

REGISTERED NUMBER: 00545018 (England and Wales, United Kingdom)

SPORTECH POOLS LIMITED

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2018**

THURSDAY



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SPORTECH POOLS LIMITED

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for the Year Ended 31 December 2018**

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SPORTECH POOLS LIMITED

Company Information
for the Year Ended 31 December 2018

DIRECTORS:

N J Rowlands (nee McCabe)
R A McGuire
T J Hearne

REGISTERED OFFICE:

Icarus House,
Hawkfield Close,
Hawkfield Business Park,
Bristol,
BS14 0BN

REGISTERED NUMBER:

00545018 (England and Wales, United
Kingdom)

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

SPORTECH POOLS LIMITED
Strategic Report
for the Year Ended 31 December 2018

The Directors present the Strategic report of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company was predominantly non-trading subsequent to the disposal of the Football Pools business in 2017. The Company continues to hold intercompany loan balances with other members of the Sportech Group and its historic defined benefit pension liability which was not disposed of.

REVIEW OF BUSINESS

From continuing operations, the Company's loss for the financial year was £31,000 (2017: profit of £14,118,000). The profit in the prior year was largely underpinned by investment income from its subsidiaries of £13,156,000, 2018: £nil.

Dividends paid during the year totalled £nil (2017: £179,670,000).

The Company has no external loan facilities or other long-term financial instruments as at 31 December 2018 (2017: none).

Shareholders' funds were at 31 December 2018 were £6,857,000 (2017: £1,243,000).

FUTURE DEVELOPMENTS

The Board have continued to review the options available to it with respect to its defined benefit pension scheme and on 29 March 2019, the Trustees of the scheme entered into a "buy-in" agreement with Just Group PLC to insure the liabilities in the scheme with a view to concluding a "buy-out" during 2019, after which the scheme will be wound up.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly review the risks associated with the Company's activities and ensures that appropriate systems and controls are in place to mitigate the occurrence and impact of such risks.

The most significant risk which the Company faces surround inherent tax judgments that have been made on material activities of the Company including the Spot the Ball claim and the disposal of assets as part of the Sportech Group's disposal of its Football Pools division. This is managed through consultation with HMRC and the Group's external financial advisors.

Given the quantum of the amounts due from Group undertakings, the recoverability of this is also a principal risk. Its recoverability is managed through review of divisional results by the Sportech board and any necessary revisions to Group strategy in driving overall Group profitability.

SPORTECH POOLS LIMITED

Strategic Report
for the Year Ended 31 December 2018

KEY PERFORMANCE INDICATORS

The Group's operations are managed on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of Sportech PLC, which includes the Company, is discussed in the Financial Review section of the Group's Annual Report for the year ended 31 December 2018 which does not form part of this report.

ON BEHALF OF THE BOARD:



.....
N Rowlands
Director

Date: August 2019

SPORTECH POOLS LIMITED

Report of the Directors **for the Year Ended 31 December 2018**

The Directors present the Report of the Directors and audited financial statements of the Company for the financial year ended 31 December 2018.

DIVIDENDS

Dividends of £nil were paid during the year (2017: £179,670,000). The Directors do not recommend the payment of a dividend for the year ended 31 December 2018.

DIRECTORS

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

N J Rowlands (nee McCabe)
R Q M Cooper (Resigned 29 October 2018)
R A McGuire
T J Hearne (appointed 4 October 2018)

FINANCIAL RISK MANAGEMENT

The Directors manage financial risk at a Group level across the whole business. The financial risk management policies and objectives of Sportech PLC, which includes the Company, are discussed in note 25 of the Group's Annual Report for the year ended 31 December 2018 which does not form part of this report.

DIRECTORS' THIRD PARTY INDEMNITY PROVISIONS

During the year and up to the date of approval of the financial statements, qualifying indemnity insurance was provided to the Directors. No claim was made under the provision.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the annual statements.

