

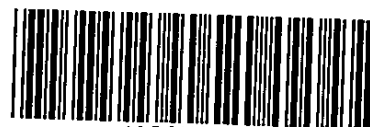
London Multi-Asset Exchange (Holdings) Limited

Directors' report and consolidated financial statements

Registered number 06331069

For the year ended 30 April 2011

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Directors' report

The directors present their directors' report and consolidated financial statements for the year ended 30 April 2011

Principal activities

London Multi-Asset Exchange (Holdings) Limited ("LMAXHL" or "the Company") is the parent company of Tradefair Spreads Limited ("Tradefair") and LMAX Limited ("LMAX" and together "the Group")

LMAX was set up in order to utilise the Betfair Group plc ("Betfair") exchange technology in a major new industry vertical. The Company began operating its financial trading platform in October 2010. The business is 74.8% owned by Betfair, is regulated by the Financial Services Authority and operates with an independent board of directors. Goldman Sachs owns 12.7% of the Company with the remainder owned by LMAX employees.

LMAX brings buyers and sellers of financial instruments together on a neutral multilateral trading facility (the exchange) by offering retail investors a platform to trade FX and CFD's transparently via an open order book accessible by Direct Market Access, without the need for dealer acceptance. A key by-product to the platform is the LMAX Application Programming Interface which allows customers to automate algorithmic trading strategies. Further developments during the year included the introduction of a mobile trading application to facilitate access via mobile telecommunications along with a hosted community which offers members a variety of free useful tools to help support their trading decisions.

Tradefair is an online financial spread betting provider operating as a white label partner with the London Capital Group.

Business review

LMAX opened to the public on 25 October 2010. The technology which powers the platform has delivered four key elements on which to build an attractive customer proposition: speed, execution, reliability and pricing. LMAX generated £0.3m of revenue in the year and recorded a loss after tax after of £10.5m. This figure includes the development expenditure which is only capitalised at the Group level.

Following a change of Chief Executive in March 2011, the Board of LMAX has reassessed the Company's approach to its target audience. Work has begun on broadening the product offering, with a particular slant toward the liquid FX, Index and Commodity markets and taking advantage of LMAX's high frequency trading capability. The sales infrastructure of the business is also being reorganised in order to provide a more effective channel to market.

Tradefair generated £3.4m revenues in 2011 (2010: £2.6m) representing 31% growth year on year, despite reduced marketing spend and focus in light of the launch of LMAX. As a result, profit for the year of £1.7m led to a 120% improvement on 2010.

The Group loss on ordinary activities after tax for the year was £7,033,000 (2010: loss £5,470,000).

Research and development

The Group has capitalised development costs in line with the accounting policy of its ultimate parent undertaking Betfair Group plc. The capitalisation of development expenditure is permitted by SSAP 13, Accounting for Research and Development.

The Group has capitalised development expenditure of £3.6m in the financial year ended 30 April 2011 (2010: £3.4m).

A large proportion of the Group's employment and consultancy costs in the financial year relate directly to the development of the core exchange platform and has thus been capitalised.

Risks

The Group's risk procedures are managed with reference to FSA requirements. The major risks to the business are:

IT security

As an online business, the integrity and operational robustness of the Group's IT systems are critical for ongoing performance. Ensuring that appropriate protections are in place to detect and prevent any intrusion such that all systems are safeguarded against hackers, email viruses, attacks and other forms of cyber crime is essential.

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

Directors' report (continued)

Impact of the economic environment

The economic environment remains a risk to the growth plans for the business, and whilst we continue to monitor its effects upon our customer base, we believe that due to the strength of the current and future product offering, the Group is well positioned to manage any adverse impact

Proposed dividend

The directors do not recommend the payment of a dividend (2010 £nil)

Directors

The directors who held office during the year were as follows

Robin Osmond (resigned 30 April 2011)
Mike Birkett
Edmond Warner
Edward Wray
Alison Hutchinson (appointed 1 June 2010)
Phillip Hylander (appointed 1 August 2010)
David Mercer (appointed 31 March 2011)

Employees

The Group is committed to promoting and encouraging equal opportunities for all prospective and current employees and actively promotes good relations. We aim to eliminate any conditions, procedures and individual behaviour that can lead to discrimination even where there was no intent to discriminate, with particular regard to race, gender, disability, sexuality, age, religion and belief.

