

The Sporting Exchange Limited

Directors' report and financial statements

Registered number 03770548

For the year ended 30 April 2014

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Strategic Report

The directors present their annual report and the audited financial statements for the year ended 30 April 2014.

The Strategic report is prepared in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Principal activities and future developments

The principal activity of the Company is the provision of support services to other Group companies. The directors believe these activities will continue for the foreseeable future.

Review of business

The Company is part of the Betfair Group plc (the 'Betfair Group' or 'Group') which reported a consolidated turnover from continuing operations of £393.6m (2013: £387.0m), profit before tax of £61.1m (2013: £49.4m loss) and has consolidated net assets of £171.4m (2013: £132.0m). The results of the Group are discussed in detail in the financial statements of Betfair Group plc.

The Directors were satisfied with the performance of the Company during the year.

Key Performance Indicators

The Directors believe the Key Performance Indicators (KPIs) of the Company, and associated subsidiaries, are Revenues and Profit before Tax. In the year ended 30 April 2014, turnover of £393.6m (2013: £387.0m) was recognised in respect of revenue received from the provision of online gaming services. The Company and associated subsidiaries generated profit on ordinary activities before taxation of £61.1m (2013: £49.4m loss) which is reasonable based on the Directors expectations.

The average number of employees of the company and associated subsidiaries has fallen to 1,739 (2013: 2,066) as a result of cost optimisation initiatives and restructuring around the Betfair Group. The fall in employees has not impacted on the deliverance of the Company's principal activities.

Despite the Company being in a net current liability position, the financial statements have been prepared on a going concern basis. 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 a 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 25-27 of the Group's annual report which does not form part of this report.

Risks are formally reviewed by the Board of the Betfair Group 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.

Financial Risk Management

The Group, which applies to the Company where applicable, continues to have a prudent treasury management policy in place. The Group's operations expose it to a variety of other financial risks, including interest rate and foreign exchange movements. Management continues to closely monitor the Group's financial risks and mitigate its exposure where appropriate.

Strategic Report (continued)

The Strategic report is approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Alexander Gersh', followed by a long horizontal flourish.

Alexander Gersh
Director

Waterfront
Hammersmith Embankment
Chancellors Road
London
W6 9HP

26 September 2014

Directors' report

Dividends

The directors do not recommend the payment of a dividend (2013: £nil).

Charitable donations

The Company made no charitable donations during the year (2013: £nil).

Political contributions

The Company made no political contributions during the year (2013: £nil).

Directors

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

Martin Cruddace (resigned 17 June 2013)
Justin Hubble (resigned 9 January 2014)
Breon Corcoran (appointed 17 June 2013)
Alexander Gersh (appointed 28 October 2013)

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

Employees

Applications for employment by disabled persons are always fully and fairly considered, bearing in mind the aptitude and ability of the applicant concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment within the Group continues. The Group will ensure that appropriate adjustments to accommodate a disability will be discussed and appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Management recognises that employees are key to both the present and future success of the Group and places considerable value on the involvement of its employees. In order to maximise the potential of every employee, management support the fundamental belief that there must be considerable investment in training and development, a supportive and progressive working environment and employee contribution and involvement in business matters.

Management has continued its practice of keeping employees informed on matters affecting them and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to auditor

The directors holding office at the date of approval of the accounts 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.

Directors' report (continued)

Auditor

KPMG has instigated an orderly wind-down of KPMG Audit Plc as a result of an internal reorganisation and requested that going forward the audit is instead undertaken by KPMG LLP (an intermediate parent of KPMG Audit Plc). KPMG Audit Plc will therefore resign from their position and KPMG LLP will be appointed in their place.

On behalf of the board

A handwritten signature in black ink, appearing to read 'Alexander Gersh', followed by a long horizontal flourish.

