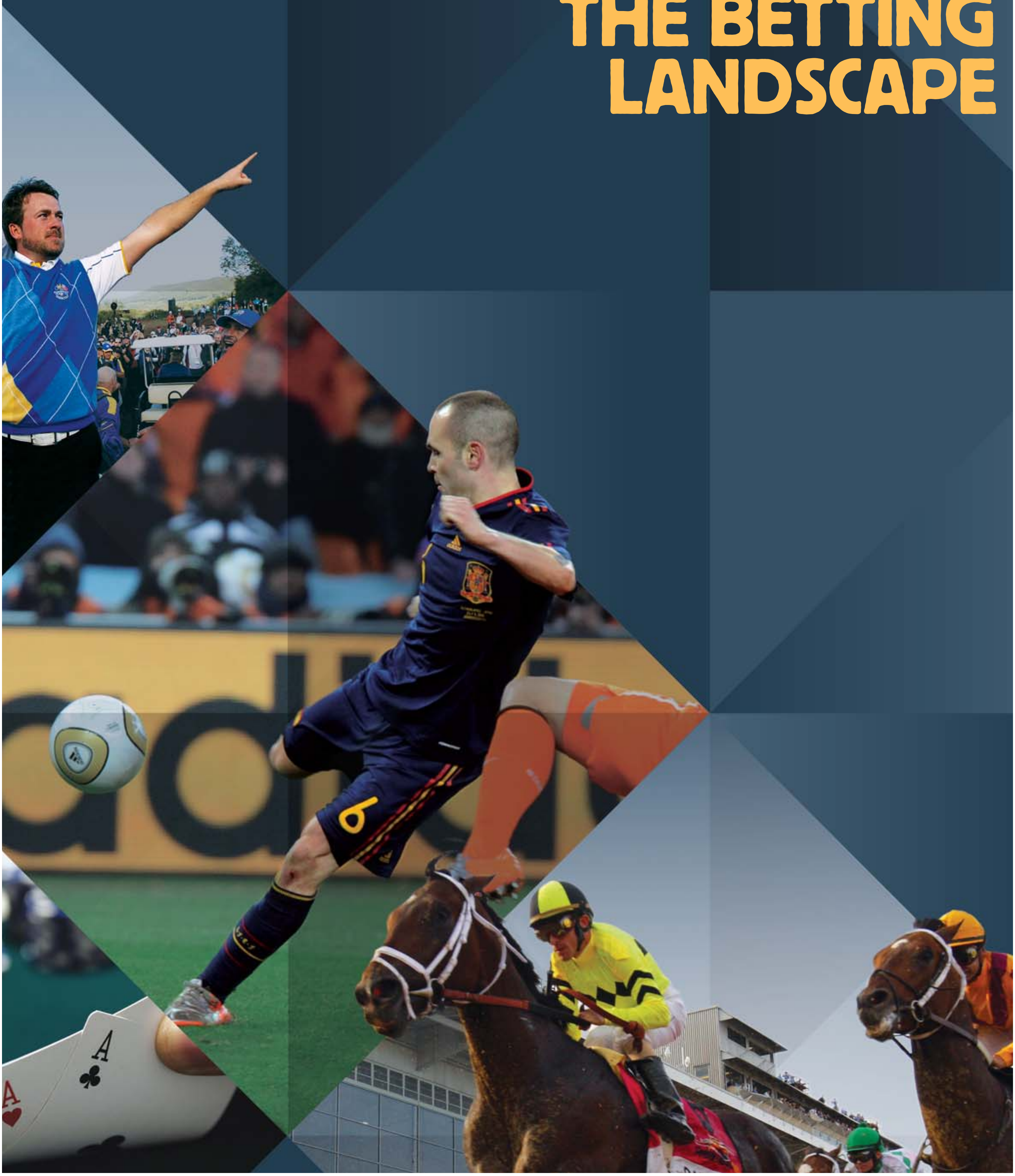
Annual Report and Accounts 2011

betfair

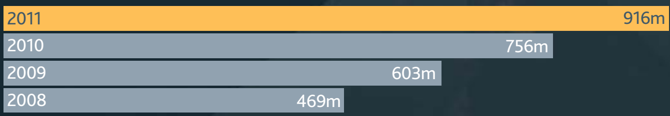
The World's Biggest Betting Community

REVOLUTIONISING THE BETTING LANDSCAPE

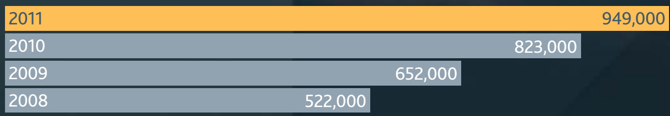


Revolutionising the betting landscape for over 10 years

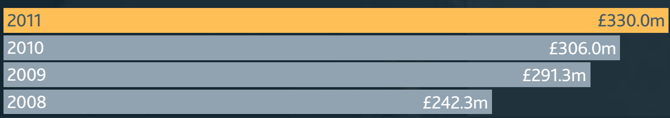
Number of settled bets
2008-2011



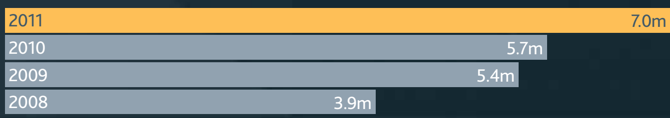
Number of active customers
2008-2011



Core Betfair revenue
2008-2011



Number of transactions on the exchange per day
2008-2011



1998

January
Andrew (Bert) Black develops his idea of a betting exchange.

July
Bert meets Edward Wray to discuss his idea and the two agree to work together.

1999

August
The parent company, The Sporting Exchange Limited, is formed to develop the betting exchange platform.

2000

June
The Sporting Exchange launches Betfair. Its first market is on The Oaks, won by 'Love Divine'.

2003

April
Betfair wins Queen's Award for Enterprise, in the Innovation category.

2005

November
Betfair becomes the first company to successfully retain the title of 'Company of the Year' at the CBI Growing Business Awards.

2006

October
Betfair launches its online casino, featuring the revolutionary Zero Lounge.

2008

January
Betfair announces a Cash 4 Clubs, an innovative new scheme to help community sports clubs throughout the country raise vital funds.

April
Betfair wins an unprecedented second Queen's Award for Enterprise, this time in the International Trade category.

September
Betfair registers its two millionth customer.

December
Betfair announces five-year sponsorship of the King George VI & Queen Elizabeth Stakes at Ascot.

2009

January
Betfair completes its $50 million acquisition of US online betting and cable TV operator TVG from Macrovision.

August
Betfair becomes the Official Betting Partner of Manchester United FC and FC Barcelona.

2010

April
Betfair announces that it has three million registered customers.

May
Betfair is the first betting company to launch an application for the iPhone in Apple's AppStore.

October
Betfair lists on the London Stock Exchange.

2011

March
Betfair transfers its Betting Exchange licence from the UK to Gibraltar.

Betfair announces new revenue-share deal with third party mobile software developers.

April
Betfair breaks through the £1 billion barrier in bets taken through its mobile products in a single year.

We're Betfair.

We transformed the betting landscape 11 years ago. We're committed to innovation, value and giving our customers the best betting experience. We've grown responsibly and we're ready for the future.

Growth opportunities:

Icons used in this report:
Related information in this Report
More information online

2011 Highlights

You can access the latest information and read this report online at Betfair's corporate website: http://corporate.betfair.com

2011 Financial highlights

Group Revenue

2011	£393.3m
2010	£340.9m
2009	£301.2m
2008	£242.4m

Core Revenue*

2011	£330.0m
2010	£306.0m
2009	£291.3m
2008	£242.3m

Group EBITDA

2011	£56.3m
2010	£44.7m
2009	£65.1m
2008	£49.5m

Core Adjusted EBITDA**

2011	£80.2m
2010	£62.2m
2009	£74.8m
2008	£53.7m

Basic earnings per share

2011	22.6p
2010	14.4p
2009	37.2p
2008	28.1p

Underlying basic earnings per share

2011	33.9p
2010	21.7p
2009	40.4p
2008	32.0p

* Core Betfair includes the unique Betting Exchange and our portfolio of other sports betting, Games and Poker products.

** Adjusted EBITDA is EBITDA excluding share-based payment charges and exceptional items.

2011 Operational highlights

Record year for site activity with 916 million bets matched and a new peak load of 30,000 bets per minute during the 2011 Grand National

Significant product enhancements in Games and Poker to improve cross-sell offering

88% growth in mobile channel revenue

Legislation passed for Exchange Wagering in California and New Jersey

Listing on the London Stock Exchange

Edward Wray
Non-executive Chairman

Our first year as a listed company

Football is a growing product and we had a very successful FIFA World Cup in June and July in terms of levels of activity and customer acquisition

We successfully completed the migration of our Casino and Poker products onto new platforms during July and August

The migration of our main data centre to Dublin in January gave us increased regulatory flexibility

Dear Shareholder,

Overview

For Betfair, the most significant event in the past year has been the Company's listing on the London Stock Exchange, which was a key step in the evolution of the Company. So in our first annual report as a public company, I would like to welcome our new shareholders and thank them, along with our longstanding investors, for their support.

The Company's status may have changed, but our aims and ambitions have not. This business was created to offer customers a unique, revolutionary alternative to the traditional betting model. Building on this foundation, over the past 12 months we have continued to invest for the future and to deliver growth.

During the past year the Company delivered record revenues and profitability. However, the challenges of the past year resulted in slower growth than we would have liked. But I am confident that we have the strategy, the people and the products to grow more rapidly in the future and, in turn, to protect and grow shareholders' assets.

We have completed a number of significant milestones that position Betfair well for the future. Sports accounts for the majority of our business and football in particular has grown at a robust rate following our activity and customer acquisition strategy around the FIFA World Cup in June and July.

During July and August we successfully migrated our Casino and Poker products onto new platforms and in January moved our main data centre to Dublin. This gave us increased regulatory flexibility, enabling us to transfer the licence for our Betting Exchange from the UK to Gibraltar in March. With new offices in Dublin and Gibraltar, we are now in a strong position to derive real benefits for the business in terms of technology, customer service and profitability.

In the short term, the regulatory environment for our industry remains unpredictable and challenging. However, over the long term we believe it is preferable to have the clarity and player protection offered by licensed and regulated markets.

I am encouraged by the progress a number of European countries have made towards creating their regulatory frameworks and the overall trend across the whole continent is moving in a direction that will benefit Betfair and our customers in future years. In the US, both California and New Jersey have passed legislation introducing Exchange Wagering for the first time. We look forward to applying to be an operator in both these jurisdictions when the application process begins.

Related information in this Report:

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Corporate Responsibility
Page 34

Corporate Governance
Page 45

More information online:

You can access the latest information and read this report online at Betfair's corporate website: http://corporate.betfair.com

Our aim is to be the leading global online sports betting operator.

NO.1

Responsibility and integrity

We put responsibility at the heart of what we do. We aim to operate to the highest ethical standards at all times and to have a positive impact on the communities where we work. Our work in this area is led by Non-executive Director Fru Hazlitt, who chairs our Corporate Responsibility Committee.

We work closely with sports governing bodies across the world to support integrity in sport, and now hold Memoranda of Understanding with 48 of them. We continue to work honestly and openly with anyone who shares our goal of keeping sport free from corruption.

Our people

Betfair is committed to creating a stimulating environment that helps us attract and retain the best and most talented people. We are fortunate to have a team of people who have helped us achieve so much in the past and who will help achieve our vision of being the number one online sports betting operator. I would like to thank all our employees for their hard work and dedication over the past 12 months.

Governance

We have a Board of Directors of the highest calibre with valuable and varied experience.

At our Annual General Meeting in October, Andrew Black and Chris Batterham retired from the Board and as I mentioned at the time of the IPO, we are immensely grateful for their contribution to the Company over the years. Of course, Andrew requires a particular vote of thanks because without his initial inspiration, there would be no Betfair.

We were delighted to welcome Baroness Denise Kingsmill to the Board in February. She has a wealth of experience as a Non-executive Director with International Airlines Group, is a member of Microsoft's European Policy Council and was previously Deputy Chairman of the Competition Commission. Her advice and expertise on international regulatory affairs is invaluable as we continue to work with governments around the world. She has also joined our Audit Committee, making it fully compliant with the UK Corporate Governance Code.

In June, David Yu notified the Board that he will not be renewing his contract when it expires in October 2012. David has been with Betfair for close to ten years, with nearly six as those as CEO, and has played a pivotal role in Betfair's rise from start-up, to industry leader. He remains fully committed to the business as the Board searches for his replacement.

Dividend and share repurchase

The Board is recommending a final dividend of 5.9 pence per share. This is the first regular dividend we have paid and represents approximately two-thirds of the payment we would have made had the Company been listed for the entire year. The final dividend will be payable, subject to the approval of shareholders at our Annual General Meeting on 22 September 2011. The Directors have chosen to adopt a progressive dividend policy while maintaining an appropriate level of dividend cover: you can read more detail on page 31.

We have also announced our intention to return £50 million of cash to our shareholders over the next 12 months through an on-market share repurchase programme. The Company's strong cash generation enables us to do this whilst still investing in the business for future growth.

Outlook

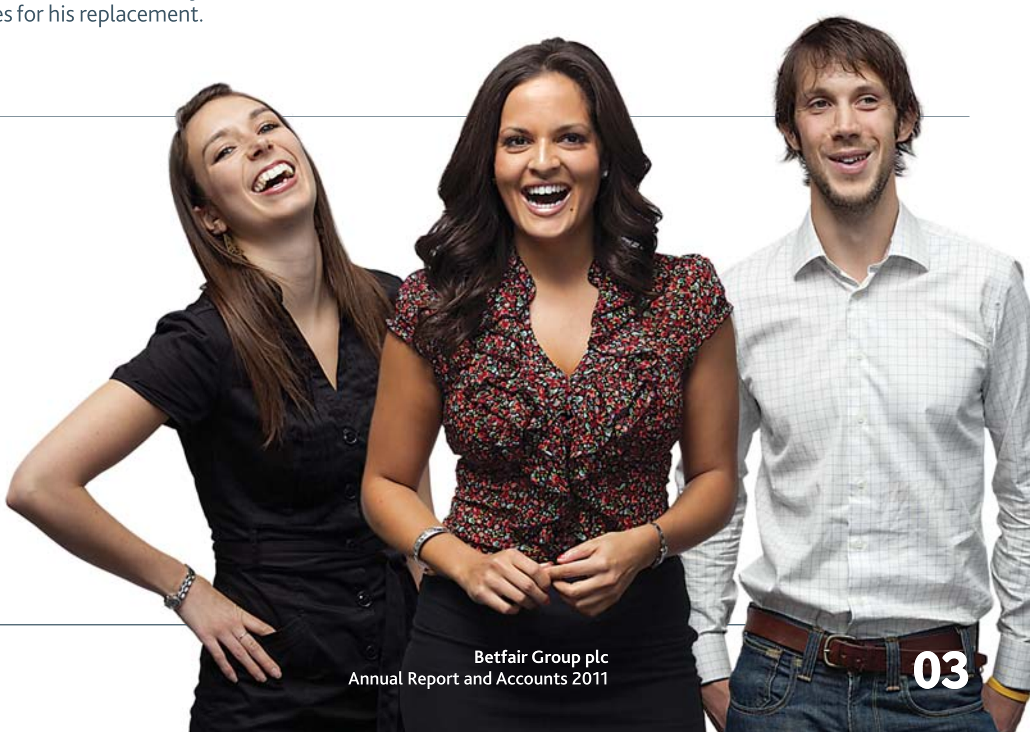
The last 12 months have presented challenges and we have redoubled our efforts and focused the business on a clear vision of how to deliver stronger revenue growth in the future. FY12 will be an important year of execution for us, albeit against the backdrop of an unclear economic outlook. Many of the new products we expect to drive future growth will launch in the second half of the year. Accordingly, we expect to make progress in FY12 and for growth to accelerate in the following years. The timing and impact of regulatory developments remain uncertain and difficult to predict, although our product plans will leave us well placed to react to any such change. We also expect to continue improving Core Betfair adjusted EBITDA margin towards our medium-term target of 30%.

We are focused on delivering long-term shareholder value through a combination of accelerating revenue growth, driving further margin improvement and returning excess cash through dividends and share repurchases. We are confident that we can deliver on these plans.

Edward Wray
Chairman

People >

Betfair is committed to creating a stimulating environment in which we can attract and retain the best and most talented people.



The following pages describe in more detail the five areas which will drive growth in the business.

STRONG SPORTS-LED GROWTH

Bets are only accepted by the Betting Exchange if the full risk of each bet can be matched with another customer or a set of customers with the opposite view. Betfair generates revenue on the Betting Exchange by charging a commission (between 2-5%) on a customer's net winnings on a market. In 2011, 916 million bets were matched on the Betfair Exchange.

916M

130,000 customers bet on the World Cup Final in Johannesburg, July 2010.

130,000

New product delivery is key to driving revenue growth. The Betting Exchange is our lead Sports product and will remain so. We will enhance our customer experience in two important ways.

First, the investment we have been making in our platform enables us to launch a new, faster version of our website during FY12 with a completely new look and feel and greatly improved navigation.

Second, we will extend the number of markets we offer to customers. We are developing an integrated Exchange and sportsbook product that will allow us to provide more in-play markets as well as giving customers guaranteed execution in less liquid markets.

We believe this liquid Exchange and sportsbook combination will be unique to Betfair and will allow us to capture a greater share of the market.

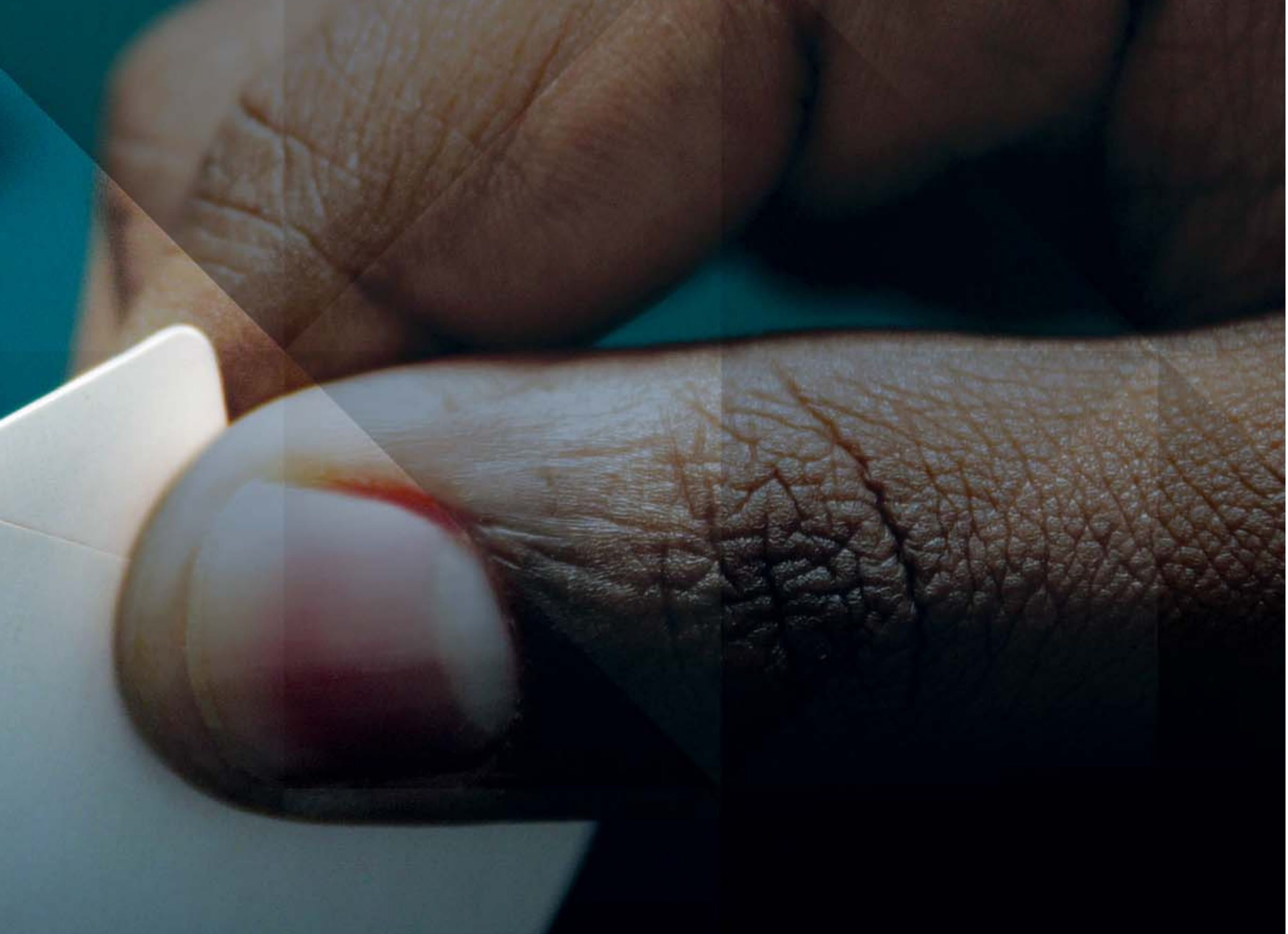
CROSS-SELLING AND PORTFOLIO EXPANSION

We made significant investment in our portfolio products during the year and we now have a very competitive suite of over 250 games.

25% of our Core gaming revenue comes from our portfolio products.

250+

25%



Betfair already offers a range of non-sports betting products such as Poker, Casino games and our proprietary Exchange Games. We know our customers like playing these games, want to do so with an operator they trust, and appreciate the convenience of a single transaction wallet.

We now have a very competitive suite of games, which we believe will enable us to capture a greater share of gaming spend – increasing the proportion of revenue we generate from non-sports games and enhancing the overall growth of the business.

We will continue to extend our games range with exciting new offerings, such as our recent addition of backgammon.

We are seeing incremental revenue growth from customers who start to use a mobile device and believe that the proliferation of smartphones will accelerate the shift of sports betting from offline to online. In FY11 we matched over £1 billion of bets placed via mobile phones.

Betfair's open platform has enabled over 60 third-party software developers to build products for Betfair customers.

£1BN

60+

NEW CHANNELS

The Exchange can now be accessed through the web, mobile devices and via the software of third-party vendors.

We have seen substantial growth of bets being placed through mobile devices in the last year. The popularity of smartphones has driven this growth and Betfair has been at the forefront of developments, as the first operator to launch a betting application in the Apple AppStore.

We also allow third-party software vendors to connect to our Exchange allowing them to develop new products. We believe this will further increase the pace of innovation for our customers.

We have put a new developer programme in place with revenue share opportunities which we believe will encourage further innovation.


Red Bull
CASIO
TOTAL
Front Right
Front Left

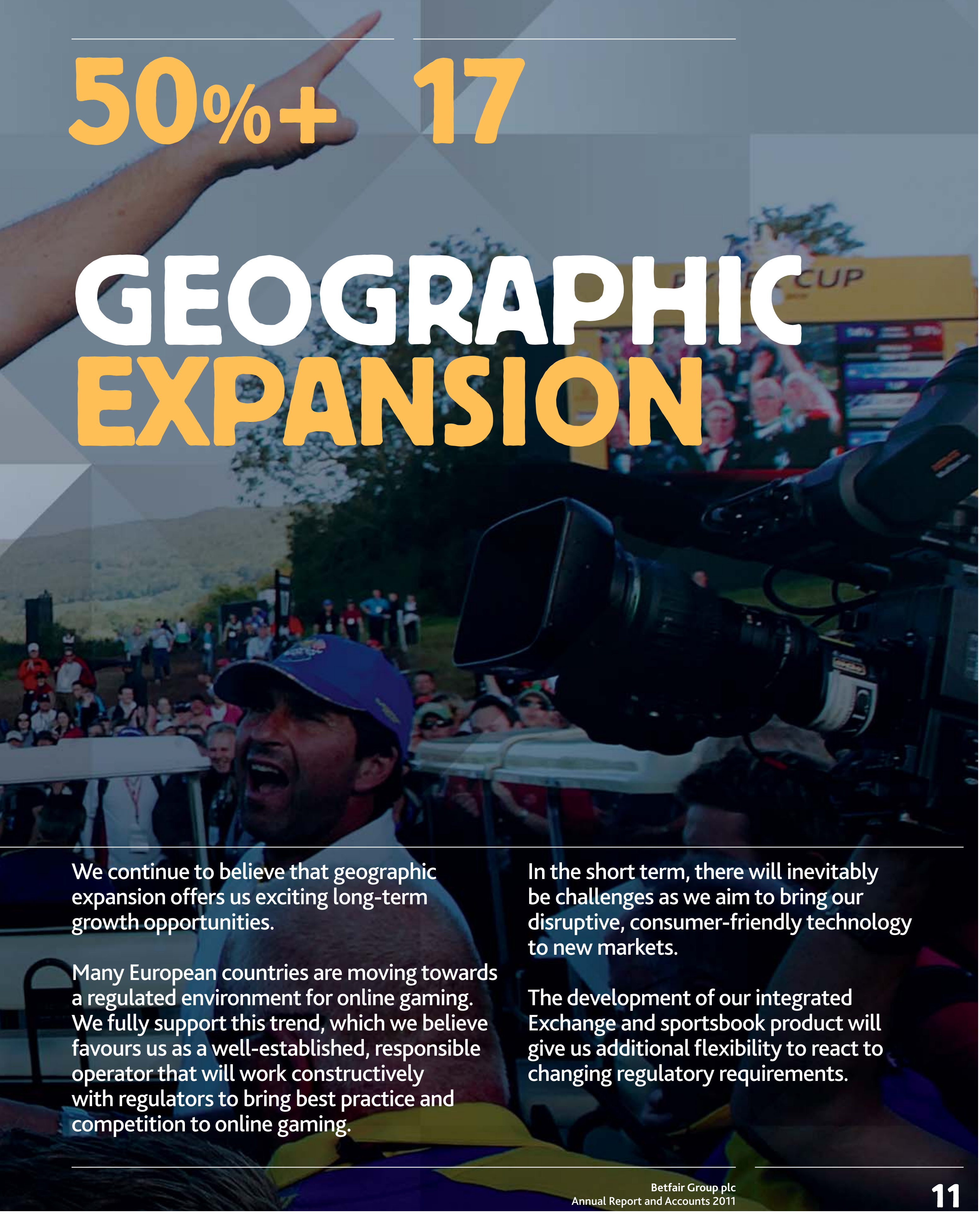

EUROPEAN
TEAM '10

Betfair began as a UK business. Last year over 50% of our Group revenue came from outside the UK.

50%+

Betfair.com is available in 17 different languages.

17



GEOGRAPHIC EXPANSION

We continue to believe that geographic expansion offers us exciting long-term growth opportunities.

Many European countries are moving towards a regulated environment for online gaming. We fully support this trend, which we believe favours us as a well-established, responsible operator that will work constructively with regulators to bring best practice and competition to online gaming.

In the short term, there will inevitably be challenges as we aim to bring our disruptive, consumer-friendly technology to new markets.

The development of our integrated Exchange and sportsbook product will give us additional flexibility to react to changing regulatory requirements.

NEW MARKETS

We will continue to invest in large new markets which we believe can provide significant long-term growth for Betfair's shareholders.

At present we have two main investments: Betfair US (TVG) and LMAX. Both provide opportunities to exploit our core technology in end-markets with multi-billion dollar potential.

We also have a number of smaller investments including our 50:50 joint venture in Australia and our shareholding in the social games developer Kabam.

Betfair owns TVG, a leading online wagering company and TV station for US horseracing. In FY11 TVG's customers placed wagers worth $627 million.

$627M

David Yu
Chief Executive Officer

Chief Executive Officer's Review

The past financial year was one of significant change and progress for Betfair. We celebrated our tenth birthday, continued to grow the business, matched over 900 million bets, and at the end of October became a public company listed on the London Stock Exchange.

From an operational standpoint, we continued to improve our revolutionary Betting Exchange product, migrated two of our major products – Poker and Casino – onto new technology platforms, supported ongoing work to deliver significant regulatory change in important European and US markets, changed the licensing arrangements for our UK business, moved to a new main data centre in Ireland and continued to lead the way in mobile betting by launching a new suite of products.

During this period of change we delivered revenue growth and significantly improved Group profitability. Revenue in Core Betfair was £330 million, an 8% increase on the previous year. We significantly improved margins, driving profitability to the high end of our expectations: adjusted EBITDA in Core Betfair was up 29% to £80 million. Cash generated from operations was strong at £61 million, allowing us to fund our continuing investment programme.

But FY11 was not without its challenges. Revenue growth was not as strong as we had initially anticipated. Like all consumer-facing businesses we found external conditions tough, and we could have executed our plan for the year more effectively. There were delays to some new product launches, our Poker revenue fell more than expected after the migration, and technology issues resulted in a number of site outages. We have learned from these events, stabilised Poker revenues, fixed the technology issues and taken steps to strengthen our management team. Betfair is a great business with many opportunities for growth. We have a clear plan to drive value comprising three simple elements:

1. Accelerate revenue growth
2. Leverage investments made in the business over recent years to drive margin improvement
3. Return excess cash to shareholders.

This report sets out how we are going to deliver each element of this plan and outlines the rationale behind our strategy. It also reviews our progress during the past financial year for the Core Business and our Other Investments.

On a personal note, I recently informed the Board that after 10 years with Betfair, and nearly six as Chief Executive, I feel the time is right for the Company to start looking for my successor. We will be conducting the search in an open and transparent way and in the meantime it is business as usual at the company. I am committed to the plan for increased growth and shareholder value that we have set out with this set of results and I will give the Board all the support I can with the succession process.

Related information in this Report:

Our people
Page 24

Five year review
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More information online:

http://corporate.betfair.com

After celebrating our tenth birthday in June 2010, we continued to grow the business, matched over 916 million bets, and at the end of October became a public company listed on the London Stock Exchange.

916M

Our strategy for delivering shareholder value

Accelerate revenue growth

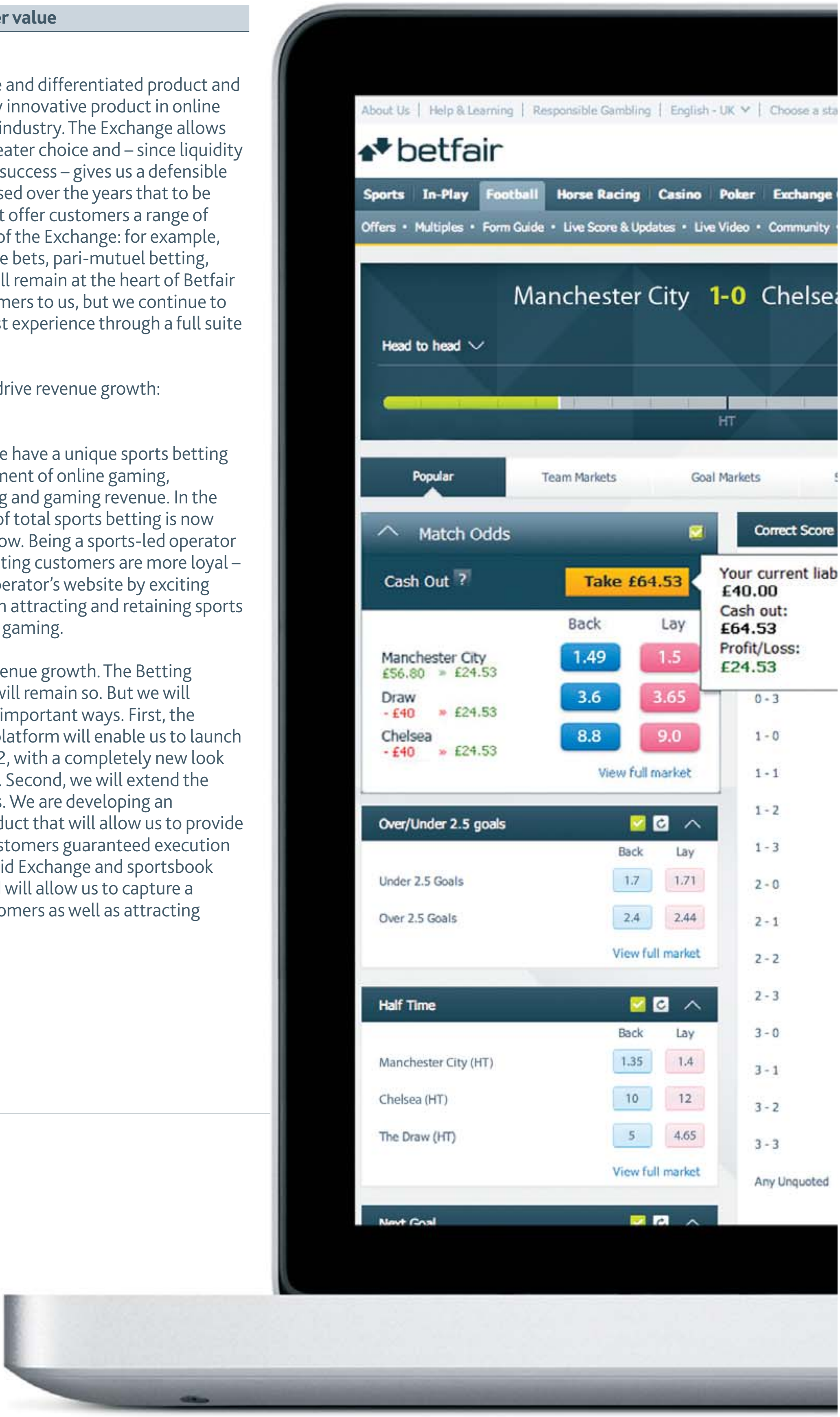
The Betting Exchange remains our unique and differentiated product and is central to our strategy. As the only truly innovative product in online gaming, it has revolutionised the betting industry. The Exchange allows us to offer customers better value and greater choice and – since liquidity and technology investment are key to its success – gives us a defensible competitive advantage. We have recognised over the years that to be a leading sports betting operator we must offer customers a range of products that extends beyond the scope of the Exchange: for example, we already offer products such as multiple bets, pari-mutuel betting, casino games and poker. The Exchange will remain at the heart of Betfair because its unique features attract customers to us, but we continue to evolve in order to offer customers the best experience through a full suite of products.