Management recognises that employees are key to both the present and future success of the company 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 company. This is achieved through formal and informal meetings. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Supplier payment policy

It is the Group's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not negotiated, the Group endeavours to adhere to suppliers' standard terms. As at 30 April 2011, the Group had trade creditors of £0.2 million (2010 £0.6 million), with a creditor turnover ratio of 12 days (2010 33 days).

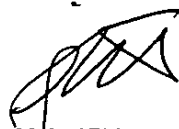
Disclosure of information to auditor

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 auditors are 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 auditors are aware of that information.

Auditors

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.

On behalf of the board



Michael Birkett
Director

27 July 2011

Level 2
Yellow Building
1 Nicholas Road
London
W11 4AN

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 the Group's profit or loss for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that 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 London Multi-Asset Exchange (Holdings) Limited

We have audited the financial statements of London Multi-Asset Exchange (Holdings) Limited for the year ended 30 April 2011 set out on pages 7 to 20. 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2011 and of the group's 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

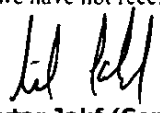
Opinion on other matter prescribed by the Companies Act 2006

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


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

27 July 2011

Consolidated Profit and Loss Account

For the year ended 30 April 2011

	Note	2011 £000	2010 £000
Turnover	1	3,461	2,858
Cost of sales		(444)	(144)
Gross profit		3,017	2,714
Administrative expenses		(12,197)	(8,032)
Operating loss		(9,180)	(5,318)
Gain on disposal of business	2	-	1,000
Interest payable and similar charges		(85)	(292)
Other interest receivable and similar income		30	6
Loss on ordinary activities before taxation	2	(9,235)	(4,604)
Tax on loss on ordinary activities	3	2,202	(866)
Loss for the financial year		(7,033)	(5,470)

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 30 April 2011

Group	2011 £000	2010 £000
Loss for the financial year	(7,033)	(5,470)
Adjustment to equity for modified share option scheme	-	660
Total recognised losses for the year	(7,033)	(4,810)

The notes on pages 11 to 20 form an integral part of these financial statements

Consolidated Balance Sheet

As at 30 April 2011

	Note	2011 £000	2010 £000
Fixed assets			
Intangible assets	4	16,015	14,661
Tangible assets	5	1,160	1,854
		17,175	16,515
Current assets			
Debtors	7	3,068	836
(including £270,000 (2010 £271 000) due after more than one year)			
Deferred tax	11	74	-
Cash at bank and in hand	8	9,318	865
		12,460	1,701
Creditors amounts falling due within one year	9	(2,144)	(16,823)
Net current assets / (liabilities)		10,316	(15,122)
		27,491	1,393
Total assets less current liabilities			
Creditors , amounts falling due after more than one year	10	-	(9,120)
Deferred tax liability	11	-	(1,608)
Net assets / (liabilities)		27,491	(9,335)
Capital and reserves			
Share capital	12	122	86
Share premium account	13	13,340	-
Preference shares	12	30,483	-
Profit and loss account	13	(16,454)	(9,421)
Shareholders' funds / (deficit)	13	27,491	(9,335)

The notes on pages 11 to 20 form an integral part of these financial statements

These financial statements were approved by the board of directors on 27 July 2011 and were signed on its behalf by



Michael Birkett
 Director

Company Balance Sheet
As at 30 April 2011

	<i>Note</i>	2011 £000	2010 £000
Fixed assets			
Investments	6	43,815	2
Current assets			
Debtors	7	129	81
Cash at bank and in hand		3	3
		<u>132</u>	<u>84</u>
Net current assets		<u>132</u>	<u>84</u>
Net assets		<u>43,947</u>	<u>86</u>
Capital and reserves			
Share capital	12	122	86
Share premium account	13	13,340	-
Preference shares	12	30,483	-
Profit and loss account	13	2	-
Shareholders' funds	13	<u>43,947</u>	<u>86</u>

