ANNUAL REPORT 2012

DON'T SETTLE FOR LESS

betfair

WE BELIEVE THAT BETFAIR IS THE BEST PLACE TO BET.

Betfair revolutionised the sports betting industry in 2000, offering customers better value and more choice than ever before. The nature of a betting exchange allows a better chance of winning, with almost 200,000 Betfair customers ending up as net winners in the last financial year. While around a quarter of our actives were in profit, only a small percentage of those betting with traditional bookmakers could say the same. This is primarily because of the better value available on Betfair.

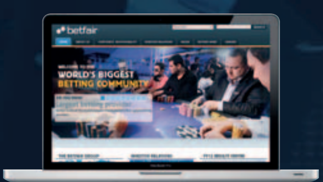
Under Betfair's Exchange model, customer bets are matched through our world class technology, eliminating the financial risk borne by a traditional bookmaker. Betfair earns commission on the net profits of any individual customer on each market regardless of the outcome of the event. As traditional bookmakers build a margin into their odds to reflect their risk, customers usually enjoy better odds when betting on the Exchange, even after the commission paid to Betfair.

Our recent marketing campaign has focused on our better value, directly comparing Betfair's prices to our major competitors. Pages 2 to 9 of this report show examples of our advertising across our biggest sports. Our message to customers is simple:

DON'T SETTLE FOR LESS.