POST BALANCE SHEET EVENTS

On the 29 March 2019 the Trustees of the Sportech Group Pension scheme entered into a Buy-in agreement with Just Group PLC to insure the future liabilities of the pension scheme. A premium of £2,485,746 was paid funded by assets in the scheme and a top up payment from Sportech PLC on behalf of the Company. The Trustees and Just will now work towards a full buy-out out of the scheme and subsequently the scheme will be wound up. A true up payment to Just may be required following the conclusion of a data cleanse exercise or alternatively a payment may be due back to the scheme depending of results of the data cleanse.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SPORTECH POOLS LIMITED

Report of the Directors
for the Year Ended 31 December 2018

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, have been reappointed as auditors for the ensuing year in accordance with section 485 of the Companies Act 2006.

OTHER INFORMATION

An indication of likely future developments has been included in the Strategic Report.

ON BEHALF OF THE DIRECTORS:



.....
N Rowlands
Director

Date: ~~14~~ August 2019

SPORTECH POOLS LIMITED

Independent Auditors' Report to the Members of **SPORTECH POOLS LIMITED**

Report on the audit of the financial statements

Opinion

In our opinion, Sportech Pools Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Income Statement and Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

SPORTECH POOLS LIMITED

Independent Auditors' Report to the Members of **SPORTECH POOLS LIMITED**

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

14 August 2019

SPORTECH POOLS LIMITED

Income Statement
for the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
TURNOVER		-	-
Administrative expenses		(42)	(1,600)
OPERATING LOSS		(42)	(1,600)
Interest receivable and similar income	6	-	4,286
Interest payable and similar expenses	7	-	(1,103)
Income from shares in group undertakings		-	13,156
(LOSS)/PROFIT BEFORE TAXATION – CONTINUING OPERATIONS	8	(42)	14,739
Tax on (loss)/profit – continuing operations	9	11	(621)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR – CONTINUING OPERATIONS		(31)	14,118
Profit from discontinued operations	10	5,642	61,964
TOTAL PROFIT FOR THE FINANCIAL YEAR		5,611	76,082

SPORTECH POOLS LIMITED

Statement of comprehensive income
for the Year Ended 31 December 2018

	2018	2017
	£000	£000
PROFIT FOR THE FINANCIAL YEAR	5,611	76,082
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Actuarial gain on Defined Benefit Pension	8	43
Income tax relating to item of other comprehensive income	(5)	(43)
OTHER COMPREHENSIVE INCOME	3	-
FOR THE YEAR, NET OF INCOME TAX		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5,614	76,082

SPORTECH POOLS LIMITED**Balance Sheet
as at 31 December 2018**

	Note	2018 £000	2017 £000
FIXED ASSETS			
Investments	12	91	91
Defined benefit pension asset	18	29	9
		<u>120</u>	<u>100</u>
CURRENT ASSETS			
Debtors	13	14,666	11,472
Cash and cash equivalents	14	114	309
		<u>14,780</u>	<u>11,781</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(8,038)	(10,638)
Deferred tax liability	13	(5)	-
		<u>(8,043)</u>	<u>(10,638)</u>
NET CURRENT ASSETS		<u>6,737</u>	<u>1,143</u>
NET ASSETS		<u>6,857</u>	<u>1,243</u>
CAPITAL AND RESERVES			
Called up share capital	16	41	41
Pension reserve		(125)	(128)
Retained earnings		6,941	1,330
TOTAL SHAREHOLDERS' FUNDS		<u>6,857</u>	<u>1,243</u>

These financial statements on pages 8 to 23 were approved by the Board of Directors on 14 August 2019 and were signed on its behalf by:



.....
N Rowlands
Director

Company Registration Number: 00545018

SPORTECH POOLS LIMITED**Statement of Changes in Equity**
for the Year Ended 31 December 2018