The notes on pages 11 to 20 form an integral part of these financial statements

These financial statements were approved by the board of directors on 27 July 2011 and were signed on its behalf by



Michael Birkett
 Director

Consolidated Cash Flow Statement

For the year ended 30 April 2011

	<i>Note</i>	2011 £000	2010 £000
Cash flows from operating activities			
Operating loss for the year		(9,180)	(5,318)
<i>Adjustments for</i>			
Depreciation and amortisation		3,313	1,254
Loss on disposal of property, plant and equipment		2	-
(Increase) / decrease in trade & other receivables		(2,224)	11
Increase in trade and other payables		64	451
Charge in relation to share based payments		-	660
Net cash outflow from operating activities		(8,025)	(2,942)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(348)	(873)
Acquisition of other intangible assets		-	(9,000)
Capitalised development expenditure		(3,627)	(3,442)
Finance income paid		(55)	(286)
Net cash used in investing activities		(4,030)	(13,601)
Cash flows from disposals			
Sale of fixed odds business		-	1,000
Cash flows from financing activities			
Proceeds from issue of share capital		43,859	-
(Decrease) / increase in loan from group undertakings		(23,351)	15,643
Net cash from financing activities		20,508	15,643
Net increase in cash and cash equivalents		8,453	99
Cash and cash equivalents at the beginning of the year		865	766
Cash and cash equivalents at year end	8	9,318	865

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 Group's financial statements

Going concern

The financial statements have been prepared on a going concern basis as 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

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards in the United Kingdom

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 April 2011. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group

All intra-group transactions, balances, income and expenses are eliminated on consolidation

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company results for the year are included in note 13

Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment

Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Leasehold improvements	-	Shorter of the term of the lease or the useful economic life of the asset
Computer equipment and software	-	33% straight line
Fixtures and fittings	-	20% straight line

Impairment of fixed assets and intangibles

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated

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

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

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs

Notes (continued)

1 Accounting policies (continued)

Intangible assets

(i) Research and development expenditure

Expenditure on research activities is recognised in the income statement as an expense in the period in which it is incurred

The Group capitalises software development costs in line with the accounting policy of its ultimate parent undertaking Betfair Group plc. The capitalisation of development expenditure is permitted by SSAP 13, Accounting for Research and Development

Expenditure on software development activities is recognised as an internally generated intangible asset only when the necessary criteria are met, including demonstrating the technical feasibility of the product and having sufficient certainty over the future revenue or cost savings that will be generated from the product

The qualifying expenditure capitalised represents costs directly attributable to the development of the asset. This expenditure is capitalised from the point at which the above criteria are met up to the point at which the asset is in economic use. If the criteria are not met the expenditure is recognised in the profit and loss as an expense in the period in which it is incurred

Capitalised software development expenditure is amortised on a straight-line basis from the date the asset is available for use over its useful life of three years

(ii) Intellectual property

Intellectual property is valued at cost and amortised to the profit and loss account in equal instalments over its estimated useful life of 10 years

Share-based payments

(i) Equity settled

The A share programme allows employees to acquire shares of the Company. The grant date fair value of share-based payment awards are recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the rights granted is measured using a rights pricing model, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense reflects the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date

(ii) Cash settled

For cash settled share based payment transactions, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking in to account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account

Turnover

Turnover is measured as the consideration received from customers and represents amounts received for services that the Group is in business to provide, as set out below

White label spread betting commission income is recognised on the date of the transaction upon which it is levied as reported by the spread betting service provider

Turnover in LMAX is measured as the consideration received from customers for trading commissions and other charges and is recognised on the date a trade is settled

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or, if hedged forward, at the rate of exchange under the related forward currency contract). Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or 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

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Notes (continued)

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

The charge in the year arises due to deferred taxation which is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Fiduciary activities

LMAX holds money on behalf of clients in accordance with the Client Money Rules of the Financial Services Authority. Such monies and the corresponding amounts due to clients are included on the balance sheet as LMAX have the rights to receive cash flows from the asset.