Alexander Gersh
Director

Waterfront
Hammersmith Embankment
Chancellors Road
London
W6 9HP

26 September 2014

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 2014 set out on pages 7 to 16. 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 5, 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 2014 and of its profit 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 Strategic Report and 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 (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

30th September 2014

Profit and loss account
For the year ended 30 April 2014

	Note	2014 £'000	2013 £'000
Administrative expenses		(6)	(31)
Impairment of investment	9	-	(38,675)
Other operating income	4	17,600	17,600
Operating profit/(loss)		17,594	(21,106)
Other income	5	6,335	2,496
Interest receivable and similar income	6	6,327	8,253
Interest payable and similar charges	7	-	(43)
Profit/(loss) on ordinary activities before tax		30,256	(10,400)
Tax credit/(charge) on loss on ordinary activities	8	-	1,038
Profit/(loss) for the financial year	16	30,256	(9,362)

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

The notes on pages 9 to 16 form an integral part of these financial statements.

Statement of total recognised gains and losses
For the year ended 30 April 2014

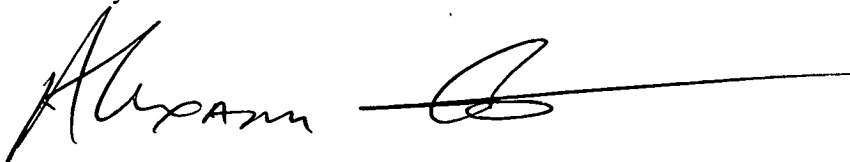
	Note	2014 £'000	2013 £'000
Profit/(loss) for the financial year		30,256	(9,362)
Sale of own shares	16	(4,245)	(1,976)
Purchase of own shares	16	-	(22)
Total recognised gains/(losses) for the financial year		26,011	(11,360)

Balance sheet
As at 30 April 2014

	Note	2014 £'000	£'000	2013 £'000	£'000
Assets					
Investments	9		346,877		618,319
Debtors	10	10,098		42,517	
Cash at bank and in hand		1,764		121	
		<u>11,862</u>		<u>42,638</u>	
Creditors: amounts falling due within one year	11	<u>(62,141)</u>		<u>(108,770)</u>	
Net current liabilities			(50,279)		(66,132)
Total assets less current liabilities			296,598		552,187
Creditors: amounts falling due after more than one year	12		(259,600)		(277,200)
Net assets			36,998		274,987
Capital and reserves					
Called up share capital	13		104		104
Share premium account	14		1,447		1,447
Profit and loss account	15		35,447		273,436
Shareholders' funds	16		36,998		274,987

The notes on pages 9 to 16 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 26 September 2014 and were signed on its behalf by:



Alexander Gersh
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.

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 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.

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 operating income comprises income recognised from licensing of intellectual property.

Tax

The charge for tax is based on the result 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 (2013: £7,000).

3 Directors' remuneration

No directors received remuneration for services to the Company during the year (2013: £nil). The Company had no employees during the current year or prior year.

4 Other operating income

	2014 £'000	2013 £'000
Release of deferred income from the sale of intellectual property	17,600	17,600

5 Other income

	2014 £'000	2013 £'000
Waive of loan balance due to group undertaking	6,335	2,496

During the year ended 30 April 2014, a loan totalling £5.9m (2013: £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. An additional amount totalling £0.5m was also released in the year.

In the year ended 30 April 2013, a loan totalling £0.5m was waived in respect of LMAX Limited, a subsidiary that was disposed of from the Betfair Group in that financial year.

Notes (continued)

6 Interest receivable and similar income

	2014	2013
	£'000	£'000
Bank interest receivable	2	-
Interest receivable from group undertakings	6,325	8,253
	<u>6,327</u>	<u>8,253</u>

7 Interest payable and similar charges

	2014	2013
	£'000	£'000
Interest payable to group undertakings	-	43
	<u>-</u>	<u>43</u>

8 Tax on loss on ordinary activities

Analysis of tax charge for the year

	2014	2013
	£'000	£'000
UK Corporation tax – current year	-	-
UK Corporation tax – prior year	-	(1,038)
	<u>-</u>	<u>(1,038)</u>
Current tax charge/(credit)	-	-
Deferred tax	-	-
	<u>-</u>	<u>(1,038)</u>