	Called up share capital £000	Retained earnings £000	Pension reserve £000	Total £000
Balance at 1 January 2017	41	104,918	(128)	104,831
Changes in equity				
Profit and total comprehensive income	-	76,082	-	76,082
Dividends paid – March 2017	-	(44,882)	-	(44,882)
Dividends paid – November 2017	-	(134,788)	-	(134,788)
Total changes in equity	-	(103,588)	-	(103,588)
Balance at 31 December 2017	41	1,330	(128)	1,243
Changes in equity				
Profit and total comprehensive income	-	5,611	3	5,614
Total changes in equity	-	5,611	3	5,614
Balance at 31 December 2018	41	6,941	(125)	6,857

SPORTECH POOLS LIMITED

Notes to the Financial Statements **for the Year Ended 31 December 2018**

1. GENERAL INFORMATION

Sportech Pools Limited (the "Company"), until the disposal of its core trade and assets on 26 June 2017, principally operated Football Pools, Spot The Ball competitions and fixed odds games. This trade was fully disposed of, and subsequent to this date the Company was predominantly non-trading. The Company from that date continued to hold interest-bearing assets (in the form of intercompany loan balances with other members of the Sportech Group) and its historic defined benefit pension liability which was not disposed of.

The Company is a limited company and is registered, incorporated and domiciled in the UK. The address of its registered office is Icarus House, Hawkfield Close, Hawkfield Business Park, Bristol, BS14 0BN.

2. STATUTORY INFORMATION

Sportech Pools Limited is a private company, limited by shares, registered in England and Wales, United Kingdom. The Company's registered number and registered office address can be found on the Company Information page.

3. CRITICAL JUDGMENTS AND ESTIMATES

CORPORATION TAX

The Company's activities in recent periods have resulted in material tax liabilities crystallising. The ultimate tax liability due, in all instances, is subject to a degree of management judgment. The judgments which are made are done so in good faith, with the aim of always paying the correct amount of tax at the appropriate time.

Management work diligently with the Sportech Group's external financial advisors in quantifying the anticipated accurate and fair tax liability which arises from material one-off events such as the Spot the Ball legal case and the disposal of the Football Pools. Management have an open, transparent and constructive relationship with tax regulators, and engage positively when discussing any difference in legal interpretation between that of the Group and the regulators.

Where certain intangible assets are disposed of by the Company, a tax liability crystallises, the quantum of which is subject to management judgment. That judgment includes consideration of the assets which are disposed of, the value of those assets, and the period in which those assets arose.

Critical judgements are also applied in respect of the tax arising on the Spot the Ball claim. It is possible that £23.0m could be used to offset the gain to reduce the tax on this exceptional gain recognised in 2016 by £4.6m. The entire tax liability, other than this £4.6m, has now been paid. The £4.6m remains provided for in current tax liabilities in the year end financial statements as an uncertain tax position.

DEFINED BENEFIT PENSION SCHEME

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated determining the appropriate discount rate.

Other key assumptions for pension obligations are based in part on current market conditions.

4. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements of Sportech Pools Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The accounting policies below have been applied consistently, other than where new policies have been adopted.

There are no new standards, amendments or interpretations effective in the year applicable to the Company.

The Company is a wholly-owned subsidiary of Sportech PLC and is included in the consolidated financial statements of Sportech PLC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 or section 401 of the Companies Act 2006.

SPORTECH POOLS LIMITED

Notes to the Financial Statements **for the Year Ended 31 December 2018**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 16, 38A, 38B, 38C, 38D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures.

DIVIDENDS

Final dividends to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Dividend income is recognised when the right to receive payment is established.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the annual statements.

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

SPORTECH POOLS LIMITED

Notes to the Financial Statements - continued **for the Year Ended 31 December 2018**

4. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

PENSION OBLIGATION

The Company has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the balance sheet in respect of the defined benefit pension plan is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement.

For defined contribution plans, the Company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

RELATED PARTIES

The Company has taken advantage of the exemption under FRS 101 in respect of transactions with related parties, on the basis that it is a wholly owned subsidiary of a group headed by Sportech PLC, whose financial statements are publicly available. Accordingly, no transactions with other Sportech PLC group members are disclosed. There were no other related party transactions in the year.

