

London Multi-Asset Exchange (Holdings) Limited

Annual Report and Accounts

Registered number 06331069

For the year ended 30 April 2016

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Directors' report

The directors present their directors' report and financial statements for the year ended 30 April 2016.

Principal activities

The principal activity of London Multi-Asset Exchange (Holdings) Limited (the 'Company') is to carry on the business of an investment and holding company as part of the Betfair Group Limited (the 'Betfair Group' or 'Group').

During the year the Company's ultimate parent Betfair Group plc (now Betfair Group Limited) merged with Paddy Power plc to form Paddy Power Betfair plc ('PPB', together with its subsidiaries, the 'PPB Group'). Paddy Power Betfair plc is now the ultimate parent of the Company.

Business review

The Company has met requirements of section 414B of the Companies Act 2006 to obtain the exemption provided from the presentation of a strategic report on the basis of its size.

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, taxation, competition, products, customers, people, reliance on third parties, IT disaster recovery, financial risk, employee retention, security of data and customer funds and technology infrastructure and systems. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 2 to 3 of the Group's Annual Report and Accounts 2016 which does not form part of this report. A copy of the Group's Annual Report and Accounts 2016 can be obtained from the following address:

The Company Secretary
Paddy Power Betfair plc
Waterfront
Hammersmith Embankment
Chancellors Road
London
W6 9HP

Risks are formally reviewed by the PPB 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 implications for the Company.

Financial risk management

The Group 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 monitor closely the Group's financial risks, and where appropriate, enter into hedging arrangements to mitigate its exposures.

Proposed dividend

During the year, the Company paid no dividends and the directors do not recommend the payment of a final dividend for the year ended 30 April 2016 (2015: £nil).

Political contributions

The Company made no political contributions during the year (2015: £nil).

Directors

The directors who held office during the year, and up to the date of this report, are as follows:

Kevin Smith
Recep Ozcan
Alexander Gersh
Paul Rushton
Thomas Dinwiddy (resigned 24 March 2016)
Pritti Patel (appointed 24 March 2016)

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

Directors' report (continued)

Disclosure of information to auditor

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

Auditor

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

On behalf of the board

Paul Rushton
Director



30 November 2016

Waterfront
Hammersmith Embankment
Chancellors Road
London
W6 9HP

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), including FRS 101 'Reduced Disclosure Framework'.

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'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 2016 set out on pages 5 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 '*Reduced Disclosure Framework*'.

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 auditors

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 2016 and of the Company's result 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Gemma Buschor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

30 November 2016

Profit and loss account and other comprehensive income
For the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
Administrative expenses		-	(48)
Operating loss		-	(48)
Loss on ordinary activities before tax	2	-	(48)
Tax on loss on ordinary activities	3	-	-
Loss and total comprehensive loss for the financial year		-	(48)

The results shown above are derived wholly from continuing operations.

The notes on pages 8 to 11 form an integral part of these financial statements.

Balance Sheet
As at 30 April 2016

	Note	2016 £000	2015 £000
Fixed assets			
Investments	4	1	1
Current assets			
Debtors	5	3,705	3,705
Net current assets		3,705	3,705
Net assets		3,706	3,706
Capital and reserves			
Share capital	6	4,343	4,343
Share premium account	7	22,399	22,399
Preference shares	6	30,483	30,483
Profit and loss account	7	(53,519)	(53,519)
Shareholders' funds	7	3,706	3,706

The notes on pages 8 to 11 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 30 November 2016 and were signed on its behalf by:

Paul Rushton
Director



Statement of changes in equity
For the year ended 30 April 2016

	Share capital	Share premium	Profit and loss
	£000	account	account
		£000	£000
At 1 May 2014	34,826	22,399	(53,471)
Comprehensive loss for the year			
Loss for the year	-	-	(48)
At 30 April 2015	34,826	22,399	(53,519)
Comprehensive loss for the year			
Loss for the year	-	-	-
At 30 April 2016	34,826	22,399	(53,519)

The notes on pages 8 to 11 form an integral part of these financial statements.