2 Loss on ordinary activities before taxation

The following items have been included in arriving at the Group loss on ordinary activities before taxation

Group	Note	2011 £000	2010 £000
Depreciation of property, plant and equipment and owned leasehold improvements	5	1,040	879
Amortisation of intangible assets	4	2,273	375
Other operating lease rentals – buildings	14	393	377
Exceptional item - Gain on sale of Fixed Odds business		-	(1,000)
		<u> </u>	<u> </u>

Services provided by the Group's auditor and network firms

During the year, the Group obtained the following services from the Group's auditor as detailed below

Group	2011 £000	2010 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	10	9
Fees payable to the Company's auditor and its associates for other services		
Audit of financial statements of subsidiaries pursuant to legislation	41	22
Advice in relation to FSA application	-	46
Other services relating to taxation	6	8
Regulatory audit fees	30	-
All other services	24	-
	<u> </u>	<u> </u>
	111	85

Notes (continued)

3 Taxation

Group

Analysis of tax charge in year

	2011 £'000	2010 £'000
Group relief recoverable	(520)	-
Total current tax	(520)	-
<i>Deferred tax</i>		
Origination of timing differences (note 11)	(1,676)	866
Change in tax rates	(6)	-
	(1,682)	866
Total tax (credit) / charge	(2,202)	866

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2010 higher) than the standard rate of corporation tax in the UK of 27.8% (2010 28%). The differences are explained below

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(9,235)	(4,604)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 27.8% (2010 28%)	(2,567)	(1,289)
<i>Effects of</i>		
Non deductible expenses	198	62
Depreciation in excess of capital allowances	155	97
Timing differences in relation to software development costs	1,521	(964)
Unrelieved tax losses carried forward	173	691
Group relief surrendered for nil payment	-	1,403
Total current tax	(520)	-

Notes (continued)

4 Intangible fixed assets

Group	Intellectual property £000	Development costs £000	Total £000
Cost			
At beginning of year	9,000	6,036	15,036
Additions	-	3,627	3,627
At end of year	<u>9,000</u>	<u>9,663</u>	<u>18,663</u>
Amortisation			
At beginning of year	375	-	375
Charge for year	900	1,373	2,273
At end of year	<u>1,275</u>	<u>1,373</u>	<u>2,648</u>
Net book value			
At 30 April 2011	<u>7,725</u>	<u>8,290</u>	<u>16,015</u>
At 30 April 2010	<u>8,625</u>	<u>6,036</u>	<u>14,661</u>

The Company does not have any intangible fixed assets (2010 nil)

5 Tangible fixed assets

Group	Leasehold Improvements £000	Computer Equipment £000	Fixtures & Fittings £000	Total £000
Cost				
At beginning of year	422	2,635	37	3,094
Additions	-	334	13	347
Disposals	-	(4)	-	(4)
At end of year	<u>422</u>	<u>2,965</u>	<u>50</u>	<u>3,437</u>
Depreciation				
At beginning of year	113	1,118	9	1,240
Charge for year	88	943	9	1,040
Disposals	-	(3)	-	(3)
At end of year	<u>201</u>	<u>2,058</u>	<u>18</u>	<u>2,277</u>
Net book value				
At 30 April 2011	<u>221</u>	<u>907</u>	<u>32</u>	<u>1,160</u>
At 30 April 2010	<u>309</u>	<u>1 517</u>	<u>28</u>	<u>1 854</u>

The Company does not hold any tangible fixed assets (2010 nil)

Notes (continued)

6 Investments

Company	2011 £000	2010 £000
Subsidiary undertakings	43,815	2

During the year the Company purchased 438,125 shares in LMAX Limited

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

	Country of incorporation	Principal activity	Ordinary shares held %
LMAX Limited	England	Financial exchange platform	100
Tradefair Spreads Limited	England	Financial spread betting	100

7 Debtors

Group	2011 £000	2010 £000
Trade debtors	200	148
Rental deposits	270	271
Amounts owed by group undertakings	80	80
Other debtors	79	6
Collateral requirement for trade clearing	1,899	-
Prepayments and accrued income	540	331
	3,068	836

Amounts falling due after more than one year included in the above are

Group	2011 £000	2010 £000
Rental deposits	270	271

Company	2011 £000	2010 £000
Amounts owed by group undertakings	80	80
Other debtors	49	1
	129	81