We have set out five areas where we will drive revenue growth:

Sports

Betfair is a sports-led business because we have a unique sports betting product. Sports betting is the largest segment of online gaming, generating some 40% of all online betting and gaming revenue. In the markets where we operate, around 20% of total sports betting is now placed online, and this will continue to grow. Being a sports-led operator has other advantages. Because sports betting customers are more loyal – and are naturally attracted back to the operator's website by exciting sporting fixtures – the marketing spend on attracting and retaining sports customers is lower than in other forms of gaming.

New product delivery is key to driving revenue growth. The Betting Exchange is our lead Sports product and will remain so. But we will enhance our customer experience in two important ways. First, the investment we have been making in our platform will enable us to launch a faster version of our website during FY12, with a completely new look and feel and greatly improved navigation. Second, we will extend the number of markets we offer to customers. We are developing an integrated Exchange and sportsbook product that will allow us to provide more in-play markets as well as giving customers guaranteed execution in less liquid markets. We believe this liquid Exchange and sportsbook combination will be unique to Betfair and will allow us to capture a greater share of wallet from existing customers as well as attracting new ones.



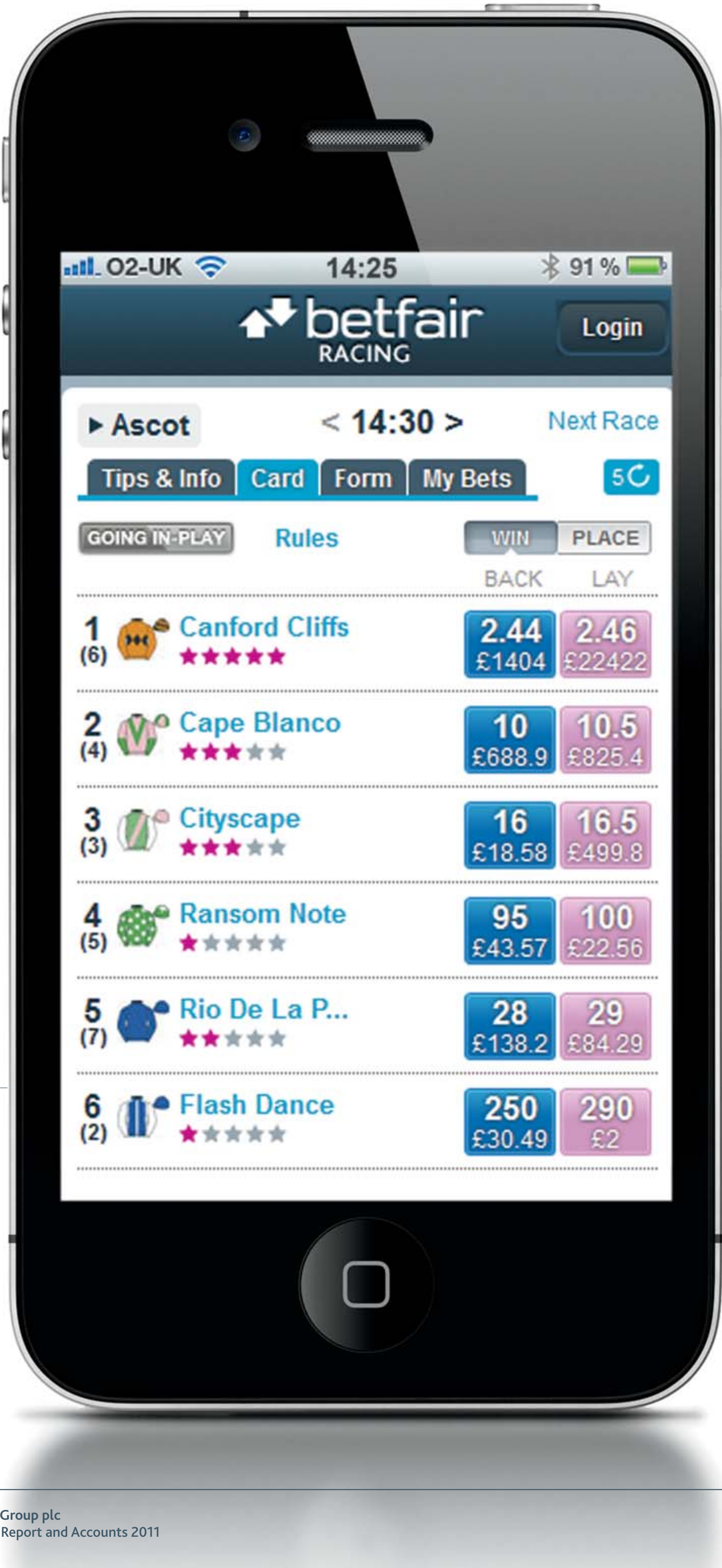
Cash Out feature >

Since the launch of Cash Out we've seen a 20% rise in the number of occasions in which customers successfully locked-in a profit in-play.

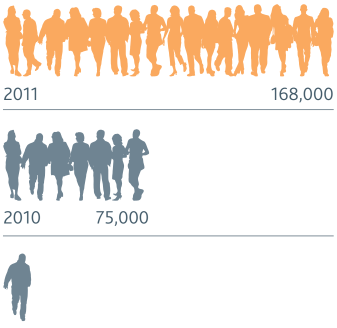
+20%

Mobile >

We released an innovative new Racing App for our customers in time for the 2011 Cheltenham Festival. Powered by Timeform, the web-based application – 'Betfair Racing on your Mobile' combines full Exchange betting functionality with a host of Timeform data, including tips, race cards, star ratings and a full results service.



Mobile sports customers



Portfolio products
Betfair already offers a range of non-sports betting products such as Poker, Casino games and our proprietary Exchange Games. We know our customers like playing these games, want to do so with an operator they trust, and appreciate the convenience of a single transaction wallet. Our portfolio of non-sports games currently generates some 25% of Core revenues, a lower proportion than the games portfolios of other sports-led operators. So during FY11 we made significant investment in our games portfolio. We now have a very competitive suite of games, which we believe will enable us to capture a greater share of customers' gaming spend – increasing the proportion of revenue we generate from non-sports games and enhancing the overall growth of the business. We will continue to extend our games range with exciting new offerings, such as our recent addition of backgammon.

Channels
When Betfair was launched, the Exchange was only available through our website. Now it can be accessed through the web, mobile phones, tablet devices and software from third-party vendors.

In particular, over the past year the popularity of smartphones has driven substantial growth in bets placed through mobile devices. Betfair has been at the forefront of this trend. Customers who start to use a mobile device to access their Betfair account generate incremental revenue for us, and we believe the proliferation of smartphones and tablets will accelerate the shift of sports betting from the high street to online. We have invested in building our own in-house mobile development team to stay ahead in this channel.

We strengthen our differentiation from traditional sports betting operators by allowing third-party software vendors to connect to our Exchange. Allowing third parties to develop new products built on the Betfair Exchange increases the pace of innovation for our customers. Already over 43,000 customers trade on the Exchange using third-party applications. Our customers can choose PC and mobile products from over 60 third-party developers in addition to the interfaces created by Betfair. To encourage the creation of even more applications we have launched a new, and unique, developer programme offering revenue share opportunities.

Geographic expansion
We continue to believe that geographic expansion offers us exciting long-term growth opportunities. Many European countries are moving toward a regulated environment for online gaming. We fully support this trend, which we believe favours us as a well-established, responsible operator that works constructively with regulators to bring best practice and competition to online gaming.

In the short term, there will inevitably be challenges as we aim to bring our disruptive, consumer-friendly technology to new markets. We recognise that we could need to adapt our product in the short term to comply with regulation in jurisdictions that may look to restrict exchange betting in the first phase of licensing. The development of our integrated Exchange and sportsbook product will give us additional flexibility to react to changing regulatory requirements.

In the longer run we believe that consumers in an online world will have access to the products that suit them best. We expect to have the opportunity to introduce the Exchange to a wide number of markets with responsible regulation and commercially viable tax regimes.

Outside Europe, the regulatory environment is less advanced. But we believe these markets still offer significant growth opportunities for the future.

New markets and new verticals
In addition to the strategy set out above for Core Betfair, we will continue to invest in large new markets which we believe can provide significant long-term growth for Betfair's shareholders. At present we have two main investments: Betfair US and LMAX. Both provide opportunities to exploit our core technology in end-markets with multi-billion dollar potential. We also have a number of smaller investments, including our 50:50 joint venture in Australia and our shareholding in the social games developer Kabam.

Drive margin improvement
In addition to growing our revenues, we will focus on leveraging the investment we have made in the business over recent years to drive margin improvement in Core Betfair. We continue to target a 30% adjusted EBITDA margin for Core Betfair in the medium term. In particular, the following initiatives will be important:

Focus on high-value customers
Our community of customers is crucial to our success. We are constantly improving our understanding of the shape and nature of our customer base and the value that different types of customer bring to the Betfair ecosystem. Our analysis shows that attracting and retaining the highest-value customers in the market is an important component of margin performance.

We tailor our marketing, promotions and service according to the value customers bring to the Betfair ecosystem. Through increased focus on the most valuable customers we can give them a better experience while making our operations more efficient. This may slow the growth in overall customer numbers, but we will maintain revenue growth through higher average revenue per customer. The greater marketing efficiency we gain by focusing on the high-value segment will help maximise our profitability in the medium to long term.

A broad product offer >

Betfair already offers a range of non-sports betting products such as casino, arcade games and poker.

Pricing
We have reviewed our pricing structure. The vast majority of our customers currently pay a fair price for their use of the Betfair platform. However, we will be adjusting pricing for a very small number of our most successful customers whose payment of commissions and charges does not reflect the benefit they gain from the Betfair ecosystem. These changes will take effect over the coming months.

Marketing and operational efficiency
We will continue to control our marketing and operations costs tightly as the business grows. Our unique product gives us a very loyal customer base with high retention rates. This allows us to spend a lower percentage of revenue on marketing compared to other online gaming operators, as we do not have to replace a high proportion of our customer base each year lost through churn.

Technology expenditure
We have been investing significantly in our technology platform to provide the flexibility for future growth. Our three year technology architecture project is on track to be completed in FY12. After this we will reduce technology spending as a percentage of revenues and realise the benefit to margins.

Licensing change and data centre consolidation
We announced in March that we had changed the licensing arrangements for our business so that the Betting Exchange now operates under a Gibraltar licence for UK customers. This change is expected to lift EBITDA by £10 million in FY12, rising to an uplift of around £20 million from FY13 as we consolidate the number of data centres from which we operate.

Returning excess cash to shareholders
Betfair has a highly cash generative business model which produced over £60 million of cash from operations in FY11. This cash flow provides ample funds for us to invest to grow the business and we now have over £150 million of cash on the balance sheet. So the third element of our plan to deliver shareholder value is to return excess cash to shareholders from time to time unless there is a clear alternative strategic use for the money. This will not be the first time we have returned capital to shareholders. As a private company in 2008 we returned some £112 million.

We have announced two mechanisms to provide returns to shareholders:

Regular dividend
We are proposing to pay a final dividend of 5.9 pence per share. Had we been a listed company for the whole of the year ended 30 April 2011, we would have returned around £9.5 million through dividends.

Share repurchase
We have announced our intention to return up to £50 million through a share repurchase programme over the next 12 months.

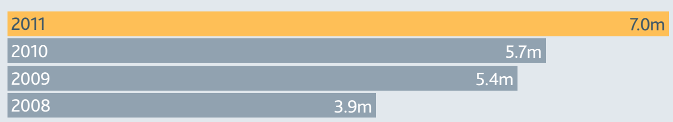
This cash return policy will allow our shareholders to realise the benefit of cash generated by the business while maintaining the financial flexibility to react to a fast-changing environment.

Review of operations

Core Betfair
Sports
Sports revenues for the year grew by 10%, with a particularly strong performance in Q1 driven by the FIFA World Cup. Activity on the Exchange ecosystem grew even faster, with the number of bets matched, matched volume and total customer losses all increasing by around 20%. Over the long run, our revenue has grown broadly in line with these indicators of customer activity. However, within any given period, revenue growth from the Exchange can vary with the outcomes of sporting fixtures and the quality of sport on offer.

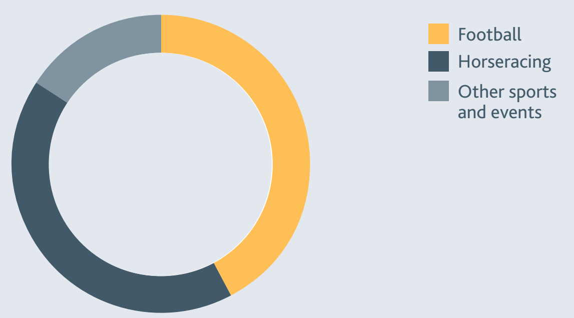
Within the Sports product mix, football revenue grew strongly (up 24%), boosted by the World Cup but with a strong follow-through in the rest of the year. Football is now marginally the largest contributor to our Sports revenue. This is the result of a concerted effort over recent years to position the brand closer to football. During FY11 we ran successful partnerships with Manchester United and FC Barcelona and were delighted that both teams reached the final of the UEFA Champions League – an event on which we had 100,000 customers placing bets. Horseracing showed a marginal decline year-on-year, being harder-hit by weak UK economic conditions as well as a shift from betting on racing towards other sports. Over the year, revenue from football generated 42.3% of Sports revenues, horseracing 42.1%.

Number of transactions on the exchange per day



99.9% of transactions processed in under a second.

Breakdown of Core Betfair Sports revenue FY11



We made improvements to our Sports product during the year – adding significantly more in-play football matches, an innovative Cash Out feature for football, extensions to our horseracing multiples product and further exclusive content for Betfair customers. Some new products required further tweaking after launch to improve performance, and the revenue uplift we were expecting came later in the year than originally anticipated. We also began work on our new integrated Exchange and sportsbook product, which will continue in FY12.

Cash Out is a trading tool which helps our customers when betting in-play. It has proved popular, generating a 20% increase in the number of occasions on which customers successfully locked-in a profit during a match. During the year we also launched the Betchecker tool to show how much a customer would gain by betting with Betfair compared with 11 leading bookmakers. For the 2010-2011 season across the major European football competitions, a Betfair customer with winning bets on the match odds and correct scores for each game would have received odds 20% better than the industry average, even after deducting commission of 5%.

The Exchange continues to generate the vast majority of our Sports revenue – 92% including other non-risk taking products in FY11. Risk-based products, including multiples, contributed 8% – a slight increase on the previous year.

Portfolio
After a significant upgrade to our portfolio products during the year we now have highly competitive customer offerings in the Casino and Poker categories.

Our Games segment – Casino, Arcade and our own proprietary Exchange Games – now generates 18% of Core Betfair revenue. To be able to refresh the choice of games faster and achieve a better yield, we migrated to a new Casino platform provided by Playtech – launching to customers at the end of August. We also improved our existing Arcade games platform to similar effect. This helped us to grow Games revenue by 9% over the year, up from 1% in the previous year.

We launched a Casino portfolio of 115 games in August 2010 and added a further 23 during the second half of the year. Our traditional table and card games continued to perform strongly. Gladiator was our top-performing slot game, and we also did well with our exclusive Manchester United and seasonal Christmas and Easter slot games. In March 2011 we expanded the Casino product portfolio with a Live Casino offering. This was a popular launch: close to half of our "Casino Active" customers tried it in the first four weeks. We also added 46 new Arcade games during the year, bringing the total to 136. During the last month of the year we launched Backgammon, the first multi-player game in an expanding suite of products.

In July 2010 we migrated our Poker product to the Ongame network to boost liquidity for our customers and so improve their playing experience. Moving to a network improved our proposition for the majority of our sports-led customers and helped us increase the number of Active customers by 10% over the year. However, it meant that a small number of high-value customers – who had played at Betfair to access our unique pool of mainly sports-led customers who occasionally play poker – could now reach these Betfair players through other sites on the network. We anticipated a short-term dip in revenues after migration, but the loss of these high-value customers slowed the pace of recovery. After the initial drop in revenue we launched a series of product enhancements which stabilised the revenue run rate from Q2 through to Q4. Overall, Poker revenue dropped 14% compared to the previous year and now represents 7% of Core Betfair.

Channels
Our mobile performance was extremely strong last year. In May 2010 we became the first betting operator to have an application approved by Apple's AppStore and we now offer a multitude of applications for all major devices – iPhone, iPad, Android and HTML5 versions. During the year 168,000 customers placed bets using a mobile device, an increase of 120% on the previous year. Mobile revenue grew by 88% to £11.5 million, accounting for 5% of total Sports revenue.

Our mobile applications are now available in 12 languages and the iPhone app is available in 14 local country AppStores, significantly more than our nearest competitor. This year we will extend our mobile products beyond the Exchange to include other types of Sports betting and some of our non-sports products.

Geographies
The UK represents around 53% of Core Betfair net gaming revenue and grew by 6%. This reflects the higher proportion of revenues from horseracing in the UK, which slowed overall growth.

European net gaming revenue (42% of the total) grew by 9% – or 11% excluding regulatory impact. Spain and Eastern Europe grew strongly but overall growth was reduced by regulatory issues, notably in France and Italy. Following changes to the French taxation and licensing framework in May 2010, we stopped accepting bets from France as we judged the regime to be commercially unviable. We also faced operating restrictions in Italy during the second half of the year, pending clarification of the regulatory position in that market.

Introducing a new payments platform in December 2010 has allowed us to rapidly increase the number of international payment methods we accept. We believe these will help to increase our conversion rate for new international customers registering on the site.

Sports revenues
Sports revenues for the year grew at 10% with a particularly strong performance in Q1 driven by the World Cup.

+10%

Sports mix
Within the Sports product mix, football grew strongly (up 24%), boosted by the World Cup.

+24%

Regulatory change continues to be a key factor influencing geographic expansion and there is a summary of the current regulatory position later in this review.

Customers

Total active customer numbers grew by 15% over the year, with the FIFA World Cup attracting a large number of new players. During the second half we concentrated on winning high-value customers through a more targeted and efficient marketing programme. We also realigned our customer retention and promotions teams to focus on this segment. Specifically, we undertook a targeted campaign for the Grand National in April 2011 focusing on acquiring high value customers. As a result we acquired 35,000 fewer customers overall for the Grand National and Q4 customer numbers fell year-on-year. But this was offset by a significant increase in average revenue per customer as we had more high-value activity. This adjustment to our customer approach will also help to enhance our future margin performance as we achieve higher lifetime payback on our marketing spend.

We achieved a better-than-expected cost per acquisition, reduced by 21% to £104. This cut the proportion of revenue spent on marketing to 24% – in line with historic levels and significantly below the prior year's 29%.

Technology

We have a strong technology culture and continue to invest in our platform. The current investment programme began in FY10 and remains on budget and on track for completion during FY12. This investment will give us greater flexibility to enter new markets quickly as well as forming the base for our next generation of Sports products. During FY12 we will deliver significant upgrades that improve speed and enhance the look, feel and usability of the website.

During the year the technology team performed a number of significant upgrades and migrations, notably to the Casino and Poker platforms, and a major data centre move to Dublin. Such significant activity contributed to increased downtime on the website, and a series of outages in February and early March 2011 impacted performance in Q4. I am pleased to report that those issues have now been resolved and since mid-March the site has been functioning at its usual high levels of reliability.

Despite the downtime, FY11 was a record year for activity on the site. We matched 916 million bets (up 20%) and handled a new peak load of 30,000 bets per minute during the Grand National.

Management team

Our leadership team is committed to delivering on our plan for FY12, and we have strengthened the management group in technology, marketing and mobile development with a number of key appointments. Since the close of the financial year we have also welcomed Ian Chuter to the Executive Committee as Director of Group Operations. Ian brings 30 years of industry experience, the last nine being with William Hill.

Other Investments

Betfair US

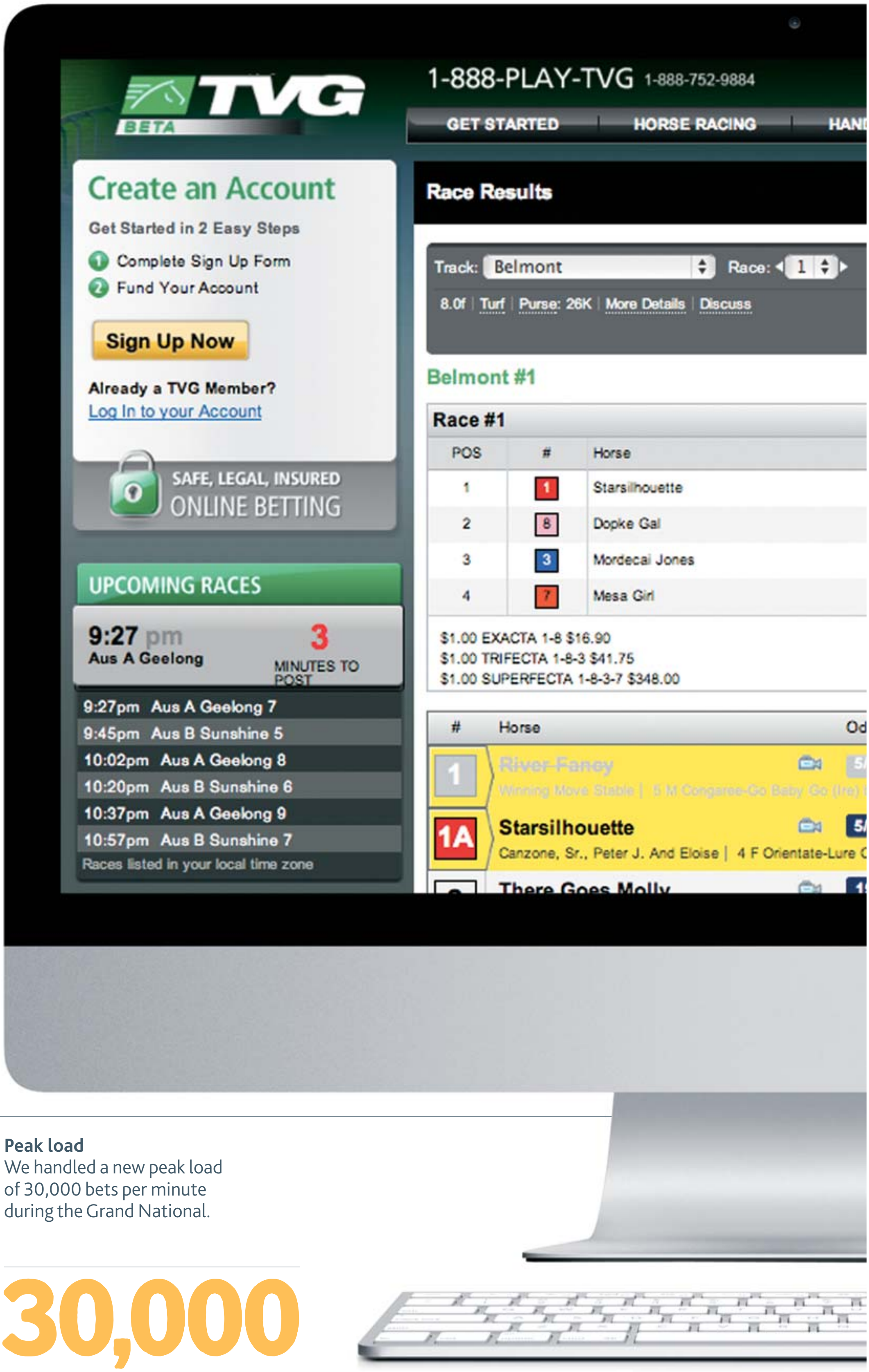
We acquired TVG in January 2009, seeing opportunities to gain an important foothold in the US market and to significantly strengthen the business. TVG performed well in FY11, growing revenue by 10% (7% in local currency) and increasing handle by 18% against an overall decline in US horseracing handle of 7%. It also increased its market share of the Advance Deposit Wagering (ADW) market. Active customers were up 12% over the year, while revenue per customer declined 6%. We improved the business by bringing in some of Betfair's online marketing experience and taking a more joined-up approach to marketing promotions, television content and customer services. We continue to invest in upgrading the TVG website and recently released a new beta version. In March 2011 we restructured TVG's operations to reduce costs and improve efficiency.

In addition to the ADW business, legislative change in California and New Jersey will allow state residents to place horseracing wagers on an exchange for the first time. Exchange wagering in California is expected to be available from May 2012 and we are making a significant investment in exchange technology specifically for the US market. We continue to discuss the possibility of exchange wagering with other states. We also continue to build relationships with other industry participants and regulators and will look for further opportunities in the US as the market liberalises.

During the second half of the year, we concentrated on achieving growth in the high value customer segment through a more targeted and efficient marketing programmes across our international markets.

TVG >

We continue to invest in TVG, and have recently launched a new Beta version of its website. The amount wagered through TVG was up 18% in FY11, a result of us improving the business by bringing in some of Betfair's online marketing experience and introducing a more joined-up approach to marketing promotions.



Customer numbers
Total active customer numbers grew by 15% over the year, with the FIFA World Cup attracting a large number of new players.

+15%

Peak load
We handled a new peak load of 30,000 bets per minute during the Grand National.

30,000

LMAX
Set up to apply Betfair technology in a major new market, LMAX began operating its financial trading platform in October 2010 and is in an early stage of development. It is regulated by the Financial Services Authority and operates with a separate board of directors. Betfair owns 74.8% of the business, Goldman Sachs owns 12.7% and LMAX employees and other investors own 12.5%.

The launch of the LMAX platform has had mixed success. The underlying technology has delivered four key elements of an attractive customer proposition: speed, quality of execution, reliability and competitive pricing. But the product has yet to achieve good traction with target customers and sign-ups are significantly below original expectations.

Following a change of Chief Executive in March 2011, the LMAX Board has reassessed the Company's approach to its target audience. Work has begun on broadening the product offering, with a particular slant towards liquid foreign exchange, index and commodity markets and exploiting LMAX's unique high-frequency trading capability. The business has been reorganised and the sales team is being strengthened to provide a more effective channel to market.

Betfair Australia
Betfair Australia is a 50:50 joint venture between Betfair Group plc and Crown Limited. It operates online and telephone wagering products – including a betting exchange – in Australia and New Zealand.

Over the year it achieved revenue growth of 11% (local currency), driven by 28% growth in average monthly active users. This revenue growth – along with some clarification in the amounts owed in racefields fees, a cut in the Tasmanian tax rate and a strong focus on cost control despite high ongoing legal fees – has resulted in a significantly smaller loss for the year.

Betfair Australia has an ongoing legal dispute with Racing NSW and Harness Racing NSW regarding the implementation of racefields legislation. Following a decision against Betfair Australia in the Federal Court, the company was granted leave to appeal to the High Court of Australia in March 2011. The case is expected to be heard in the second half of 2011.

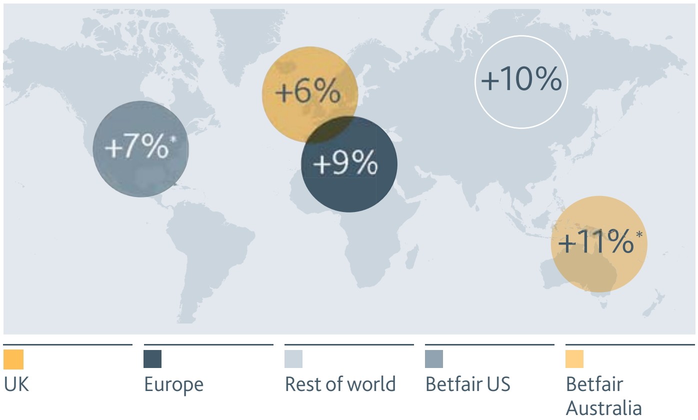
Kabam
Kabam is a successful developer of social games for the Facebook platform, best known for its Kingdoms of Camelot game. Betfair invested $3 million in Kabam's second funding round in 2009 to learn more about the nascent social games sector. We were pleased that during the year Kabam successfully completed its fourth funding round as a private company to raise a further $85 million. We did not participate in the latest round and now hold a 9.3% stake in the Company, fully diluted.

Regulation
UK
With effect from 9 March 2011, Betfair's Betting Exchange began operating under a Gibraltar licence for UK customers.

Over the past year we have significantly restructured our operations, transferring most of the key systems for our Betting Exchange from the UK to Gibraltar and Dublin. As part of this process, we opened new offices in both Gibraltar and Dublin, together employing over 120 people. We continually strive to create the best technology platform for the business; this revised structure gives us the freedom to locate key technical equipment in more efficient locations to improve customer service and compete on a level basis in the UK market. At corporate level we remain incorporated as a UK company and employ over 1,000 people in UK offices in Hammersmith, Stevenage and Halifax.

Betfair will continue to be one of the biggest supporters of British horseracing and will provide the same level of funding as we would have done before the change in licensing. Although we are no longer legally liable to pay the Horserace Betting Levy, we have demonstrated our commitment to British horseracing by agreeing to donate the sum of £6 million to the Levy for FY12. We are fully engaged with the UK government about reforms to the Horserace Betting Levy and the ongoing review of how operators licensed elsewhere are regulated in the UK.

Increase in revenue by geography FY11



* Local currency

Big Sporting Events on Betfair FY11

Europe – market developments
A wide variety of European countries are currently taking political and legislative steps to implement online gaming regulation for the first time. They include Cyprus, Denmark, Germany, Greece, Ireland and Spain. The process is at a different stage of development in each country but is likely to result in online gaming legislation being implemented in the next six to 24 months. It is currently difficult to say what the final regulatory framework in each country will look like: there may be significant variation between countries in the products that can be licensed and the taxation structures to be applied.

Betfair fully supports moves towards a regulated regime for online gaming. We continue to work with the relevant authorities in their efforts to create an environment that encourages competition between legitimate operators and provides real consumer choice while giving players the required levels of protection. Regulatory change remains both a risk and an opportunity for our business. In the near term, we could see a negative impact on revenue and profitability – though we are investing in our technology and products to mitigate this risk as much as possible. But over a longer timeframe we believe that stable and well regulated European markets will give us the opportunity to extend our geographic expansion.

Europe – developments specific to Betfair
Italy
The legislative framework for online gaming in Italy covers a wide range of products. Following liberalisation in 2006, online licences were issued in 2007. These originally included sportsbooks; tournament poker was added in 2009. In April 2011 the regulator, AAMS, finalised the regulation of cash poker and casino games: licensed operators can now offer these products in addition to those previously regulated. A decree for betting exchanges has yet to be published – although such products are expressly covered by the legislative framework, which provides that operators of betting exchanges in Italy would pay a gross profit tax of 20%.

We have a licence to operate a traditional sports betting product in Italy through our betfair.it website. We also allow Italian customers to access products on our betfair.com site which are not currently licensed in Italy. In November 2010 AAMS gave notice that our Italian sports betting product (on betfair.it) would be suspended pending a review of the licence. That review continues and we are in regular discussion with AAMS in order to reach a satisfactory conclusion. Operating restrictions placed on Betfair will continue to impact revenue from Italy until licences for the Betting Exchange are issued.

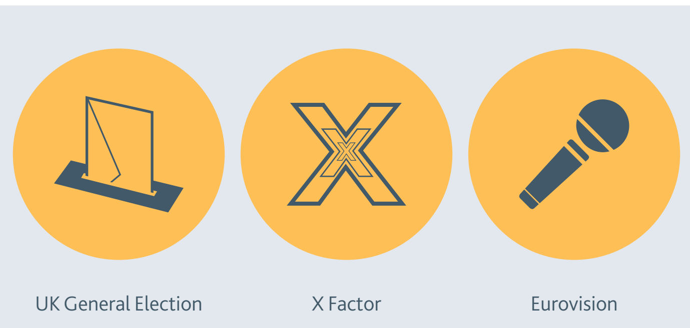
Netherlands
Seven years ago we launched a case against the Dutch Minister of Justice, who had refused to consider our application for a gambling licence. The case was subsequently referred to the European Court of Justice (ECJ). In June 2010 the ECJ held that the gambling licensing procedures in EU Member States must be non-discriminatory and transparent, and in March 2011 the Dutch Council of State ruled in favour of Betfair's case. It held that the gambling licensing procedure in the Netherlands failed to meet the ECJ's criteria and that the Ministry of Justice's refusal of Betfair's licence request was therefore illegal. The ruling has materially affected national gambling policy: in the same month the new Dutch government announced it would introduce a licensing system for private operators of online gambling services. Licences are not expected to be issued before late 2012.