DEFERRED INCOME

Deferred income represents the value of entry fees receivable in respect of competitions held after the end of the financial year.

INVESTMENTS

Investments are stated at cost less amounts written off. Any write offs are charged to the income statement in the accounting period in which it occurs.

SPORTECH POOLS LIMITED

Notes to the Financial Statements - continued **for the Year Ended 31 December 2018**

4. ACCOUNTING POLICIES - continued

GOODWILL

Goodwill arising on trade and asset acquisitions made by the Company represents the excess of the fair value of consideration given over the fair value of the separately identifiable trade and assets acquired.

Goodwill with an indefinite life is subject to an annual review for impairment. The recoverable amount is the higher of the asset's fair value less costs to sell, and value-in-use. Any impairment losses are recognised in the income statement in the period in which they occur. Any impairment loss recognised on goodwill is not reversed.

FINANCE INCOME/CHARGES

Interest income is earned on intercompany loans receivable, with the interest rate representing a market-based weighted average cost of capital appropriate to the Company.

Interest charges are incurred on intercompany loans payable at a rate of LIBOR plus 3%.

REVENUE

Revenue (until the point that trade ceased) from external customers, net of VAT, excise duties, returns, rebates and discounts within the Company represents:

- the value of entry fees, net of winnings paid, receivable in respect of Football Pools recognised on the date of the event;
- the value of stakes, net of winnings paid, received in relation to fixed-odds betting activities recognised on the date of the event;

Although the value of entry fees net of winnings paid and the value of bets net of winnings paid is reported as revenue, both meet the definition of a gain under FRS 101.

Revenue is reported within note 4, outlining the pre disposal trading for discontinued operations. This is reported within the net profit from discontinued operations in the income statement.

CASH AND CASH EQUIVALENTS

Cash shown on the balance sheet represent cash held in current accounts. There are no bank overdrafts at the balance sheet date.

EXCEPTIONAL ITEMS

The Company defines exceptional items as those items which, by their nature or size, would distort the comparability of the Company's results from year to year.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, being the difference between the assets' carrying amounts and the present value of the estimated future cash flows, discounted at the original effective interest rate. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific customer will default or delinquency in payment will arise. Any subsequent recovery of amounts written off is credited to the income statement.

TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

DIVIDENDS

Dividends are recognised when a commitment has been made to pay the final agreed amount to its shareholders, which typically arises when paid. Dividend income is recognised when the right to receive a payment is established.

SPORTECH POOLS LIMITED

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

5. EMPLOYEES AND DIRECTORS

The Company has no employees (2017: Nil). The Directors' remuneration is borne entirely by another Group company. The emoluments of the Directors are disclosed in the Remuneration Report within the Sportech PLC Annual Report 2018 which is available on the parent company's website at www.sportechplc.com/investors/results, other than for N Rowlands. N Rowland's emoluments were borne by Sportech PLC and not recharged to the Company. N Rowlands is not the highest paid Director.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£000	£000
Interest receivable from Group undertakings	<u>-</u>	<u>4,286</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	£000	£000
Interest payable to Group undertakings	-	1,099
Net pension interest expense	<u>-</u>	<u>4</u>
	<u>-</u>	<u>1,103</u>

The interest rate applied to borrowings was equivalent to the Sportech Group's cost of borrowing, being LIBOR plus 3% (2017: LIBOR plus 3%).

8. (LOSS)/PROFIT BEFORE TAXATION – CONTINUING OPERATIONS

The (loss)/profit before taxation is stated after charging:

	2018	2017
	£000	£000
Impairment of investments	<u>-</u>	<u>1,600</u>

Auditors' remuneration in relation to the audit of the Company's financial statements of £5,000 has been paid by Sportech PLC and no charge to the Company was made (2017: £27,000, reported within the profit from discontinued operations in the income statement).

