charge for the period	11,018
<b>At 25 September 2016</b>	<b>70,942</b>
<b>Net book value</b>	
At 27 September 2015	70,769
<b>At 25 September 2016</b>	<b>59,751</b>

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

### 11 Tangible fixed assets

	Properties £000	Alterations to premises £000	Fixtures & fittings £000	Plant, machinery & equipment £000	Office equipment & motor vehicles £000	Total £000
<b>Cost</b>						
At beginning of period	4,096	29,826	13,112	24,302	1,412	72,748
Additions	-	298	357	497	-	1,152
Disposals	-	(25)	(96)	(145)	-	(266)
<b>At end of period</b>	<b>4,096</b>	<b>30,099</b>	<b>13,373</b>	<b>24,654</b>	<b>1,412</b>	<b>73,634</b>
<b>Depreciation</b>						
At beginning of period	3,121	26,148	10,428	19,602	1,412	60,711
Charge for the period	63	1,332	339	2,032	(111)	3,655
Disposals	-	(23)	(42)	(115)	-	(180)
Impairment of assets	-	75	109	7	-	191
Reversal of impairment	-	(95)	(89)	(17)	-	(201)
<b>At end of period</b>	<b>3,184</b>	<b>27,437</b>	<b>10,745</b>	<b>21,509</b>	<b>1,301</b>	<b>64,176</b>
<b>Net book value</b>						
At 27 September 2015	975	3,678	2,684	4,700	-	12,037
<b>At 25 September 2016</b>	<b>912</b>	<b>2,662</b>	<b>2,628</b>	<b>3,145</b>	<b>111</b>	<b>9,458</b>



**Notes (continued)**

**11 Tangible fixed assets (continued)**

The net book value of equipment includes an amount of £3,505,000 (2015: £5,354,000) in respect of assets held under finance leases. Depreciation on these assets in the current period was £1,850,000 (2015: £2,028,000).

The net book value of properties comprises:

	2016 £000	2015 £000
Freeholds	565	567
Long leaseholds (over 50 years)	314	353
Short leaseholds	33	55
	<hr/>	<hr/>
<b>Total property</b>	<b>912</b>	<b>975</b>
	<hr/>	<hr/>

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

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

**12 Debtors**

	2016 £000	2015 £000
Amounts owed by group undertakings	69,693	6,178
Other debtors	1,423	2,159
Prepayments and accrued income	3,244	3,174
Deferred tax asset (note 16)	157	-
	<hr/>	<hr/>
	<b>74,517</b>	<b>11,511</b>
	<hr/>	<hr/>

All the above debtors are due within one year.

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

	2016 £000	2015 £000
Trade creditors - amounts payable to winning customers	1,160	1,016
Amounts due to group undertakings	78,366	41,505
Corporation tax	1,643	898
Other taxation and social security	7,013	6,686
Obligations under finance leases (see note 15)	192	256
Other creditors	677	2,117
Accruals and deferred income	1,006	501
	<hr/>	<hr/>
	<b>90,057</b>	<b>52,979</b>
	<hr/>	<hr/>

Hire purchase agreement creditors are secured on the assets to which the finance relates:

## Notes (continued)

### 14 Creditors: amounts falling after more than one year

	2016 £000	2015 £000
Obligations under finance leases (see note 15)	-	124
	<u>-</u>	<u>124</u>

### 15 Interest-bearing loans and borrowings

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

	2016 £000	2015 £000
<b>Creditors falling due more than one year</b>		
Finance lease liabilities	-	124
	<u>-</u>	<u>124</u>
	<u>-</u>	<u>124</u>
<b>Creditors falling due within less than one year</b>		
Finance lease liabilities	192	256
	<u>192</u>	<u>256</u>
	<u>192</u>	<u>256</u>