Summary

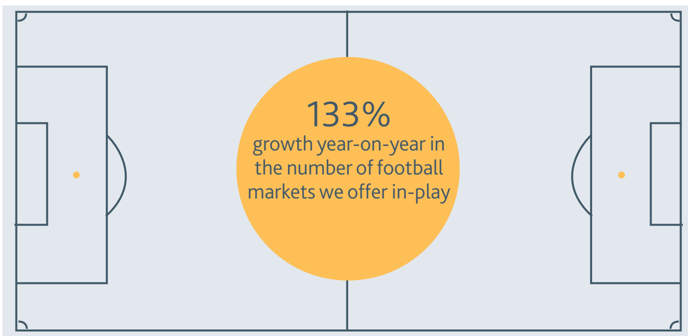
FY11 was a challenging year but I know that the investments we are making today will further strengthen the business for the future. We have a clear plan for generating shareholder value and I have full confidence in the Betfair team to deliver.

David Yu
Chief Executive Officer

Top Specials markets FY11



Growth in our in-play football offering FY11



Betfair people, culture and values

The Betfair Group employs over 2,000 people around the world. In any market in which we operate, we're committed to innovation, integrity and responsibility, an ethos which shapes the environment present within all of our places of work.

Betfair is committed to creating a working environment that allows our people to flourish. We have a passionate and intelligent workforce that has driven the Company on to the success it has achieved to date.

Our varied workforce includes leaders in the fields of sports betting, technology, mobile, marketing and customer operations.

Prevalent throughout Betfair's employee culture is a determination to put the customer at the heart of everything we do. It's the reason why today, we are the World's Biggest Betting Community.

Craig Spencer, User Researcher, UK
Research at Betfair plays a vital role, and we have some fantastic people that keep developing new and exciting products.

David Wilson, Premium Accounts Manager, Ireland
Since day one, I have found the culture at Betfair very enjoyable and I like the fact the Company has always done its best to put the customer first.

Shelly Thomas, Senior User Researcher, UK
I love going out in the field and working directly with our customers. There is nothing more insightful than watching them interact with our products.

Will Brown, Head of Commercial Operations, UK
One of the things that I love about Betfair is the dynamism, enthusiasm and knowledge that people bring both as individuals and as the wider group.

Lynette Gay, Fraud Analyst, Australia
In my role I enjoy the daily challenges and satisfaction felt in doing my job well. I really feel that my individual contributions are helping the company to grow; I am a part of the big picture.

Dena Cianfrocca, Executive Assistant, Production, US
Why I love my job... I have made great friends here at TVG Betfair and I am fortunate enough to work in an industry I love.

Jonathan Crook, Helpdesk Operator, UK
I love working as part of a Betfair helpdesk team that aims to bring the best possible service to its customers. I am happy that I work for a dedicated, modern and dynamic company that is continually developing.

Joanna Sheehy, Community Affairs Executive, UK
Betfair is a fun and energetic place and it's great to see our people involved with projects that give so much back to our local communities.

Gabriela Ciucanu, QC Engineer, Romania
Betfair is a great place to work, having a team of many outstanding individuals and providing opportunities for my professional career growth.

Angelo Iacono, Payments Specialist, UK
I like working at Betfair as it is a young, vibrant and buzzing company. The working environment is positive and the company is always looking for ways to improve and grow.

Sebastian Oros, DB Developer, Romania
I enjoy working for Betfair since its a growing, dynamic business, with an enjoyable and friendly working environment.

Laura Owen, Internal Communications Executive, UK
The working environment is young, fun and innovative. There are always initiatives taking place to improve the customer offering, to engage employees and to generate and foster new ideas.

Louis Bridger, Commercial Strategy Manager, UK
Working for a growing, forward thinking and disruptive company in such an interesting industry is the envy of most of my friends.

Natalja Simina,Outbound Agent, UK
My everyday job is dealing with customers on the phone. No two customers are exactly the same in what they want or expect which motivates me to assist and I enjoy helping them in any way I can.

Keith Inouye, Art Director, US
The best part about my job at TVG/Betfair is the team of forward-thinking individuals I work with day in and day out, they foster creativity and make my job that more enjoyable.

Gareth Hammonds, Telbet Team Leader, Ireland
I've worked in offices in a past life were there is no atmosphere and no fun. At Betfair, I have a wonderful working environment and great work colleagues to come in to.

Richard Hewitt, Head of Mobile Product, UK
Betfair is all about innovation for me and as a technologist at heart, working on mobile at Betfair is pretty much as good as it gets.

Linda Hong, Snr Digital Marketing Manager, US
I like the energy and excitement that comes from TVG's fast-paced environment.

Wayne Osborne, Telbet Team Lead, Ireland
I love working for Betfair because of the vibrant and energetic new Dublin office I work in. Every day in Betfair brings its different challenges which makes every day different and varied.

Matthew Reid, Helpdesk Team Leader, Australia
I feel we have the best product available and enjoy working towards enhancing Betfair's reputation within the betting landscape.

Kevin Grigsby, VP Programming, US
I love being a part of a company that includes a fast paced environment, is always evolving and is a fun place to work; all while being surrounded by like-minded peers.

Stephen Morana
Chief Financial Officer

Core Betfair Revenue
£330M

Core Betfair adjusted EBITDA
£80.2M

For the year to 30 April 2011 Betfair reported Group revenue of £393.3 million, with Group adjusted EBITDA of £79.7 million and basic EPS of 22.6 pence. After adjusting for High rollers, exceptional items, equity settled share based payments and profit on disposal of investment, Underlying Group revenue was £368.6 million up 8.1% (FY10: £340.9 million) with adjusted EBITDA up by 36.9% to £73.2 million (FY10: £53.5 million) and Underlying Group basic EPS of 33.9 pence (FY10: 21.7 pence).

Betfair reports in two distinct operating segments. "Core Betfair" includes the unique Betting Exchange and our portfolio of other sports betting, Games and Poker products. "Other Investments" comprises Betfair US and LMAX which are in an investment phase.

Core Betfair

Revenues and KPIs

Core Betfair revenue and annual KPIs are set out below. A complete analysis of KPIs on an annual, semi-annual and quarterly basis since the start of FY08 is available on the Group website (http://corporate.betfair.com).

Twelve months ended 30 April	FY11 £m	FY10 £m	Change %
Core Betfair revenue			
– Sports	245.9	223.7	+9.9%
– Games	58.9	54.2	+8.6%
– Poker	21.9	25.6	-14.4%
Core Betfair Net Gaming Revenue	326.6	303.5	+7.6%
Revenue from management of customer funds	3.3	2.6	+30.9%
Core Betfair revenue	**330.0**	**306.0**	**+7.8%**

The year was characterised by very strong revenue growth in Q1 which moderated in the following three quarters. Sports saw substantial growth from the World Cup during the summer and continued to grow revenue during the rest of the year to end up 9.9% at £245.9 million. Football revenues grew strongly during the year, up 24%, while horseracing revenues declined marginally, with the result that football overtook horseracing as the largest segment of Sports revenues. Games revenues increased over the year, benefitting from the move to a new casino provider, with revenues up 8.6% to £58.9 million. Poker revenues were down 14.4%, primarily as a result of the migration to a new poker platform during the summer. While Poker revenues fell sharply in Q2, over the rest of the year revenue and active customers (Actives) remained stable.

The total number of Actives increased 15.2% over the year to 949,000 (FY10: 823,000), with overall average revenue per user (ARPU) falling 6.6% to £344 (FY10: £369). During the year we added 466,000 new Actives (FY10: 441,000), an increase of 5.7%. We acquired about a third of these new Actives in the run-up to the World Cup. In the later quarters we implemented a more targeted acquisition and retention strategy focusing on higher-value customers, which resulted in a lower number of new Actives but higher ARPU.

We have maintained a loyal, high quality customer base: 85% of Core Betfair Net Gaming Revenue was generated from customers who joined Betfair before the start of the financial year.

Revenue from the management of customer funds held on deposit in separate ring fenced accounts grew by 30.9% to £3.3 million, reflecting the increase in the average level of customer deposits held during the period and a slightly higher interest rate environment.

Sports KPIs

Twelve months ended 30 April	FY11	FY10	Change %
Sports KPIs			
– Actives ('000)	810	713	+13.6%
– ARPU (£)	304	314	-3.2%
– Net Gaming Revenue (£m)	245.9	223.7	+9.9%

Sports Actives grew 13.6% in the year with strong customer acquisition during the World Cup in Q1. We maintained year-on-year growth in Actives during the next two quarters, but in the last quarter the number of Sports Actives fell 6.5% year-on-year as the more targeted acquisition strategy brought in fewer lower-value, casual customers, most notably during the Grand National in the UK. The Q4 reduction in Active numbers was offset by a 15.5% increase in ARPU to £150 (FY10: £130).

For the year Sports ARPU was down 3.2% to £304. In the early quarters this decline was driven primarily by the greater weighting of recreational customers in the football segment, particularly during the World Cup. In Q1 ARPU was down 15.9% year-on-year but subsequently, as more targeted marketing campaigns took effect, the decline slowed during Q2 and Q3 and ARPU increased by 15.5% in Q4.

Sports revenues grew 9.9% in the year on the back of strong growth in football revenues, up 24% to £104 million (FY10: £84 million). As well as benefiting from the World Cup in Q1, during the second half we substantially increased the number of in-play football games on offer and in the last quarter of the year we launched new features including a "Cash Out" option for in-play betting on football. This feature has proven particularly popular with newer customers who use it to help close out positions and facilitate trading. Football represented 42.3% of Sports revenues in the year.

Horseracing revenues were marginally down over the year to £103 million (FY10: £105 million) due to a reduced level of ARPU from existing customers. We enhanced our horseracing offering during the year with additions such as each-way multiples, exclusive content from Champion National Hunt trainer Paul Nicholls and a new mobile racing application. Horseracing represented 42.1% of Sports revenues.

Other Sports and Events revenues increased by 9% to £39 million (FY10: £35 million). Tennis remains the most popular sport after football and horseracing.

The volume on our risk taking Sports products increased by 34% over the year, driven by the expansion of our telephone based sportsbook service. The margin decreased from 9.0% in FY10 to 8.7% in FY11 while revenue grew by 29%. Revenue from risk taking products increased to 8% of total Sports revenues (FY10: 7%).

Games KPIs

Twelve months ended 30 April	FY11	FY10	Change %
Games KPIs			
– Actives ('000)	258	232	+11.0%
– ARPU (£)	228	233	-2.2%
– Net Gaming Revenue (£m)	58.9	54.2	+8.6%

In the Games segment we increased Actives by 11.0% and Net Gaming Revenue by 8.6% during the year. We improved the Casino offering by migrating it to the web-based Playtech casino product in August 2010. Having a more integrated, comprehensive and frequently refreshed casino offering allows us to market the product more effectively and across the year we increased the net gaming yield in Games. However, in Q4 Games revenues fell on a year-on-year basis due to a lower than normal yield caused by customer wins during the first month of the quarter.

Poker KPIs

Twelve months ended 30 April	FY11	FY10	Change %
Poker KPIs			
– Actives ('000)	161	147	+9.6%
– ARPU (£)	136	174	-21.9%
– Net Gaming Revenue (£m)	21.9	25.6	-14.4%

The key development for Poker during the year was the migration to the Ongame platform at the end of July 2010. This went smoothly from a technical viewpoint and the Betfair Poker product now offers enhanced liquidity to our customers throughout the day, underlining the strategic rationale for the migration. Poker Actives increased by 9.6% in the period, but a portion of our higher-value customers did not continue to be active following the migration in Q2. As a result ARPU fell by 21.9% and Poker revenues were down 14.4%. After the migration process was over a browser-based poker client was introduced as well as side games and improved multi-table functionality. This helped to stabilise the quarterly run-rate of Poker revenues and Actives. We continue to believe that the improved levels of liquidity available in the new Poker product will provide a more sustainable base for future growth.

Geographic KPIs

Twelve months ended 30 April	FY11	FY10	Change %
UK			
– Actives ('000)	487	474	+2.6%
– ARPU (£)	358	345	+3.6%
– Net Gaming Revenue (£m)	174.0	163.6	+6.4%
Europe			
– Actives ('000)	441	335	+31.8%
– ARPU (£)	309	373	-17.3%
– Net Gaming Revenue (£m)	136.2	125.0	+9.0%
Rest of World			
– Actives ('000)	21	14	+46.5%
– ARPU (£)	787	1,046	-24.7%
– Net Gaming Revenue (£m)	16.4	14.9	+10.3%

The UK remains our most important region. It generated 53% of Core Betfair Net Gaming Revenues in FY11, down from 54% in FY10 as Europe and the Rest of the World continued to grow slightly faster.

The UK showed overall revenue growth of 6.4% over the year – driven partly by the strong start in Sports in Q1 which moderated in the following quarters. Strong growth in football was offset by a greater weighting of horseracing revenues than the business overall. UK Actives increased substantially in Q1, benefiting from the football World Cup. After a decrease in Q4 due to our more targeted acquisition and retention campaigns, UK Actives ended up 2.6% for the year at 487,000. Overall UK ARPU increased £13 over the year to £358.

UK Net Gaming Revenue

£174M

Europe Net Gaming Revenue

£136.2M

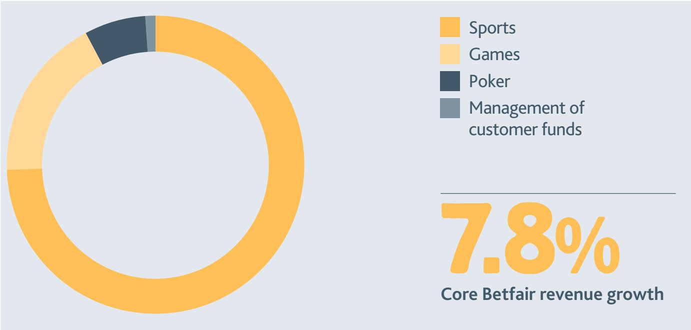
Rest of World Net Gaming Revenue

£16.4M

Increase in total Actives for the year

+15.2%

Core Betfair Revenue



The dynamics of our European markets differ from the UK. In Europe we continued to generate strong year-on-year growth in Actives, partially offset by a decline in ARPU. European Sports revenues were driven by growth in football – but with a greater proportion of revenues coming from Poker, overall European Net Gaming Revenue increased by 9.0% in the year to £136.2 million. We achieved good growth in Eastern Europe and Spain, but our performance was hampered by poor economic conditions in Ireland and regulation in Italy. During the year we decided to withdraw from the French market and on a comparable basis (excluding France), European revenues grew by 11.4%.

The Rest of World segment – still a small part of Core Betfair Net Gaming Revenues at 5% – continued to perform strongly with a 46.5% increase in Actives. Net Gaming Revenue increased by 10.3% led by growth in Sports and Games.

Gross margin
Core Betfair gross margin was £282.9 million (FY10: £258.6 million), representing a gross margin percentage of 85.7% (FY10: 84.5%).

Administrative expenses

Twelve months ended 30 April	FY11 £m	FY10 £m	Change %
Commercial and marketing	79.3	87.3	-9.2%
Technology and product	62.4	55.2	+13.1%
Operations	19.0	17.4	+9.2%
Corporate	42.0	36.5	+15.0%
Administrative expenses	**202.7**	**196.4**	**+3.2%**

Expenses as % of Core Betfair revenue		
Commercial and marketing	24.0%	28.5%
Technology and product	18.9%	18.0%
Operations	5.7%	5.7%
Corporate	12.7%	11.9%
Administrative expenses	**61.4%**	**64.2%**

As planned, commercial and marketing spend returned to more normalised levels through disciplined and efficient marketing campaigns during the year. As a result, commercial and marketing costs as a percentage of revenue fell to 24.0% in FY11 from 28.5% in FY10. As we implemented a more focused customer acquisition and retention strategy in the latter part of the year, external marketing spend decreased by 8% to £65 million (FY10: £71 million) or 20% of Core Betfair revenue (FY10: 23%).

The increase in technology and product expenses were as expected, reflecting the costs of the three-year technology investment programme which began in FY10 and will be completed on time during FY12. Overall technology costs as a percentage of revenue will increase in FY12 due to the additional costs related to the migration of data centres, but will be more than offset by the savings in cost of sales from lower Gross Profits Tax in the UK.

Operations costs remained flat as a percentage of Core Betfair revenue.

As expected, corporate costs increased over the year to £42.0 million from £36.5 million in FY10 representing 12.7% of Core Betfair revenue (FY10: 11.9%). The increase was partially due to the additional costs of being a listed company, mitigated by lower-than-expected employee bonus costs.

EBITDA

Twelve months ended 30 April	FY11 £m	FY10 £m	Change %
Adjusted EBITDA	**80.2**	**62.2**	**+28.9%**
Exceptional items	(19.1)	(4.6)	N/A
Equity-settled share-based payments	(6.1)	(4.2)	N/A
EBITDA	**55.0**	**53.4**	**+3.1%**

Core Betfair adjusted EBITDA increased by 28.9% to £80.2 million (FY10: £62.2 million), reflecting revenue growth combined with an increase in the margin to 24.3% in the period (FY10: 20.3%).

EBITDA increased by 3.1% after adjusting for exceptional items and equity-settled share-based payments. Exceptional items of £19.1 million (FY10: £4.6 million) were incurred by Core Betfair primarily in connection with the listing on The London Stock Exchange. Further analysis of these costs is provided below in the paragraph entitled “Exceptional items”.

Other Investments

Twelve months ended 30 April	FY11 £m	FY10 £m	Change %
Revenue			
Betfair US	35.2	32.0	+9.8%
LMAX	3.5	2.9	+21.1%
Other investments revenue	**38.6**	**34.9**	**+10.7%**
Adjusted EBITDA			
Betfair US	(1.2)	(5.0)	N/A
LMAX	(5.8)	(3.7)	N/A
Other investments adjusted EBITDA	**(7.0)**	**(8.7)**	**N/A**
EBITDA			
Betfair US	0.6	(5.0)	N/A
LMAX	(5.8)	(3.7)	N/A
Other investments EBITDA	**(5.2)**	**(8.7)**	**N/A**

Betfair US

Betfair US revenues are generated exclusively by our TVG wagering and broadcasting business. TVG had a strong year and while the overall handle in the US market fell 7.2% to $11.1 billion in the period, TVG increased its handle by 18% to $627 million and also increased its market share of the US advance deposit wagering (ADW) market. The revenue from this handle increased by 7% to $55 million with actives up 12% in the year.

The adjusted EBITDA loss decreased to £1.2 million as a result of revenue growth and improved operational efficiency, as well as an increase in capitalised development costs as new product development took a greater share of the technology spend in anticipation of exchange wagering licences being issued in the US.

Betfair US also recorded an exceptional gain in the period of £2.1 million (FY10: £nil) as a result of the release of a provision following the settlement of TVG legacy litigation in July 2010.

LMAX

LMAX launched its exchange platform for online retail financial trading on 25 October 2010. Its revenues during the period related mostly to its Tradefair white label financial spread betting business and also included £1.1 million of non-recurring income resulting from volatility on financial markets in certain periods during the year. The £5.8 million EBITDA loss reflected investment up to and including the launch of the platform.

During the year Goldman Sachs bought a stake in LMAX. Following further investments by Betfair and Goldman Sachs to supply working and regulatory capital, at the end of the year Betfair's shareholding was 74.8% with Goldman Sachs holding 12.7% and LMAX management and other investors the balance.

High rollers

Twelve months ended 30 April	FY11 £m	FY10 £m	Change %
Revenue	24.7	–	N/A
Adjusted EBITDA and EBITDA	6.5	–	N/A

During Q1, Betfair ran a trial service with a small number of "high roller" customers. By their nature, the size and scale of the betting patterns of these customers was too large to be fully hedged through the Betting Exchange and so, during the trial, Betfair necessarily accepted proprietary risk on these bets. The trial proved profitable, but the volatility of returns from this business was such that Betfair decided at the end of the quarter not to proceed with this product offering.

Other elements of the Group income statement

Group adjusted EBITDA and EBITDA

Twelve months ended 30 April	FY11 £m	FY10 £m	Change %
Underlying Group	73.2	53.5	+36.9%
High rollers	6.5	–	N/A
Group adjusted EBITDA	**79.7**	**53.5**	**+49.0%**
Exceptional items	(17.0)	(4.6)	N/A
Equity-settled share-based payments	(6.4)	(4.2)	N/A
Group EBITDA	**56.3**	**44.7**	**+25.9%**

Group adjusted EBITDA grew strongly in the period. This was driven by an increase in Core Betfair together with profit on the High rollers trial while losses in Other Investments reduced compared to the prior year.

Group EBITDA (after exceptional items and equity-settled share-based payments) showed lower growth as a result of an increase in net exceptional costs to £17.0 million.

Depreciation and amortisation

Twelve months ended 30 April	FY11 £m	FY10 £m	Change %
Depreciation of property, plant and equipment	13.5	11.9	+13.2%
Amortisation of capitalised development expenditure	11.0	7.4	+47.8%
Amortisation of intangible assets	6.9	6.9	+0.7%
Depreciation and amortisation	**31.4**	**26.2**	**+19.5%**

Amortisation of capitalised development expenditure increased during the year as the work related to the migration of the Poker and Casino products was completed, though this was offset by a number of previously capitalised projects becoming fully amortised.

Some £2.1 million of the amortisation of intangible assets related to the acquisition of TVG and this charge is expected to fall in future periods (FY10: £2.4 million).

Core Betfair gross margin

£282.9M

Gross margin percentage

85.7%

Exceptional items

Twelve months ended 30 April	**FY11 £m**	FY10 £m	Change %
Cost incurred on corporate projects	19.1	4.6	N/A
Release of surplus provisions	(2.1)	–	N/A
Exceptional items	**17.0**	**4.6**	**N/A**

We incurred exceptional costs of £15.7 million in relation to Betfair's listing during the period as well as £3.4 million associated with moving part of Betfair's operations to Dublin. The exceptional items include all advisory costs and other cash expenses associated with the listing, including the cash element of the 2010 Senior Executives' Incentive Plan (2010 SEIP) which was paid immediately after listing.

The release of surplus provisions relates to settlement of TVG legacy litigation by Betfair US in July 2010.

Equity-settled share-based payments

Equity-settled share-based payments totalled £6.4 million (FY10: £4.2 million) and relate to incentive plans for management and employees which are based on both corporate and personal performance.

The charge for equity-settled share-based payments includes the costs of the equity element of the 2010 SEIP, which relates to the Company's listing in October 2010. This is incurred as an equity-settled share-based payment over the two years following the Company's listing. This cost was £3.5 million in FY11 (FY10: £nil) and is estimated to be £4.4 million in FY12 and £1.1 million in FY13. The remainder of the equity-settled share-based payments costs relate to the other ongoing employee incentive schemes.

Profit on disposal of available-for-sale financial asset

During the period the Group made a profit of £1.2 million on the sale of its minority holding in a lottery operator in China.

Finance income and expenses

Net finance income was £1.5 million (FY10: £2.4 million) representing primarily interest on corporate funds of £1.1 million (FY10: £0.8 million) and a net foreign exchange gain of £0.4 million (FY10: £1.6 million). The net foreign exchange gain relates to unrealised gains resulting from the retranslation of intercompany trading balances.

Equity accounted investments

The loss arising from equity-accounted investments was £0.9 million (FY10: loss of £3.0 million) and relates primarily to Betfair's share of losses arising from its shareholding in Betfair Australia. Betfair Australia delivered gross revenue growth of 11% for the year (in local currency) and improved gross profit margin due partly to a lower Tasmanian betting tax rate. During the year, Betfair Australia benefited by £1.0 million from the release of accrued racefield fees after the signing of an agreement with Racing Queensland.

Taxation

The Group's tax expense was £3.6 million in the year (FY10: £2.7 million). The increase in FY11 was primarily due to an increased profit before tax and non-deductible exceptional costs, partially offset by the release of a prior year provision in respect of UK tax on overseas profits. The effective consolidated tax rate was 13.6% (FY10: 15.0%), reflecting the lower tax rates in foreign jurisdictions. On an Underlying basis the tax rate was 17.3% and we expect the long-term sustainable tax rate to be about 17%.

Cash and cash flow

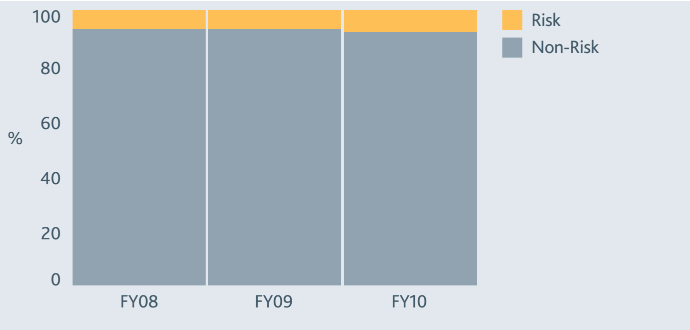
Twelve months ended 30 April	**FY11 £m**	FY10 £m
Cash generated from operations	**60.6**	**55.9**
Taxation paid	(3.0)	(2.9)
Acquisition of subsidiary net of cash acquired	(0.2)	(3.3)
Capital expenditure – property, plant and equipment	(21.6)	(12.5)
Capital expenditure – other intangibles	(12.6)	(5.5)
Capitalised development expenditure	(27.9)	(14.7)
Disposal/(acquisition) of financial assets	3.8	(2.0)
Proceeds from issue of share capital	6.6	1.9
Proceeds from sale of shares in LMAX	4.8	–
Purchase of own shares by Employee Benefit Trust	(7.2)	–
Other	0.8	0.7
Net increase in cash	**4.1**	**17.6**

Balance as at 30 April	**FY11 £m**	FY10 £m
Cash and cash equivalents	155.0	150.9
Customer funds held off balance sheet on deposit in separate ring fenced accounts	305.6	284.0

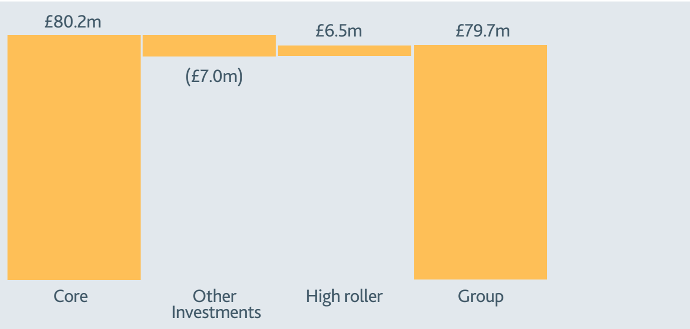
Cash generated from operations increased to £60.6 million (FY10: £55.9 million) in the year, although this was largely offset by the increased capital expenditure and capitalised development expenditure in the second half of the year.

Capital expenditure increased to £34.2 million (FY10: £18.0 million). Capital expenditure on other intangible items included expenditure in the year of £6.2 million on database software licences. We originally expected to pay this over future years, but paid in advance to secure advantageous terms. Of the increase in capital expenditure on property, plant and equipment, about £10 million related to the one-off migration of data centres and the opening of new offices in Gibraltar and Dublin.

Breakdown of Betfair Core Sports Revenue %



Breakdown of Group Adjusted EBITDA



Capitalised development expenditure increased to £27.9 million (FY10: £14.7 million). Of this £20.5 million arose in Core Betfair with £6.2 million relating to the on-going three year platform investment programme. Other major items included development work on mobile and the migration of our Poker and Casino products. Of the £20.5 million, £17.5 million relates to internal development work carried out by the Core Betfair technology team while the balance relates to spend with external developers. In Other Investments we capitalised £7.4 million of development expenditure, with £3.6 million in LMAX (FY10: £3.4 million) and £3.8 million in Betfair US (FY10: £nil).

During the year the Company's Employee Benefit Trust bought shares for £7.2 million to cover future employee option obligations. The Company received £6.6 million for shares issued as a result of employee options being exercised.

Dividend

The Directors have chosen to adopt a progressive dividend policy while maintaining an appropriate level of dividend cover. The dividend policy reflects the strong cash flow characteristics and long-term earnings potential of the Betfair Group and allows us to retain sufficient capital to fund ongoing operating requirements and continue investment for long term growth. It is therefore the Board's intention to target an initial payout ratio of approximately 20% of underlying profit after tax after adding back losses in the Other Investments segment. The Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds of the total annual dividend respectively.

The Board recommends the payment of a final dividend of 5.9 pence per share, as the Company was only listed halfway through the financial year. If the Company had been listed for the full financial year the total dividend for the year would have been 8.9 pence per share.

Stephen Morana
Chief Financial Officer

Cash generated from operations
£60.6m

Final dividend per share
5.9p

Corporate funds on Betfair balance sheet
£155.0m

Customer funds held in trust
£305.6m

The Board of Directors and Executive team

Board of Directors

1. Edward Wray

Non-executive Chairman (b – Chair)

Age: 43
Edward Wray is the Company's Non-executive Chairman. He is the co-founder of the Betfair Group and was Chief Executive until 2003, after which he moved to Australia to set up Betfair's Australian joint venture. He took over as Chairman in 2006 and is now based in the UK. Prior to founding Betfair, he spent eight years at J.P. Morgan & Co. as a Vice President in the debt capital markets and derivatives area. He has been a Director of Betfair since 20 August 1999.

2. David Yu

Chief Executive Officer (d) (e)

Age: 43
David Yu is the Company's Chief Executive Officer. He joined the Betfair Group as Chief Technology Officer in 2001 and also held the position of Chief Operating Officer prior to his appointment as Chief Executive Officer in 2006. He was previously Vice President, Engineering for Alta Vista's e-Commerce and International divisions. He has spent almost 20 years working in technology, mainly for internet companies. He holds an MS Computer Science from Stanford University and a BS Computer Science and Electrical Engineering from the University of California at Berkeley. He has been a Director of Betfair since 3 April 2006.

3. Stephen Morana

Chief Financial Officer (d – Chair)

Age: 40
Stephen Morana is the Company's Chief Financial Officer. He joined the Betfair Group in 2002, becoming Finance Director in July 2005 and Chief Financial Officer in September 2006. Prior to joining Betfair, he headed the UK finance team at Sapient, the NASDAQ-listed business innovator. He has been a Director of Betfair since 25 September 2006.

4. Mike McTighe

Senior Independent Director (a) (b) (c – Chair)

Age: 57
Mike McTighe is the Company's Senior Independent Director. Following an executive career in the medical equipment and telecommunications industries, including the Chief Executive role at the global operations division of Cable & Wireless plc, he holds a number of directorships, and is currently on the Board of Ofcom (the UK's regulator of the broadcasting, telecommunications and wireless communication sectors) where he is Chairman of the Audit Committee. He is Chairman of Pace plc, JJB Sports plc, Volex Group plc and WYG plc, and is also Chairman of two privately owned technology companies. During the recent past he has been a member of the Audit Committees of Alliance & Leicester plc and London Metals Exchange Holdings Ltd. He has been a Director of Betfair since 17 October 2008.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5. Ian Dyson

Independent Non-executive Director (a – chair) (c)

Age: 49
Ian Dyson is Group CEO of Punch Taverns plc and was formerly Group Finance & Operations Director at Marks & Spencer plc and Finance Director of The Rank Group plc. Prior to this he was Group Financial Controller of Hilton Group plc. He joined Hilton from Le Meridien, a division of Forte plc, where he had been Finance Director. His early career was spent with Arthur Andersen, where he qualified as a Chartered Accountant in 1986 and was promoted to a Partner of the firm in 1994. Ian was a non-executive Director of Misys plc until September 2005. He has been a Director of Betfair since 1 February 2010.

6. Josh Hannah

Non-executive Director

Age: 40
Josh Hannah is a founder of Betfair and was Chief Executive and co-founder of Flutter.com which merged with the Betfair Group in 2002. He is now one of the general partners of Matrix Partners. He has been a Director of Betfair since 21 February 2002.

7. Fru Hazlitt

Independent Non-executive Director (b) (c) (e – Chair)

Age: 48
Fru Hazlitt is Managing Director of Commercial and Online at ITV Plc. Prior to this she was Managing Director of GCAP Media Plc, Chief Executive of Virgin Radio and a Managing Director of Yahoo UK and Ireland. Fru chairs Betfair's Corporate Responsibility Committee and has been a Director of Betfair since 23 March 2005.