Notes (continued)

8 Cash and cash equivalent

	2011 £000	2010 £000
Cash at bank and in hand	9,137	865
Client money held	181	-
	<u>9,318</u>	<u>865</u>

9 Creditors amounts falling due within one year

Group	2011 £000	2010 £000
Trade creditors	228	556
Taxation and social security	445	323
Amounts owed to group undertakings	157	14,416
Amounts owed to clients	186	-
Other creditors	44	18
Accruals and deferred income	1,084	1,510
	<u>2,144</u>	<u>16,823</u>

10 Creditors amounts falling due after more than one year

Group	2011 £000	2010 £000
Amounts owed to group undertakings	-	9,092
Accruals and deferred income	-	28
	<u>-</u>	<u>9,120</u>

The Company did not have any creditors falling due after more than one year (2010 nil)

11 Deferred taxation

Group	2011 £000	2010 £000
At beginning of year	(1,608)	(741)
Adjustments for		
Net intangible capitalised costs	(627)	(867)
De-grouping charge asset	2,148	-
Change in tax rates	161	-
	<u>74</u>	<u>(1,608)</u>
At end of year		

Amounts credited to the profit and loss account above are due to the recognition of a deferred tax asset, equal to the future amortisation of the de-grouping charge which arose in the year. This charge resulted from Betfair's share in LMAX falling below 75% triggering the intellectual property purchased in December 2009 (current net book value £7.7m) from Betfair becoming subject to a tax charge.

With effect from 1 April 2011, the UK Statutory rate of corporation tax was reduced to 26.0%. This resulted in a blended standard statutory rate of 27.8% in the year ended 30 April 2011. The Budget on 23 March 2011 announced further measures to reduce the UK corporation tax rate to 23.0% by 2014, although these have not been substantively enacted at the balance sheet date.

These changes will reduce the Company's future current tax charge accordingly. The measurement of deferred tax is based upon the change in rate to 26.0% that applied at the balance sheet date which had the effect of reducing the deferred tax asset recognised at that date by £161,000. It has not yet been possible to quantify the full anticipated effect of the announced further 3.0% rate reduction, although this will further reduce the future current tax charge and reduce deferred tax asset accordingly.

Notes (continued)

12 Called up share capital

	2011 £000	2010 £000
Allotted and called up		
12,245,014 (2010 8,590,000) Ordinary shares of £0.01 each	122	86
30,482,336 (2010 Nil) Preference shares of £1 each	<u>30,483</u>	<u>-</u>
	<u>30,605</u>	<u>86</u>

During the year 3,655,014 ordinary shares of £0.01 were issued for consideration of £13.4m

The Company has the option to redeem the preference shares in full from July 2015 with no premium due upon redemption, hence this has been treated as equity. A preferred dividend of LIBOR + 2% is payable when the Company turns profitable.

13 Reconciliation of movements in shareholders' funds / (deficit)

Group

	Share capital £000	Share Premium £000	Profit and loss account £000	Shareholders' funds £000
Opening shareholders' funds at 30 April 2010	86	-	(9,421)	(9,335)
Issue of new share capital	30,519	13,340	-	43,859
Loss for the financial year	-	-	(7,033)	(7,033)
Recognised gains	-	-	-	-
Closing shareholders' funds / (deficit) at 30 April 2011	<u>30,605</u>	<u>13,340</u>	<u>(16,454)</u>	<u>27,491</u>

Company

	Share capital £000	Share Premium £000	Profit and loss account £000	Shareholders' funds £000
Opening shareholders' funds at 30 April 2010	86	-	-	86
Issue of new share capital	30,519	13,340	-	43,859
Profit for the financial year	-	-	2	2
Closing shareholders' funds at 30 April 2011	<u>30,605</u>	<u>13,340</u>	<u>2</u>	<u>43,947</u>

Notes (continued)

14 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

Group	2011	2010
Land and buildings	£000	£000
Operating leases which expire		
In the second to fifth years inclusive	360	353
The Company does not hold any operating leases		

15 Employees and Directors

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows

Number of employees	2011	2010
Corporate and administration	18	9
Product development	38	34
Operations	11	6
Sales and marketing	15	9
	82	58

The aggregate payroll costs of these persons were as follows.

