

The Sporting Exchange Limited

Directors' report and financial statements

Registered number 03770548

For the year ended 30 April 2013

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Contents

Directors' report	1-2
Statement of directors' responsibilities in respect of the Directors' report and the financial statements	3
Independent auditor's report to the members of The Sporting Exchange Limited	4
Profit and loss account and statement of total recognised gains and losses	5
Balance sheet	6
Notes to the financial statements	7-13

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2013

Principal activities and future developments

The principal activity of the Company continues to be an investment and intermediary holding company. The Directors believe this will continue for the foreseeable future.

Review of business

The loss on ordinary activities after tax for the year was £9.4m (2012 profit of £26.3m).

The ultimate parent company, Betfair Group plc, has formally indicated that it will provide sufficient funding to the Company, to enable it to meet its liabilities as they fall due, for at least the next twelve months. The directors have no reason to believe that the parent company will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on the going concern basis.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. The key business risks and uncertainties affecting the Group are considered to relate to online gambling regulation, products, customers, people, infrastructure and systems and financial risk. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 28-29 of the Group's annual report which does not form part of this report.

Risks are formally reviewed by the Board and appropriate processes are put in place to mitigate them. It is possible that the overall effect of such events would result in adverse effects on the Company.

The additional key business risks affecting the Company are set out below.

Legal and Regulatory Risks

We continue to monitor closely UK laws and regulatory developments to ensure that we are well equipped to assess any impact on our business.

Regulatory uncertainty continues to be a major risk for the business despite our conservative approach, and whilst we remain confident that this approach offers long-term benefits, there is added risk of short-term volatility.

IT Security

As an online business, the integrity and operational robustness of the Group's IT systems are critical for ongoing performance. It is essential to ensure that appropriate protections are in place to detect any intrusion, as well as preventative measures such that all systems are safeguarded against hackers, email viruses, distributed denial of service ('DDoS') attacks and other forms of cyber crime.

Any failure in these measures could significantly impact the Group's reputation and financial performance. As part of its systems infrastructure, the Group regularly reviews its system security using internal and external audit procedures to verify its continued effectiveness.

Directors' report (continued)

Financial Risk Management

The Group's operations expose it to a variety of other financial risks, including interest rate and foreign exchange movements. Management continues to monitor closely the Group's financial risks, and where appropriate, enter into hedging arrangements to mitigate its exposures.

Dividends

The directors do not recommend the payment of a dividend (2012: £nil).

Charitable donations

The Company made no charitable donations during the year (2012: £nil).

Political contributions

The Company made no political contributions during the year (2012: £nil).

Directors

The directors who held office during, and subsequent to, the year were as follows:

Martin Cruddace (resigned 17 June 2013)
Stephen Morana (resigned 3 December 2012)
Mark Brooker (appointed 9 November 2012, resigned 8 April 2013)
Justin Hubble (appointed 8 April 2013)
Breon Corcoran (appointed 17 June 2013)


All directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditor

The directors holding 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 they ought to have taken as a director to make themselves 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 Audit Plc will therefore continue in office.



Breon Corcoran
Director

Waterfront
Hammersmith Embankment
Chancellors Road
London, W6 9HP
7 October 2013

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of The Sporting Exchange Limited

We have audited the financial statements of The Sporting Exchange Limited for the year ended 30 April 2013 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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.

Michael Harper

Michael Harper (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

7 October 2013

Profit and loss account
For the year ended 30 April 2013

	Note	2013 £'000	2012 £'000
Administrative (expenses)/credit		(31)	14
Impairment of investment	9	(38,675)	-
Other operating income	4	17,600	17,600
Operating (loss)/profit		(21,106)	17,614
Other income	5	2,496	-
Interest receivable and similar income	6	8,253	9,793
Interest payable and similar charges	7	(43)	(244)
(Loss)/profit on ordinary activities before tax		(10,400)	27,163
Tax credit/(charge) on (loss)/profit on ordinary activities	8	1,038	(865)
(Loss)/profit for the financial year	16	(9,362)	26,298

All activities relate to continuing operations in the current and prior year

The notes on pages 7 to 13 form an integral part of these financial statements

Statement of total recognised gains and losses
For the year ended 30 April 2013

	Note	2013 £'000	2012 £'000
(Loss)/profit for the financial year		(9,362)	26,298
Sale of own shares	16	(1,976)	1,010
Purchase of own shares	16	(22)	-
Total recognised gains and losses for the financial year		(11,360)	27,308