SPORTECH POOLS LIMITED

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

9. TAX ON (LOSS)/PROFIT – CONTINUING OPERATIONS

Analysis of tax (credit)/expense

	2018 £000	2017 £000
Current tax:		
UK Corporation tax based on the results for the year	(11)	621
	<u> </u>	<u> </u>
Total tax (credit)/expense in income statement	<u>(11)</u>	<u>621</u>

FACTORS AFFECTING THE TAX EXPENSE

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £000	2017 £000
(Loss)/profit before income tax	(42)	14,739
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	(8)	2,837
Effects of:		
Permanent differences	<u>(3)</u>	<u>(2,216)</u>
Total tax (credit)/expense	<u>(11)</u>	<u>621</u>

Factors that may affect future tax charges

As the Company's year end is after the substantive enactment date (15 September 2016) of the Finance Act 2016, these financial statements account for the change in the UK Corporation Tax rate from 19% to 17% for financial years beginning 1 April 2020.

Therefore, the rate at which deferred tax is calculated has changed. Deferred tax in the UK is provided at a blended rate, depending on when the deferred tax is expected to unwind.

SPORTECH POOLS LIMITED

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

10. PROFIT FROM DISCONTINUED OPERATIONS

On 26 June 2017, the Company agreed to dispose of its trade and assets to Op Capita, LLP for consideration of £73,678,000. Until this date, the Company continued to operate its UK principal activities of Football Pools, Spot the Ball and fixed odds games.

In 2018, legacy income and costs relating to the disposed of business are recognised in discontinued operations as shown below. In 2017, the pre-disposal trading profits of this business, and the gain on disposal of this trade and assets, was recognised in the income statement as profit from discontinued operations as shown below.

	2018	2017
	£000	£000
TURNOVER	-	13,170
Cost of sales	-	(2,248)
GROSS PROFIT	-	10,922
Distribution costs	-	-
Administrative expenses	(36)	(6,655)
Other income	115	-
PROFIT BEFORE TAXATION	79	4,267
Tax, excluding tax arising on disposal	5,504	(567)
PROFIT AFTER TAXATION	5,583	3,700
Gain on disposal (see note 5a)	59	58,264
NET PROFIT FROM DISCONTINUED OPERATIONS	5,642	61,964

Included in tax for the prior year is a £2,122,000 tax credit as an adjustment for previous periods (subsequently group relief was received to offset this charge), relating to world wide debt cap adjustments between the Company and other UK Sportech Group companies. This had £nil impact on the Sportech Group's UK tax liability for 2017.

5a) Gain on disposal

	2018	2017
	£000	£000
Consideration	73	73,678
Goodwill written off (note 11)	-	(10,161)
Investments disposed of (note 12)	-	(2,000)
Net liabilities disposed of	-	2,127
PRE TAX GAIN ON DISPOSAL	73	63,644
Tax arising on disposal	(14)	(5,380)
GAIN ON DISPOSAL	59	58,264

At 31 December 2017, £202k was accrued as a receivable from Op Capita, the acquirers of The Football Pools trade and assets. During the year, an amount of £275k was agreed as payable (and was received in December 2018), and therefore further consideration of £73k has been credited to the income statement as gain on disposal. The additional proceeds are taxed at 19%.

SPORTECH POOLS LIMITED

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

11. GOODWILL	2018	2017
	£000	£000
COST		
At 1 January	-	10,161
Disposals	-	(10,161)
At 31 December	-	-

The goodwill brought forward arose from the transfer of businesses into the Company from FootballPools.com Limited, Football Pools Company Limited and Pools Company Limited during January 2001. This goodwill was disposed of in full given the disposal of the Company's principal trade and assets during prior the year.