8. Baroness Denise Kingsmill CBE

Independent Non-executive Director (a)

Age: 64
Baroness Denise Kingsmill has been a Director of Betfair since 1 February 2011. She is a Non-executive Director of International Airlines Group (formed as a result of the merger between British Airways and Iberia) and a Non-executive Director of both Horizon Acquisition Company plc and Korn/Ferry International. Previously, she served as a Non-executive Director at British Airways plc (2004-2011). Denise is on the Advisory Board of PwC and is also a member of Microsoft's European Policy Council. From 1996-2003 Denise was the Deputy Chairman of the Competition Commission, chairing 22 economic enquiries into almost every sector in UK industry, before going on to chair three government-backed reviews and taskforces over the next six years for the Department of Trade and Industry and the Department for Culture, Media and Sport.

Executive Committee Members

The Board is supported by a team of senior executives as follows:

Martin Cruddace

Chief Legal and Regulatory Officer and Company Secretary

Martin is Betfair's Chief Legal and Regulatory Officer and Company Secretary, positions he assumed in July 2004 and September 2004 respectively. Previously Martin was a Partner in a private London law firm, and prior to that he was Head of the Legal Department for Mirror Group Newspapers. Martin qualified as a solicitor in 1988.

Tony McAlister

Chief Technology Officer

Tony is Betfair's Chief Technology Officer and joined the Company in 2009. He has spent over 25 years building and running successful global technology businesses in the e-commerce and entertainment sectors, and was previously CIO of Vodafone's mobile content division in London and North Carolina.

Niall Wass

Chief Marketing and Development Officer

Niall is Betfair's Chief Marketing and Development Officer, having joined the Company in 2004, and is responsible for regional financial performance, as well as marketing and commercial development. His roles prior to joining Betfair include: deal executive and interim management in technology venture capital at Brait Private Equity; COO for internet incubator Icon Media Lab; and in marketing and strategy consulting at Accenture. Niall has an MBA from INSEAD.

Tony Williams

Group Human Resources Director

Tony is Betfair's Group Human Resources Director, having joined the Company in 2009. He was previously Group Human Resources Director of Kingfisher plc, a position he also held at Carlton Communications plc and IPC Media. Tony started his career in General Electric Company plc holding a number of divisional Human Resources Director positions, and went on to assume senior Human Resources Director roles with several companies such as News International and WH Smith. Tony is a Fellow of the Chartered Institute of People and Development and has a Postgraduate diploma in Personnel Management.

Ian Chuter

Group Operations Director

Ian will join Betfair on 4 July 2011. He will become a member of the Executive Committee and will be responsible for overseeing Betfair's global customer operations team, which includes telephone betting, market operations, fraud, payments and trading. He has over 30 years industry experience and was previously Group Head of Operations at William Hill.

Key:
Committee memberships
a – Audit Committee
b – Nomination Committee
c – Remuneration Committee
d – Market Disclosure Committee
e – Corporate Responsibility Committee

Corporate Responsibility

Corporate Responsibility (CR) is built into our management processes. Non-executive Board member Fru Hazlitt chairs the CR Committee, which met four times in FY11. This Committee ensures executive ownership of CR issues. A central CR department manages day-to-day performance, interacting with small CR teams which have responsibility for community and environmental initiatives in all our main offices.

How we do business

Our CR Framework (see diagram opposite) identifies our principal social and environmental impacts and highlights the areas we are focusing on to drive performance.

Customers

"Customer Protection" is one of the key pillars of our Customer Commitment published in June 2011. We strive to achieve the highest levels of player protection through the provision of industry-leading tools including deposit and loss limits. Further to this, in 2011 we launched an educational site which informs customers about the range of protection tools available to them and where to get help if necessary. We have also commissioned two research projects with the National Centre for Social Research and the University of Oxford. These research projects will give us a better understanding of customer behaviours with a view to ensuring customers can make informed decisions and that our employees are equipped to intervene when customers are unable to do so.

We have also developed and refined a social risk assessment process to ensure that customer protection is a key consideration at all stages of the product and promotion cycle.

Ethical standards

We continue to lead the industry with regards to sharing information with Sports governing bodies having signed an additional five Memoranda of Understanding ("MoU") since the start of 2010, taking the total to 48. We have also agreed partnerships with the Professional Players Federation and the British Athletes Commission. Through collaboration with organisations that represent players and athletes, these partnerships seek to promote education about betting related issues and increase understanding about how best to protect the integrity of sport. Ensuring that our marketing is accurate, respectful and sensitive is central to our aim of achieving the highest ethical standards. We are also engaging our suppliers through our Supplier Code of Conduct which pulls together three strands of business behaviour – business conduct, the environment, and labour conditions and human rights.

People

Engagement of people is critical to business success; an engaged person is someone who is involved in, enthusiastic about and committed to work. They are in a role that fully utilises their talents and they know the scope of their role and how this relates to the company strategy. To determine our Engagement levels the Gallup Q12 engagement survey was conducted for the first time in January 2011 with an 88% participation rate. To understand, address and improve engagement, teams across the business have subsequently been working with their direct line managers, collaboratively agreeing action plans to address areas that require attention and improvement. Surveys will be conducted twice a year, establishing it as our main tool for measuring engagement.

Good Neighbour

Taking pride in the communities in which we live and work is at the heart of how we do business, illustrated by our wide-ranging community investment. In FY11 we donated £560,000 to over 110 causes, including £134,000 to the GREaT Foundation. Sport is at the heart of this activity. Cash 4 Clubs, our innovative sports programme, allows us to invest directly in grassroots sport. 60 clubs across the UK were supported this year taking the total investment since inception in 2008 to £142,580 and 199 clubs. This programme will be rolled out in Ireland, Malta and Australia over the coming year.

Other notable partnerships reflect the global nature of our activity, including Charlton Athletic Community Trust, where we support a community football programme in South Africa, Lifecycle in Malta and St. Andrews Resource Centre in Dublin, Ireland. We are also proud of the number of local initiatives where we get our employees involved directly by using their two days' volunteering leave. We aim to use our peoples' skills to make a real impact wherever possible.

Employees play a pivotal role in fundraising for our Charity of the Year. In FY11 Betfair raised £144,548 for The Anthony Nolan Trust and staff are currently raising £75,000 for the Prostate Cancer Charity, which will be matched by Betfair.

Further to our investment in grassroots sport, we have also supported many of racing's charities including the British Racing School, Northern Racing College and Moorcroft Racehorse Welfare Centre. We are also proud to continue our long-standing support for the Injured Jockeys Fund, not only part-funding the jockeys' doctor, but the two rehabilitation centres for injured jockeys.

Going forward

Over the next financial year we will continue to integrate corporate responsibility best practice into our business by ensuring it is aligned to the business strategy and the needs of our people and is embedded into the performance of the business.

Playing with confidence
We strive to achieve the highest levels of player protection by providing industry-leading tools including deposit and loss limits.

Integrating social and environmental concerns into the way we work

- Achieving the highest levels of player protection and promotion of responsible gambling
- Delivering customer service beyond expectation
- Industry leading in customer privacy and data protection

- Respecting local rules and regulations
- Creating innovative community partnerships by using our peoples' skills to find solutions
- Reducing environmental impact
- Investing in sport at all levels

- Upholding a Marketing Code of Ethics
- Bringing transparency to the sports betting market
- Ensuring on-time supplier payments and ethical supply chain management

- Using employee engagement as the foundation for creating an inclusive and inspiring workplace

Cash 4 Clubs
Investing in grassroots sport.

Taking to the water
Dragonboat racing to raise money for The Anthony Nolan Trust.

Skydiving for The Anthony Nolan Trust
Employees fundraising for Betfair's Charity of the Year.

Marathon running for the Prostate Cancer Charity
Employees fundraising for Betfair's Charity of the Year.

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 30 April 2011. This is the Company's first report since it was listed to the London Stock Exchange on 27 October 2010.

The Directors' Report should be read in conjunction with the other sections of this Annual Report, the Chairman's Statement, Chief Executive Officer's Review, Financial Review, Principal risks and uncertainties, Corporate Governance Statement and the Directors' Remuneration Report, all of which are incorporated into this Directors' Report by reference.

Principal activities

Betfair is the world's biggest betting community and one of the world's leading online betting and gaming operators.

At the heart of Betfair is its pioneering Betting Exchange, where customers come together in order to bet at odds set by themselves or offered by other customers, instead of with a traditional bookmaker. The Betting Exchange provides customers with better pricing and more choice and flexibility than competing products, which has resulted in Betfair's customers showing greater levels of loyalty than its competitors with significantly higher customer satisfaction rates.

Betfair additionally offers a range of other sports betting products, casino games and poker. As at 30 April 2011, Betfair had more than 3 million registered customers worldwide and processed, on average, more than 7 million transactions per day on the Betting Exchange, more than all European Stock Exchanges combined during the preceding 12 month period.

Betfair also owns Betfair US, which comprises TVG (a licensed US horse racing wagering and television broadcasting business), a development office in California, and 74.8% of LMAX, which operates an exchange platform for online retail financial trading which has evolved from Betfair's exchange platform technology. In addition, Betfair has a 50% holding in Betfair Australia, a joint venture which operates a licensed betting exchange business in Australia.

Directors

Details of the Directors can be found on pages 32 and 33 and the Board composition and any changes to it throughout the year are detailed in full in the Corporate Governance Statement on pages 45 to 49.

Directors' indemnity

As permitted by the Articles of Association the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year, and remains in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Employees

The responsibility for formulating, implementing and ensuring adherence to employment policies and relevant legislation is the responsibility of Human Resources. The Company fully supports the principle of equal opportunity for all employees and opposes all forms of discrimination and has policies to ensure it meets its legal obligations. It is also Group policy to give full and fair consideration to the recruitment of disabled persons.

The Company believes in open and continuous communications as an important part of the employee engagement process. The Company has an intranet and various internal communication channels for informing employees about financial results, business development and other news concerning Betfair and its people.

Conflicts of interests

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("Situational Conflicts"). The Board has a formal system in place for Directors to declare Situational Conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a Situational Conflict, the non-conflicted Directors are required to act in the way they consider would be most likely to promote the success of the Company for the benefit of all shareholders, and they may impose limits or conditions when giving authorisation, or subsequently, if they think this is appropriate. The Board believes that the systems it has in place for reporting and considering Situational Conflicts continue to operate effectively.

Related party transactions

Internal controls are in place to ensure that any related party transations involving Directors or their connected persons are carried out on an arm's length basis and are properly recorded.

Final dividend

The Company has declared that a final dividend of 5.9 pence per share will be paid in respect of the year ended 30 April 2011.

Share capital

The Company has a single class of shares in issue divided into ordinary shares of 0.1 pence each. As at 30 April 2011 the Company's issued share capital was 107, 904, 239.

The ordinary shares carry the right to the profits of the Company available for distribution and to the return of capital on a winding up of the Company. The ordinary shares carry the right to attend and speak at general meetings of the Company; each share holds the right to one vote. The ordinary shares were admitted to trading on the Official List of the London Stock Exchange on 27 October 2010. At the year end there were no shares held in treasury and the Company's employees share trust held 2,993,801 shares.

Authority to purchase shares

The Company currently has the authority to purchase a maximum of 5,671,346 of its own shares.

Share transfer restrictions

There are no restrictions on the transfer of shares in the Company other than the remaining Lock-up arrangements entered into by the Board and Senior Executives amounting to approximately 11% of the current issued share capital, pursuant to the Underwriting Agreement at the time of the Initial Public Offering. Details of these arrangements were set out in the Prospectus document copies of which can be found on the Company's corporate website at http://corporate.betfair.com/investor-relations/prospectus

Contractual arrangements

The Group has contractual arrangements with numerous third parties in support of its business activities. The disclosure in this Report of information about any of those third parties is not considered necessary for an understanding of the development, performance or position of the Group's businesses.

Political donations

The Group made £6,468 (FY10: £nil) US political donations, but did not make any EU political donations during the financial year.

Charitable donations

The Group donated £560,000 (FY10: £600,000) for charitable purposes within the UK during FY11. The Company's charitable activities are described within the Corporate Responsibility section.

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 Company endeavours to adhere to suppliers' standard terms. As at 30 April 2011, the Group had trade creditors of £5.2 million (FY10: £9.7 million).

Corporate Governance Statement

The Corporate Governance Statement is made in accordance with the Disclosure and Transparency Rules ("DTRs") 7 and the Corporate Governance Code issued by the FRC in May 2010.

Major shareholdings

As at 28 June 2011, the Company had been notified, in accordance with DTR rule 5 of the UK Listing Authority, of the following major shareholdings in the ordinary share capital of the Company:

Name	Number of shares held	Percentage of issued capital (%)
Edward Wray	11,472,024	10.62
Softbank Capital Partners	11,033,109	10.21
Andrew Black	10,898,390	10.09
Le Peine SA	9,769,772	9.04
SBI Holdings	7,274,577	6.73
Richard Koch	6,592,238	6.10
Fidelity Investments	6,539,781	6.05
Balderton Capital	4,227,170	3.91

Going concern, responsibilities & disclosure

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Funding and liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also spreads its cash reserves across several highly rated banks and investments to mitigate counterparty risks. The Group performs regular cash flow projections to ensure that it has sufficient cash on demand to meet expected operational expenses for a period of at least 90 days. The Group has no committed lines of credit.

Auditors

KPMG Audit Plc, the Company's external auditors, have expressed their willingness to be re-appointed as auditors of the Company. Upon the recommendation of the Audit Committee, resolutions to re-appoint them as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed to the 2011 Annual General Meeting.

Annual General Meeting

The Notice convening the Annual General Meeting to be held on 22 September 2011 is contained in a circular sent out to shareholders with this report. The meeting will be held at BAFTA, 195 Piccadilly, London. The Notice of Meeting contains full details of the resolutions that will be put to shareholders.

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of the Directors' report confirms that: so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that they have taken all steps that they ought to have taken as a Director to make them aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Stephen Morana
Director

Registered office
Betfair Group plc
Waterfront
Hammersmith Embankment
Chancellors Road (access on Winslow Road)
London W6 9HP

Registered number
6489716

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Consolidated and Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Consolidated and Company Financial Statements for each financial year. Under that law they have elected to prepare the Consolidated Financial Statements in accordance with IFRSs as adopted by the European Union and applicable law and we have elected to prepare the Parent Company financial statements in accordance with the 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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Consolidated and 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;
- for the Consolidated Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company Financial Statements, 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 Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent 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 Group and to prevent and detect fraud and other irregularities. The Directors' having prepared the Financial Statements have asked the auditors to take any steps and undertake any inspection that they consider appropriate to enable them to give their Audit report. The auditors' responsibilities are set out in the Independent Auditors' report on page 57.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report

Each of the Directors, whose names and functions are listed in pages 32 and 33 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board of Betfair Group plc

David Yu
Director

Stephen Morana
Director

This section highlights the principal risks which affect the Company. It is not intended to be an exhaustive and extensive analysis of all risks which may affect the Company, rather exploring those principal risks which have been identified and could have a material impact on the Group's long-term performance and achievement of its strategy.

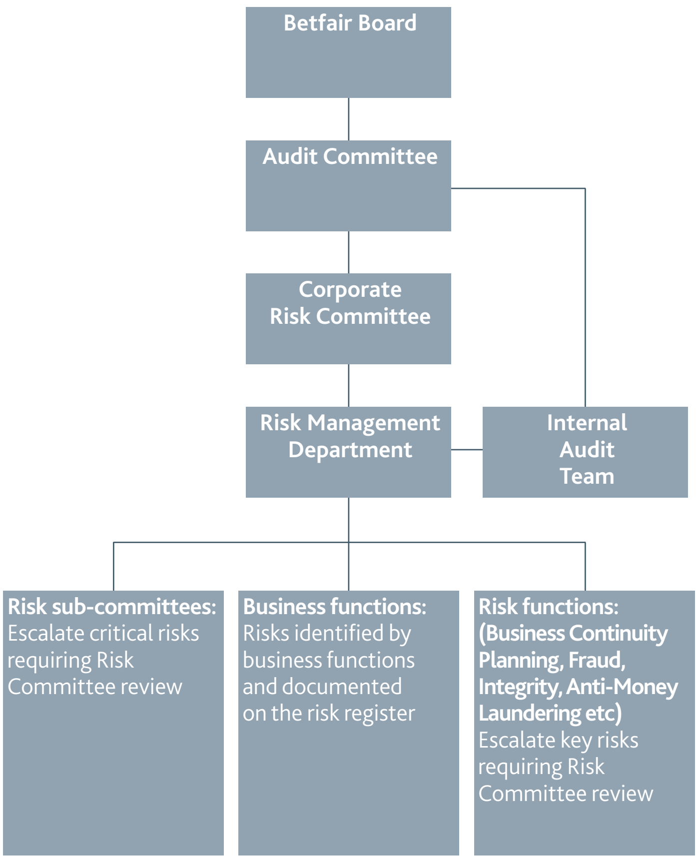
Overview

The business risks have been grouped under the following headings: legal and regulatory, financial and operational. The Company has a long established process for analysing its key risks and adopts a proactive approach in this area with ultimate ownership resting with respective Board and Executive Board members who manage the specific risks associated with their areas of responsibility together with a dedicated central risk management team.

Risk management framework

The Risk Management Framework is a well established process adopted to ensure that the Company understands, evaluates and mitigates the potential risks facing the business is shown below.

Risk Management Framework



Betfair has a comprehensive risk management framework across the whole of the Group. The framework provides the Directors and Senior Management with a consolidated view of the key risks faced by the business which is updated and evaluated regularly. The Directors believe the Group's approach and capabilities in several of these areas are market leading, and will, over the long-term, contribute to the achievement of the Group's strategic objectives.

The risk management framework comprises a number of committees made up of senior executives and relevant senior managers from across the Betfair Group, which deal with matters of policy and control and exercise oversight of the operational implementation of risk management, together with several operational teams. This framework is overseen by Betfair's Corporate Risk Committee, which reports to the Audit Committee and comprises three senior executives. A central risk management team co-ordinates, structures and embeds risk management practices across the business on an ongoing basis. It maintains a central risk register which documents the risks across the whole organisation and how they are being managed. Each of LMAX, Betfair US and Betfair Australia has its own separate corporate risk committee. A description of the Corporate Risk Committee, and some of the key components of Betfair's risk management framework is set out below.

Corporate Risk Committee

The Corporate Risk Committee comprises the Chief Executive Officer, the Chief Financial Officer and the Chief Legal and Regulatory Officer. The Corporate Risk Committee is responsible for the review of significant business risk issues for Betfair, including but not limited to money laundering, fraud, integrity, operations and legal and regulatory issues. The International Marketing Committee and Technology Risk Committee report into The Corporate Risk Committee. It makes recommendations to the Audit Committee and, as appropriate, to the Board as to the Betfair Group's overall appetite for risk and its approach to managing and mitigating risk. Importantly, it also reviews Betfair's risk management and internal control frameworks to ensure consistent performance and recommend improvements as necessary. The Corporate Risk Committee meets quarterly and otherwise as required.

International Marketing Committee

Betfair's International Marketing Committee plays a central role in ensuring that Betfair consistently operates within the scope of its measured and prudent approach to regulatory compliance. The committee reports to the Corporate Risk Committee with respect to marketing campaigns and is responsible for approving (amongst other things) the Group's marketing campaigns and decisions concerning the offering of Betfair's products in any jurisdiction. The international marketing committee comprises three senior executives.

Technology Risk Committee

The Technology Risk Committee is responsible for identifying and mitigating key risks to Betfair's technology infrastructure, including risks to the current and future operating requirements of Betfair's technology. In particular it is responsible for Betfair's disaster recovery planning. The Technology Risk Committee meets quarterly.

Business continuity planning
Through its comprehensive business continuity strategy Betfair aims to be able to continue to service its customers irrespective of any incident or failure which may impact on any of Betfair's key operating and technology locations. The key components of this strategy are physical site security, departmental continuity plans for all functions and a technology disaster recovery plan. Annual testing is carried out by an external third party to ensure all customer-facing functions can cope with the loss of at least one key operational location. Betfair's state of business continuity readiness is demonstrated by the business continuity plan's continued certification under BS25999. Betfair's Chief Technology Officer and direct staff have primary responsibility for the business continuity plan and Technology Risk Committee each accountable for individual components thereof.

Disaster recovery (''DR'') capability is a key part of the wider business continuity plan. The objective of the DR strategy is to ensure that response and recovery of Betfair's technology infrastructure is in line with prioritised business needs and compliant with regulatory requirements (COBIT DS4). Betfair has pre-placed equipment in dedicated DR sites in Ireland and Guernsey to which all of Betfair's key products, technology operations and back end functionality can be moved over and operated by Betfair remotely. While not in DR use, this equipment is used to performance and capacity test new software code before deployment to Betfair's live environment.

Internal Audit Team
The internal audit team is responsible for giving risk based, independent assurance on the effectiveness of risk management, control and governance processes.

It provides assurance that:

- risk management practices are sound and operating effectively;
- key risks are being managed to an acceptable level;
- internal controls are effective and efficient; and
- mechanisms are in place to achieve Betfair's business objectives.

The internal audit team's responsibilities include reporting regularly to management on the effectiveness of Betfair's controls and the team reports to the Chief Financial Officer and also has a direct reporting line to the Audit Committee.

Regulatory Compliance Team
The Regulatory Compliance team provides advice and administrative assistance across the Betfair business in the pursuit of licences in new jurisdictions, the development, licensing and launch of new products, and day-to-day compliance with existing licences and Betfair regulatory policies. The team comprises of compliance managers who are resident in the jurisdictions where Betfair holds betting and gaming licences and compliance analysts who work closely with Betfair's operational staff. Together, Betfair's compliance managers and compliance analysts maintain an ongoing dialogue with licensing regulators and relevant staff within the business, to ensure that Betfair operates in accordance with the terms of its licences and relevant legislation. The regulatory and compliance team reports to Betfair's Chief Legal and Regulatory Affairs Officer.

Risk management policies and practices relating to customers

Betfair has a number of important policies which are embedded in its operations to protect both its customers and Betfair from certain risks often associated with gambling and the Internet. In part, these policies also help Betfair to meet licensing and regulatory requirements and comply with applicable legislation. They also underpin some important capabilities of Betfair, in particular by facilitating the close and consistent co-operation of several of the risk management functions described above.

- *KYC/Customer due diligence:* Betfair operates a sophisticated four-level customer due diligence process (referred to as ''Know your customer'' or ''KYC''), which uses both automated and manual methods to verify a customer's age, identity and source of funds. The KYC process also assesses the extent and quality of the customer's verification information in determining whether to allow the customer to operate a Betfair betting account, either at all, or above certain levels of activity. Betfair's KYC processes are integral to the anti-money laundering, fraud and integrity policies and practices described below.

- *Underage betting and gaming*: All customers are required to confirm upon registration that they are over the legal age for gambling within each particular jurisdiction. As an essential and specific component of the customer due diligence policy referred to above, Betfair also carries out age verification checks on all customers who use payment mechanisms which may be available to under 18s, and performs random age verification checks on all customers. For example, Betfair suspends all UK based customers who fail to verify their age within 72 hours. Betfair advises and encourages its customers to prevent minors from accessing betting and gaming websites.

- *Ring-fenced customer funds*: Betfair holds all Core customer moneys in separately managed bank accounts, which are safeguarded independently of Betfair's corporate funds, under the terms of a Trust Deed.

- *Anti-money laundering*: Betfair's anti-money laundering (''AML'') compliance policy encompasses a collection of procedures, technologies and techniques to make a risk-based assessment of all financial transactions using Betfair payment, betting and gaming systems, to establish and implement relevant record-keeping requirements across the business, report on an ongoing basis to the relevant statutory authorities any suspicious circumstances concerning financial transactions, and ensure regular staff training in Betfair's AML procedures. A dedicated AML team is responsible for assessing and implementing Betfair's AML policy in accordance with the Financial Action Task Force (FATF) recommendations, European Directives and national legislation. The AML team is also responsible for managing Betfair's anti-bribery strategy in accordance with the requirements of the UK Bribery Act 2010.

Integrity team and rules and regulations committee

The integrity team is responsible for monitoring betting activity on the Betting Exchange, investigating any potentially suspicious activity, and is the main point of liaison for sports regulatory bodies. Betfair has MoUs in place with 48 sports regulators, under which in certain circumstances Betfair shares relevant information about its customers with a sports regulator to help in policing the rules which govern their participants and/or the prevention and detection of crime. The sports regulator may then use the personal information found by Betfair to investigate and act on any such breaches in accordance with its procedures. Betfair also provides some sports regulators with BetMonitor, a proprietary technology portal which enables regulators to monitor betting activity by Betfair customers in real time. The Directors consider Betfair's MoU framework and information sharing policy to be market leading and a key contributor to the trust with which Betfair is regarded by customers, sports regulators and governments. Maintaining the integrity of Betfair's betting markets is important to Betfair's reputation for fairness amongst customers and sports bodies. To this end the MoU framework is complemented by a comprehensive and detailed set of betting rules which Betfair applies in the operation of its betting markets. Those rules, together with decisions about the operation and settlement of betting markets and practices relating to customers, are overseen by Betfair's rules and regulations committee, which reports to the Corporate Risk Committee.

Sustainable gambling team

The sustainable gambling team develops and implements Betfair's policies and practices in relation to problem gambling and responsible play. Customers are educated about playing responsibly and can access tools which enable them to apply automated controls on their betting and gaming activity with Betfair, including full self exclusion and applying loss limits. The team is headed by the former CEO of the Responsibility in Gambling Trust (now GREaT). The Betfair Group also makes donations to various research and treatment organisations, including GREaT and GamblingTherapy. It was one of the five UK betting and gaming operators that committed to underwrite any shortfall in the 2009 £5 million funding target set by GREaT to ensure delivery of research and treatment programmes in the UK. All Betfair staff complete regular training in responsible gambling. Betfair is currently working with leading UK academics to develop data analysis tools and behavioural markers to create a risk profile for problem gambling so that such customers can be referred to Betfair's various tools and support services. Betfair is a multiple winner of the UK betting and gaming industry award for Socially Responsible Operator of the Year.

Regulatory overview

Betfair operates in a heavily regulated sector where changes in regulation can have a significant impact on its operations. The regulation and legality of online betting and gaming varies from jurisdiction to jurisdiction (from open licensing regimes to sanctions or prohibitions) and in certain jurisdictions there is no directly applicable legislation. Online betting and gaming is subject to uncertainties in many jurisdictions and approaches to enforcement vary from jurisdiction to jurisdiction. Betfair's determination as to whether or not to permit customers in a given jurisdiction to access any one or more of its products and whether to engage in different types of marketing activity and customer contact is made on the basis of its measured and prudent approach to regulatory compliance, and is based on a number of factors which include:

- The terms of Betfair's betting and gaming licences
- The laws and regulations of the jurisdiction including state, federal or supra-national law including EU law if applicable, and in particular the way in which such laws and regulations apply to the specific betting and gaming products and specific types of related activity
- The approach to the application or enforcement of such laws and regulations by regulatory and other authorities.

	Risk	Risk detail and key mitigations
Legal and Regulatory Risks	**Increased regulation in Europe / Non European jurisdictions restricting market entry or access.** **Adverse legal and regulatory decisions may restrict the ability to grow.**	Many international jurisdictions, particularly in the EU, are beginning to regulate their online gambling market by introducing a licensing regime. This creates both opportunities and risks, some for Betfair specifically and others to all operators (including Betfair) in the online gambling market. Betfair considers national law and its compliance with EU law before offering gambling services to a jurisdiction. We are investing in our technology and products to increase flexibility and provide us with greater opportunity to ensure that we comply with local licensing requirements.
	Entry in to new geographies may cause significant distraction to senior management and result in unforeseen costs and negative publicity.	As a result of social, political and legal differences between jurisdictions, successful marketing in a new jurisdiction often involves local adaptations to Betfair's overall marketing strategy. Betfair may be subject to unfamiliar restrictive local laws and regulations which may include specific technological requirements that are incompatible with Betfair's technology or business model.
	Impact of potential action by UK authorities in response to gaming companies operating in the UK based on non-UK licences.	There could be changes made in regulation around tax, licensing or marketing for companies operating in the UK based on non-UK licences. We are fully engaged with the UK government regarding the ongoing review of how operators licensed elsewhere are regulated in the UK.
	Betting and gaming licence compliance, renewal and revocation.	Betfair's betting and gaming licences may not be renewed or may be revoked. Such revocation or non-renewal may materially adversely affect the operations, financial performance and prospects of Betfair. Betfair through its experienced and accredited legal and compliance teams regularly reviews and updates senior management and the Board with key gaming licence information looking at the impact such actions might have on its operations
	Material litigation in Australia.	Betfair Australia has an ongoing legal dispute with Racing NSW and Harness Racing NSW regarding the implementation of racefields legislation. Following a decision against Betfair Australia in the Federal Court, the company was granted leave to appeal to the High Court of Australia in March 2011. The case is expected to be heard in the second half of 2011.
Financial Risks	**Impact of foreign exchange exposure.**	Due to the international nature of the business the Company is exposed to the impact of foreign exchange fluctuations on deposits as well as cash flows. Betfair monitors its exposure to foreign exchange risk and where appropriate enters into financial instruments to mitigate its risk.
	Significant revenue is generated from Betfair's largest customers.	Whilst no single customer generates more than 1% of Betfair's revenues, if macroeconomic factors, licensing, regulatory or tax reasons or other factors outside Betfair's control were to result in a significant number of large customers ceasing to use (or reducing the levels of their use of) Betfair's products, this may have a material adverse effect on the operations, financial performance and prospects of Betfair. Betfair monitors this type of customer activity and regularly reviews via its internal reporting systems any changes.
	The level of liquidity in the Betting Exchange.	Betfair's Betting Exchange product operates with, and its success is dependent on, high levels of liquidity and a significant proportion of this liquidity is created by transactions generated by Key Account Customers. A significant reduction of this liquidity could have a material adverse impact on the attractiveness of Betfair's key products as well as eroding one of its key competitive strengths. Betfair monitors these key accounts and any activity and regularly reviews the position via its internal reporting systems any changes.

Operational Risks

Risk	Risk detail and key mitigations
Failure to adequately protect customer account information could have a material adverse effect on Betfair.	Betfair processes personal customer data (including name, address, age, bank details and betting and gaming history) as part of its business and therefore must comply with strict data protection and privacy laws in the EU and certain other jurisdictions from which Betfair accepts bets. Those laws restrict Betfair's ability to collect and use personal information relating to customers and potential customers. Notwithstanding Betfair's IT and data security and other systems, it has experienced a limited number of security breaches in the past (which have not had a significant effect on Betfair's reputation, operations, financial performance and prospects and in respect of which remedial action has been taken). Betfair is exposed to the risk that personal data could in the future be wrongfully accessed and/or used, whether by employees, customers or other third parties, or otherwise lost or disclosed or processed in breach of data protection regulation. If Betfair or any of the third party service providers on which it relies fails to transmit customer information and payment details online in a secure manner or if any such theft or loss of personal customer data were otherwise to occur, Betfair could face liability under data protection laws. This could also result in the loss of the goodwill of its customers and deter new customers. Each of these factors could harm the Company's business reputation and have a material adverse effect on Betfair's operations, financial performance and prospects. Most aspects of this risk are being addressed by an ongoing Security Fraud and Risk Programme. Controls over access to customer data have been given a high priority within this programme.
Negative publicity arising from underage and problem betting and gaming.	Negative publicity resulting from problem and underage betting and gaming may adversely impact the reputation of Betfair and the willingness of the public to participate in betting and gaming or a particular form of betting or gaming.
Betfair products being used by criminals for money laundering or other criminal purposes. Fraud and corruption in sport resulting in negative publicity for sports betting and Betfair.	Like all operators, Betfair's platform could be targeted by those who seek to benefit from corrupt activity on a market or seek to use the site for the illegal transfer of funds. Betfair has groundbreaking Memoranda of Understanding in place with many Sporting Regulators and a fully staffed skilled Integrity Team **Anti-Money Laundering:** National AML legislation is analysed to ensure Betfair has process in place to meet requirements. Betfair has a fully functioning Anti-Money Laundering department led by a former senior law enforcement officer. We routinely carry out risk assessments for specific territories in terms of AML, fraud, terrorism (terrorist financing) and other crimes.
Products on development pipelineare not appropriate or are not effectively prioritised.	Strategic decisions are made which may result in products being developed and released which do not perform as well as forecast. This will have a negative impact on future revenues. The Roadmap Approval Board (RAB) has the overall responsibility of ensuring the appropriate products are developed.
The scheduling and live broadcasting of major sporting events.	A significant portion of Betfair's revenue is derived from betting on horseracing and football including in-play betting. Disruptions to the scheduling and broadcasting of those sports may have a material impact on Betfair's results of operations.