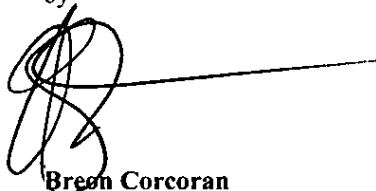
Balance sheet
As at 30 April 2013

	Note	2013 £'000	£'000	2012 £'000	£'000
Assets					
Investments	9		618,319		646,391
Debtors	10	42,517		2,647	
Cash at bank and in hand		121		3,497	
		<u>42,638</u>		<u>6,144</u>	
Creditors: amounts falling due within one year	11	<u>(108,770)</u>		<u>(71,388)</u>	
Net current liabilities			(66,132)		(65,244)
Total assets less current liabilities			552,187		581,147
Creditors: amounts falling due after more than one year	12		(277,200)		(294,800)
Net assets			274,987		286,347
Capital and reserves					
Called up share capital	13		104		104
Share premium account	14		1,447		1,447
Profit and loss account	15		273,436		284,796
Shareholders' funds	16		274,987		286,347

The notes on pages 7 to 13 form an integral part of these financial statements

These financial statements were approved by the board of directors on 7 October 2013 and were signed on its behalf

by



Breon Corcoran
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules in accordance with applicable UK accounting standards and comply with the requirements of the United Kingdom companies Act 2006.

The financial statements have been prepared on a going concern basis in view of the fact that the ultimate parent company, Betfair Group plc, has formally indicated that it will provide sufficient funding to the Company, to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements. The directors have no reason to believe that the parent company will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on the going concern basis.

Investments

Fixed asset investments are stated at cost less any provision for impairment.

Other operating income

Other income comprises income recognised from sale of intellectual property.

Tax

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred tax'.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Judgements and estimates

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, the reported amounts of revenues and expense. Actual results may differ from those estimates.

Notes (continued)

1 Accounting policies (continued)

Related party transactions

As the Company is a wholly owned subsidiary of Betfair Group plc, the Company has taken advantage of the exemption contained in FRS 8 'Related party transactions' and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Betfair Group plc, within which this Company is included, can be obtained from the address given in note 17.

Cash flow statement

The Company has taken advantage of the provisions of FRS 1 'Cash flow statements' not to prepare a cash flow statement on the grounds that the cash flows are included within the published consolidated accounts of Betfair Group plc, the ultimate parent company.

2 Auditor's remuneration

Audit fees have been borne by a fellow group undertaking in the current and prior year. The audit fee payable to the Company's auditor in respect of the audit of these financial statements was £7,000 (2012 £7,500).

3 Directors' remuneration

No directors received remuneration for services to the Company during the year (2012 £nil).

4 Other operating income

	2013 £'000	2012 £'000
Release of deferred income from the sale of intellectual property	17,600	17,600

5 Other income

	2013 £'000	2012 £'000
Waive of loan balance due to group undertaking	2,496	-

During the year ended 30 April 2013, a loan totalling £2.0m, which was due to another entity within the Betfair Group, was waived as a result of the exercise of employee share options satisfied from the Employee Benefit Trust. A loan totalling £0.5m was also waived in respect of LMAX Limited, a subsidiary that was disposed of from the Betfair Group in the year.

Notes (continued)

6 Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable from group undertakings	8,252	9,789
Interest accrued loan notes	1	4
	<u>8,253</u>	<u>9,793</u>

7 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest payable to group undertakings	43	240
Bank interest payable	-	4
	<u>43</u>	<u>244</u>

8 Tax on (loss)/profit on ordinary activities Analysis of tax charge for the year

	2013 £'000	2012 £'000
UK Corporation tax – current year	-	2,458
UK Corporation tax – prior year	(1,038)	(1,593)
Current tax charge/(credit)	<u>(1,038)</u>	<u>865</u>
Deferred tax	-	-
	<u>(1,038)</u>	<u>865</u>

Notes (continued)

8 Tax on (loss)/profit on ordinary activities (continued)

	2013 £'000	2012 £'000
(Loss)/profit on ordinary activities before tax	(10,400)	27,163
Current tax at 23.9% (2012: 25.8%)	(2,486)	7,008
Effects of		
Expenses/(income) not taxable	4,441	(4,550)
Group relief received for nil payment	(1,955)	-
Adjustments in respect of previous periods	(1,038)	(1,593)
Current tax (credit)/charge	(1,038)	865

With effect from 1 April 2013, the UK Statutory rate of Corporation tax was reduced to 23%. This will result in a blended standard statutory rate of 23.9% in the year ended 30 April 2013, and has been incorporated into the effective tax rate calculation.

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012, and further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

These changes will reduce the Company's future current tax charge accordingly.