12. INVESTMENTS	2018	2017
	£000	£000
COST		
At 1 January	2,546	4,546
Disposals	-	(2,000)
At 31 December	2,546	2,546
PROVISIONS FOR IMPAIRMENT		
At 1 January	(2,455)	(855)
Impairment	-	(1,600)
At 31 December	(2,455)	(2,455)
NET BOOK VALUE		
At 31 December	91	91

At the reporting date the Company held 100% investments in the following subsidiary undertakings:

Name of Company	Nature of Business
C & P Promotions Limited	Dormant
Pools Company Limited	Dormant
Thepools.com Limited	Dormant
Sportech Pools Competitions Limited	Dormant
Bet 247 Limited	Dormant
Pools Promotions Limited	Dormant
Sportech Pools Games Limited	Until the disposal of its trade and assets on 26 June 2017, the company offered gaming products directly to UK consumers. Subsequent to this date the Company is non-trading
Sportech Pools Trustee Company Limited	Dormant

The Company holds 100% of the ordinary shares of all the above companies.

The Company has taken advantage of section 400(1)(a) of the Companies Act 2006 and has not prepared consolidated financial statements, as the Company is itself a wholly owned subsidiary.

All the above companies are incorporated in England & Wales, United Kingdom.

SPORTECH POOLS LIMITED

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

13. DEBTORS

	2018	2017
	£000	£000
Amounts falling due within one year:		
Amounts owed by group undertakings	14,666	11,301
	14,666	11,301
Amounts falling due after more than one year:		
Deferred tax	-	171
Aggregate amounts	14,666	11,472

The amounts falling due within one year represent loans which are unsecured, repayable on demand and bear no interest.

DEFERRED TAX

The movement on the net deferred tax balance is as follows:

	2018	2017
	£000	£000
Net deferred tax asset as at 1 January	171	230
Charged to the income statement within results from discontinued operations	(171)	(16)
Tax charged directly to other comprehensive income	(5)	(43)
Net deferred tax (liability)/asset at 31 December	(5)	171

The tax charged directly to other comprehensive income is the deferred tax on the retirement liabilities.

The movement in deferred tax assets is shown below:

	Pension	Capital	Other	Total
	£000	allowances	temporary	£000
	£000	£000	differences	£000
At 1 January 2017	43	15	172	230
Income statement charge within results from discontinued operations	-	(15)	(1)	(16)
Tax charged to other comprehensive income	(43)	-	-	(43)
At 31 December 2017	-	-	171	171
Income statement charge within results from discontinued operations	-	-	(171)	(171)
Tax charged to other comprehensive income	(5)	-	-	(5)
At 31 December 2018	(5)	-	-	(5)

14. CASH AND CASH EQUIVALENTS

	2018	2017
	£000	£000
Cash and cash equivalents	114	309
	114	309

SPORTECH POOLS LIMITED

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£000	£000
Trade creditors	27	194
Amounts owed to group undertakings	338	91
Corporation tax	6,605	9,174
Accruals	1,068	1,179
	<u>8,038</u>	<u>10,638</u>

The amounts owed to group undertakings represent loans which are unsecured, repayable on demand and bear no interest.

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:
Number:

	Class:	Nominal value:	2018	2017
			£	£
40,501 (2017: 40,501)	Ordinary Shares	£1	<u>40,501</u>	<u>40,501</u>

17. DIVIDENDS

	2018	2017
	£000	£000
Equity - ordinary		
First interim paid: nil pence (March 2017: £1,108) per share	-	44,882
Second interim paid: nil pence (November 2017: £3,328) per share	-	134,788
	<u>-</u>	<u>179,670</u>

The Directors are not proposing a final dividend in respect of the financial year ending 31 December 2018.

18. PENSION LIABILITY

DEFINED CONTRIBUTION SCHEME

During the year, the Company participated in one pension scheme, a defined benefit scheme, which is funded

Defined benefit scheme

Pursuant to the sale agreement between Littlewoods PLC and Sportech PLC, a defined benefit scheme was set up for those employees who joined the Group consequent upon the acquisition of Sportech Gaming Limited by Sportech PLC and who were aged 50 or over on 4 September 2000, the date of the acquisition. This scheme was formed on 6 April 2001.