Notes (continued)

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

	2014 £'000	2013 £'000
Profit/(loss) on ordinary activities before tax	30,256	(10,400)
Current tax at 22.8% (2013: 23.9%)	6,898	(2,486)
Effects of:		
(Income)/Expenses not taxable	(6,711)	4,441
Group relief received for nil payment	(187)	(1,955)
Adjustments in respect of previous periods	-	(1,038)
Current tax charge/(credit)	-	(1,038)

With effect from 1 April 2014, the UK Statutory rate of Corporation tax was reduced to 21%. This resulted in a blended standard statutory rate of 22.8% in the year ended 30 April 2014, and this 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.

This 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 2013	75,589	541,530	1,200	618,319
Sale of shares	(5,855)	-	-	(5,855)
Purchase of shares	2,878	-	-	2,878
Interest payable by subsidiary	-	5,870	-	5,870
Repayment of loan by subsidiary	-	(274,335)	-	(274,335)
At 30 April 2014	72,612	273,065	1,200	346,877

During the year, the Employee Benefit Trust purchased shares of £2.9m (2013: £3.2m) in the parent company Betfair Group plc, and sold shares with a weighted average value totalling £5.9m (2013: £2.0m) to employees of the Betfair Group on the exercise of share options.

The Company's holding in LMAX Limited, which is classified as Other investments, decreased from 33% to 31.4% on 5 March 2014 as a result of new share issues by LMAX Limited.

Notes (continued)

9 Fixed asset investments (continued)

During the prior 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 was written down by this amount. The impairment loss was recognised in the profit and loss account.

The recoverable amount of the investment was 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	Non-trading	Subsidiary	100
TSE Holdings Limited	England	Holding company	Subsidiary	100
		Intellectual property		
TSE Development Limited	England	licensor	Subsidiary	100
TSE (International) Limited	England	Non trading	Subsidiary	100
The Sporting Exchange (Clients) Limited	England	Trust operator	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	99.75
LMAX Limited	England	Trading	Associate	31.4

* Minority interest of 0.25% exists in relation to London Multi Asset Exchange (Holdings) Limited. The value of this interest is immaterial.

Notes (continued)

10 Debtors

	2014 £'000	2013 £'000
Amounts receivable from group undertakings	9,912	42,331
Corporation tax	186	186
	<u>10,098</u>	<u>42,517</u>

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

11 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Other creditors	157	62
Other tax and social security	-	480
Accruals and deferred income	17,611	17,611
Amounts payable to group undertakings	44,373	90,617
	<u>62,141</u>	<u>108,770</u>

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

12 Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Deferred income	259,600	277,200

Maturity of deferred income

	2014 £'000	2013 £'000
Matures in second to fifth years inclusive	70,400	70,400
Matures in more than five years	189,200	206,800
	<u>259,600</u>	<u>277,200</u>

The deferred income 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

	2014 £'000	2013 £'000
Authorised		
200,000,000 Ordinary shares of 0.1p each (2013: 200,000,000)	200	200
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
104,136,304 Ordinary shares of 0.1p each (2013: 104,136,304)	104	104
	<u> </u>	<u> </u>

14 Share premium account

	£'000
At 1 May 2013 and at 30 April 2014	1,447
	<u> </u>

15 Profit and loss account

	£'000
At 1 May 2013	273,436
Profit for the financial year	30,256
Sale of own shares	(4,245)
Dividends paid	(264,000)
At 30 April 2014	<u>35,447</u>

16 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Shareholders' funds as at 1 May 2013	274,987	286,347
Profit/(loss) for the financial year	30,256	(9,362)
Sale of own shares	(4,245)	(1,976)
Purchase of own shares	-	(22)
Dividends paid	(264,000)	-
Shareholders' funds as at 30 April 2014	<u>36,998</u>	<u>274,987</u>

During the year ended 30 April 2014, the Company paid dividends totalling £264.0m to its parent company, Betfair Group plc (2013: £nil).

Notes (continued)

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
Maindy
Cardiff
CF14 3UZ