9 Fixed asset investments

	Share in Group undertakings £'000	Loan to subsidiary £'000	Other investments £'000	Total £'000
Cost				
At 1 May 2012	113,088	533,303	-	646,391
Sale of shares	(1,976)	-	-	(1,976)
Purchase of shares	3,152	-	-	3,152
Interest payable by subsidiary	-	8,227	-	8,227
Impairment	(38,675)	-	-	(38,675)
Transfer from Group undertaking	-	-	1,200	1,200
At 30 April 2013	75,589	541,530	1,200	618,319

During the year, the Employee Benefit Trust purchased shares of £3.2m in the parent company Betfair Group plc, and sold shares with a weighted average value of £2.0m to employees of the Betfair Group on the exercise of share options.

The other investment transfer relates to the remaining 33% holding of LMAX Limited, a previous subsidiary undertaking of the Betfair Group that was partly disposed of in the financial year.

Notes (continued)

9 Fixed asset investments (continued)

During the year management conducted an impairment review of investments

The review indicated that the carrying amount of an investment in London Multi-Asset Exchange (Holdings) Limited exceeded its recoverable amount by £38.7m and consequently has been written down by this amount. The impairment loss has been recognised in the profit and loss account.

The recoverable amount of the investment has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2013
Period over which management has projected cash-flows	5 years
Growth rate used to extrapolate cash flows	5%
Discount rate	9%

The companies in which the Company has an interest at the year-end are as follows:

	Country of incorporation	Principal activity	Classification	Ordinary shares held %
Betfair Limited	England	Support services	Subsidiary	100
Betfair General Betting Limited	England	Support services	Subsidiary	100
TSE Holdings Limited	England	Holding company Intellectual property	Subsidiary	100
TSE Development Limited	England	licensor	Subsidiary	100
TSE (International) Limited	England	Non trading	Subsidiary	100
The Sporting Exchange (Clients) Limited	England	Non trading	Subsidiary	100
Flutter com LLC	USA	Non-trading	Subsidiary	100
TSE (Clients) Pty Limited	Australia	Non-trading	Subsidiary	100
TSE Global Limited	England	Support services	Subsidiary	100
London Multi-Asset Exchange (Holdings) Limited	England	Holding company	Subsidiary	99.98
LMAX Limited	England	Trading	Associate	33

Notes (continued)

10 Debtors

	2013 £'000	2012 £'000
Amounts receivable from group undertakings	42,331	2,647
Corporation tax	186	-
	<u>42,517</u>	<u>2,647</u>

Amounts receivable from group undertakings are unsecured, interest bearing and repayable on demand

11 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Corporation tax	-	852
Other creditors	62	9
Other tax and social security	480	480
Accruals and deferred income	17,611	17,611
Amounts payable to group undertakings	90,617	52,436
	<u>108,770</u>	<u>71,388</u>

Amounts payable to Group undertakings are unsecured, interest bearing and repayable on demand

12 Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Deferred income	277,200	294,800

Maturity of deferred income

	2013 £'000	2012 £'000
Matures in second to fifth years inclusive	70,400	70,400
Matures in more than five years	206,800	224,400
	<u>277,200</u>	<u>294,800</u>

The deferred income recognised in the Company represents the element of the consideration from the sale of an exclusive licence of the Company's intellectual property to TSE Development Limited in the year ended 30 April 2005

Notes (continued)

13 Called up share capital

	2013 £'000	2012 £'000
Authorised		
200,000,000 Ordinary shares of 0.1p each (2012: 200,000,000)	200	200
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
104,136,304 Ordinary shares of 0.1p each (2012: 104,136,304)	104	104
	<u> </u>	<u> </u>

14 Share premium account

	£'000
At 1 May 2012 and at 30 April 2013	1,447
	<u> </u>

15 Profit and loss account

	£'000
At 1 May 2012	284,796
Loss for the financial year	(9,362)
Sale of own shares	(1,976)
Purchase of own shares	(22)
At 30 April 2013	273,436
	<u> </u>

16 Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Shareholders' funds as at 1 May 2012	286,347	259,039
(Loss)/profit for the financial year	(9,362)	26,298
Sale of own shares	(1,976)	1,010
Purchase of own shares	(22)	-
Shareholders' funds as at 30 April 2013	274,987	286,347
	<u> </u>	<u> </u>

17 Immediate and ultimate parent company

The immediate and ultimate parent company is Betfair Group plc, a company incorporated in the UK. Copies of the financial statements of Betfair Group plc can be obtained from

Companies House
 Crown Way
 Mandy
 Cardiff
 CF14 3UZ