The valuation used for these disclosures has been based on the most recent actuarial valuation carried out at 31 December 2018 by Barnett Waddingham LLP, independent consulting actuaries. The principal assumptions used by the actuary for this purpose are set out below:

	2018	2017
Rate of increase in pensionable salaries	3.5%	3.4%
Discount rate	2.7%	2.4%
Inflation assumption	3.5%	3.4%
Mortality Table	S2NxA CMI 2017 (projections)	S2NxA CMI 2015 (projections)
	1.5% long term rate of improvement year of birth)	1.5% long term rate of improvement year of birth)

SPORTECH POOLS LIMITED

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

18. PENSION LIABILITY - continued

The amounts recognised in the balance sheet are as follows:

	2018	2017
	£000	£000
Present value of funded obligations	(2,139)	(2,297)
Fair value of scheme assets	2,168	2,306
Net pension asset	29	9

Changes in the present value of the defined benefit obligation scheme are as follows:

	2018	2017
	£000	£000
Opening defined benefit obligation	2,297	2,354
Interest on scheme liabilities	54	60
Actuarial gain	(117)	(4)
Benefits paid	(95)	(113)
Closing defined benefit obligation	2,139	2,297

Changes in the fair value of scheme assets are as follows:

	2018	2017
	£000	£000
Opening fair value of scheme assets	2,306	2,109
Expected return on scheme assets	54	56
Contributions by employer	54	305
Administration expenses	(42)	(90)
Actuarial (loss)/gain	(109)	39
Benefits paid	(95)	(113)
Closing fair value of scheme assets	2,168	2,306

It is estimated that the Company will contribute £55,000 to the scheme in financial year 2019 (2018: £55,000).

Sensitivity analysis of scheme liabilities

	Change in assumption	Impact on scheme liabilities
		£000
Discount rate	Increase by 0.25% pa	63
Rate of inflation	Decrease by 0.25% pa	64
Life expectancy	Increase by 1.25% pa	17

Estimated future benefit payments for the next ten fiscal years for the scheme are:

	Less than a year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
Pension benefits	98	102	327	626	1,153

The weighted average duration for the scheme obligation is approximately thirteen years.

SPORTECH POOLS LIMITED

Notes to the Financial Statements - continued **for the Year Ended 31 December 2018**

19. OTHER FINANCIAL COMMITMENTS

Financial risk management policies and objectives

The Company has little or no exposure to either interest rate risk or foreign exchange rate risk, although the Company does have some exposure to cash flow and liquidity risk. The Company does not use derivative financial instruments to hedge certain risk exposures.

The policy for each of the above risks is described in more detail below:

Cash flow interest rate risk

The Company has no significant interest-bearing assets. The Company's income and cash flows are substantially independent of changes in market interest rates.

Liquidity risk

Cash flow forecasting is performed on a weekly basis in the operating entities of the Company and is aggregated by Central Finance. This weekly forecasting recognises committed short-term payables of the Company which are monitored and managed through regular discussions with suppliers. Central Finance monitors rolling forecasts of the Company's liquidity requirements to ensure each operating entity has sufficient cash to meet its operational needs.

Credit risk

The Company's receivables are inter-company only and the Directors consider credit risk to be minimal.

Financial assets and liabilities

The Company had the following categories of outstanding financial assets and liabilities at the reporting date:

	2018	2017
	£000	£000
Loans and receivables	14,780	11,610
Financial liabilities measured at amortised cost	1,433	1,464

20. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption under FRS 101 in respect of transactions with related parties, on the grounds that it is a wholly owned subsidiary of a group headed by Sportech PLC, whose financial statements are publicly available. Accordingly, no transactions with other Sportech PLC group members are disclosed. There were no other related party transactions in the year.

21. ULTIMATE CONTROLLING PARTY

The Company's immediate parent and controlling party is Sportech Gaming Limited.

The ultimate parent undertaking and controlling party is Sportech PLC, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The Directors regard Sportech PLC as the ultimate controlling party. Copies of Sportech PLC consolidated financial statements can be obtained from the Company Secretary at Icarus House, Hawkfield Close, Hawkfield Business Park, Bristol, BS14 0BN.