	Risk	Risk detail and key mitigations
Operational Risks *continued*	**Ability to attract and retain executives, managers, key staff and the recruitment of high quality staff in some overseas locations may become more difficult.**	Betfair is reliant on Senior Management and key individuals. Betfair's success is in part dependent on the continued services and performance of certain Directors and members of Senior Management. While the Executive Directors and Senior Managers have employment contracts that are generally subject to notice periods of up to 12 months before termination, some have shorter notice periods. The loss of the services of certain executive officers or other key employees, particularly to competitors, could have a material adverse effect on Betfair's operations, financial performance and prospects. Betfair has in place succession planning and key processes in place which the Executive and Board monitor and review to keep current which include : • Identification of key roles in line with business continuity plans • Regular succession and talent reviews within each business segment • Competitive package and career development opportunities Betfair may not be able to attract, retain or motivate highly skilled employees. Betfair's success and its anticipated future growth depends in part on its ability to continue to attract, retain and motivate highly skilled employees. Although there are highly skilled and qualified workforces in the regions where Betfair currently locates its operating activities, competition for software professionals, engineers, sales and marketing and other personnel critical to the business of Betfair is intense. In some jurisdictions, (for example, in Malta), there may only be a limited number of persons with the requisite skills and it may become increasingly difficult to hire these persons. If Betfair is unable to attract and retain sufficiently qualified staff, Betfair may be unable to achieve or sustain its anticipated growth or to execute its strategic objectives, which could have a material adverse effect on Betfair's operations, financial performance and prospects. Via routine focus on and review of its resource plan Betfair is currently able to recruit the necessary staff required. The Company also uses retention packages to secure key employees.
	Site outages and loss of customer connectivity.	Any failure of Betfair's infrastructure or the telecommunications and/or other third party infrastructure on which such infrastructure relies could lead to significant costs and disruptions that could reduce revenue, harm the Company's business reputation and have a material adverse effect on the operations, financial performance and prospects of Betfair. The business relies heavily on the customer base accessing markets via the internet and any extended loss of connectivity could have a material effect on revenues. Betfair has in place and regularly reviews its Business continuity plans via the Risk Committee Framework throughout its Group operations.
	Competitive environment/ competitor behaviour.	There is the risk of competitor consolidation and the potential for a large competitor to enter the exchange business. By continuing to invest in our exchange technology and extend product features we make it more difficult for a competitor to launch a comparable product.
	Data from the Betfair site being used by competitors.	Competitors use Betfair data to enable them to offer products and services to their own customers. A data licensing solution is currently being implemented to ensure competitors pay fair value for Betfair data. Betfair takes a robust approach to this type of activity and will take the appropriate action to protect its intellectual property.
	Reliance on third parties.	Betfair relies on key suppliers in order to carry on certain operations. The failure of one or more of these third parties may have an adverse impact on the financial and operational performance of Betfair. Betfair through its governance framework reviews its Business continuity plan(s) and has service level agreements in place.

Edward Wray
Non-executive Chairman

The Board recognises the importance of good corporate governance in creating a sustainable, successful and profitable business.

Corporate Governance Statement

The Board is committed to the principles of corporate governance in the Combined Code on Corporate Governance. In the first part-year of being a fully listed independent company, the Board has embraced the standards expected of a UK listed company.

Details are set out below of the Company's corporate governance procedures and application of the principles of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the "Combined Code") which is available online at www.frc.org.uk

In May 2010 the Financial Reporting Council issued a new edition of the Combined Code called the UK Corporate Governance Code which applies to financial years beginning on or after 29 June 2010.

The Board has reviewed the content of the Combined Code and will report on compliance with this code. The Board has noted provision B.7.1 of the Combined Code in respect of Directors being subject to annual election by shareholders and in line with the Company's Articles of Association all Directors are subject to annual election by shareholders.

The Board considers that the Company has complied throughout the year ended 30 April 2011 with all the provisions of the Combined Code except for the following: on admission to The London Stock Exchange, (as outlined in Part 14 of the Prospectus), the Company did not comply with the Combined Code in that:

- Edward Wray is the Non-executive Chairman of the Company and is not considered to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect his judgement, for the purposes of the Combined Code (A.3.1) because he was the co-founder of the Betfair Group, its Chief Executive until 2003, taking over as Chairman in 2006. However the Directors believe that Edward Wray's knowledge and understanding of Betfair's business, which is based on his involvement as one of its founders and in its development over the past decade, will continue to be an asset to Betfair in the future. The Directors believe that Betfair's executive management team, in conjunction with the Non-executive Directors, are the appropriate team to enable Betfair to take advantage of the multiple growth opportunities available to it and to continue to position the business for the long-term for the benefit of Shareholders as a whole. The Directors recognise that the appointment of a non-independent Chairman does not comply with the recommendations of the Combined Code, but believe the continuity that Edward Wray provides to be in the best interests of Betfair and its Shareholders as a whole; and
- At the time of the Company's listing the composition of the Audit Committee did not comply with the requirements of the Combined Code (C.3.1) which recommend that, subject to certain exceptions, the Audit Committee consist of at least three members and that all such members be Non-executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. Upon listing in October 2010 the Company's Audit Committee had only two members but considered that its two members had sufficient expertise and previous experience to carry out the work of the Audit Committee until the Board was able to search, select and appoint another Non-executive Director, which it did so on 1 February 2011 with the appointment of Baroness Denise Kingsmill. The Company then fully complied with the Combined Code regarding this provision.

Board composition

A table listing all members of the Board of Directors during the year is on page 46. During the year various changes were made to the composition of the Board.

As at 30 April 2011 the Board comprised the Chairman, two Executive Directors and four Independent Non-Executive Directors and one non-independent Non-Executive Director. At the time of the listing the Board comprised of three Independent Non-Executive Directors, and one non-independent Non-Executive Director (Josh Hannah), however the Board embarked on its search to strengthen the composition of its Board following the listing and appointed Baroness Denise Kingsmill on 1 February 2011.

Board and Committee structure
To support the principles of good corporate governance, the Board and Committee structure operates as set out below:

The Board
The Board is responsible to shareholders for the strategic direction, development and control of the Group. It therefore approves strategic plans and annual capital and revenue budgets. It reviews significant investment proposals and the performance of past investments and maintains an overview and control of the Group's operating and financial performance. It monitors the Group's overall system of internal controls, governance and compliance and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. The Board has established a schedule of matters which are reserved for its attention which is published on the Company's corporate website at: http://corporate.betfair.com

The Board has adopted a schedule of matters and included in its responsibilities are:

- Determining the overall business and commercial strategy
- Identifying long term objectives
- Reviewing the annual operating plan and budget
- Determining the basis of allocation of capital
- Considering all matters relating to major Group policy and regulatory policy.

The Board has adopted objective written criteria for the appointment of Directors and the roles of the Chairman, Chief Executive and Non-executive Directors have been defined in writing.

The Executive Directors may be permitted to accept one external Non-executive Director appointment with the Company's prior approval and as long as this is not likely to lead to conflicts of interest.

The Company Secretary's responsibilities include ensuring good information flows to the Board and its committees and between senior management and the Non-executive Directors. The appointment and removal of the Company Secretary is a matter reserved for the Board. The Company Secretary is responsible through the Chairman, for advising the Board on all corporate governance matters and for assisting the Directors with their professional development. This includes regular corporate governance and business issues updates, as well as the use of operational site visits and the provision of external courses where required. During the year, the Company Secretary has initiated a comprehensive induction for the newly appointed Directors, tailored to individual requirements and including guidance on requirements of, and Directors' duties in connection with, the Combined Code and the Companies Act 2006 as well as other relevant legislation.

During FY11 there were 7 scheduled Board meetings including a two day off-site meeting which considered the Group's strategy. The table below shows attendance levels at the scheduled Board and Committee meetings held during the year; the numbers in brackets confirm how many Board meetings each Director was eligible to attend during the year.

	Board scheduled	Audit Committee	Remuneration Committee	Nomination Committee
Current Directors who served during the year				
Edward Wray	7 (7)	3	6	1
David Yu	7 (7)	3	6	–
Stephen Morana	7 (7)	3	–	–
Mike McTighe	6 (7)	2	6	1
Ian Dyson	6 (7)	3	5	–
Josh Hannah	6 (7)	–	–	–
Fru Hazlitt	5 (7)	–	4	1
Baroness Denise Kingsmill	1 (2)	–	–	–
Former Directors who served during the year				
Chris Batterham	1 (2)	1	–	–
Andrew Black	2 (2)	–	–	–

Where a Director was unable to attend a meeting, they were provided with all the papers and information relating to that meeting and were able to discuss issues arising directly with the Chairman and Chief Executive Officer. There are 8 Board meetings currently planned for FY12.

Directors

The following were Directors of the Company during the year:

	Date appointed*
Edward Wray (Non-executive Chairman)	20 August 1999
David Yu (Chief Executive Officer)	3 April 2006
Stephen Morana (Chief Financial Officer)	25 September 2006
Mike McTighe (Senior Independent Non-executive Director)	17 October 2008
Ian Dyson (Independent Non-executive Director)	1 February 2010
Josh Hannah (Non-executive Director)	21 February 2002
Fru Hazlitt (Independent Non-executive Director)	25 March 2005
Baroness Denise Kingsmill (Independent Non-executive Director)	1 February 2011
Chris Batterham (Non-executive Director)	25 January 2001**
Andrew Black (Non-executive Director)	20 August 1999**

* In certain cases the appointment date reflects the Director's appointment to the Betfair Group prior to this Company's admission to The London Stock Exchange.
** Director retired from the Board of Betfair Group on 6 October 2010.

The biographical details of all Board Directors as at 28 June 2011 are set out on pages 32 and 33 and these include their main commitments outside the Company.

In accordance with the Company's Articles of Association the Company and provision B.7.1 of the new UK Corporate Governance Code which states that all Directors of FTSE 350 companies should stand for annual election by shareholders all Directors will submit themselves for re-election on an annual basis at the Company's AGM.

Details of the Executive Directors' service contracts are set out in the Directors' Remuneration Report on page 50. The Chairman and the Non-executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours and at the place of the Annual General Meeting from at least 15 minutes before and until the end of the meeting.

More information about the Directors standing for election and reappointment is set out in the AGM Notice and in the following paragraphs.

Chairman
Edward Wray is the Chairman of the Board. He ensures that appropriate communication is maintained with shareholders. He has responsibility for the smooth running of the Board and for ensuring that all Directors are fully informed of matters relevant to their roles. He also chairs the Nomination Committee.

Chief Executive Officer
David Yu is the Chief Executive Officer and has responsibility for implementing the strategy agreed by the Board and for the executive management of the Group.

Senior Independent Director

Mike McTighe is the Senior Independent Director. His biography can be found on page 32.

Non-executive Directors

The Company has experienced Non-executive Directors on its Board. In addition to the Chairman, who was the founder of the Company and therefore is not deemed to be independent, the Board considers Mike McTighe, Ian Dyson, Fru Hazlitt and Baroness Denise Kingsmill to be independent as they are free from any business or other relationship which could materially influence their judgement and they represent a strong source of advice and independent challenge. Josh Hannah is not deemed to be independent as he is a co-founder of Betfair.

Of the former Directors who served during the year, Chris Batterham and Andrew Black both retired on 6 October 2010.

Other than their fees which are disclosed on page 53, the Non-executive Directors received no remuneration from the Company during the year. When Non-executive Directors are considered for appointment, the Nomination Committee will take into account their other responsibilities in assessing whether they can commit sufficient time to their prospective directorship.

All Directors are briefed by the use of comprehensive papers circulated in advance of Board meetings and by presentations at the meetings in addition to receiving minutes of previous meetings. Their understanding of the Group's business is enhanced by business specific presentations and operational visits to the Company's businesses. Separate strategy meetings and meetings with senior executives are also held throughout the year. The training needs of Directors and of members of the Board's Committees are formally considered on an annual basis.

Committees

Each Board Committee has written terms of reference approved by the Board, which are available on the Company's website: http://corporate.betfair.com/investor-relations/corporate-governance

Audit Committee

The Audit Committee's principal responsibilities include:

- Reviewing the processes for detecting fraud, misconduct and internal control weaknesses
- Reviewing the effectiveness of the Internal Audit function
- Overseeing the relationship with the external auditors

Ian Dyson is chairman of the Audit Committee and has chaired the Audit Committee throughout the financial year.

Before the listing the Audit Committee consisted of The Chairman and two independent Non-executive Directors, Ian Dyson and Chris Batterham. Ian Dyson became Chairman of the Committee on 1 May 2010. At the time of the listing changes were made and the Committee consisted of two independent Non-executives Ian Dyson as Chair and Mike McTighe. The Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer attend such meetings at the invitation of the Committee's Chairman. During FY11 the Committee met three times. At the time of the listing, the Audit Committee did not comply with the Combined Code in relation to establishing an Audit Committee of at least three members, all of whom should be independent Non-executive Directors. However, since the appointment of Baroness Denise Kingsmill on 1 February 2011 the Company is fully compliant with the Combined Code.

Role of the Audit Committee

The Committee's principal responsibilities are to:

- review the Company's public statements on internal control and corporate governance compliance prior to their consideration by the Board;
- review the Company's processes for detecting fraud, misconduct and control weaknesses and to consider the Company's response to any such occurrence;
- review management's evaluation of any change in internal controls over financial reporting;
- review with management and the external auditors any financial statements required under UK legislation before submission to the Board;
- establish, review and maintain the role and effectiveness of the Internal Audit function;
- assume direct responsibility for the appointment, compensation, resignation, dismissal and the overseeing of the external auditors, including review of the external audit, its cost and effectiveness;
- pre-approve non-audit work to be carried out by the external auditors and the fees to be paid for that work together with the monitoring of the external auditors' independence;
- oversee the process for dealing with complaints received by the Group regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- adopt and oversee a specific Code of Ethics for all corporate employees which is consistent with the Company's overall statement of business ethics;
- monitor the integrity of the financial statements, and formal announcements relating to the Company's financial performance, reviewing significant judgements contained therein.

Audit Committee process

The Committee discharges its responsibilities, as defined in its terms of reference, through a series of Audit Committee meetings throughout the year at which detailed reports are presented for review. The Committee commissions reports, from external advisers, Internal Audit, or Company management, either after consideration of the Company's major risks or in response to developing issues. The Committee meets privately with the external auditors and the Head of Internal Audit. The external Auditors meet the Head of Internal Audit in private throughout the year and liaise with Company management in considering areas for review.

During the year, the Committee considered the following matters:

- interim and full year financial results;
- the scope and cost of the external audit;
- non-audit work carried out by the external auditors and trends in the non-audit fees in accordance with the Committee's policy to ensure the safeguard of audit independence;
- the scope of the annual internal audit plan, internal audits of reference, its resourcing and external support;
- the external auditors' interim and full year reports;
- periodic internal control and assurance reports from Internal Audit;
- the effectiveness of the external auditors and consideration of their reappointment;
- reports on allegations made via the Group's whistleblowing procedures and the effectiveness of these procedures;
- the effectiveness of Internal Audit;
- management representations granted to the external auditors and the Company's procedures to ensure all relevant audit information has been disclosed;
- major changes in the Group's internal controls;
- the co-ordination of the internal and external audit functions;

- the Group's framework for the identification and control of major risks, its risk and assurance mitigation plan and the annual assessment of control effectiveness;
- compliance with the code of ethics;
- corporate governance developments;
- review of the suitability of the Group's accounting policies and practices;
- the status of material litigation involving the Group; and
- the Committee's own terms of reference, membership and its effectiveness.

An evaluation of the effectiveness of the external audit process is carried out by the Committee and the conclusion for FY11 was that the process was effective. The Committee maintains an ongoing oversight of the external audit appointment.

The Company's public financial statements are reviewed by the Committee in advance of their consideration by the Board.

External auditors' independence
The Committee has adopted a policy on the use of the external auditors for non-audit work which is in compliance with the Combined Code. The external auditors may carry out certain specified non-audit work, in areas that have been pre-approved by the Committee. Any other work for which management wishes to utilise the external auditors must be approved. The pre-approved services include the following:

- audit related services, including work related to the annual Group financial statements audit, subsidiary audits and local statutory accounts;
- certain specified tax services, including tax compliance, tax planning and tax advice; and
- certain services in connection with the preparation for the Company's listing on the London Stock Exchange.

The fees for audit and non-audit services are disclosed in Note 3 to the Accounts on page 74.

Remuneration Committee
Mike McTighe has been chairman of the Remuneration Committee since June 2009.

Ian Dyson and Fru Hazlitt were members of the Committee throughout the year. The Remuneration Committee met six times during FY11.

Further details about the Remuneration Committee are included in the Directors' Remuneration Report on pages 50 to 56.

Nomination Committee
The Nomination Committee is responsible for nominating, for the approval of the Board, candidates for appointment to the Board. It is also responsible for succession planning and reviewing the output of the Board effectiveness review.

Edward Wray, Chairman, chairs the Nomination Committee and has done so since August 2009. Since listing the Nomination Committee has consisted of the Chairman and two of the independent Non-executive Directors, Mike McTighe and Fru Hazlitt. The Company Secretary is secretary to the Nomination Committee.

The Nomination Committee met once during the year to consider succession planning. It recommended the appointment of Baroness Denise Kingsmill as an Independent Director. Attendance levels at Nomination Committee meetings are provided in the table on page 46. Where a Director is unable to attend a meeting and the meeting did not relate to their own appointment, they are provided with all the papers and information relating to that meeting and are able to discuss issues arising directly with the chair of the Committee and the Company Secretary.

Market Disclosure Committee
The Disclosure Committee considers and decides upon matters brought to its attention, which would be likely to give rise to an obligation to make a market announcement under the FSA Listing Rules. It comprises the Chief Financial Officer (Committee chairman), Chief Executive Officer and the Chief Legal and Regulatory Officer.

Executive Committee
The Executive Committee, which is chaired by the Chief Executive Officer, consists of the Executive Directors and certain other senior executives as shown on pages 32 and 33.

The Executive Committee meets formally approximately every four weeks. The Committee assists the CEO who has day-to-day responsibility for the running of the Group's business. It develops the Group's strategy and annual revenue and capital budgets for Board approval. It reviews and recommends to the Board any significant investment proposals.

This Committee monitors the financial and operational performance of the Group and allocates resources within the budgets agreed by the Board. It considers employment issues, ensures the Group has an appropriate pool of talent and develops senior management manpower planning and succession plans. In addition it also ensures that the Group's policy on regulation is fulfilled.

Corporate Responsibility Committee
The Committee, which is chaired by the Fru Hazlitt, an independent Non-executive Director, consists of the CEO and the Company Secretary/Chief Legal and Regulatory Officer and certain other senior executives as shown on pages 32 and 33.

The Committee meets at least four times per year and was established to define, support and monitor the execution of Betfair's corporate responsibility strategy. Further details of the work of this committee can be found on pages 34 and 35.

Independent advice

Members of the Board may take independent professional advice in the furtherance of their duties and they have access to the advice and services of the Company Secretary, the Head of Legal and the Company's legal advisers and external auditors.

Internal control

The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. In order to discharge that responsibility, the Board has established the procedures necessary to apply the Combined Code, including clear operating procedures, lines of responsibility and delegated authority. These procedures, which are in accordance with Turnbull Guidance, have been in place since before the Group was listed, have continued since the listing and are regularly reviewed by the Board.

The Group has in place internal control and risk management systems in relation to financial reporting processes and for the preparation of consolidated accounts. These systems include policies and procedures to facilitate the maintenance of records that accurately and fairly reflect transactions, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards ('IFRS') or UK Generally Accepted Accounting Principles, as appropriate, and that require reported data to be reviewed and reconciled, with appropriate monitoring internally and by the Audit Committee.

Business performance is managed closely and the Board and the Executive Committee have established processes, as part of the normal good management of the business, to monitor:

- strategic plan achievement;
- financial performance within a comprehensive financial planning, accounting and reporting framework;
- capital investment and asset management performance, with detailed appraisal, authorisation and post investment reviews;
- consumer insight data and actions to evolve brands and formats to ensure that they continue to be appealing and relevant; and
- risk management, through an ongoing process, through reports from the Internal Audit Team, that the significant risks faced by the Group are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity.

In addition, the Audit Committee receives:

- reports from the Corporate Risk Committee;
- reports from the Group's internal audit on the work carried out under the annual internal audit plan; and
- reports from the external auditors.

Through the monitoring processes set out above, the Board has conducted a review of the effectiveness of the system of internal control during the year ended 30 April 2011. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, it can only provide reasonable and not absolute assurance against material misstatement or loss. In that context, the review, in the opinion of the Board, did not indicate that the system was ineffective or unsatisfactory and the Board is not aware of any change to this status up to the approval of this Annual Report.

With regard to insurance against risk, it is not practicable to insure against every risk to the fullest extent. The Group regularly reviews both the type and amount of external insurance that it buys with guidance from an external independent body, bearing in mind the availability of such cover, its cost and the likelihood and magnitude of the risks involved.

Shareholder relations

The Board recognises that it is accountable to shareholders for the performance and activities of the Company. The Company formally updates the market on its financial performance at least four times a year, at the half year and full year results in December and June respectively, the interim management statements in March and September. The content of these updates is posted and webcast on the Company's website, together with general information about the Company so as to be available to all shareholders. The Company has a regular programme of meetings with its major institutional shareholders which provides an opportunity to discuss, on the back of publicly available information, the progress of the business. On a more informal basis, the Chairman, the Chief Executive Officer and the Chief Financial Officer regularly report to the Board the views of major shareholders about the Company, and the Senior Independent Director and other Non-executive Directors are available and do meet shareholders on request and are offered the opportunity to attend meetings with major shareholders.

The AGM provides a useful interface with private shareholders, many of whom are also customers. All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated. The chairmen of the Audit, Remuneration and Nomination Committees attend to answer questions.

Board effectiveness evaluation

In the previous financial year the Board carried out a formal Board Governance Assessment (with an external assessor) including a review of issues relating to the Board as a whole, the performance of the Chairman and the priority of tasks.

The process included the completion of a detailed questionnaire by the Board Directors and included an opportunity for each Director to make comments. The areas covered in the questionnaire were the Board's role and its organisation, the Board dynamic and relationships, quality of information flows and decision-making, Board committees, performance monitoring and the Board's priority tasks. The report was subsequently discussed between the Chairman and the rest of the Board.

In FY11, during a year of change in preparation for the listing the Board has not carried out a formal assessment, however in its preparations for listing it has reviewed and changed the Board composition, its schedule of matters and all Board Committee Terms of Reference have been adopted by the Board and each respective Board Committee. The Board intends to carry out a formal assessment of its performance in FY12.

Edward Wray
Chairman

Introduction

This report sets out the Group's policy and disclosures in relation to Directors' remuneration for the year ended 30 April 2011. The report has been presented on behalf of the Board and complies fully with the Listing rules, the Companies Act 2006 and Schedule 8 to the Large and Medium Sized Companies (Accounts and Reports) Regulations 2008 and the Combined Code on Corporate Governance (the "combined code") as applicable for the financial year. The report has been audited by KPMG Audit Plc to the extent required by regulators. This report will be put to Betfair's shareholders for approval at the forthcoming Annual General Meeting.

The Remuneration Committee

The Remuneration Committee's remit includes determining the broad policy for remuneration, as well as each element of remuneration for the Executive Directors of the Company, the Company Secretary, the Chairman and designated members of executive management. The Remuneration Committee is also responsible for overseeing all share schemes and advising the Board on any significant changes in employee benefit policies or structures throughout the Company. The Committee has agreed terms of reference that are available on the Company's website, or on request from the Company Secretary, who also acts as Secretary of the Remuneration Committee. The Group complied with the provisions of the Code relating to Directors' remuneration throughout the financial year.

The Remuneration Committee currently comprises three independent Non-executive Directors, in compliance with the Code. The Remuneration Committee is chaired by Mike McTighe, and its other members are Ian Dyson and Fru Hazlitt. All three members served on the Remuneration Committee throughout the year.

The Committee meets at least twice each year, and during the year under review met on five occasions. Each member's attendance at these meetings is set out in the Corporate Governance report on page 46. The Committee received material assistance and advice from the Chairman, Chief Executive Officer and the Group Human Resources Director, although no individual is present for decisions relating to their personal remuneration.

The Committee and the Group also received advice from Kepler Associates, a firm of independent remuneration consultants. Kepler Associates does not provide any other services to the Group. The Committee has also been advised by Freshfields Bruckhaus Deringer LLP who are one of the Group's legal advisors and who have advised the Group on various legal matters.

Remuneration Policy

Betfair's remuneration is designed to provide a strong link to short and long-term performance through a simple and transparent framework. To attract, motivate and retain the highest calibre executives, the Company targets total fixed pay at around market median, and incentive opportunities to allow executives to earn upper quartile levels of reward for upper quartile levels of performance. In determining the structure and quantum of senior executive remuneration, the Committee also takes into account pay and employment conditions elsewhere in the Group.

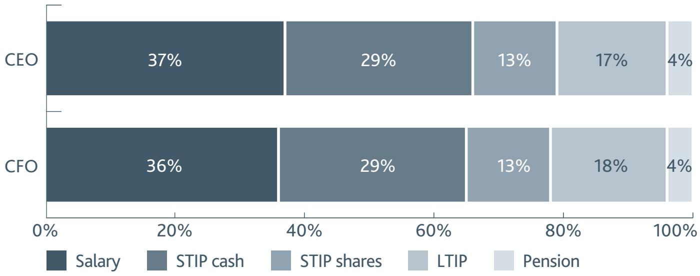
Elements of remuneration

Element	Objective	FY11 policy	FY12 policy
Base salary (see page 51)	Reflect size and nature of role, individual experience and performance	Determined taking into account market data for comparable positions at companies of similar sector and size to Betfair	No change
Short-Term Incentive Plan (STIP) (see page 51)	Incentivise delivery of Betfair's business strategy by rewarding profit and revenue targets and each executive's contribution to Group success	Based 50% on Core Betfair Adjusted EBITDA and 50% on revenue, with a maximum opportunity of up to 180% of salary Paid ⅔rds in cash and ⅓rd in shares, vesting in equal tranches after 1 and 2 years from date of grant	The Committee plans to introduce an element on personal performance of up to 10% of salary The remaining 170% of salary will be based equally on Core Betfair Adjusted EBITDA and revenue growth, but with the maximum opportunity remaining unchanged at 180% of salary, and the deferral policy also remaining unchanged
Long-Term Incentive Plan (LTIP) (see pages 51 and 52)	Incentivise senior executives to create long-term shareholder value Align the interests of senior executives with those of shareholders	Awards of nil-cost and fair-market value options vesting based 50% on Group EBITDA and 50% on revenue performance after 3 years Majority of award delivered in fair-market value options	Group EBITDA performance condition replaced with EPS (with the remaining 50% based on revenue) Fair value of awards unchanged, although awards will comprise an equal number of nil-cost and fair-market value options
Pension (see page 52)	Provide competitive total fixed pay	Company contributions of 10% of salary for Executive Directors	No change

The Committee considers that the Company's incentives are compatible with the Group's risk policies and systems, and is satisfied that the approach to setting the structure of remuneration packages for senior executives underpins an effective and proper management of risk; rewarding executives fairly for sustainable profit growth and long-term shareholder value creation, and delivering a significant proportion of executive remuneration in Betfair shares.

Executive Director pay mix FY12

The chart below shows the relative importance of each element of the expected package for Executive Directors for FY12, based on the target STIP and the fair value of the LTIP:



Basic salary

Basic salaries are normally reviewed annually and any changes are effective from 1 July each year. In reviewing salaries the Remuneration Committee takes into account pay and conditions elsewhere across the Group, relevant market data, and the individual Director's performance and experience. Benchmarking is carried out on a total remuneration basis, and takes account of pay levels for comparable roles at a range of organisations of similar size and sector.

The current salaries for Executive Directors are set out below, and were increased effective 1 July 2011 by 3%, in line with general increases throughout the Group.

(audited) **Executive Director**	Salary last reviewed	Salary at 30 April 2011 £	Salary effective 1 July 2011 £
David Yu	1 July 2010	500,000	515,000
Stephen Morana	1 July 2010	400,000	412,000

Short-Term Incentive Plan

For the year to 30 April 2011, Executive Directors and other senior executives participated in the Short-Term Incentive Plan (STIP), which was based on the achievement of pre-defined EBITDA and revenue targets, with an equal weighting on each performance measure. Executive Directors were eligible for a maximum STIP opportunity of 180% of salary, with 120% of salary payable for achieving stretching "target" performance levels on both measures. Both revenue and EBITDA are measured at the Group level for the Executive Directors. EBITDA and revenue are felt by the Board to be the best measures of short-term financial performance for Betfair. The use of revenue aligns with our strategic objectives of widening the range of products and services that we offer, attracting new customers, increasing the activity of existing customers, and building our market share in all regions in which we operate. Rewarding EBITDA alongside revenue helps ensure a balance between growth and profitability. Two thirds of any STIP payment is delivered in cash, with the remaining one third deferred into Betfair Group shares. Deferred shares vest 50% after 1 year and 50% after 2 years from the date of grant, subject to continued employment. Based on the Group's financial performance, it was determined that no STIP cash payments would be made to Executive Directors in respect of the year to 30 April 2011.

For the year to 30 April 2012, Executive Directors will continue to be eligible for a maximum STIP opportunity of 180% of salary. The STIP will continue to reinforce our annual business strategy by incentivising profitable growth captured through Core Betfair Adjusted EBITDA and revenue. Up to 85% of salary will be available for meeting the maximum targets under each financial measure. In order to incentivise and reward wider aspects of business performance, and capture lead measures, an element based on individual performance is being introduced into the STIP for FY12. Executive Directors will be eligible to earn up to 10% of salary for achieving specific and measurable individual objectives. No bonus will be payable under the element on individual objectives unless a threshold EBITDA is met.

Long-Term Incentive Plan

The Remuneration Committee believes that it is important to provide share incentives to Executive Directors and senior management to align their long-term interests with those of Betfair's shareholders.

The Long-Term Incentive Plan (LTIP) provides for awards of both fair-market value options and nil-cost options to senior executives (including Executive Directors). Award sizes are determined based on a number of options rather than as a fixed multiple of salary to improve shareholder alignment and reduce upward pressure on salaries. Options will normally vest no earlier than the third anniversary of grant, and be subject to the achievement of performance conditions set over three years.

During the year the Chief Executive Officer, David Yu and Chief Financial Officer, Stephen Morana were conditionally awarded 130,000 and 100,000 fair market value options respectively, as well as 15,000 nil-cost options each. These options will normally vest on the third anniversary of grant and are subject to two corporate financial performance conditions. The extent to which awards vest depends 50.0% on Group's EBITDA growth and 50.0% on Group's revenue growth. Targets are set as £ million amounts for the financial year ending 30 April 2013. Vesting occurs on a sliding scale, with no vesting under the EBITDA element unless at least 91.5% of a stretching target is achieved, and full vesting only if 120.0% of the target is achieved. The corresponding performance range for revenue is 95.8% and 110.0% of target respectively. For reasons of commercial sensitivity the Remuneration Committee doesn't feel it is appropriate to publish the actual targets at this time. However it will commit to providing disclosure around performance against targets following the end of the performance period.

To the extent that the performance targets are not met over the performance period, awards will lapse, i.e. there will be no re-testing of performance conditions. In the event of a change of control, vesting of options is not automatic and would depend on the extent to which the performance conditions had been met at the time and the period elapsed since the date of grant.

The Committee selected EBITDA and revenue as the most appropriate measures of long-term performance for 2010-2011 option awards as they are highly visible internally, regularly monitored, and reinforce our growth strategy as described above. However, in recognition of the Company's recent listing, the Committee feels that introducing EPS would help to improve alignment with shareholders, and better reflect market practice at FTSE-listed companies. The Committee therefore intends to maintain a 50% weighting on revenue for FY12 awards but to replace EBITDA with EPS for the remaining 50% of awards. The Committee is currently determining the appropriate targets for EPS, and will disclose these in next year's Directors' Remuneration Report.

The Committee has also determined that for 2011-2012, the balance of LTIP awards will be shifted from cash towards nil-cost options, while the overall fair value will remain broadly unchanged. The Committee believes that this will improve the robustness of the LTIP, provide a more motivational incentive for senior management, and also improve alignment with shareholder interests.

Senior Executives' Incentive Plan

The Senior Executives' Incentive Plan 2010 (SEIP) granted certain senior employees and Executive Directors one-off conditional awards consisting of a cash amount and an award of nil-cost options on Admission to the Stock Exchange ("Admission"). Under the terms of the SEIP, 50% of the options will vest and become exercisable on the first anniversary of Admission and the remainder will become exercisable on the second anniversary of Admission, subject to continued employment. Awards were made to the Executive Directors under this plan on listing, as shown in the table on page 54. The Company does not intend to make any further awards under the SEIP.

All-employee share schemes

The Group operates an HMRC-approved SAYE scheme, in which all UK employees including Executive Directors may participate. Participants can save up to £250 per month for three years and then use these savings to buy shares in the Group at a 20% discount to the market value at the start of the savings period.

Share Option Plan

The 2009 Unapproved Option Plan allows executives to be granted fair-market value options vesting subject only to continued employment. This plan is only used to attract and recruit new employees to the Company, and the Committee does not intend to make further awards to the current Executive Directors.