### 16 Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Assets 2016 £000	2015 £000	Liabilities 2016 £000	2015 £000	Net 2016 £000	2015 £000
Accelerated capital allowances	(157)	-	-	137	(157)	137
	<u>(157)</u>	<u>-</u>	<u>-</u>	<u>137</u>	<u>(157)</u>	<u>137</u>

## Notes (continued)

### 17 Provisions

	Deferred Tax Provision £000	Dilapidation provision £000	Onerous lease provision £000	Total £000
Balance at 27 September 2015	137	934	2,184	3,255
Provisions made during the period	-	168	193	361
Provisions used during the period	(137)	(182)	(567)	(886)
Unwinding of discounted amount	-	-	78	78
<b>Balance at 25 September 2016</b>	<b>-</b>	<b>920</b>	<b>1,888</b>	<b>2,808</b>

The onerous lease provision is in relation to loss making shops within the Company shop profile. An associated impairment has been recorded in relation to assets dedicated to these contracts.

The dilapidation provision is associated with the Company's retail estate.

### 18 Employee Benefits

The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the Company which is legally responsible for the plan, which is Tote (Successor Company) Limited, another member of the group.

### 19 Capital and reserves

#### *Called up share capital*

	2016 £000	2015 £000
<b><i>Allotted, called up and fully paid</i></b>		
50,000 ordinary shares of £1.00 each	50	50

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.

## Notes (continued)

### 20 Commitments and contingencies

#### *Commitments under operating leases:*

Non-cancellable operating lease rentals are payable as follows:

	2016 £000	2015 £000
<b>Land and buildings</b>		
Within one year	5,880	4,827
Between one and five years	18,059	14,299
More than five years	9,256	8,435
	<u>33,195</u>	<u>27,561</u>
<b>Other</b>		
Within one year	1,170	463
Between one and five years	2,239	1,318
More than five years	-	-
	<u>3,409</u>	<u>1,781</u>

#### *Contingencies:*

The Company is an obligor to a wider group banking arrangement and, as such, has entered into a cross guarantee in respect of the borrowings of the Betfred group of companies, headed by Betfred Group Limited. In addition the Company's assets are secured by a number of fixed and floating charges held by the financing parties of the banking arrangement. At 25 September 2016 the net debt position of the Group under the unlimited cross-guarantee arrangement was £50,922,000 (2015: £89,274,000).

## Notes (continued)

### 21 Investments

The Company's subsidiaries are all dormant, their trade having been transferred to the Company from acquisition.

£000

Carrying value at 25 September 2016 and 27 September 2015

-

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

	Country of incorporation	Principal Activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Tote Course Limited	UK	Dormant	80% ordinary

### 22 Ultimate Parent Company

The Company is a subsidiary undertaking of Tote (Successor Company) Limited, a Company incorporated in the United Kingdom, which is a subsidiary of Lightcatch Limited, a Company also incorporated in the United Kingdom. Betfred Group Limited owns 100% of the share capital of Lightcatch Limited and is the ultimate parent of the Company. Betfred Group Limited is a company incorporated in the United Kingdom.

The smallest group in which the results of the Company are consolidated is that headed by Lightcatch Limited. The largest group in which the results of the Company are consolidated is that headed by Betfred Group Limited. The consolidated financial statements of the Group are available to the public and may be obtained from Betfred Group Limited, The Spectrum, 56-58 Benson Road, Birchwood, Warrington, Cheshire, WA3 7PQ.

### 23 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 and the expected future costs of removing asbestos from leasehold properties. The Directors consider that their estimates are appropriate.