More information

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



2012 FINANCIAL HIGHLIGHTS

Group Revenue

2012 £389.7m
2011 £393.3m
2010 £340.9m

Core Revenue

2012 £349.5m
2011 £330.0m
2010 £306.0m

Group EBITDA

2012 £75.1m
2011 £56.3m
2010 £44.7m

Core adjusted EBITDA*

2012 £92.1m
2011 £80.2m
2010 £62.2m

Basic earnings per share

2012 33.1p
2011 22.6p
2010 14.4p

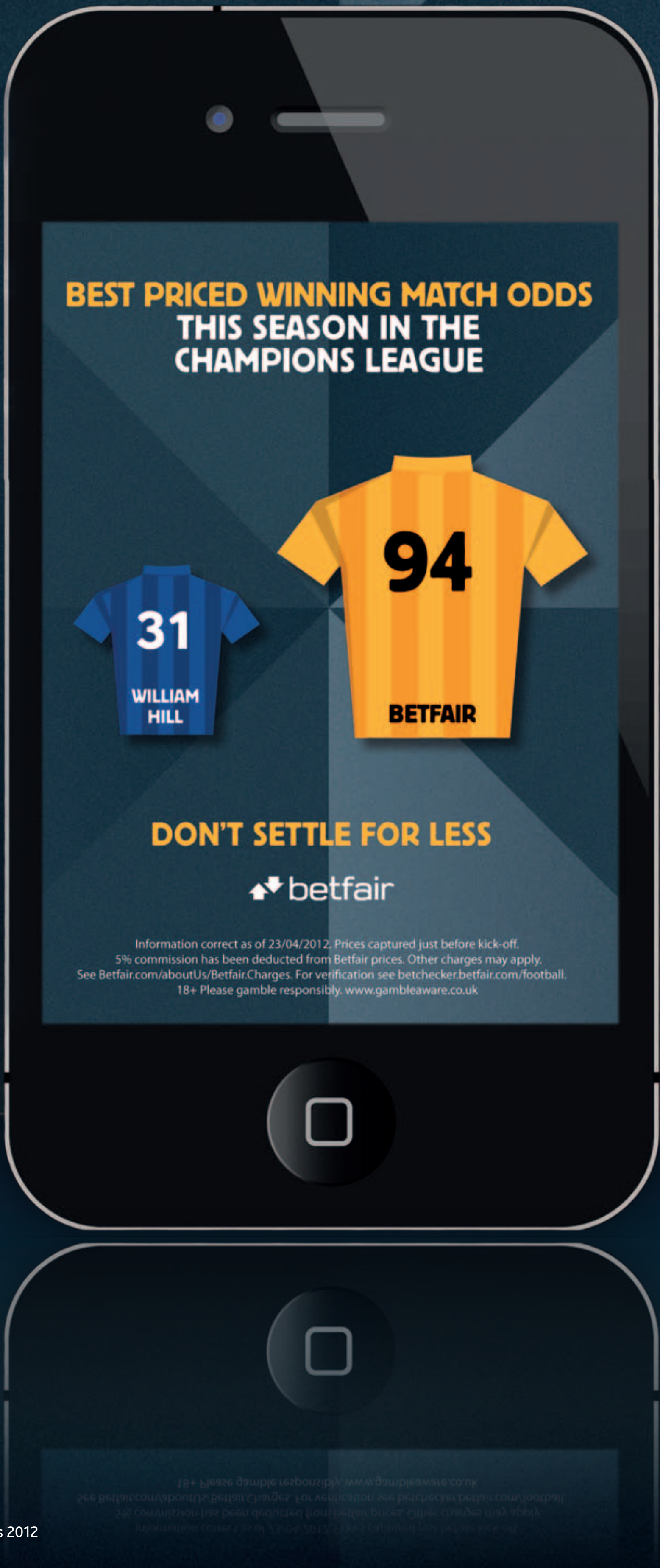
Core adjusted earnings per share*

2012 51.6p
2011 44.6p

* Adjusted EBITDA and adjusted earnings per share exclude, where relevant, exceptional items, share-based payments, net foreign exchange gain and the associated tax effect of these adjustments.

2012 OPERATIONAL HIGHLIGHTS

- Strong Betting Exchange performance with the number of bets placed up 17%
- Continued strength in mobile channel with bets up 122% and revenues up 97%
- Next generation sports products launched to drive future revenue growth
- Technology re-architecture programme delivered on time and on budget
- 150,000 uses of Betfair's unique 'Cash Out' trading function
- A record Cheltenham Festival with site activity up 21%


BEST PRICED WINNING MATCH ODDS
THIS SEASON IN THE
CHAMPIONS LEAGUE
31
WILLIAM
HILL
94
BETFAIR
DON'T SETTLE FOR LESS
betfair
Information correct as of 23/04/2012. Prices captured just before kick-off.
5% commission has been deducted from Betfair prices. Other charges may apply.
See Betfair.com/aboutUs/Betfair.Charges. For verification see betchecker.betfair.com/football.
18+ Please gamble responsibly. www.gambleaware.co.uk

FOOTBALL

Barcelona v Chelsea, Champions League Semi-Final

Almost £50 million of bets matched on the Barcelona v Chelsea Champions League Semi-Final. The draw was matched at 999-1 in-play.

£50m

Percentage of football bets now made in-play

66%

Percentage of football customers who used 'Cash Out'

26%

Expert football tipping

Betfair's Football Ambassador Lee Dixon shares his tips and insights with his 160,000 followers on Twitter. The former England and Arsenal defender has approximately half a million readers on his Betfair blog, providing Betfair customers with his expert opinion and successful tipping prowess.

Increase in the number of occasions when customers locked in a profit in Premier League match odds markets since the launch of 'Cash Out'

34%

Increase in number of football matches offered in FY12

26%

500,000
Readers of Lee Dixon's Betfair blog

HORSE RACING

Ceiling Kitty

Four Betfair employees won a 50% share in a horse owned by Betfair co-founder Andrew Black as a prize for winning a staff tipping competition during the Cheltenham Festival.

Three months on, Ceiling Kitty had won three races in a row, including at Royal Ascot in June 2012. Its industry SP for that race was 20-1. On Betfair, it went off at 28-1.

Increase in volume traded at this year's Cheltenham Festival

Amount traded on the 2012 Grand National, Betfair's biggest ever horserace

The best ante-post price of eventual l'Arc de Triomphe winner Danedream

11% growth in Irish Racing & 16% growth in international racing

Exclusive content for Betfair's Racing customers

The column written by Betfair Racing Ambassador Paul Nicholls on his Betfair blog site was viewed 1.2 million times in FY12. Nicholls uses the blog to provide customers with tips, exclusive insight and behind-the-scenes coverage of his runners and riders.