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 under the historical cost accounting rules and in accordance with applicable accounting standards in the United Kingdom, including FRS 101 'Reduced Disclosure Framework' ('FRS 101') and comply with the requirements of the United Kingdom Companies Act 2006. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

FRS 101 is mandatory for accounting periods beginning on or after 1 January 2015 and these financial statements reflect the first-time adoption of this standard. Explanation of the impact of transition to FRS 101 has been provided in note 9.

On transition, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. IFRS 1 grants certain first-time adoption exemptions from the full requirements of the reporting standard. The Company has taken advantage of the following exemptions in these financial statements:

- The carrying amount of the Company's cost of investment in subsidiaries and associates is their deemed cost at transition date.

The Company's previous ultimate parent undertaking, Betfair Group Limited, includes the Company in its consolidated financial statements up to 30 April 2016. Subsequently, the Company will be included in the consolidated financial statements of its new ultimate parent undertaking, Paddy Power Betfair plc.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosure:

- Cash flow statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements; and,
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Betfair Group include the equivalent disclosures, the Company has also taken advantage of the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these 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.

Financial instruments

Classification of financial instruments issued by the Group

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these consolidated financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)

1 Accounting policies (continued)

Financial instruments (continued)

Basic financial instruments

Basic financial instruments comprise investments in equity securities, trade and other receivables, including cash and cash equivalents and trade and other payables.

Basic financial instruments are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Investments

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

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 IAS 12 'Income Taxes'.

2 Loss on ordinary activities before tax

The directors received no remuneration for services to the Company during the year (2015: £nil). The Company had no employees during the current year or prior year.

Audit fees have been borne by a fellow group undertaking in the current and prior period. The audit fee payable to the Company's auditor in respect of the audit of these financial statements was £4,000 (2015: £4,000).

3 Tax

Analysis of tax charge in year

	2016 £'000	2015 £'000
Total current tax	-	-

The tax charge for the year is different from the standard rate of corporation tax in the UK of 20% (2015: 20.92%). The differences are explained below:

	2016 £000	2015 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	-	(48)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.92%)	-	(10)
<i>Effects of:</i>		
Group relief surrendered for nil consideration	-	(10)
Total current tax	-	-

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. Any UK deferred tax assets and liabilities at 30 April 2016 have been calculated at 19.92%.

The UK corporation tax rate was further reduced to 17% (effective from 1 April 2020) as part of the Finance Bill 2016. This received Royal Assent on 15 September 2016. This will reduce the Company's future current tax charge accordingly.

Notes (continued)

4	Investments	2016 £000	2015 £000
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As at 1 May and 30 April	1	1
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The Company owns 100% of the ordinary shares of Tradefair Spreads Limited which has a principal activity of financial spread betting and is incorporated in England and Wales.

5	Debtors	2016	2015
		£000	£000
	Amounts receivable from Group undertakings	3,705	3,705
		<u>3,705</u>	<u>3,705</u>

Amounts receivable from Group undertakings are unsecured, interest free and repayable on demand.

6	Called up share capital	2016 £000	2015 £000
	Allotted and called up		
	434,314,461 (2015: 434,314,461) ordinary shares of £0.01 each	4,343	4,343
	30,483,336 (2015: 30,483,336) preference shares of £1.00 each	30,483	30,483
		<u>34,826</u>	<u>34,826</u>

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 becomes profitable.

7 Reconciliation of movements in shareholders' funds

	Share capital £000	Share Premium £000	Profit and loss account £000	Shareholders' funds £000
Opening shareholders' funds at 1 May 2015	34,826	22,399	(53,519)	3,706
Closing shareholders' funds at 30 April 2016	34,826	22,399	(53,519)	3,706

Notes (continued)

8 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 is Paddy Power Betfair plc which is incorporated in the Republic of Ireland. Copies of the Group's Annual Report and Accounts can be obtained from:

Paddy Power Betfair plc
Power Tower
Belfield Office Park
Beech Hill Road
Clonkskeagh
Dublin 4

9 First time adoption of FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 April 2016 and the comparative information presented in these financial statements for the year ended 30 April 2015.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out below.

Reconciliation of equity

On transition there was no change to the absolute value of equity, or the underlying constituents, and accordingly a reconciliation has not been provided.

Reconciliation of profit and loss account

There was no change to the profit and loss account for the year ended 30 April 2015 as a result of the transition and accordingly a reconciliation has not been provided.