	2011	2010
	£000	£000
Wages and salaries	5,108	4,229
Social security costs	592	499
Share-based payments (see note 16)	-	250
	5,700	4,978

Of the above costs, £2.3m has been capitalised as part of the qualifying development expenditure

Directors' remuneration

	2011	2010
	£000	£000
The aggregate payroll costs of these persons were as follows		
Emoluments	608	548

The highest paid director received total emoluments for the year of £335,000 (2010: £301,000)

16 Share-based payments

The Group had the following share-based payment schemes in place during the year

- a) 2010 Phantom share option scheme
- b) A Shares scheme

In accordance with FRS 20, the Company measures the fair value of all share based awards unvested. There has been no expense recognised in respect of these schemes for the period ended 30 April 2011.

The fair value of the options is determined using the Black-Scholes option pricing model. The expected volatility is based on historical volatilities of traded options in businesses comparable to LMAX Limited, such as information technology and gaming companies over a period equal in length to the relevant expected life of the option and ending at the date of grant. The expected term used in the model is based on management's best estimate, of non-transferability, exercise restrictions and behavioural considerations.

The expected dividend yield is nil as London Multi-Asset Exchange (Holdings) Limited has not paid any dividends in the past, nor are there any dividends expected to be paid in the foreseeable future.

Notes (continued)

16 Share-based payments (continued)

a) 2010 Phantom share option scheme

The grant of an award under this scheme entitles the holder to a cash sum based on the increase in value of the shares of the Company above a strike price, over a holding period of three years or upon a specified liquidity event if sooner. Accordingly, this scheme has been determined to be cash settled in accordance with FRS 20. As at 30 April 2011, 230,000 cash settled share options (2010 60,000) remain outstanding and are exercisable up to 30 April 2013. No share rights under this scheme were exercised during the year.

Based on our fair value assessment of the scheme, an expense has not been recognised for the year ended 30 April 2011 (2010 £250,000). A liability of £28,000 (2010 £28,000) remains within 'Accruals and deferred income' for the schemes determined to be cash settled.

b) A share scheme

Share rights under this scheme may be granted to directors and employees to purchase ordinary shares. Rights are granted under a service condition, there are no market based conditions associated with these grants. Rights vest over a period of three years or upon a specified liquidity event if sooner, and are subject to continued employment, although certain employees' rights may vest even if this employment condition is not fulfilled, at the discretion of the Board. The grant of rights under this scheme entitles the holder to an equity share of the Company, above a hurdle rate. Accordingly, this scheme has been determined to be equity settled in accordance with FRS 20.

During the year 175,000 new A shares were issued, however 335,000 were forfeited. As at 30 April 2011, 600,000 rights (2010 760,000) in the capital of the Group remained outstanding and are exercisable up to 30 April 2015 by 12 employees (2010 12). No rights were exercised during the year and no costs were incurred for this scheme as the expense was fully recognised at grant date (2010 £250,000).

No further expense has been recognised in the profit and loss account for 30 April 2011 (2010 £660,000), as the rights were fully expensed based on their fair value at grant date.

17 Related party transactions

Trading transactions

During the year the Group was recharged operating and administrative costs by Betfair Limited amounting to £2,105,000 (2010 £6,602,600) which were incurred on its behalf.

During the year the Group recharged The Sporting Exchange Limited £519,000 in recognition of tax losses utilised.

Details of related party outstanding balances

The outstanding intercompany balances at 30 April 2011 were as follows:

Due to Betfair Limited £676,800 (2010 £14,416,000)
Due to TSE Development Limited £nil (2010 £9,092,000)
Due from The Sporting Exchange Limited is £600,000 (2010 £80,000)

18 Immediate and ultimate parent company

The immediate parent company is The Sporting Exchange Limited, a company incorporated in England and Wales.

The ultimate parent company of the Group is Betfair Group plc. Copies of the financial statements of Betfair Group plc can be obtained from:

Companies House
Crown Way
Mandy
Cardiff
CF14 3UZ