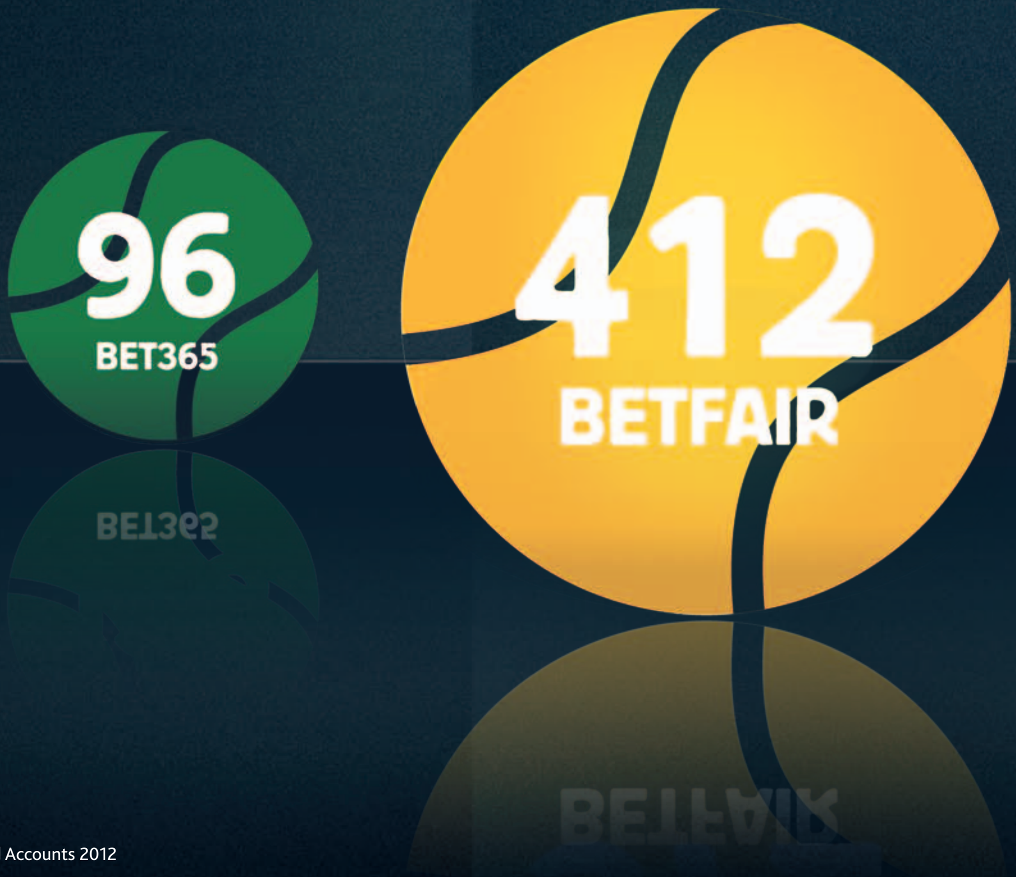
BEST PRICED RUNNERS
ON ALL RACES AT THE 2012
CHELTENHAM FESTIVAL
454
BETFAIR
29
DON'T SETTLE FOR LESS
Prices captured 30 mins before the off. 5% commission has been deducted from Betfair prices.
Other charges may apply. See Betfair.com/aboutUs/BetfairCharges.
See betchecker.betfair.com for verification.
18+ Please gamble responsibly. www.gambleaware.co.uk