## Notes (continued)

### 24 Explanation of transition to FRS 102 from old UK GAAP

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

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

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

#### Reconciliation of equity

	Note	29 September 2014			27 September 2015		
		Adopted UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000	Adopted UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
<b>Fixed assets</b>							
Intangible assets		82,894	-	82,894	70,769	-	70,769
Tangible fixed assets		15,393	-	15,393	12,037	-	12,037
		<u>98,287</u>	<u>-</u>	<u>98,287</u>	<u>82,806</u>	<u>-</u>	<u>82,806</u>
<b>Current assets</b>							
Stocks		-	-	-	4	-	4
Debtors		4,675	-	4,675	11,511	-	11,511
Cash at bank and in hand		1,675	-	1,675	1,738	-	1,738
		<u>6,350</u>	<u>-</u>	<u>6,350</u>	<u>13,253</u>	<u>-</u>	<u>13,253</u>
<b>Creditors: amounts due within one year</b>	a	(65,438)	170	(65,268)	(53,050)	71	(52,979)
		<u>(59,088)</u>	<u>170</u>	<u>(58,918)</u>	<u>(39,797)</u>	<u>71</u>	<u>(39,726)</u>
<b>Net current liabilities</b>							
<b>Creditors: amounts falling due after more than one year</b>		(380)	-	(380)	(124)	-	(124)
		<u>(3,264)</u>	<u>-</u>	<u>(3,264)</u>	<u>(3,240)</u>	<u>(15)</u>	<u>(3,255)</u>
<b>Provisions for liabilities</b>							
Other provisions	a	(3,264)	-	(3,264)	(3,240)	(15)	(3,255)
		<u>(62,732)</u>	<u>170</u>	<u>(62,562)</u>	<u>(43,161)</u>	<u>56</u>	<u>(43,105)</u>
<b>Net assets</b>		<u>35,555</u>	<u>170</u>	<u>35,725</u>	<u>39,645</u>	<u>56</u>	<u>39,701</u>
<b>Capital and reserves</b>							
Called up share capital		50	-	50	50	-	50
Profit and loss account		35,505	170	35,675	39,595	56	39,651
		<u>35,555</u>	<u>170</u>	<u>35,725</u>	<u>39,645</u>	<u>56</u>	<u>39,701</u>
<b>Shareholders' equity</b>		<u>35,555</u>	<u>170</u>	<u>35,725</u>	<u>39,645</u>	<u>56</u>	<u>39,701</u>

## Notes (continued)

### 24 Explanation of transition to FRS 102 from old UK GAAP (continued)

#### Notes to the reconciliation of equity

- a) Under UK GAAP the Company deferred for 100% of the amounts wagered in relation to open bets. Under FRS 102 the Company has provided for the anticipated payout only, based on the average payout, on a sport by sport basis. Additional taxation has been provided for as a result of this adjustment.

#### Reconciliation of profit for Tote Bookmakers Limited

	Note	Adopted UK GAAP £000	2015 Effect of transition to FRS 102 £000	FRS 102 £000
Gross turnover	a	2,538,641	(534)	2,538,107
Amounts payable to winning customers	a	(2,408,495)	392	(2,408,103)
<b>Net turnover</b>		<b>130,146</b>	<b>(142)</b>	<b>130,004</b>
Betting duty		(7,545)	-	(7,545)
Machine gaming duty		(16,725)	-	(16,725)
Statutory levy		(2,182)	-	(2,182)
<b>Gross profit</b>		<b>103,694</b>	<b>(142)</b>	<b>103,552</b>
Administrative expenses – before goodwill amortisation		(83,508)	-	(83,508)
Administrative expenses – goodwill amortisation		(12,125)	-	(12,125)
Exceptional costs		(380)	-	(380)
Other operating income		282	-	282
<b>Operating profit</b>		<b>7,963</b>	<b>(142)</b>	<b>7,821</b>
Loss on sale of fixed assets		671	-	671
<b>Profit on ordinary activities before interest and taxation</b>		<b>8,634</b>	<b>(142)</b>	<b>8,492</b>
Interest payable and similar charges		(475)	-	(475)
<b>Profit on ordinary activities before taxation</b>		<b>8,159</b>	<b>(142)</b>	<b>8,017</b>
Taxation	a	(4,069)	28	(4,041)
<b>Profit for the period</b>		<b>4,090</b>	<b>(114)</b>	<b>3,976</b>

#### Notes to the reconciliation of profit

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