Other long-term incentive plans

Executive Directors also hold awards under other incentive plans operated prior to Admission. Any applicable performance conditions on these awards have now been met. The Committee does not currently intend to make any further awards to Executive Directors under these plans.

Further details on share awards made during the year to 30 April 2011 can be found at page 54.

The Company intends to establish share ownership guidelines for senior executives. Each Executive Director will be required to build a shareholding of 100% of base salary over a period of five years from the time the shareholding guidelines are introduced or from appointment if later.

Dilution

The Group's share schemes are funded through a combination of shares purchased in the market and new issue shares. Funding of awards through new issue shares is subject to an overall dilution limit of 10% of issued share capital in any 10 year period.

Pension contributions

Executive Directors are entitled to a Company pension contribution of 10% of basic salary into the Group's Personal Pension Plan ("GPPP") which is a Defined Contribution scheme open to all employees. As an alternative, executives may choose to take the amount as a cash supplement.

Other benefits

Benefits in kind for Executive Directors include life assurance, private medical care and critical illness cover. There is currently no car or car allowance policy.

Executive Director service contracts

The Remuneration Committee's policy is to provide service contracts for Executive Directors with notice periods of 12 months or less. Stephen Morana entered into a service agreement with the Group dated 27 July 2010, which is subject to 12 months' notice by either party. David Yu entered into a service agreement with the Group dated 13 September 2010. His service agreement can be terminated by either party on service of 12 months' written notice. Upon Admission, the required notice period increased to 24 months, reducing by one month on the 1st of the month following Admission and the 1st of each month thereafter until the first anniversary of Admission, so that the period of notice required to be given by either party at any time on or after the first anniversary of Admission is 12 months. Upon termination, Executive Directors are entitled to salary (and medical insurance for David Yu) for the duration of their notice period. It is the Remuneration Committee's policy to seek to mitigate such payments.

External Directorships for Executive Directors

None of the Executive Directors currently have external Directorships although, at the discretion of the Board, they may be appointed as a Non-executive Director at one other company. Before granting permission the Board will take into account *inter alia* the time commitment of the new role, any potential conflicts, the Listing Rules and the Code.

Non-executive Directors ("NEDs")

All NEDs' services are provided for under the terms of a letter of appointment with the Group, and are subject to annual re-election with one month's notice by either party. Details of the terms of the appointment of the current NEDs are as follows:

Non-executive Director	Start of current term*	Expiry of current term
Edward Wray	4 October 2010	5 October 2013
Mike McTighe	4 October 2010	5 October 2013
Ian Dyson	30 September 2010	5 October 2013
Josh Hannah	29 September 2010	5 October 2013
Fru Hazlitt	30 September 2010	5 October 2013
Baroness Denise Kingsmill	1 February 2011	1 February 2014

Non-executive Director	Date of Retirement
Andrew Black	6 October 2010
Chris Batterham	6 October 2010

* Please see Non-executive Directors' profiles for total service on page 32.

The remuneration of the NEDs, other than the Chairman, is determined by the Board and reflects the skills and experience of the NEDs, the market practice adopted in similar sized organisations, Committee responsibilities and anticipated time commitments.

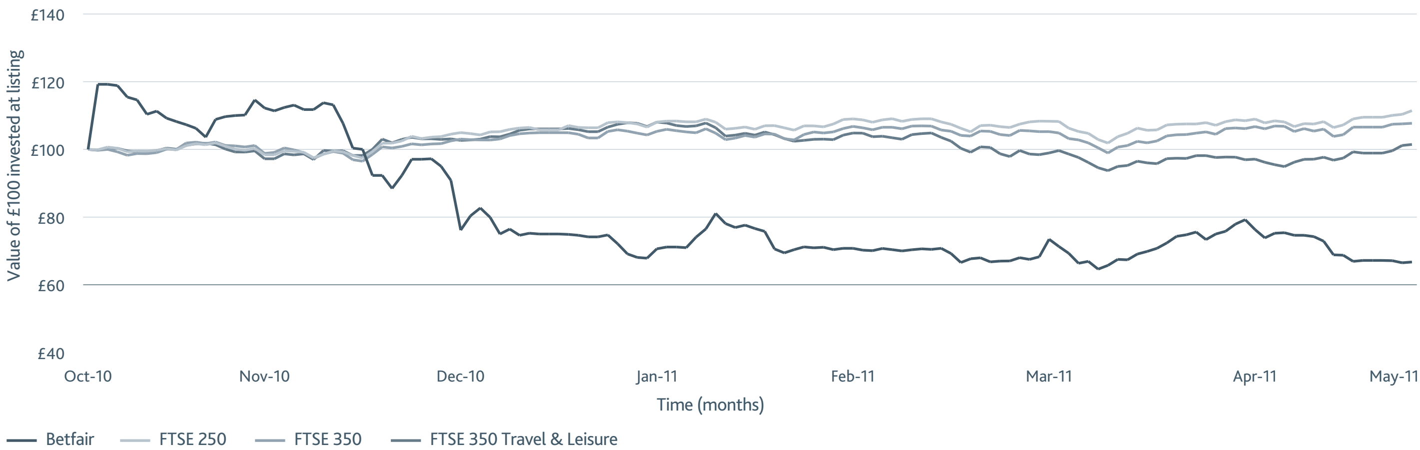
The agreed annual basic fees payable to the NEDs for the year to 30 April 2011 were:

Non-executive Director (audited)	Annual Basic fee £	Committee chairmanship fee £	Senior Independent Director fee £	Total £
Edward Wray	225,000	–	–	**225,000**
Mike McTighe	50,000	10,000	10,000	**70,000**
Ian Dyson	50,000	15,000	–	**65,000**
Josh Hannah	50,000	–	–	**50,000**
Fru Hazlitt	50,000	–	–	**50,000**
Baroness Denise Kingsmill	50,000	–	–	**50,000**
Chris Batterham	50,000	–	–	**50,000**
Andrew Black	50,000	–	–	**50,000**

NEDs are not eligible for bonuses or participation in share schemes and no pension contributions are made on their behalf.

Total shareholder return (TSR)

The following graph shows the TSR performance of an investment of £100 in the Company's shares from listing to the end of the period compared with an equivalent investment in the FTSE350 Index. The FTSE350 Index was selected to reflect the most relevant broad equity market index. TSR has been calculated in British pounds sterling, and is based on spot share prices and includes dividends reinvested on the relevant ex-dividend date.



Directors' interests in shares

Executive Directors and NEDs had the following beneficial interest in the issued share capital of Betfair Group plc as at 30 April 2011:

Ordinary Shares in Betfair Group plc (audited)	30 April 2011	30 April 2010
Executive Director		
David Yu	3,909	3,909
Stephen Morana	14,750	3,909
Non-executive Director		
Edward Wray	11,472,024	12,745,824
Ian Dyson	8,500	10,000
Mike McTighe	18,450	18,450
Josh Hannah	588,672	708,672
Fru Hazlitt	14,114	15,682
Baroness Denise Kingsmill	–	–

Directors' remuneration (audited)

The fees paid to the Directors for the year to 30 April 2011 were as follows:

Year ended 30 April 2011	Salary/Fee £	SEIP £	Bonus £	Pension £	Benefits £	Total emoluments £	FY10 Total £
Executive Directors							
David Yu	478,167	300,000	–	44,904	1,605	824,676	365,949
Stephen Morana	382,666	1,200,000	–	21,981	1,557	1,606,204	294,962
Non-executive Directors							
Edward Wray	225,000	–	–	–	1,693	226,693	207,099
Mike McTighe	70,000	–	–		–	70,000	51,350
Ian Dyson	65,000	–	–	–	–	65,000	15,933
Josh Hannah	50,000	–	–	–	–	50,000	38,854
Fru Hazlitt	50,000	–	–	–	–	50,000	38,850
Baroness Denise Kingsmill*	12,500	–	–	–	–	12,500	–
Chris Batterham*	45,833	–	–	–	–	45,833	39,149
Andrew Black*	20,833	–	–	–	–	20,833	13,349
Totals	**1,399,999**	**1,500,000**	**–**	**66,885**	**4,855**	**2,971,739**	**1,065,495**

* Pro-rated for the proportion of the year served.

Executive Directors' share awards (audited)

The interests of the Executive Directors in the Company's share schemes are set out in the tables below:

LTIP

	Date of grant	Share Options held at 30 April 2010	Number* conditionally granted in year	Exercise price	Exercisable between	Nil cost Options	Fair Market Value Options	**Share Options held at 30 April 2011**
David Yu								
	1 May 2009	5,000	–	Nominal Value	On vesting	5,000	–	**5,000**
	1 May 2009	80,000	–	£10.00		–	80,000	**80,000**
	1 May 2010	–	15,000	Nominal Value	On vesting	15,000	–	**15,000**
	1 May 2010	–	130,000	£10.00		–	130,000	**130,000**
Total		**85,000**	**145,000**			**20,000**	**210,000**	**230,000**
Stephen Morana								
	1 May 2009	5,000	–	Nominal Value	On vesting	5,000	–	**5,000**
	1 May 2009	80,000	–	£10.00		–	80,000	**80,000**
	1 May 2010	–	15,000	Nominal Value	On vesting	15,000	–	**15,000**
	1 May 2010	–	100,000	£10.00		–	100,000	**100,000**
Total		**85,000**	**115,000**			**20,000**	**180,000**	**200,000**

* Awards made under the LTIP during the year are subject to the performance conditions described on pages 51 and 52.

The closing mid-market price of the Group's shares on 30 April 2011 was 867 pence. Over the period from listing to 30 April 2011, the price of the Group's shares varied between 1550 pence and 840 pence. The mid-market price of the Group's shares on 1 May 2010, being the date the LTIP awards were made, was 1000 pence.

Other share or options schemes

The following options over shares are held by the Executive Directors and NEDs, such options being exercisable at the price and exercisable before:

Scheme (audited)	Share options held at 1 May 2010	Exercised during the year	Lapsed during the year	**Share options held at 30 April 2011**	Exercise price £	Market price at grant date £	Market price at excersise date £	Exercisable from	Expires on
Executive Directors									
David Yu									
The Sporting Exchange Limited Enterprise Management Incentive Share Option Plan	470,989	(410,538)	–	**60,451**	0.25	0.40	13.00	16 April 2003	15 April 2012
The Sporting Exchange Limited Approved Company Share Option Plan	692	–	–	**692**	2.71	2.71	–	13 August 2005	12 August 2014
The Sporting Exchange Limited Unapproved Share Option Plan 2004	64,930	–	–	**64,930**	2.71	2.71	–	1 May 2005	30 April 2014
The Sporting Exchange Limited Unapproved Share Option Plan 2005	75,000	–	–	**75,000**	4.50	4.50	–	1 May 2006	30 April 2015
The Sporting Exchange Limited Unapproved Share Option Plan 2006	1,375,000	–	–	**1,375,000**	4.50	4.50	–	4 January 2007	3 January 2016
Insightmarket.com Inc 1999 Stock Incentive Plan	66,080	–	–	**66,080**	US$0.7862	0.40	–	1 October 2002	1 October 2011
The Betfair Group Limited Senior Executives' Incentive Plan 2010	53,030	–	–	**53,030**	0.001	15.00	–	27 October 2012	26 October 2020
	2,105,721	(410,538)	–	**1,695,183**					
Stephen Morana									
The Sporting Exchange Limited Enterprise Management Incentive Share Option Plan	3,777	(3,777)	–	–	0.40	0.40	13.00	30 September 2003	7 January 2013
The Sporting Exchange Limited Approved Company share option plan	11,070	(11,070)	–	–	2.71	2.71	13.00	13 August 2005	12 August 2014
The Sporting Exchange Limited Unapproved Share Option Plan 2004	2,930	(2,930)	–	–	2.71	2.71	13.00	1 May 2005	30 April 2014
The Sporting Exchange Limited Unapproved Share Option Plan 2005	7,000	(7,000)	–	–	4.50	4.50	13.00	26 January 2006	25 January 2015
The Sporting Exchange Limited Unapproved Share Option Plan 2005	20,000	(20,000)	–	–	4.50	4.50	13.00	1 May 2006	30 April 2015
The Sporting Exchange Limited Unapproved Share Option Plan 2006	275,000	–	–	**275,000**	10.00	10.00	–	11 September 2006	10 September 2016
The Sporting Exchange Limited Sharesave Plan	1,200	(1,200)	–	–	8.00	10.00	8.68	1 November 2010	1 May 2011
BETShare Performance Plan 2007	4,500	–	–	**4,500**	0.001	10.00	–	3 August 2008	2 August 2012
BETShare Performance Plan 2008	18,333	–	–	**18,333**	0.001	10.00	–	3 September 2009	2 September 2013
BETShare Performance Plan 2009	17,242	–	–	**17,242**	0.001	10.00	–	9 October 2010	8 October 2014
The Betfair Group Limited Senior Executives' Incentive Plan 2010	151,516	–	–	**151,516**	0.001	15.00	–	27 October 2012	26 October 2020
	512,568	(45,977)	–	**466,591**					

Other share or options schemes *continued*

Scheme	Share options held at 1 May 2010	Exercised during the year	Lapsed during the year	**Share options held at 30 April 2011**	Exercise price £	Market price at grant date £	Market price at excersise date £	Exercisable from	Expires on
Non-executive Director									
Edward Wray									
The Sporting Exchange Limited Sharesave Plan	1,200	(1,200)	–	–	8.00	10.00	8.68	1 November 2010	1 May 2011

The awards above are not subject to any performance conditions.

On behalf of the Board

Mike McTighe
Remuneration Committee Chairman

Independent Auditor's Report to the members of Betfair Group plc

We have audited the financial statements of Betfair Group plc for the year ended 30 April 2011 set out on pages 58 to 99. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements 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 38, 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 profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company Financial Statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Corporate Governance Statement set out on pages 45 to 49 in the Annual Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures 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:

Under the Companies Act 2006 we are required 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 and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 37, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Paul Korolkiewicz
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square
London, E14 5GL
28 June 2011

Consolidated Income Statement
For the year ended 30 April 2011

	Note	2011 £'000	2010 £'000
Continuing operations			
Revenue	2	**393,311**	340,915
Cost of sales		**(74,572)**	(55,894)
Gross profit		**318,739**	285,021
Administrative expenses		**(293,900)**	(266,575)
Group operating profit		**24,839**	18,446
Analysed as:			
Adjusted EBITDA*	2	**79,684**	53,484
Exceptional items	5	**(16,995)**	(4,600)
Equity settled share-based payments and associated costs	20	**(6,413)**	(4,192)
EBITDA**	2	**56,276**	44,692
Depreciation and amortisation		**(31,437)**	(26,246)
Group operating profit		**24,839**	18,446
Profit on disposal of available-for-sale financial asset	6	**1,158**	–
Finance income	7	**1,546**	2,389
Finance expense	7	**(15)**	(16)
Net finance income		**1,531**	2,373
Share of loss of equity accounted investments	12	**(911)**	(3,041)
Profit before tax		**26,617**	17,778
Tax	8	**(3,611)**	(2,659)
Profit for the year		**23,006**	15,119
Attributable to:			
Equity holders of the Company		**24,157**	15,119
Non-controlling interest		**(1,151)**	–
Profit for the year		**23,006**	15,119
Earnings per share on profit for the year			
Basic	9	**22.6p**	14.4p
Diluted	9	**22.0p**	13.8p

* Adjusted EBITDA is defined as EBITDA before exceptional items and equity settled share-based payments and associated costs.

** EBITDA is defined as Group operating profit before net finance income, tax, depreciation and amortisation. It excludes amounts in respect of the Group's equity accounted investments and is considered by the Directors to be a key measure of its financial performance.

Consolidated Statement of Comprehensive Income
For the year ended 30 April 2011

	2011 £'000	2010 £'000
Profit for the year	**23,006**	15,119
Other comprehensive income		
Foreign exchange differences arising on consolidation	**(2,853)**	(2,910)
Change in fair value of convertible loan notes	–	(23)
Change in fair value of hedging derivative	–	(1,261)
Disposal of hedging derivative	–	(993)
Tax directly recognised in other comprehensive income	–	928
Other comprehensive expense for the year, net of income tax	**(2,853)**	(4,259)
Total comprehensive income for the year	**20,153**	10,860
Attributable to:		
Equity holders of the Company	**21,304**	10,860
Non-controlling interest	**(1,151)**	–
Total comprehensive income for the year	**20,153**	10,860

Consolidated Balance Sheet
At 30 April 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	**32,857**	24,463
Goodwill and other intangible assets	11	**110,868**	88,980
Investments	12	**1,959**	152
Available-for-sale financial assets	13	**2,115**	4,385
Deferred tax asset	15	**3,623**	5,460
		151,422	123,440
Current assets			
Trade and other receivables	16	**21,239**	22,212
Cash and cash equivalents	17	**155,038**	150,947
		176,277	173,159
Total assets		**327,699**	296,599
Liabilities			
Current liabilities			
Trade and other payables	18	**87,437**	88,857
Tax payable		**24,698**	25,930
Total liabilities		**112,135**	114,787
Net assets		**215,564**	181,812
Equity			
Share capital	19	**108**	105
Share premium		**10,694**	4,078
Other reserves		**(5,974)**	(2,263)
Retained earnings		**207,058**	179,892
Equity attributable to equity holders of the Company		**211,886**	181,812
Non-controlling interest		**3,678**	–
Total equity	19	**215,564**	181,812

These Financial Statements were approved by the Board of Directors on 28 June 2011 and were signed on its behalf by:

David Yu
Director

Stephen Morana
Director

Consolidated Statement of Changes in Equity
For the year ended 30 April 2011

Attributable to equity holders of the Company

	Share capital £'000	Share premium £'000	Tax reserves £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 May 2009	104	2,128	1,343	1,623	(991)	160,602	164,809	–	**164,809**
Comprehensive income for the year									
Profit for the year	–	–	–	–	–	15,119	15,119	–	**15,119**
Other comprehensive income (note 19)	–	–	297	(1,623)	(2,912)	(21)	(4,259)	–	**(4,259)**
Total comprehensive income for the year	–	–	297	(1,623)	(2,912)	15,098	10,860	–	**10,860**
Transactions with owners, recorded directly in equity									
Distributions to owners									
Issue of shares	1	1,950	–	–	–	–	1,951	–	**1,951**
Equity settled share-based payments	–	–	–	–	–	4,192	4,192	–	**4,192**
Total distributions to owners	1	1,950	–	–	–	4,192	6,143	–	**6,143**
Balance at 30 April 2010	**105**	**4,078**	**1,640**	**–**	**(3,903)**	**179,892**	**181,812**	**–**	**181,812**
Balance at 1 May 2010	105	4,078	1,640		(3,903)	179,892	181,812	–	**181,812**
Comprehensive income for the period									
Profit / (loss) for the year	–	–	–	–	–	24,157	24,157	(1,151)	**23,006**
Other comprehensive income (note 19)	–	–	–	–	(3,640)	787	(2,853)	–	**(2,853)**
Total comprehensive income for the year	–	–	–	–	(3,640)	24,944	21,304	(1,151)	**20,153**
Transactions with owners, recorded directly in equity									
Issue of shares	3	6,616	–	–	–	–	6,619	–	**6,619**
Equity settled share-based payments	–	–	–	–	–	6,324	6,324	–	**6,324**
Share-based payment liabilities settled by the issue of equity instruments	–	–	–	–	–	3,006	3,006	–	**3,006**
Purchase of own shares by the EBT*	–	–	–	–	–	(7,225)	(7,225)	–	**(7,225)**
Sale of own shares by the EBT	–	–	–	–	–	117	117	–	**117**
Tax on equity settled share-based payments	–	–	(71)	–	–	–	(71)	–	**(71)**
Total transactions with owners	3	6,616	(71)	–	–	2,222	8,770	–	**8,770**
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Issue of shares by subsidiary to non-controlling interest	–	–	–	–	–	–	–	4,829	**4,829**
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	4,829	**4,829**
Balance at 30 April 2011	**108**	**10,694**	**1,569**	**–**	**(7,543)**	**207,058**	**211,886**	**3,678**	**215,564**

* The Group's Employee Benefit Trust is defined as EBT.

Consolidated Statement of Cash Flow

For the year ended 30 April 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit for the year		**23,006**	15,119
Adjustments for:			
Depreciation and amortisation	10, 11	**31,437**	26,246
Loss on disposal of property, plant and equipment	3	**43**	19
Equity settled share-based payments and associated costs	20	**6,413**	4,192
Profit on disposal of available-for-sale financial asset	6	**(1,158)**	–
Share of loss of equity accounted investments	12	**911**	3,041
Net finance income	7	**(1,531)**	(2,373)
Tax	8	**3,611**	2,659
Increase in trade and other receivables		**(1,102)**	(6,758)
(Decrease) / increase in trade and other payables		**(989)**	13,783
Cash generated from operations		**60,641**	55,928
Tax paid		**(2,958)**	(2,879)
Net cash flows generated from operating activities		**57,683**	53,049
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(21,552)**	(12,472)
Proceeds from sale of property, plant and equipment		**386**	52
Acquisition of other intangible assets		**(12,616)**	(5,460)
Capitalised development expenditure		**(27,895)**	(14,659)
Acquisition of interest in subsidiary, net of cash acquired	14	**(192)**	(3,261)
Cash injection in jointly controlled entities	12	**(230)**	(225)
Disposal / (acquisition) of available-for-sale financial assets	13	**3,428**	(1,965)
Finance income received		**976**	779
Net cash flows used in investing activities		**(57,695)**	(37,211)
Cash flows from financing activities			
Proceeds from the issue of share capital	19	**6,619**	1,855
Proceeds from sale of shares in LMAX	19	**4,829**	–
Purchase of own shares by the EBT	19	**(7,225)**	–
Sale of own shares by the EBT	19	**117**	–
Net cash flows from financing activities		**4,340**	1,855
Net increase in cash and cash equivalents		**4,328**	17,693
Cash and cash equivalents at the beginning of the year	17	**150,947**	133,367
Effect on exchange rate fluctuations on cash held		**(237)**	(113)
Cash and cash equivalents at year end	17	**155,038**	150,947

1 Accounting policies

Reporting entity

Betfair Group plc (the "Company") is a company incorporated and domiciled in the UK.

The consolidated financial statements of the Company as at and for the year ended 30 April 2011 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in jointly controlled entities. The Group is involved in the provision of betting services and online gaming products. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The consolidated financial statements of the Group for the year ended 30 April 2011 were authorised for issue in accordance with a resolution of the Directors on 28 June 2011.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union. The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 96 to 98.

The consolidated financial statements of the Group have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value; and
- non-current assets are stated at the lower of the carrying amount and fair value less costs to sell.

Going concern

The Group has considerable financial resources. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the ongoing economic uncertainty. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and therefore they continue to adopt the going concern basis in the consolidated financial statements.

Changes in accounting policy

The Group has adopted the following new standards and interpretations for the year ended 30 April 2011:

- IFRS 3 "Business Combinations (revised 2008)". The revised standard requires the Group to apply the following changes:
  - Definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  - Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

There were no significant acquisitions during the period in which this standard would have been relevant.

- IAS 27 Consolidated and Separate Financial Statements (amended) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. Therefore, such changes will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.
- IFRS 2 Share based payment – Group Cash-settled Share-based payment transactions
- IAS 38 Intangible assets (amended) – Consequential amendments arising from IFRS 3 (revised 2008)
- IAS 36 Impairment of assets (amended)

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future accounting periods.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Associates and jointly controlled entities ("equity accounted investments")

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investments) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of the comprehensive income and equity movements of equity accounted investments, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investment, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

1 Accounting policies *continued*

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment to the extent of the Group's interest in the investments. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are taken directly to the Translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in Translation reserve is transferred to the income statement.

The most significant currencies for the Group were translated at the following exchange rates:

Value of £1	Assets and liabilities (Closing rates)	Income and expenses (Cumulative average rates)
Euro	**1.12**	1.18
US dollar	**1.67**	1.56
Australian dollar	**1.52**	1.64
Romanian Lei	**4.57**	4.98

Available-for-sale financial assets

The Group's investments in certain equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, the assets are reviewed annually for changes in value with any impairment loss recognised through the income statement, and on disposal any realised gains and losses are also recognised through the income statement.

On an annual basis the available-for-sale financial assets are reviewed and remeasured on a fair value basis if the fair value is significantly different to the value previously recorded.

Financial instruments

(i) Classification of financial instruments issued by the Group

Financial instruments issued by the Group 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's 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.

(ii) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, including cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents do not include client funds deposited in a stakeholder account held by The Sporting Exchange (Clients) Limited, a wholly-owned subsidiary of the Group, on the basis that they are held on trust for customers and do not belong to and are not at the disposal of the Group.

Financial instruments *continued*

Non-derivative financial instruments measured at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, directly attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

(iii) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(iv) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposure.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects the income statement.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in the income statement. Distributions to the equity holders are recognised against equity, net of any tax benefit.

Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

Share purchase arrangements by the Group are performed through The Employee Benefit Trust ("EBT") and are included in the financial statements. In particular, the EBT's purchase of shares in the Company results in deductions from in Retained Earnings in the consolidated balance sheet. Upon the EBT selling the shares, the own shares reserve balance decreases (credited directly to Retained Earnings). Transaction costs relating to the purchase by the Company of its own shares are written off directly to Retained Earnings.

A cancellation of shares is when the Company opts to buy back its own shares resulting in a reduction in equity.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which include awards under share award schemes and share options granted to employees.

1 Accounting policies *continued*

Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour and any other directly attributable to bringing the assets to a working condition for their intended use.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised within the income statement.

(ii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Freehold buildings	– 50 years
Leasehold improvements	– Over the term of the lease or the useful economic life of the asset, if shorter
Plant and machinery	– 10 years
Fixtures and fittings	– 5 years
Computer equipment	– 3 years
Motor vehicles	– 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Goodwill and other intangible assets

(i) Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities.

Acquisitions on or after 1 May 2007

In respect of business acquisitions that have occurred since 1 May 2007, goodwill represents the difference between the fair value of consideration for the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Acquisitions prior to 1 May 2007

The Group has taken advantage of the exemption permitted by IFRS 1 and has not elected to restate business combinations that took place prior to 1 May 2007. In respect of acquisitions prior to 1 May 2007, goodwill is included at 1 May 2007 on the basis of its deemed cost, which represents the amount recorded under the Group's previous accounting framework which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (CGU's) and is not amortised but is tested annually for impairment. In respect of equity accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment.

(ii) Internally generated goodwill and brands

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iii) Research and development

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

Expenditure on 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 available for 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 development expenditure assets are amortised on a straight-line basis from the date they are available for use over their useful economic life.

(iv) Other intangible assets

Identifiable intangibles are assets which have finite lives, can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring in to use, the specific software. These costs are amortised over their estimated useful economic life or the life of the software licence contract.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Impairment *continued*

(v) Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful economic lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful economic lives are as follows:

Computer software	– The shorter of the licence period and up to 10 years
Licences	– The shorter of the licence period and up to 10 years
Wagering technologies	– 6 years
Customer lists	– 4 years
Development expenditure	– 3 years
Brands	– 2 years
Broadcasting technologies	– 2 years

Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An indicator of impairment of a financial asset is apparent if objective evidence highlights that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value and book value. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset when allocated to a cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The following schemes are in place that allow employees to acquire shares in the Group:

1 Accounting policies *continued*

Employee benefits *continued*

Share option plans and Save-As-You-Earn schemes

Share option plans and Save-As-You-Earn schemes are accounted for as equity settled share-based payment schemes on the basis that the Group will not be required to settle its obligations under these schemes in cash. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the share options and is calculated using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Restricted share scheme

The Group provides a restricted share scheme as part of its bonus plan. Awards made under the terms of the restricted share scheme represent a conditional right to receive shares in the Company provided that certain Group and individual performance criteria are met. Restricted shares are valued with reference to the market value of the shares on the date of grant.

The shares vest over a three year period and one-third of the total entitlement vest each year. The first year's entitlement can be taken in cash at the option of the employee, and accordingly this component is accounted for as a cash settled scheme and recorded as a liability. If, on the date of settlement, the employee elects to receive shares instead of cash, the liability previously recognised is transferred to equity, as the consideration for the equity instruments issued.

The remaining two-thirds of restricted shares granted cannot be taken in cash and accordingly are accounted for as equity settled schemes. A charge is recognised in employee expenses on a straight-line basis over the vesting period with a corresponding increase in equity.

Long-term incentive plan ("LTIP"), Short-term incentive plan ("STIP") and Management incentive plan ("MIP")

During the 2010 financial year, the Group revised the terms of the existing restricted shares scheme for directors, executives and senior management with the LTIP, STIP and MIP schemes.

These bonus schemes entitle the recipients to cash, share options and restricted share rewards based on meeting the Group and individual performance criteria over a three year (for LTIP) and one year period (STIP and MIP). The schemes have awards in the form of cash, share options and restricted shares. Determining the fair value of each element is consistent with the measurement outlined above in each share-based payment category.

The STIP and the MIP have cash elements which are fixed in value and are paid and expensed in the first year that the award is issued. The cash award represents two thirds of the total award. There is no option given to the recipient of the award to elect to have these issued in shares. The cash element issued is classified as a cash bonus in the income statement and not a "cash settled share-based payment". This is on the basis that the employee does not have the option to choose whether they receive cash or shares.

Long-term Senior Executives' Incentive Plan ("SEIP")

The Long-term Senior Executives' Incentive Plan (SEIP) was approved by the Board on 16 October 2007. The plan provides for certain senior management and Directors be granted one-off awards consisting of a cash and restricted shares element. The scheme came into effect upon the admission of the Group's shares on the London stock exchange.

The cash was paid on the date of admission to the participants in the scheme. The restricted shares were granted on the date of admission and half of the restricted shares will vest on the first anniversary of the listing and the next half on the second anniversary of the listing.

The restricted shares in the SEIP are measured consistently with the treatment of normal restricted shares.

Stakeholder award scheme

During the year, the Group issued 309,280 restricted shares and 26,829 phantom shares to the employees of the Group as part of the new Stakeholder award scheme. The scheme relates to the individual employees' performance during the financial year ended 30 April 2010 for which a cash bonus accrual had been recognised. Subsequent to the year ended 30 April 2010 the reward was settled by the issue of equity instruments.

The restricted shares and phantom shares have a vesting period spanning from the first day of the financial year to which they relate to the vest date of 1 August 2011. The restricted shares in the scheme are convertible into shares upon vest date and they are measured consistently with the treatment of normal restricted shares. The phantom shares in the scheme are only convertible to cash upon the vest date and they are measured based on the market value at the date of grant.

Group and treasury share transactions

The Company has recognised an increase in investments corresponding to the IFRS 2 Share-based payment charge.

Revenue

Revenue is measured as the consideration received from customers and represents amounts received for goods and services provided by the Group is, as set out below.

Commission and fee income arising from the Group's betting exchange activities, which comprises both sports betting and exchange games, is recognised on the date the market for an event is settled.

The Sportsbook, Games, and Multiples product revenue represents gains and losses from betting activity. Open betting liability positions are recognised based on the best estimate of the expenditure that will be required to settle the position at the balance sheet date, and losses arising from these positions are recognised in revenue.

Revenues from pari-mutuel betting products (Advanced Deposit Wagering and Tote products) represents a percentage of the stake recognised on settlement of the event.

Commission revenue on spread betting services is recognised on the date of the transaction of each trade.

Revenue *continued*

Online Poker revenue is recorded as the net income (rake) earned from completed poker games.

During the year, the Group began to operate a new reportable segment relating to High rollers (note 2). The revenue from this segment represents gains and losses, being the amount staked and fees received less total payouts from betting activity in the year. Due to the volatility of returns from such customers, at 31 July 2010, the Directors decided not to continue with this product offering for the foreseeable future.

Revenue also includes amounts received from the management of customer funds.

Expenses

(i) Cost of sales

Cost of sales principally comprises gross profits tax, customer payment transaction fees, sporting levies and other data rights charges.

(ii) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

Finance income and expense

Finance income comprises interest earned on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis, either in finance income or finance expense as appropriate.

Tax

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity (through the Tax reserve), in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the liability to pay the related dividend is recognised.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Segment information is based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") in order to assess each segment's performance and to allocate resources to them. The CODM is the Chief Executive Officer (CEO).

Leases

Under accounting standards there is a requirement for management to examine the buildings element within each property lease to determine if the lease meets the definition of a finance lease and, if so, it should be accounted for as such. This review involves determining the fair value of each property at the inception of the lease and analysing the minimum lease payments between their "land" and 'buildings" elements. Based on management's review of leases for the years ended 30 April 2011 and 2010, all premises leases qualify as operating leases.

1 Accounting policies *continued*

Exceptional items

Items that are material in size, unusual or infrequent in nature are included within operating profit and disclosed separately in the income statement.

The separate reporting of these items, which are presented as exceptional items within the relevant category in the income statement, helps provide a more accurate indication of the Group's underlying business performance.

Accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Estimates

Note 1 – Capitalisation of development expenditure

The Group makes certain estimates surrounding costs included in the capitalisation of development expenditure incurred for each project. Judgement is required when considering whether or not a project meets the criteria within IAS 38 "Intangible assets". Judgement is also required in determining the start and end dates of the projects as well as determining the appropriate useful economic lives of each capitalised project.

Note 8 – Income tax

Tax on profits is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are recognised in the financial statements.

Note 15 – Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income.

Note 11 – Measurement of the recoverable amounts of goodwill and other intangible assets

A full impairment review has been performed of all goodwill and intangible assets held by the Group on a cash generating unit basis. The impairment review is performed on a "value in use" basis, which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and an appropriate growth rate.

Note 18 – Accounting for accruals

The calculation of accruals contains an inherent level of subjectivity. Management considers that the current level of accruals represents management's best estimate of the likely exposure.

Note 20 – Measurement of share-based payments

Judgement and estimation is required in determining the fair value of shares at the date of award. The fair value is estimated using valuation techniques which take into account the awards' term, the risk free interest rate and the expected volatility of the market price of shares of comparable businesses to the Group.

Judgements

Note 1 – Basis of consolidation

Judgement is applied when determining if an acquired entity is controlled by the Group, and whether the acquired entity meets the criteria to be defined as a subsidiary. Control is presumed to exist when the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. However if the Group owns half or less of the voting power of an entity, control may still exist. In assessing control, the Group considers whether it has the ability to control on a legal or contractual basis rather than whether that control is actually exercised. Specific examples of where the Group has control of subsidiaries are where it has the power to govern the entity's financial and operating policies by virtue of statute or agreement and where it has the power to cast the majority of votes of the entity's governing body.

Note 5 – Exceptional items

Judgement has been used by management to identify items that are material in size and unusual or infrequent in nature. They are included within operating profit and disclosed separately in the income statement. The separate reporting of these items helps to provide an indication of the Group's underlying business performance.

Note 14 – Business combinations

Judgement and estimation is required in the identification and valuation of separable assets and liabilities on acquisitions. In particular, in the identification and valuation of separable intangible assets and determining appropriate useful economic lives for these assets, and also in determining contingent consideration payable in respect of acquisitions where required by the terms of the agreement.

Note 22 – Valuation of derivative financial instruments

Judgement is required in the assessment of prospective effectiveness both at hedge inception and during the period over which hedge accounting is adopted. The fair value of derivative financial instruments can also involve judgement. Where appropriate, external valuations from financial institutions are undertaken to support the carrying value of such items.

Future accounting developments

IFRS 7 Financial Instruments: Disclosures – Amendments to disclosures. The Group is required to adopt this standard for the year ended 30 April 2012. IFRS 7 has been amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments.

IAS 1 Presentation of Financial Statements – Presentation of statement of changes in equity. The Group is required to adopt this standard for the year ended 30 April 2012. IAS 1 has been amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity. That reconciliation is required to show separately changes arising from items recognised in profit or loss, in other comprehensive income, and from transactions with owners acting in their capacity as owners.

IFRIC 13 Customer Loyalty Programmes – Fair value of award credit. The Group is required to adopt this standard for the year ended 30 April 2012. IFRIC 13 amended to state that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

IFRS 9 Financial Instruments First chapters of new standard on accounting for financial instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The Group is required to adopt this standard for the year ended 30 April 2014. The standard contains two primary measurement categories for financial assets:

- amortised cost; and
- fair value.

Financial assets are classified into one of these categories on initial recognition. A financial asset is measured at amortised cost if the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

IFRS 10 Consolidated Financial Statements, supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Group is required to adopt this standard for the year ended 30 April 2014. It provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. An investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

IFRS 12 Disclosure of Interests in Other Entities contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities. The Group is required to adopt this standard for the year ended 30 April 2014. The required disclosures aim to provide information in order to enable users to evaluate:

- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

The Group has decided not to early adopt the above standards, and is currently assessing their impact on its financial statements.

There are no other IFRSs or IFRICs in issue but not yet effective that are expected to have a significant impact for the Group.

2 Operating segments

The Group's continuing operating businesses are organised and managed as reportable business segments according to the information which is used by the Group's CODM for which financial information is regularly reviewed in making decisions about operating matters. These segments are:

- Core Betfair
  – Sports
  – Games
  – Poker
  – Management of customer funds
- Other investments
  – Betfair US
  – LMAX
- High rollers

Sports consists of the Exchange sports betting product, which offers markets on Racing, Football and Sports and Specials (SAS), plus Multiples, Tote, Timeform and Sportsbook. Games consists of various casino products and bespoke exchange games products. All of these gaming activities (and Poker) are played by customers in a number of geographical areas.

Sports and Games meet the quantitative thresholds required by IFRS 8 as reportable segments. Although Poker and revenue from the management of customer funds do not meet these requirements, the Board has concluded that these segments should be separately disclosed as they are closely monitored by the CODM.

Other investments comprises the LMAX Group (LMAX) and the Group's US operations (including the TVG Network), neither of which individually meets the threshold to be disclosed as a separate segment. However, the Board has concluded that these segments should also be separately disclosed as they are closely monitored by the CODM.

Similarly, High rollers was also assessed by the Board as being a reportable segment. Due to the volatility of returns from such customers, at 31 July 2010, the Directors decided not to continue with this product offering for the foreseeable future.

The results of the Australian joint venture are consolidated in the Group accounts on an equity accounting basis. As such only the net assets and the share of losses are presented in the operating segment note below. If proportional consolidation was applied the Group's share of the Australian joint venture would have increased revenue by £12.3 million (30 April 2010: £9.8 million) and decreased EBITDA by £0.1 million (30 April 2010: decrease by £2.4 million).

The revenue from Sports, Games, Poker and the management of customer funds represents the developed and integrated parts of the Group's business and have been grouped together as Core Betfair. Other investments represent relatively recent additions to the Group's business and which the CODM considers to be in the early stages of development.

The Group focuses its internal management reporting predominantly on revenue, as the products' potential to generate revenue is the chief driver of the Group's business and the allocation of resources. The Group's cost base is to a large extent fixed in nature. Corporate expenses, assets and liabilities cannot be allocated to individual operating segments and are not used by the CODM for making operating and resource allocation decisions. However, expenses are allocated and reviewed by the CODM between Core Betfair, the operating segments grouped into Other investments and High rollers and the analysis of EBITDA for them is summarised below.

Management also reviews Group revenue on a geographic basis, determined by the location of the customers when known. This information is analysed below on the following basis:

- UK
- Europe
- Rest of World
- Unallocated

2 Operating segments *continued*

Segmental information for the years ended 30 April 2011 and 30 April 2010 is as follows:

Year ended 30 April 2011

	Sports £'000	Games £'000	Poker £'000	Management of customer funds £'000	**Core Betfair £'000**	Betfair US £'000	LMAX £'000	**Other investments £'000**	**High rollers £'000**	**Group £'000**
Revenue	245,894	58,864	21,889	3,343	**329,990**	35,156	3,461	**38,617**	**24,704**	**393,311**
Adjusted EBITDA					**80,194**	(1,163)	(5,800)	**(6,963)**	**6,453**	**79,684**
Exceptional items					**(19,103)**	2,108	–	**2,108**	**–**	**(16,995)**
Equity settled share-based payments and associated costs					**(6,054)**	(359)	–	**(359)**	**–**	**(6,413)**
EBITDA					**55,037**	586	(5,800)	**(5,214)**	**6,453**	**56,276**
Depreciation and amortisation										**(31,437)**
Profit on disposal of available-for-sale financial asset										**1,158**
Net finance income										**1,531**
Share of loss of equity accounted investments										**(911)**
Profit before tax										**26,617**
Total assets										**327,699**
Total liabilities										**(112,135)**

Year ended 30 April 2010

	Sports £'000	Games £'000	Poker £'000	Management of customer funds £'000	Core Betfair £'000	Betfair US £'000	LMAX £'000	Other investments £'000	High rollers £'000	Group £'000
Revenue	223,708	54,216	25,566	2,553	306,043	32,014	2,858	34,872	–	340,915
Adjusted EBITDA					62,192	(4,959)	(3,749)	(8,708)	–	53,484
Exceptional items					(4,600)	–	–	–	–	(4,600)
Equity settled share-based payments and associated costs					(4,192)	–	–	–	–	(4,192)
EBITDA					53,400	(4,959)	(3,749)	(8,708)	–	44,692
Depreciation and amortisation										(26,246)
Net finance income										2,373
Share of loss of equity accounted investments										(3,041)
Profit before tax										17,778
Total assets										296,599
Total liabilities										(114,787)

Geographical information determined by location of customers is set out below:

Year ended 30 April 2011

	UK £'000	Europe £'000	Rest of World £'000	Unallocated* £'000	**Group £'000**
Core Betfair	174,028	136,232	16,387	3,343	**329,990**
Other investments	3,461	–	35,156	–	**38,617**
High rollers	–	–	–	24,704	**24,704**
Total Group	**177,489**	**136,232**	**51,543**	**28,047**	**393,311**

Year ended 30 April 2010

	UK £'000	Europe £'000	Rest of World £'000	Unallocated* £'000	Group £'000
Core Betfair	163,637	124,996	14,857	2,553	306,043
Other investments	2,858	–	32,014	–	34,872
High rollers	–	–	–	–	–
Total Group	166,495	124,996	46,871	2,553	340,915

* Unallocated segment represents revenue from the management of customer funds and High rollers. Revenues from High rollers have not been allocated to a specific geographic region as the method of the placement of bets by these customers does not allow such an allocation.

3 Profit before tax

Profit before tax is stated after charging / (crediting):

	2011 £'000	2010 £'000
Equity settled share-based payments and associated costs	**6,413**	4,192
Depreciation of property, plant and equipment	**13,470**	11,896
Amortisation of capitalised development expenditure	**11,028**	7,459
Amortisation of other intangibles	**6,939**	6,891
Loss on disposal of property, plant and equipment	**43**	19
Rentals payable under operating leases – equipment	**49**	34
Rentals payable under operating leases – property	**8,580**	8,043
Research and non-capitalisable development expenditure	**48,366**	25,971
Disposal of hedging derivative (note 19)	**–**	(993)

Auditors' remuneration:

	2011 £'000	2010 £'000
Fees payable to the Company's auditor for the audit of these financial statements	**101**	86
Fees payable to the Company's auditor and its associates for other services:		
Audit of financial statements of subsidiaries pursuant to legislation	**574**	487
Other services pursuant to legislation – review of interim financial statements	**55**	–
Tax services	**392**	432
Transaction advisory	**600**	1,989
Total	**1,722**	2,994

Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

Auditors' remuneration in respect of transaction advisory costs relate to work performed on the listing and corporate projects relating to optimisation planning and strategic development.

4 Employee numbers and costs

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

	2011 No.	2010 No.
Commercial and marketing	**263**	255
Technology and product	**808**	608
Operations	**674**	580
Corporate	**293**	234
Total	**2,038**	1,677

The aggregate payroll costs of these persons were as follows:

	2011 £'000	2010 £'000
Wages and salaries	**94,054**	79,796
Social security costs	**10,750**	8,462
Redundancy costs	**458**	235
Equity settled share-based payments and associated costs (note 20)	**6,413**	4,192
Pension costs	**2,016**	1,501
Total	**113,691**	94,186

Details on the remuneration of Directors are set out in the Directors' Remuneration Report on pages 50 to 56.

5 Exceptional items

	2011 £'000	2010 £'000
Costs incurred on corporate projects	**19,103**	4,600
Release of surplus provisions	**(2,108)**	–
Total	**16,995**	4,600

During the year ended 30 April 2011, the Group incurred IPO expenses amounting to £15.7 million, comprising professional fees and bonus payments and £3.4 million for corporate projects relating to cost optimisation planning and strategic development. In addition, the Group released surplus provisions totalling £2.1 million.

6 Profit on disposal of available-for-sale financial asset

	2011 £'000	2010 £'000
Profit on sale of investment	**1,158**	–

During the year ended 30 April 2011, the Group disposed of its 5.60% investment in Fine Success Limited (note 13).

7 Finance income and expense

Recognised in income statement

	2011 £'000	2010 £'000
Finance income		
Bank interest receivable	**1,113**	795
Net foreign exchange gain	**433**	1,562
Fair value adjustment of convertible loan notes	–	32
Total	**1,546**	2,389

	2011 £'000	2010 £'000
Finance expense		
Interest expense	**15**	16

Recognised directly in other comprehensive income

	2011 £'000	2010 £'000
Foreign exchange differences arising on consolidation	**(2,853)**	(2,910)
Change in fair value of convertible loan notes	–	(23)
Change in fair value of hedging derivative	–	(1,261)
Disposal of hedging derivative	–	(993)
Tax directly recognised in other comprehensive income	–	928
Finance expense recognised directly in other comprehensive income	**(2,853)**	(4,259)
Attributable to:		
Equity holders of the Company	**(2,853)**	(4,259)
Non-controlling interest	–	–
Total	**(2,853)**	(4,259)

	2011 £'000	2010 £'000
Recognised in:		
Hedging reserve	–	(1,623)
Translation reserve	**(2,853)**	(2,910)
Retained earnings	–	274
Finance expense recognised directly in other comprehensive income	**(2,853)**	(4,259)

8 Tax

Recognised in the income statement

	2011 £'000	2010 £'000
Current tax		
UK – current year	**7,686**	6,132
UK – adjustments in respect of prior periods	**(3,466)**	(4,966)
Overseas – current year	**1,491**	2,199
Overseas – adjustments in respect of prior periods	**1,122**	(165)
Current tax expense	**6,833**	3,200
Deferred tax		
Origination and reversal of temporary differences – credit	**(3,347)**	(541)
Tax rate reduction	**125**	–
Deferred tax credit	**(3,222)**	(541)
Total tax expense	**3,611**	2,659

Reconciliation of effective tax rate

	2011 £'000	2010 £'000
Profit before tax	**26,617**	17,778
Total tax expense	**(3,611)**	(2,659)
Profit for the year	**23,006**	15,119
Tax using the UK corporation tax rate of 27.8% (2010: 28.0%)	**7,400**	4,978
Effect of tax rates in foreign jurisdictions	**(6,053)**	(2,370)
Non-deductible expenses	**2,545**	2,005
Tax rate reduction	**125**	–
Current year losses for which no deferred tax asset was recognised	**1,981**	3,219
Adjustments in respect of prior periods	**(2,387)**	(5,173)
Total tax expense	**3,611**	2,659

Tax recognised directly in equity

	2011 £'000	2010 £'000
Deferred tax related to effective portion of fair value of cash flow hedges	**–**	631
Other deferred tax in relation to equity settled share-based payments	**(5,162)**	(1,468)
Deferred tax	**(5,162)**	(837)
Current tax in relation to equity settled share-based payments	**5,091**	1,765
Total tax (including deferred tax liability on fair value hedges)	**(71)**	928
Presented as:		
Amounts within effective portion of changes in fair value of cash flow hedges	**–**	631
Tax recognised on income and expenses recognised directly in equity (excluding tax on effective portion of changes in fair value of cash flow hedges)	**(71)**	297
Total tax recognised directly in equity (including deferred tax liability on fair value hedges)	**(71)**	928

The Group's consolidated effective tax rate for the year was 13.6% (30 April 2010: 15.0%).

The tax effect of exceptional items in the current year amounted to a tax credit of £2.2 million (2010: £nil).

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.

8 Tax *continued*

These changes will reduce the Group'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 £0.3 million. 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 Group's future current tax charge and reduce the Group's deferred tax asset accordingly.

9 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 30 April 2011 was based on the profit attributable to ordinary shareholders of £24.2 million (30 April 2010: £15.1 million) and a weighted average number of ordinary shares outstanding of 106,811,660 (30 April 2010: 104,926,368).

	2011	2010
Profit for the year (£'000)	**24,157**	15,119
Weighted average number of shares	**106,811,660**	104,926,368
Basic earnings per share	**22.6p**	14.4p
Diluted earnings per share	**22.0p**	13.8p

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 April 2011 was based on the profit attributable to ordinary shareholders of £24.2 million (30 April 2010: £15.1 million) and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 109,653,974 (30 April 2010: 109,769,384), calculated as follows:

Profit used to determine diluted earnings per share

	2011 £'000	2010 £'000
Profit for the year	**24,157**	15,119
Interest expense on convertible loan notes (net of tax)	–	11
Profit used to determine diluted earnings per share	**24,157**	15,130

Weighted average number of shares (diluted)

	2011	2010
Weighted average number of ordinary shares (basic)	**106,811,660**	104,926,368
Effect of share options on issue	**2,842,314**	4,843,016
Weighted average number of ordinary shares (diluted)	**109,653,974**	109,769,384

The average market value of the Company's shares of £10.32 (2010: Director's valuation of £10.00) was used to calculate the dilutive effect of share options based on the market value for the year that the options were outstanding.

10 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Vehicles, plant and equipment £'000	Total £'000
Cost						
At 1 May 2009	750	9,752	55,957	3,221	491	70,171
Acquisitions	–	1,550	9,923	1,558	175	13,206
Disposals	–	–	(2,402)	–	(127)	(2,529)
Foreign exchange differences	–	68	130	149	–	347
At 30 April 2010	750	11,370	63,608	4,928	539	81,195
Acquisitions	–	2,374	17,285	2,059	169	21,887
Disposals	–	–	(52)	(14)	(105)	(171)
Foreign exchange differences	–	(73)	(448)	(62)	107	(476)
At 30 April 2011	**750**	**13,671**	**80,393**	**6,911**	**710**	**102,435**
Depreciation						
At 1 May 2009	37	4,864	40,836	1,613	243	47,593
Depreciation for the year	15	1,721	8,875	1,116	169	11,896
Disposals	–	–	(2,402)	–	(56)	(2,458)
Foreign exchange differences	–	(19)	(324)	44	–	(299)
At 30 April 2010	52	6,566	46,985	2,773	356	56,732
Depreciation for the year	15	1,651	10,686	1,013	105	13,470
Disposals	–	–	(26)	(12)	(37)	(75)
Foreign exchange differences	–	(97)	194	(648)	2	(549)
At 30 April 2011	**67**	**8,120**	**57,839**	**3,126**	**426**	**69,578**
Net book value						
At 30 April 2010	698	4,804	16,623	2,155	183	24,463
At 30 April 2011	**683**	**5,551**	**22,554**	**3,785**	**284**	**32,857**

11 Goodwill and other intangible assets

	Goodwill £'000	Computer software £'000	Licences £'000	Development expenditure £'000	Brand £'000	Customer lists £'000	Broadcasting and wagering technologies £'000	Total £'000
Cost								
At 1 May 2009	51,785	2,150	1,792	28,554	2,145	4,807	970	92,203
Transfer in relation to joint venture	2,099	–	–	1,500	–	–	–	3,599
Acquisitions through business combinations	558	–	–	–	–	–	–	558
Other acquisitions – internally developed	–	–	–	15,138	–	–	–	15,138
Other acquisitions – externally purchased	2,613	5,460	–	–	–	–	–	8,073
Foreign exchange differences	(864)	–	(177)	–	(56)	(125)	(24)	(1,246)
At 30 April 2010	56,191	7,610	1,615	45,192	2,089	4,682	946	118,325
Other acquisitions – internally developed	–	–	–	25,002	–	–	–	25,002
Other acquisitions – externally purchased	192	14,086	55	3,983	–	–	–	18,316
Disposals	–	–	–	–	–	(532)	–	(532)
Foreign exchange differences	(2,928)	–	17	–	(176)	(363)	(82)	(3,532)
At 30 April 2011	**53,455**	**21,696**	**1,687**	**74,177**	**1,913**	**3,787**	**864**	**157,579**
Amortisation								
At 1 May 2009	–	39	474	13,748	269	302	86	14,918
Amortisation for the year	–	3,852	613	7,459	995	1,115	316	14,350
Foreign exchange differences	–	71	(95)	–	42	46	13	77
At 30 April 2010	–	3,962	992	21,207	1,306	1,463	415	29,345
Amortisation for the year	–	4,489	384	11,028	764	1,042	260	17,967
Disposals	–		–	–	–	(199)	–	(199)
Foreign exchange differences	–	63	(79)	–	(157)	(176)	(53)	(402)
At 30 April 2011	**–**	**8,514**	**1,297**	**32,235**	**1,913**	**2,130**	**622**	**46,711**
Net book value								
At 30 April 2010	56,191	3,648	623	23,985	783	3,219	531	88,980
At 30 April 2011	**53,455**	**13,182**	**390**	**41,942**	**–**	**1,657**	**242**	**110,868**

Computer software represents software licences which have been purchased from suppliers. Licences represent bookmaking licences held by the Group.

Development expenditure represents internally and externally generated costs incurred on development activities. These costs have been capitalised in accordance with the requirements of IAS 38 "Intangible Assets".

The remaining other intangibles represents assets purchased as part of the TVG Network acquisition, being brand, customer lists and broadcasting and wagering technologies. These are amortised over their estimated useful economic lives which fall between 2–6 years.

The amortisation charge of intangible assets is recognised within "Administrative expenses" in the income statement.

Goodwill

At 30 April 2011, the carrying amount of goodwill was £53.5 million (2010: £56.2 million) allocated across four (2010: four) cash generating units (CGU's) as follows:

	2011 £'000	2010 £'000
CGU		
Sports	**8,652**	8,652
Games	**2,780**	2,679
Poker	**9,957**	9,957
TVG	**32,066**	34,903
Total goodwill net book value at 30 April	**53,455**	56,191

11 Goodwill and other intangible assets *continued*

CGUs

The goodwill held in the "Sports" CGU relates to the goodwill recognised from the acquisition of Portway Press Limited ("Timeform") in November 2006 of £6.0 million and BTV Limited ("Betfair TV") of £2.6 million.

The goodwill held in the "Games" CGU for the current year relates to the goodwill recognised on the acquisition of the assets for TSE Development Romania.

The "Poker" CGU goodwill for the current and prior year relates to the goodwill recognised on the Poker Champs acquisition in October 2005.

The goodwill of £32.1 million (2010: £34.9 million) in respect of the "TVG" CGU relates to the acquisition of the TVG Network ("TVG").

All goodwill is recorded in local currency. Additions during the year are converted at the exchange rate on the date of the transaction and the goodwill at the end of the year is stated at closing exchange rates.

Impairment testing

There has been no impairment charge for the year (2010: £nil).

In order to determine whether impairments are required the Group estimates the recoverable amount of each CGU. The calculation is based on projecting future pre-tax cash flows over a five year period and uses a terminal value to incorporate expectations of growth thereafter. The terminal value is calculated using a perpetuity model, which reflects the expected long-term average growth rate for the business in which the CGU operates.

The budgets for the next financial year form the basis of the cash flow projections for each CGU. Cash flow projections for the next four financial years reflect management's conservative expectations of the medium term operating performance of the CGUs and growth prospects in each CGU's markets and regions, and have been modelled in line with historic patterns experienced by the Group in recent years. A discount factor is applied to obtain a "value in use" which is the recoverable amount, unless the fair value less costs to sell the respective CGU is an amount in excess of the "value in use".

The calculation of value in use for goodwill is sensitive to the following key assumptions:

(i) Operating cashflow

One of the key drivers of operating cash flow is revenue. The 2012 revenue figures for each CGU are based on the budget for the next financial year. For the years 2013 to 2016, the likely organic growth rates were assessed for each region in the CGU, taking account of past experience and historic player patterns. For all CGUs, the terminal growth rate used was 2.0% (2010: 2.0%). In all cases management consider the assumed growth rates to be conservative.

(ii) Discount rate applied

The discount rate applied to a CGU represents a pre-tax rate that reflects the Group's weighted average cost of capital adjusted for the risks specific to the CGU.

For the Sports, Games and Poker CGUs, a pre-tax discount rate of 12.2% (2010: 15.0%) has been used in discounting the projected cash flows for each CGU. The discount rate has been revised following the Group's listing in October 2010 to reflect the latest market assumptions for the Risk-Free rate and the Equity Risk Premium.

For the TVG CGU, a pre-tax discount rate of 13.8% (2010: 15.0%) has been used in discounting the projected cashflows for that CGU. This discount rate differs from the Sports, Games and Poker CGUs due to the inclusion of a Company specific risk premium as a result of the differing business model operated by TVG.

The calculation of recoverable amount is sensitive to forecast future earnings and the discount rates applied. Management have considered the effect of either a decrease of up to 10.0% in future planned earnings for all financial years ending 30 April 2016 or an increase in the discount rate for each CGU of up to 2.0%, both of which are considered unlikely. There are no reasonable possible changes in the key assumptions that would cause the carrying amount of any of the Sports, Games and Poker CGUs to exceed the recoverable amount. Due to the differing business model used by TVG, the calculation of the recoverable amount is more sensitive to a decrease in future earnings assumptions. As part of the Group's strategic investment strategy, TVG was purchased during the financial year ended 30 April 2009. TVG is one of America's largest legal online wagering businesses and is a digital cable network that combines televised coverage from around 50.0% of US racetracks, allows viewers to bet directly into racecourse tote pools from home, by telephone, online, or via interactive TV. TVG broadcasts reach over 30 million homes and the Company has operations in California, Oregon and Colorado. The TVG acquisition allows the Group to be well placed to take advantage of any legislative change in the US markets, and the skills and knowledge that Betfair possess will help the TVG business benefit from current and future opportunities. TVG is sensitive to the future developments in US Horseracing.

In the coming financial year, the agreed strategy for TVG is to continue its focus on streamlining its business model and improving operating margins. In view of this, and with reference to recent transactions in the US wagering industry and on the basis of reasonable assumptions used in the impairment review, the Directors consider that there is no impairment of the carrying value of the TVG CGU.

12 Investments in subsidiaries, associates and jointly controlled entities

The Group and Company have the following principal investments in subsidiaries, associates and jointly controlled entities:

	Country of incorporation	Principal activity	Classification	Ordinary shares held %
The Sporting Exchange Limited	England	Holding company	Subsidiary	100
Betfair Limited	England	Support services	Subsidiary	100
Betfair General Betting Limited	England	Bookmaking	Subsidiary	100
Portway Press Limited	England	Horse racing data	Subsidiary	100
Timeform Betfair Racing Club Limited	England	Horse racing club	Subsidiary	100
TSE Global Limited	England	Trading	Subsidiary	100
TSE Development Limited	England	Intellectual property licensor	Subsidiary	100
TSE Holdings Limited	England	Holding company	Subsidiary	100
Winslow One Limited	England	Holding company	Subsidiary	100
Winslow Two	England	Holding company	Subsidiary	100
Winslow Three Limited	Cayman Islands	Support services	Subsidiary	100
Winslow Four	Cayman Islands	Support services	Subsidiary	100
TSE (Gibraltar) LP	Gibraltar	Bookmaking	Subsidiary	100
TSE Data Processing Limited	Ireland	Data Centre	Subsidiary	100
Polco Limited	Malta	Intellectual property licensor	Subsidiary	100
Betfair Games Limited	Malta	Online gaming	Subsidiary	100
Betfair Casino Limited	Malta	Online gaming	Subsidiary	100
Betfair Counterparty Services Limited	Malta	Online gaming	Subsidiary	100
Betfair Entertainment Limited	Malta	Online gaming	Subsidiary	100
Betfair International ENC	Malta	Bookmaking	Subsidiary	100
Betfair Poker Marketing Limited	Malta	Marketing activities	Subsidiary	100
Betfair Holding (Malta) Limited	Malta	Holding company	Subsidiary	100
Betfair Poker Holdings Limited	Malta	Holding company	Subsidiary	100
Betfair TV Limited (formerly Evanescent Limited)	Malta	Trading	Subsidiary	100
Evanescent Services Limited	Cayman Islands	Trading	Subsidiary	100
Betfair Italia S.R.L.	Italy	Bookmaking	Subsidiary	100
TSE Alderney Limited	Alderney	Bookmaking	Subsidiary	100
TSE Holdings (Hong Kong) Limited	Hong Kong	Holding company	Subsidiary	100
TSE (Beijing) Management Consulting Co Limited	China	Support services	Subsidiary	100
TSE Development Romania S.R.L.	Romania	R&D activities	Subsidiary	100
TSE Services Limited	Cayman Islands	Support services	Subsidiary	100
TSE US Holdings Inc	USA	Holding company	Subsidiary	100
TSE US LLC	USA	R&D activities	Subsidiary	100
ODS Holdings LLC	USA	Holding company	Subsidiary	100
ODS Technologies LP	USA	Trading company	Subsidiary	100
Betfair US LLC	USA	Trading	Subsidiary	100
LMAX Limited	England	Trading	Subsidiary	74.83
Tradefair Spreads Limited	England	Spread Betting services	Subsidiary	74.83
London Multi Asset Exchange (Holdings) Limited	England	Holding company	Subsidiary	74.83
Betfair Pty Limited	Australia	Bookmaking	Joint venture	50
Betfair (Developments) Pty Limited	Australia	Intellectual property licensor	Joint venture	50
Betfair Australasia Pty Limited	Australia	Holding company	Joint venture	50
Sports and Gaming Ventures Holdings Limited	Mauritius	Trading	Joint venture	50

The Sporting Exchange Limited is held directly by Betfair Group Limited. All other subsidiaries are held indirectly.

Other direct holdings of the Group and Company have been excluded in accordance with the Companies Act 2006 s410, as they are not deemed to be significant to these accounts. A full list of the Group and Company subsidiaries will be included in the next annual return.

12 Investments in subsidiaries, associates and jointly controlled entities *continued*

The interest in the joint ventures of the Group are as follows:

	2011 £'000	2010 £'000
Share of net liabilities		
At the beginning of the year	**(4,910)**	(1,897)
Share of operating loss	**(1,002)**	(3,129)
Share of interest receivable	**91**	88
Contribution of cash into joint venture	**230**	225
Change in shareholding in joint venture – transfer to subsidiary	**–**	655
Foreign exchange differences	**(510)**	(852)
At the end of the year	**(6,101)**	(4,910)
Goodwill		
At the beginning of the year	**385**	3,984
Change in shareholding in joint venture – transfer to subsidiary	**–**	(3,599)
At the end of the year	**385**	385
Loan		
At the beginning of the year	**4,677**	4,122
Reclassification of loan from short-term to long-term	**2,204**	–
Transfer to subsidiary	**–**	(375)
Foreign exchange differences	**794**	930
At the end of the year	**7,675**	4,677
Net book value		
At the beginning of the year	**152**	6,209
At the end of the year	**1,959**	152

The table below presents the summary aggregated financial information of the Groups joint venture Betfair Australiasia Pty Limited at 100%.

	2011 £'000	2010 £'000
Current assets	**6,421**	8,898
Non-current assets	**8,728**	11,217
Current liabilities	**(20,188)**	(19,561)
Revenue	**24,573**	19,556
Expenses	**(29,880)**	(24,362)

13 Available-for-sale financial asset

At 30 April 2011, the available-for-sale financial assets primarily comprises the Group's 11.2% (fully diluted holdings of 9.3%) non-controlling interest in Kabam Inc. (£2.0 million) and Featurespace Limited of 14.1% (fully diluted holdings of 12.6%) (£0.1 million).

	£'000
Cost	
At 1 May 2010	4,385
Disposals	(2,270)
At 30 April 2011	**2,115**

On 5 February 2010, the Group entered into an agreement to sell the 5.6% holding of shares in Fine Success Limited for a consideration of US$5.2 million (£3.4 million). The terms of the sale agreement stipulated that the transfer of the investment will only occur once the full consideration is received. Of the total consideration, US$2.7 million (£1.8 million) had been received by the year ended 30 April 2010. As a result, the investment remained recorded as an "Available-for-sale" investment and the US$2.7 million (£1.8 million) was recognised in "Other payables". During the year the Group received the remaining consideration of US$2.5 million (£1.6 million) in cash and the disposal was completed. A profit on sale of the available-for-sale investment was recognised in the income statement of £1.2 million.

14 Acquisitions

On 31 December 2010, the Group (through TSE USE LLC) purchased 2.3% interest in ODS Technologies LP (TVG) which represented the remaining non-controlling interest in the Company. The total payment made was £0.2 million (US$0.3 million) of which the Group has recognised as goodwill.

The goodwill is attributable to the workforce of the acquired business and the strategic premium relating to market opportunities.

There is no impact on the Group accounts because the acquisition has not changed the Group's obligation to provide financial support to the acquired subsidiary.