BEST PRICED ODDS AT THE 2012 AUSTRALIAN OPEN

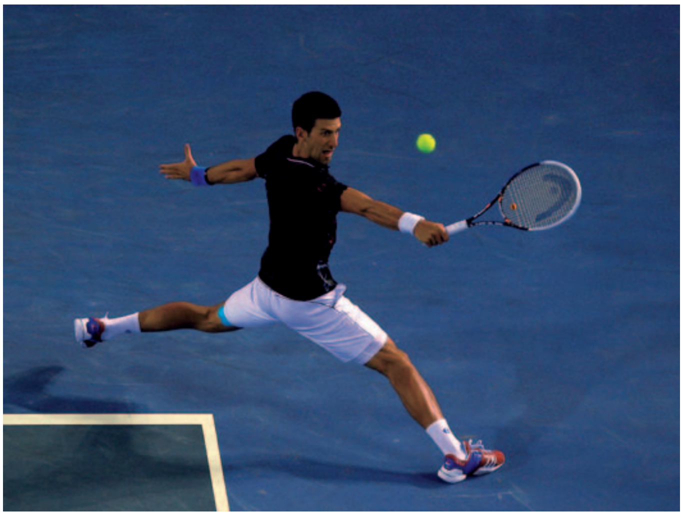
DON'T SETTLE FOR LESS

Prices captured 30 mins before the coin toss. 5% commission has been deducted from Betfair prices.
Other charges may apply. See Betfair.com/aboutUs/BetfairCharges.
See betchecker.betfair.com for verification.

18+ Please gamble responsibly. www.gambleaware.co.uk



TENNIS



Australian Open Final

The favourite in the epic Australian Open men's final changed 55 times on Betfair in-play.

£900 million bet on Wimbledon, up 53% YoY, with 96,000 customers taking part

Increase in customers betting on the four Tennis Majors

Increase in amount bet on Tennis

Tennis dominates Betfair's top five markets by volume in FY12 (£)

£41.2m
Wimbledon Final
Nadal v Djokovic

£42.5m
Australian Open Semi Final
Djokovic v Murray

£46.8m
US Open Final
Djokovic v Nadal

£49.2m
Australian Open Final
Djokovic v Nadal

£50.7m
French Open Final
Nadal v Federer

GOLF

The US Masters 2012

The amount traded on the final day of the US Masters was up 21% YoY.

21%

60,000 customers bet on the 2012 US Masters

60,000

Increase in customers betting on the four Golf Majors

19%

Total amount traded on the 2012 US Masters – Betfair's biggest-ever golf tournament

£33.7m

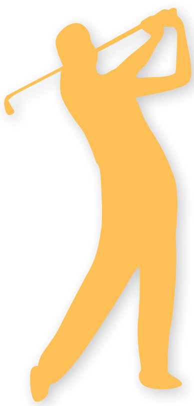
A year for the outsider on Betfair

110-1

The odds available in-play on Bubba Watson to win the 2012 US Masters

359-1

The odds pre-tournament of Darren Clarke winning the Open 2011



649-1

The odds on Keegan Bradley to win the US PGA Championship 2011

ARE YOU GETTING THE VALUE AT AUGUSTA?
BEST PRICED PLAYERS - 2012 US MASTERS
12
PADDY POWER
85
BETFAIR
DON'T SETTLE FOR LESS
betfair
Prices captured at 12:00 on 02/04/12. Prices based on the outright market. 5% commission has been deducted from Betfair prices. Other charges may apply. See Betfair.com/aboutUs/Betfair.Charges. For verification see betchecker.betfair.com/golf. 18+ Please gamble responsibly. www.gambleaware.co.uk

WE'RE A BUSINESS WITH STRONG MOMENTUM.

AND THE OPPORTUNITIES IN FRONT OF US ARE HUGE.

Gerald Corbett
Chairman

A business primed for growth

A unique product with a sustainable competitive advantage
Betfair's Betting Exchange offers customers consistently better value and a differentiated betting experience than traditional betting operators. These features provide us with a unique customer proposition that is best in class and, as a result, Betfair's customers spend more money and are more loyal than the average customer in the online betting industry. While we diversify our portfolio to include betting products that complement our core Exchange, competitors face a difficult challenge in adding an Exchange to their existing product suite. With the Exchange at our core, Betfair's aim is to become a one-stop-shop for customers looking to gamble online and we are far better positioned to do this than any of our competitors.

A world class technology infrastructure
Betfair's recently completed re-architecture programme has provided the business with a technology framework that is well positioned for more rapid product enhancement and international expansion. Three years of financial investment are now primed to pay off via a proprietary platform that is more efficient, has greater stability and is quicker to roll out into new markets.

Leaders in mobile betting
The popularity of mobile betting and the evolution of mobile commerce provides the online gambling industry with tremendous growth opportunities and Betfair is a leader in this field. The first betting operator to launch applications for the iPhone and iPad, Betfair has made substantial investments in its in-house mobile development team in order to create and maintain its market leading mobile products. We spotted the opportunity in the mobile space early and as a result, we are well positioned to capitalise on the growth opportunities that the surge in mobile betting affords us.

Track record of growth, no debt and a healthy balance sheet
Since its inception barely a decade ago, Betfair has consistently delivered growth and strong cash flow generation. The opportunities open to the business via mobile, product diversification and regulation, present a strong case for this trend to continue. In a strained macroeconomic environment, Betfair remains debt-free with £135m of cash in the bank. This solid financial footing provides the business with the flexibility and agility required to act decisively and seize opportunities as and when they arise.

Committed, talented and passionate employees
Throughout our offices around the world, Betfair boasts a group of employees who share a commitment to delivering growth and a passion for the best in class product that is at the centre of our business.

With Breon Corcoran arriving as our new CEO in August, our experienced and driven management team will continue to lead a business that is focussed on carving out a future for Betfair that is as successful as its past. Across our Group, we possess people with the skill and motivation required to make Betfair the world's number one global online sports betting operator.

Related information:
Corporate governance P43

DEAR SHAREHOLDER,

Overview

I feel privileged to be writing this letter to you for the first time as Chairman of Betfair. Since arriving in January, I have been greatly impressed and enthused by what I have encountered. Betfair is a growing, innovative and ambitious business driven on by people who are as proud of its history as they are excited by its future.

Betfair endured a difficult start to life as a plc and like many in its sector, the share price has significantly underperformed. Some of the public comment we attracted in the aftermath of our float was far from polite, however sentiment surrounding our business is slowly improving. A corner has been turned and today we are a business with real momentum. In our first full year as a public company, we achieved Core Betfair revenue growth of 6% (£349.5m) and Adjusted EBITDA growth of 15% (£92.1m) in what remains a challenging economic environment. Betfair remains debt free with £135m of cash in the bank.

The performance of Betfair's core product, the Betting Exchange, has been strong. Our Exchange is a product that customers want and our focus has been on ensuring that we can deliver this to them across the multiple channels and platforms that they want to use. The Exchange is at the heart of our proposition. It gives us a truly unique position, and is the basis of our success.

The growth we've seen in mobile betting over the past year has been significant and is testament to the strategic and executional qualities of those in our business who saw an opportunity early and went on to deliver it. Mobile betting is the fastest growing facet of our industry and we are a leader in the field.

Our technology re-architecture programme which began three years ago has been delivered on time and on budget, resulting in a website that offers a more robust back-end and a quicker, higher performing front-end. The greatly enhanced technical foundation that this project has provided us with has already enabled some significant product updates in recent months and will provide us with a stable and scalable framework in the years to come. We have made a significant investment in our I.T. infrastructure and our priority now is to earn our return.

This improved product offering has been supported since December by our new marketing campaign. Our "Don't Settle for Less" advertisements, which feature prominently in this report, communicate Betfair's USP of better value in a manner that is clearer and more impactful than anything we've done before. In style and tone, the advertising reflects a renewed confidence in the business and has helped drive additional revenue and enhance brand awareness.

Our prudent approach to regulatory compliance is a strategy that is slowly bearing fruit. In the last year we attained new licences in Denmark and Germany while making significant strides towards launching a Betting Exchange in Italy, a market of huge potential for us. Progressive regulatory steps are being made elsewhere in Europe. There are many challenges ahead and the journey will not be smooth, however I am confident that over the long term our Exchange will benefit from the market liberalisation which we anticipate taking place throughout the world.

We are a company in transition. From private to public, entrepreneur led to professionally led, an international business with a strong technology pedigree competing in a dynamic new industry. The pace of change will not slacken and the opportunities are huge.