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Total	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Property, plant and equipment	**3,624**	2,284	**–**	–	**3,624**	2,284
Intangible assets	**2,100**	–	**(11,016)**	(8,134)	**(8,916)**	(8,134)
Equity settled share-based payments and associated costs	**5,436**	10,599	**–**	–	**5,436**	10,599
Value of tax loss carry-forwards	**1,398**	156	**–**	–	**1,398**	156
Other	**2,081**	555	**–**	–	**2,081**	555
Deferred tax assets / (liabilities)	**14,639**	13,594	**(11,016)**	(8,134)	**3,623**	5,460

The Group has unrecognised deferred tax assets in respect of losses of £8.3 million (2010: £6.8 million) and unrecognised deferred tax assets in respect of depreciation in excess of capital allowances of £0.9 million (2010: £2.0 million). These have not been recognised on the basis that there is insufficient certainty of there being future taxable profits in those jurisdictions. Movements in deferred tax are as follows:

	Property, plant and equipment £'000	Intangible assets £'000	Share-based payments £'000	Tax value of loss carry-forwards £'000	Other £'000	Total £'000
Balance at 1 May 2009	1,544	(7,052)	11,114	–	(57)	5,549
Recognised in income statement	738	(1,206)	953	75	(19)	541
Acquisition of subsidiary	2	–	–	81	–	83
Foreign exchange differences	–	124	–	–	–	124
Recognised in equity	–	–	(1,468)	–	631	(837)
Balance at 30 April 2010	2,284	(8,134)	10,599	156	555	5,460
Balance at 1 May 2010	2,284	(8,134)	10,599	156	555	5,460
Recognised in income statement	1,340	(885)	(1)	1,242	1,526	3,222
Acquisition of subsidiary	–	–	–	–	–	–
Foreign exchange differences	–	103	–	–	–	103
Recognised in equity	–	–	(5,162)	–	–	(5,162)
Balance at 30 April 2011	**3,624**	**(8,916)**	**5,436**	**1,398**	**2,081**	**3,623**

16 Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	**2,225**	1,869
Other receivables	**6,056**	4,894
Prepayments and accrued income	**12,958**	15,073
Amounts due from joint ventures	**–**	376
Total	**21,239**	22,212

17 Cash and cash equivalents

	2011 £'000	2010 £'000
Cash and cash equivalents	**155,038**	150,947

As at 30 April 2011 £305.6 million (30 April 2010: £284.0 million) was held on trust in The Sporting Exchange (Clients) Limited, on behalf of the Group's core Betfair business customers and is equal to the amounts deposited into customer accounts. Cash and cash equivalents do not include client funds on the basis that they are held on trust for customers and do not belong to and are not at the disposal of the Group.

18 Trade and other payables

	2011 £'000	2010 £'000
Trade payables	**5,210**	9,689
Other payables	**11,253**	12,758
Amounts owed to joint ventures	**2,951**	–
Other tax and social security	**6,834**	7,268
Non-trade payables and accrued expenses	**61,189**	59,142
Total	**87,437**	88,857

19 Equity

Share capital

	Ordinary shares 2011 No.	2010 No.
As at 1 May	**105,385,361**	104,450,014
Issued by the Group in relation to:		
Exercised share options and restricted shares	**2,345,474**	769,935
Exercised SAYE options	**163,899**	134,338
Shares cancelled	**(495)**	–
Conversion of convertible loan notes	**–**	12,624
New shares issued for cash	**10,000**	18,450
Total fully paid, ordinary shares of £0.001 each	**107,904,239**	105,385,361

	2011 £'000	2010 £'000
Authorised		
200,000,000 ordinary shares of £0.001 each (30 April 2010: 200,000,000)	**200**	200
Allotted, called up and fully paid		
107,904,239 ordinary shares of £0.001 each (30 April 2010: 105,385,361)	**108**	105

During the year, the Group received consideration of £5.2 million (30 April 2010: £0.6 million) for the exercise of 2,345,474 (30 April 2010: 769,935) share options and restricted shares and £1.3 million (30 April 2010: £1.1 million) for the exercise of 163,899 (30 April 2010: 134,338) SAYE options, resulting in total consideration from the issue of shares of £6.5 million (30 April 2010: £1.7 million). Also, 495 shares were cancelled and £3,000 was remitted upon cancellation of the shares.

Exercise prices ranged from £0.001 to £10.00. In addition, 10,000 (30 April 2010: 18,450) new shares issued for cash during the period for £10.00 a share amounting to a consideration received of £0.1 million (30 April 2010: £0.2 million).

19 Equity *continued*

The Employee Benefit Trust held 2,993,801 ordinary shares in the Company as at 30 April 2011 (30 April 2010: 2,263,903).

During the year, the Employee Benefit Trust issued 57,713 shares as part of a sale transaction at a price of £10.54 per share resulting in a reduction (credit to equity) to the own shares reserve of £0.2 million.

Also, in February 2011, the Group, through the Employee Benefit Trust purchased 778,153 shares at a total cost of £7.2 million (including the cost of the transaction of £72,000).

The total fully diluted shares as at 30 April 2011 was 114,226,773 (30 April 2010: 113,023,114).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. In the prior year the Group sold a hedge forward contract resulting in a £1.0 million gain.

Tax reserves

Other reserves comprise all tax directly recognised in equity.

Translation reserve

The foreign currency translation reserve comprises all foreign exchange differences on the revaluation of foreign currency entities and long-term foreign currency balances considered to be quasi-equity in nature.

Non-controlling interest

This relates to the issue of shares by the Group's subsidiary LMAX to non-controlling interest for the year ended 30 April 2011. Non-controlling interest is recognised and will continue to be recognised until such time the non-controlling accumulated losses are greater than their shareholding. This is in line with the Group's obligations to provide financial support to such subsidiaries.

Reconciliation of movement in equity

	2011 £'000	2010 £'000
Balance at 1 May	**181,812**	164,809
Total comprehensive income for the year		
Profit for the year	**23,006**	15,119
Other comprehensive income		
Foreign exchange differences arising on consolidation	**(2,853)**	(2,910)
Change in fair value of convertible loan note	–	(23)
Change in fair value of hedging derivative	–	(1,261)
Disposal of hedging derivative	–	(993)
Tax directly recognised in other comprehensive income	–	928
Other comprehensive income	**(2,853)**	(4,259)
Total comprehensive income for the year	**20,153**	10,860
Transactions with owners, recorded directly in equity		
Issue of shares	**6,619**	1,951
Purchase of own share by the EBT	**(7,225)**	–
Sale of own shares by the EBT	**117**	–
Equity settled share-based payment transactions	**6,324**	4,192
Share-based payment liabilities settled by the issue of equity instruments	**3,006**	–
Tax directly recognised in equity	**(71)**	–
Total transactions with owners	**8,770**	6,143
Changes in ownership interests in subsidiaries that do not result in a loss of control		
Initial recognition of non-controlling interest on LMAX	**4,829**	–
Total changes in ownership interests in subsidiaries	**4,829**	–
Balance at 30 April	**215,564**	181,812

20 Share-based payments

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

(a) Share option plans
(b) Save-As-You-Earn (SAYE) share option schemes
(c) Restricted share scheme
(d) Long-term incentive plan, Short-term incentive plan and Management incentive plan
(e) Senior Executives' Incentive Plan
(f) Stakeholder shares scheme.

As at 30 April 2011, 6,322,534 share options and restricted shares (2010: 7,637,753) in the capital of the Group remain outstanding and are exercisable up to 30 April 2021.

In accordance with IFRS 2, the Group has recognised an expense in respect of all share-based awards granted after 7 November 2002 that had not vested as at 30 April 2006. The total expense recognised in respect of these schemes was £6.3 million (excluding Employers' National Insurance costs) for the year ended 30 April 2011 (30 April 2010: £4.2 million). Employers' National insurance costs have been included which total £0.1 million.

The fair value of the options (Share option plans and Save-As-You-Earn share option schemes) is determined using the Black-Scholes option pricing model. The expected volatility is based on historical volatilities of traded options in businesses comparable to the Group 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, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The expected dividend yield is nil as the Group has not paid any dividends in the past.

(a) Share option plans

Under the Group's share option plans, options may be granted to the Directors and employees to purchase ordinary shares. No consideration is payable on the grant of an option. Options typically vest over a period of four years and the term of the options may not exceed ten years. Share options are granted under a service condition. There are no market conditions associated with the share option grants. Options vest subject to continued employment although certain employees may be given extended vesting dates after their employment ceases.

Financial year granted	Outstanding at 1 May 2010	Granted during the year	Lapsed / cancelled during the year	Exercised during the year	Outstanding at 30 April 2011	Exercise price £	Exercisable before
2001	**328,838**	–	–	(262,758)	**66,080**	0.001 to 0.20	2011
2002	**838,856**	–	–	(637,299)	**201,557**	0.001 to 0.40	2012
2003	**20,308**	–	–	(20,308)	**–**	0.40 to 2.00	2013
2004	**90,483**	–	–	(56,478)	**34,005**	0.25 to 2.25	2014
2005	**867,546**	–	(14,436)	(406,943)	**446,167**	2.17 to 4.50	2015
2006	**2,696,985**	–	(3,065)	(603,372)	**2,090,548**	4.50	2016
2007	**972,242**	–	(2,795)	(85,009)	**884,438**	£0.001 to 10.00	2017
2008	**61,650**	–	–	(5,375)	**56,275**	£0.001 to 10.00	2018
2009	**250,000**	–	(5,000)	(11,249)	**233,751**	£0.001 to 10.00	2019
2010	**184,000**	–	(40,000)	–	**144,000**	£0.001 to 10.00	2020
2011	**–**	402,623	(22,106)	–	**380,517**	£0.001 to 10.00	2021
	6,310,908	**402,623**	**(87,402)**	**(2,088,791)**	**4,537,338**		

4,010,948 options were exercisable under this scheme as at 30 April 2011 (2010: 5,701,768).

The weighted average exercise price for share options exercised during the year was £2.52 (2010: £0.77).

The fair value of the options is expensed over the period that the options vest. The following assumptions were used in the Black-Scholes pricing model for these options:

20 Share-based payments *continued*

Financial year options granted	2011	2003 – 2010
Share price at date of grant	**£9.25 – £10.00**	£0.40 – £10.00
Exercise price	**£0.001 – £10.00**	£0.001 – £10.00
Expected volatility	**42.30% – 60.08%**	32.51% – 62.71%
Expected term until exercised	**1 – 5 years**	1 – 5 years
Expected dividend yield	**Nil**	Nil
Risk-free interest rate	**0.61% – 2.97%**	0.65% – 5.79%

The weighted average fair value of the awards granted during the year ended 30 April 2011 under the share option plan at the date of grant was £3.57 (2010: £3.35).

The expense recognised in the income statement (excluding Employers' National Insurance costs) is £1.1 million (2010: £1.6 million).

The Group provides for National Insurance contributions, where necessary, on options which were granted to certain employees on or after 6 April 1999 under its unapproved share option schemes. The charge is based on the expected timing of future exercises of the share options and the market value of the underlying shares expected at those dates in those cases where the liability has not been passed onto the employee.

(b) Save-As-You-Earn (SAYE) share option schemes

The Group operates a HMRC approved SAYE share option scheme in which all UK employees can participate. Participants save a fixed amount of up to £250 per month for three years and are then able to use these savings to buy shares in the Group at a price fixed at a 20.0% discount to the market value at the start of the savings period. SAYE options are granted under a service condition. There are no market conditions associated with the SAYE option grants.

The SAYE options must ordinarily be exercised within six months of completing the relevant savings period, and are satisfied through the issue of new shares. In line with market practice, the exercise of these options is not subject to any performance condition.

Financial year granted	Outstanding at 1 May 2010	Granted during the year	Lapsed / cancelled during the year	Exercised during the year	Outstanding at 30 April 2011	Exercise price £	Exercisable before
2007	**19,599**	–	(18,418)	(1,181)	**–**	8.00	2010
2008	**166,299**	–	(9,278)	(152,581)	**4,440**	8.00	2011
2009	**185,365**	–	(33,603)	(8,467)	**143,295**	8.00	2012
2010	**191,705**	–	(45,966)	(1,670)	**144,069**	8.00	2013
	562,968	–	**(107,265)**	**(163,899)**	**291,804**		

The weighted average exercise price for share options exercised during the year was £8.00 (2010: £8.00).

The fair value of the SAYE share options is expensed over the service period based on the Black-Scholes model with the following assumptions:

Financial year options granted	2003 – 2010
Share price at date of grant	£2.71 – £10.00
Exercise price	£2.17 – £8.00
Expected volatility	40.07% – 54.40%
Expected term until exercised	3.25 years
Expected dividend yield	Nil
Risk-free interest rate	1.92% – 5.08%

20 Share-based payments *continued*

There were no SAYE share options granted during the year ended 30 April 2011. The weighted average fair value of the options granted in the prior year was £4.54.

The expense recognised in the income statement (excluding Employers' National Insurance costs) is £0.7 million (2010: £0.7 million).

(c) Restricted shares scheme

The Group provided a restricted shares scheme as part of its bonus plan which ceased in the prior year. In the prior year the bonus plan had been revised with the introduction of the Long-term incentive plan, Short-term incentive plan and Management incentive plan during the year. Refer to note 20 (d).

Awards made under the terms of the restricted share scheme represent a conditional right to receive ordinary shares in the Company, provided that the Group achieves specific performance criteria as well as the individual satisfying their own pre-determined performance criteria over a twelve month period. The restricted shares have a vesting period of three years from the first day of the financial year to which they relate and one third of the shares will vest each year for three years.

Scheme year	Outstanding at 1 May 2010	Granted during the year	Lapsed / cancelled during the year	Exercised during the year	Outstanding at 30 April 2011	Exercise price £	Exercisable before
2007	**188,331**	–	–	(76,925)	**111,406**	0.001	2012
2008	**299,270**	–	–	(127,007)	**172,263**	0.001	2013
2009	**276,276**	1,963	–	(52,750)	**225,489**	0.001	2014
	763,877	**1,963**	**–**	**(256,682)**	**509,158**		

Restricted shares are valued with reference to the market value of the shares on the date of grant (2010: £10). There were no grants made in the current year.

The weighted average exercise price for share options exercised during the year was £0.001 (2010: £0.001).

The expense recognised in the income statement(excluding Employers' National Insurance costs) is £0.3 million (2010: £1.2 million).

(d) Long-term incentive plan, Short-term incentive plan and Management incentive plan

In the prior year, the Group revised the terms of the existing restricted shares scheme for the Directors, executives and senior management with the introduction of the following schemes:

- Long-term incentive plan (LTIP) which consists of share options and restricted share awards
- Short-term incentive plan (STIP) which consists of cash and restricted share awards
- Management incentive plan (MIP) which consists of cash and restricted share awards

The schemes have awards in the form of cash, share options and restricted shares. Determining the fair value of each element is consistent with the measurement outlined above in each share-based payment category. The level of award granted in each of the schemes is based on the individual performance of the employee and the Group wide performance over the term of the award which is between one and three years.

Scheme year	Outstanding at 1 May 2010	Granted during the year	Lapsed / cancelled during the year	Exercised during the year	Outstanding at 30 April 2011	Exercise price £	Exercisable before
2010	–	5,638	–	–	**5,638**	0.001	2020

20 Share-based payments *continued*

The fair value of the share options in the LTIP scheme is expensed over the three year period that the options vest. The following assumptions were used in the Black-Scholes pricing model for these options:

Financial year options granted	2011	2010
Share price at date of grant	**£10.00**	£10.00
Exercise price	**£10.00**	£10.00
Expected volatility	**52.71%**	52.14%
Expected term until exercised	**4 years**	4 years
Expected dividend yield	**Nil**	Nil
Risk-free interest rate	**2.28%**	2.32%

The STIP and the MIP have cash elements which are fixed in value and are paid and expensed in the first year that the awards are issued. The cash award represents two thirds of the total award. There is no option given to the recipient of the award to elect to have these issued in shares. The cash element issued is classified as a cash bonus in the income statement and not a 'cash settled share-based payment'. This is on the basis that the employee does not have the option to choose whether they receive cash or shares.

The restricted shares in the LTIP, STIP and MIP are measured consistently with the treatment of normal restricted shares. The restricted shares in the LTIP scheme vest at the end of the third year. The vesting period of the STIP and MIP restricted shares vests over the second and third year after the first year's cash element is paid.

As at 30 April 2011, the actual number of options, restricted shares and cash component to be awarded has not been determined. An expense of £1.0 million for the options and restricted shares has been recognised (excluding Employer's National Insurance costs) which is management's best estimate of the charge in respect of these awards for the current year. The cash element of the scheme has been included in the bonus cash pool for the performance year ended 30 April 2011.

The Employers' National Insurance costs amounted to £0.1 million.

(e) Senior Executives' Incentive Plan

The Long-term Senior Executives' Incentive Plan ("SEIP") was approved by the Board on 16 October 2007. The plan entailed certain senior management and Directors be granted one-off awards consisting of a cash and restricted shares element. The scheme came into effect upon the admission of the Group's shares on the London stock exchange.

The cash was paid on the date of admission to the participants in the scheme. The restricted shares were granted on the date of admission and half will vest on the first anniversary of the listing and the next half on the second anniversary of the listing subject to continued employment.

The restricted shares in the SEIP are measured consistently with the treatment of normal restricted shares.

The expense recognised (excluding Employers' National Insurance costs) is £3.5 million (2010: £nil). The Employers' National Insurance costs amounted to £0.3 million.

Scheme year	Outstanding at 1 May 2010	Granted during the year	Lapsed / cancelled during the year	Exercised during the year	Outstanding at 30 April 2011	Exercise price £	Exercisable before
2011	–	704,546	–	–	**704,546**	0.001	2021

20 Share-based payments *continued*

(f) Stakeholder award scheme

During the year, the Group issued 309,280 restricted shares and 26,829 phantom shares to the employees of the Group as part of the new Stakeholder award scheme. The scheme relates to the individual employees' performance during the financial year ended 30 April 2010 for which a cash bonus accrual had been recognised. Subsequent to the year ended 30 April 2010 the reward was settled by the issue of equity instruments.

The restricted shares and phantom shares have a vesting period spanning from the first day of the financial year to which they relate to the vest date of 1 August 2011. The restricted shares in the scheme are convertible into shares upon vest date and they are measured consistently with the treatment of normal restricted shares. The phantom shares in the scheme are only convertible to cash upon the vest date and they are measured based on the market value at the date of grant (1 May 2010: £10.00). These are recognised in accruals in the consolidated balance sheet.

The annual true up on equity amounted to £0.3 million and a reduction in Employers' National Insurance liability of £0.2 million.

Scheme year	Outstanding at 1 May 2010	Granted during the year	Lapsed / cancelled during the year	Exercised during the year	Outstanding at 30 April 2011	Exercise price £	Exercisable before
2010	–	309,280	(35,230)	–	**274,050**	0.001	2020

21 Employee benefits

Defined contribution plans

In August 2008, the Group introduced a defined contribution pension plan available to certain employees. The total expense shown within pension costs above relating to this plan in the current year was £2.0 million (2010: £1.5 million).

22 Financial instruments

(a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is valued at fair value less any provision for bad debts. The fair value is estimated using the present value of future cash flows discounted at the market rate of interest at the reporting date.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Derivative financial instruments

Derivative financial instruments comprise Sports betting open positions. The fair value of open Sports bets at the year end has been calculated using the latest available prices on the Company's own markets on relevant sporting events. The fair value calculation also includes the impact of any hedging activities in relation to these open positions. Assets or liabilities resulting from open positions are reported gross in financial assets and financial liabilities (note 22(d)).

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

22 Financial instruments *continued*

The fair values for each class of financial asset and financial liability, together with their carrying amounts are as follows:

	Carrying value 2011 £'000	Fair value 2011 £'000	Carrying value 2010 £'000	Fair value 2010 £'000
Trade and other receivables (note 16)	**8,281**	**8,281**	6,763	6,763
Cash and cash equivalents (note 17)	**155,038**	**155,038**	150,947	150,947
Derivative financial liability (note 22(c))	**(373)**	**(373)**	(35)	(35)
Trade and other payables (note 18)	**(16,463)**	**(16,463)**	(22,447)	(22,447)
Net financial assets	**146,483**	**146,483**	135,228	135,228

The table below sets out fair value measurements using the IFRS 7 fair value hierarchy:

	Total 2011 £'000	Level 1 2011 £'000	Level 2 2011 £'000	Level 3 2011 £'000
Financial assets / (liabilities) at fair value through income statement:				
Available-for-sale financial asset (note 13)	2,115	–	2,115	–
Net assets at fair value through income statement	**2,115**	**–**	**2,115**	**–**

	Total 2010 £'000	Level 1 2010 £'000	Level 2 2010 £'000	Level 3 2010 £'000
Financial assets / (liabilities) at fair value through income statement:				
Available-for-sale financial asset (note 13)	4,385	–	4,385	–
Net assets at fair value through income statement	4,385	–	4,385	–

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

There have been no transfers during the year between levels 1 and 2.

(b) Cash flow hedges

Derivative financial asset used for hedging

The Group has taken out a foreign currency forward contract to mitigate any unfavourable movements in the US Dollar against the Sterling in a specific transaction.

The fair value of forward exchange contracts is based on their quoted price.

At 30 April 2011, the fair value of forward exchange contracts was £0.1 million (2010: £nil).

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management policies and procedures are reviewed regularly and monitored to reflect changes in market conditions and the Group's activities.

The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations surrounding risk management.

The Group has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Market risk including currency risk and interest risk
- Credit risk

22 Financial instruments *continued*

This note presents information about the Group's exposure to the above risks as well as outlining the Group's objectives, policies and processes for managing financial risk and the measurement of capital.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also spreads its cash reserves across several highly rated banks and investments to mitigate counterparty risks.

The Group performs regular cash flow projections to ensure that it has sufficient cash on demand to meet expected operational expenses for a period of at least 90 days. The Group has no committed lines of credit.

The Group's financial liabilities, including estimated interest payments and excluding the effect of netting agreements summmarised in the table below all have contractual maturities of one year or less as at 30 April 2010.

	Carrying amount 2011 £'000	2010 £'000
Non-derivative financial liabilities		
Trade and other payables (note 18)	**16,463**	22,447
Derivative financial liabilities		
Open bet liability (within non-trade payables and accrued expenses)	**373**	35
Total	**16,836**	22,482

The ageing profile of the trade and other payables is as follows:

30 April 2011

	0-30 days £'000	31-60 days £'000	61-90 days £'000	> 91 days £'000	Total £'000
Trade and other payables	**14,975**	**1,294**	**109**	**85**	**16,463**

30 April 2010

	0-30 days £'000	31-60 days £'000	61-90 days £'000	> 91 days £'000	Total £'000
Trade and other payables	20,505	1,041	198	703	22,447

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The management of market risk is performed by the Group under the supervision of the Corporate Risk Committee and according to the guidelines approved by them. The Group will utilise hedges where there is an identified requirement to manage profit or loss volitility.

Sports betting open positions

There are several products which expose the Group to open betting positions resulting in net gains or losses in the income statement.

Amounts received from customers on sportsbook events that have not occurred by the year end are derivative financial instruments and have been designated by the Group on initial recognition as financial liabilities at fair value through profit and loss. The carrying amount of the liability is not significantly different from the amount that the Group is expected to pay out at maturity of the financial instruments.

Sports bets are non-interest bearing. There is no interest rate or credit risk associated with open Sports bets. A currency risk may arise where such bets are denominated in a currency other than the sterling. This currency risk is not considered significant as any payout on such bets is made in the same currency as that in which the bet was originally staked.

22 Financial instruments *continued*

Market risk – Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than Sterling (GBP). The currencies in which these transactions primarily are denominated in are US dollars (USD), Euros (EUR) and Australian dollar (AUD).

The Group does not normally hedge against these sales and purchases, and converts the amounts at the spot rate. However, the Group monitors all foreign currency exposures and where appropriate, will take out a foreign currency hedge to mitigate the risk of unfavourable foreign exchange movements on specific commitments the Group enters into.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts:

30 April 2011

	GBP £'000	EUR £'000	USD £'000	AUD £'000	Other £'000	Total £'000
Cash and cash equivalents	**139,831**	**6,680**	**7,363**	**870**	**294**	**155,038**
Trade payables	**(3,445)**	**(1,544)**	**(200)**	**–**	**(21)**	**(5,210)**
Balance sheet exposure	**136,386**	**5,136**	**7,163**	**870**	**273**	**149,828**

30 April 2010

	GBP £'000	EUR £'000	USD £'000	AUD £'000	Other £'000	Total £'000
Cash and cash equivalents	134,546	7,803	7,757	504	337	150,947
Trade payables	(4,572)	(2,030)	(243)	–	(57)	(6,902)
Balance sheet exposure	129,974	5,773	7,514	504	280	144,045

A 15.0% weakening of the following currencies against the pound sterling at 30 April would have increased /(decreased) equity and income statement by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Equity		Income statement	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Foreign currency				
EUR	**(272)**	(305)	**1,179**	(1,170)
USD	**(35)**	(36)	**1,299**	(1,163)
AUD	**–**	–	**154**	(75)

A 15.0% strengthening of the above currencies against sterling at 30 April would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Market risk – Interest rate risk

The Group has no bank loans and therefore is not exposed to interest rate risk on its liabilities. All other debt is repayable to related parties.

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	2011 £'000	2010 £'000
Variable rate instruments		
Financial assets – cash and cash equivalents	**155,038**	150,947

Sensitivity analysis

An increase of 200 and a decrease of 200 basis points in interest rates at the balance sheet date would have increased / (decreased) equity and profit by the amounts shown below. The rationale behind the 2.0% sensitivity analysis is that interest rates in the UK have been low due to the economic climate and any increase or decrease greater than 2.0% is unlikely to occur. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

22 Financial instruments *continued*

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit and loss or available-for-sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2010.

	2011 £'000	2010 £'000
Equity		
Increase	–	–
Decrease	–	–
Profit or loss		
Increase	**3,101**	3,019
Decrease	**(1,098)**	(795)

(e) Credit risk

Credit / counterparty risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments.

Group Treasury policy and objectives in relation to credit risk is to minimise the likelihood that the Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

The Group limits its exposure to credit risk by only depositing surplus funds on a short-term basis. The ring-fenced customer funds held by the Group in trust are spread across leading banking groups with the main aim of reducing risk as opposed to maximising income.

Trade receivables are assessed for risk of default by customers and terms of trade are adjusted accordingly. Receivables are insured on risk and cost grounds.

As of 30 April 2011, the trade receivables balance was £2.2 million (2010: £1.9 million) of which £1.2 million is current and £1.0 million is past due. An amount of £0.2 million of the trade receivable balance has been provided for. It is expected the majority of the receivables will be recovered.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £163.3 million (2010: £157.7 million) being the total of the carrying amount of the financial assets excluding equity investments, shown in note 22(a).

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group currently has sufficient capital for its needs.

23 Operating leases

The Group had total future minimum payments under non-cancellable operating leases as follows:

	2011 £'000	2010 £'000
Not later than one year	**6,657**	4,820
Later than one year and not later than five years	**21,031**	12,352
Later than five years	**6,668**	2,045
Total	**34,356**	19,217

Operating lease payments represents rents payable by the Group for office properties. These leases have varying terms, escalation charges and renewal rights.

During the year £8.6 million was recognised as an expense in the income statement in respect of operating leases (2010: £8.0 million).

24 Capital commitments

Contracted but not provided for in the Financial Statements:

	2011 £'000	2010 £'000
Capital	**586**	–
Marketing	**4,332**	7,951
Total	**4,918**	7,951

25 Related parties

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Betfair Pty Limited

During the year the Group recharged the Australian joint venture, Betfair Pty Limited, the following costs:

- Salary and related costs amounting to £nil (2010: £0.03 million)
- Operational costs amounting to £0.8 million (2010: £1.0 million)

The outstanding balance as at 30 April 2011 of trading receivable from the Australian joint venture is £nil (2010: £2.2 million). The loans are not interest bearing.

During the year the Australian joint venture recharged the Group the following costs:

- Salary and related costs amounting to £0.8 million (2010: £0.7 million)
- Operational costs amounting to £2.1 million (2010: £1.9 million)

The outstanding balance as at 30 April 2011 of loans receivable from the Australian joint venture is £7.7 million (2010: £4.7 million). The loans are not interest bearing.

In addition to the recharges detailed above, the Group collects revenue on behalf of the joint venture and to a lesser extent the Australian joint venture collects revenue on behalf of the Group.

As at 30 April 2011, the Group owed £3.0 million (2010: £2.0 million) to the Australian joint venture.

LMAX Limited

During the year, the Group recharged LMAX Limited operating and administrative costs amounting to £1.9 million (2010: £7.2 million). LMAX Limited recharged the Group for such costs amounting to £0.3 million (2010: £1.3 million)

The outstanding balance as at 30 April 2011 of trading receivable from LMAX Limited is £0.6 million (2010: £13.3 million). The loans are interest bearing.

Featurespace Limited

During the year the Group was charged £0.4 million (2010: £0.2 million) for consultancy services by Featurespace Limited in which the Group have a non-controlling interest.

Transactions with key management personnel

Key management personnel compensation, excluding the Group's Directors, is shown in the table below:

	2011 £'000	2010 £'000
Short-term benefits	**2,469**	2,562
Equity-settled share based payments	**491**	518
Total	**2,960**	3,080

Company Balance Sheet
At 30 April 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments	2	**138,542**	129,212
Current assets			
Debtors	3	**6,872**	703
Cash at bank and in hand		**430**	26
		7,302	729
Creditors: amounts falling due within one year	4	**(300)**	(374)
Net current assets		**7,002**	355
Net assets		**145,544**	129,567
Capital and reserves			
Share capital	5	**108**	105
Share premium	5	**10,694**	4,078
Profit and loss account	5	**134,742**	125,384
Shareholders' funds		**145,544**	129,567

These Financial Statements were approved by the Board of Directors on 28 June 2011 and were signed on its behalf by:

David Yu
Director

Stephen Morana
Director

1 Company 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 (UK).

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

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 consolidated profit and loss account.

Share-based payments

The Group's share option plans and restricted shares scheme allows employees to acquire shares in the Betfair Group. The fair value of these schemes is recognised as an employee expense with a corresponding increase in equity, with the exception of cash settled transactions which result in a corresponding increase in other creditors. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to participate in the scheme and is calculated using an option pricing model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Restricted shares are valued with reference to the market value of the shares on the date of grant. They have a vesting period of three years from the first day of the financial year to which they relate and one third of the shares will vest each year for three years.

All cash settled share-based payments are recorded as a liability and revalued at the market value at the balance sheet date with the difference taken to the profit and loss account, except where the cash component is fixed.

In accordance with UITF 44 "Group and Treasury Share Transactions" the Company has recognised an increase in investments corresponding to the FRS 20 Share-based payment charge.

Cash and liquid resources

Cash comprises cash at bank and in hand and deposits repayable on demand, less overdrafts payable on demand.

Investments

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

2 Investments

	Shares in Group undertakings £'000
Cost	
As at 1 May 2010	129,212
Increase in the cost of investment for share-based payments under UITF 44	9,330
At 30 April 2011	**138,542**

3 Debtors

	2011 £'000	2010 £'000
Other debtors	**174**	–
Amounts owed by fellow group undertakings	**6,698**	703
Total	**6,872**	703

4 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Other creditors	**300**	374

5 Reconciliation of movement in capital and reserves

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total Parent equity £'000
Balance at 1 May 2009	104	2,128	121,210	123,442
Total recognised loss	–	–	(17)	(17)
Issue of shares	1	1,950	–	1,951
Equity settled share-based payment transactions	–	–	4,191	4,191
Balance at 30 April 2010	105	4,078	125,384	129,567
Balance at 1 May 2010	105	4,078	125,384	129,567
Total recognised profit	–	–	28	28
Issue of shares	3	6,616	–	6,619
Share-based payment liabilities settled by the issue of equity instruments	–	–	3,006	3,006
Equity settled share-based payment transactions	–	–	6,324	6,324
Balance at 30 April 2011	**108**	**10,694**	**134,742**	**145,544**

6 Related parties

There were no related party transactions during the year (2010: nil).

Five Year Summary

£'000s	2011	2010	2009	2008	2007
Revenue	393,311	340,915	301,206	242,430	187,626
Adjusted EBITDA	79,684	53,484	70,288	53,855	42,684
Equity settled share-based payment and associated costs	(6,413)	(4,192)	(4,250)	(4,319)	(4,503)
EBITDA before exceptional items	73,271	49,292	66,038	49,536	38,181
Exceptional items	(16,995)	(4,600)	(892)	–	–
EBITDA	56,276	44,692	65,146	49,536	38,181
Profit before tax	26,617	17,778	47,468	43,781	28,792
Profit for the year	23,006	15,119	38,824	30,749	20,917

Shareholder Information

Registered Office
Betfair Group plc
Waterfront,
Hammersmith Embankment
Chancellors Road (access on Winslow Road),
London, W6 9HP

Registrars
Computershare Investor Services PLC
The Pavilions,
Bridgwater Road,
Bristol, BS13 8AE

Auditors
KPMG Audit Plc
15 Canada Square,
London, E14 5GL

Principal Bankers
Royal Bank of Scotland plc
280 Bishopsgate,
London, EC2M 4RB

Principal Solicitors
Freshfields Bruckhaus Deringer LLP
65 Fleet Street,
London, EC4Y 1HS

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Betfair Group plc
Waterfront
Hammersmith Embankment
Chancellors Road (access on Winslow Road)
London, England W6 9HP
United Kingdom
For general enquiries please contact:
Email: info@betfair.com
Phone: +44 (0) 20 8834 8000