Responsibility and integrity

In November, we signed a Memorandum of Understanding ("MoU") with the International Olympic Committee ahead of London 2012, followed closely in January with the signing of our 50th MoU with the RFU. Milestones such as this highlight our industry-leading approach to working with stakeholders from across sport to safeguard the integrity of the markets we're offering our customers.

Care for our customers, ensuring they are betting in a safe and sustainable fashion is of paramount importance to this business and player protection is a key pillar of our business strategy. In the last year, we launched a Responsible Gambling micro-site providing customers with a range of tools, resources and contact information aimed at helping them gamble responsibly. Alongside this we continue to invest in research with academic institutions such as Oxford University, aimed at enhancing our understanding of problem gambling and developing the way we and the industry as a whole attempt to tackle it.

Over time, products, strategy and personnel may change, but our founding commitment to operate in a transparent and responsible fashion will not alter.

Board and governance

The past year has been one of transition for our Board. In March, our founder Edward Wray stepped down as Chairman leaving behind him a truly remarkable legacy. On behalf of everyone at Betfair I'd like to take this opportunity to thank Ed. His achievements are significant and I am honoured to succeed him.

In January, David Yu stepped down from the Board having been at Betfair since 2001, serving firstly as CTO, then COO and lastly as CEO. Throughout his time at Betfair, David was a driving force behind the Company's scaling of new heights and we thank him for his decade of success and dedication.

Josh Hannah, whose contribution to Betfair, like David's, spans almost the lifetime of the company, has indicated that he intends to step down as a Non-executive Director during the first quarter of 2013. As Betfair has grown, Josh's experience and expertise have proven invaluable and we thank him for all he has done.

Stephen Morana has been leading the business as our Interim CEO since David's departure and he and his executive team have done a good job during this transitory period. As a result, our incoming CEO, Breon Corcoran, will be joining a business in August that is in sound shape: growing, profitable and generating cash. There is much to be done, but we start from a position of some strength.

Dividend and share buy-back

The Board is recommending the payment of a final dividend of 7.0 pence per share. Together with the interim dividend of 3.2 pence per share, in the full financial year, the total dividend to be paid is 10.2 pence per share. This represents a payout of 20% of Core Betfair earnings per share. The final dividend will be payable, subject to the approval of shareholders at our Annual General Meeting on 11 September 2012.

During the last financial year, we returned £50 million of cash to our shareholders through a share buy-back scheme. Our strong cash generation enabled us to undertake and complete this while continuing to invest significantly in the business.

Outlook

The new year has begun well, with Betfair enjoying some special momentum from the Euro 2012 football tournament. This event has given us a great opportunity to showcase our new and improved website, and the launch of our integrated fixed-odds product is giving customers even more reason to do all of their betting with Betfair and even fewer reasons to bet anywhere else.

Product development, international expansion, a focus on efficiency and earning a return on the investment we've made are at the heart of our agenda. This is being driven by our team of committed employees around the world. On behalf of the Board, I would like to thank them for their efforts this past year. Together, we look to the coming 12 months enthused and optimistic about the opportunities that lay ahead.

Gerald Corbett
Chairman

HOW DO WE MAKE MONEY? WE HAVE TWO REVENUE GENERATION MODELS.

Non-risk based model

We earn most of our revenues through acting in an agency role: we are remunerated for bringing customers together and facilitating their interaction. As we are not, from an economic perspective, acting as a counterparty in these transactions this model can be considered to enjoy a low level of risk.

On the Betting Exchange, our unique technology matches customers' bets, eliminating the financial risk borne by a traditional bookmaker. Betfair earns a commission on the net profits of any individual customer on each market regardless of the outcome of the event. Traditional bookmakers build a margin into their odds to reflect their risk, leading to an imperfect market and sub-optimal prices for customers. By contrast, Exchange markets are often near perfect and the available odds represent the 'true price' of an outcome. As a result, customers usually enjoy better odds when betting on the Exchange, even after the commission paid to Betfair.

With the Exchange revenue model, where a commission is charged on the net winnings, the need for an in built margin is removed, so customers can alter their positions frequently during an event with minimal friction costs. In this way they can more efficiently trade positions and lock-in a profit or cut losses throughout the event.

The combination of better odds and unique features fosters customer loyalty. As a result, a large majority of revenue each year comes from existing customers, so the model requires less acquisition marketing spend to maintain and grow revenues.

Betfair's Exchange also has significant barriers to entry, including our leading technology, substantial customer base and liquidity advantage. Indeed, these factors create a self-perpetuating virtuous circle. None of our competitors have been able to replicate our success with a comparable product.

LMAX, Betfair's financial trading business, operates a similar model and earns revenue by charging commission on each transaction on its platform.

In addition, we offer pooled or tote-style sports betting products, acting as an agent for the pools providers and earning a commission on stakes placed. We also generate subscription revenue from providing content such as Timeform.

Some of our gaming products are also peer-to-peer, with Betfair acting in an agency capacity. For instance, in poker, players compete against each other and Betfair takes a share of the winnings on each hand.

Risk-based model

Under the risk-based model we act as a counterparty in transactions, with customers playing directly against Betfair.

To give customers a full range of sports betting opportunities we offer certain products on a risk basis, where Betfair acts like a traditional bookmaker. We generate revenue and manage risk by applying a margin to the odds offered so that we expect to win over time. Unlike the Exchange, it is possible for Betfair to lose on any individual bet when it is acting as principal – so returns are typically more volatile.

Prices are obtained from a number of sources, including the Exchange, proprietary models and third party providers. Our trading team further manages risk through exposure management, including hedging into the Exchange, and customer management, including limiting the stakes of certain customers.

Betfair also offers products such as casino and arcade games in which customers are playing against the 'house'. Revenue is generated through an inbuilt margin, with the odds favouring the operator. Over a short period of time returns can be volatile, but in the long run the operator should win.

WE HAVE A LOVE OF SPORT. WE ARE PASSIONATE ABOUT BETTING. WE ARE PROUD OF OUR HISTORY.

AND EXCITED ABOUT OUR FUTURE.

Stephen Morana
Interim CEO

Betfair was founded by people with a love for sport and passion for sports betting, who were convinced there was a better way for people to bet than the outdated bookmaker model. We have kept true to the original founding principles and the Betting Exchange will always remain central to Betfair. It's what we do. And it's why we'll continue to succeed.

Equally, the business needs to adapt to changes in the market and offer all products on which customers want to bet, through whatever channel they want to use. Since its earliest days, Betfair has evolved to offer a wide range of gambling products alongside the Exchange, and the latest evolution sees an expansion of our 'fixed odds' products. This is central to our strategy of creating a one-stop shop for sports betting. Our strategic priorities also centre on putting customers at the heart of our business, allowing them to bet how and when they want, and investing to achieve scale in key international markets.

It is becoming increasingly clear that betting is going mobile. As smartphone penetration increases and more people gain familiarity and confidence with the channel, mobile betting could accelerate the shift away from offline channels. We invested early across a range of mobile platforms and geographies, leaving us well placed to take advantage of these trends.

I am pleased with Betfair's performance this year –in financial terms, such as Core Betfair's double-digit net gaming revenue growth in each of the past three quarters, the completion of the major technology re-architecture project and our strong mobile performance. The Exchange remains the main driver of growth and has continued to deliver market leading odds.

Not everything has gone right, though. One disappointment was a technical failure during a race at Leopardstown, triggered by a unique sequence of events, which resulted in bets being matched at false odds. We quickly fixed the underlying technical issue and offered compensation to customers. This had never happened before in hundreds of billions of bets and the system has remained robust in the hundreds of millions since.

Our employees made a tremendous effort to resolve this incident and I would like to thank them for their action and, indeed, for their efforts and support throughout the year. Over the past decade, Betfair's success has been a direct result of the engagement, dedication and passion of its people.

It has also been a year of change. David Yu stepped down after 10 years with the business, including six as CEO. David made a massive contribution to Betfair's success and we all owe him a huge debt of gratitude. I am delighted to have had the opportunity to lead the business in this interim period and proud to be handing incoming CEO Breon Corcoran a business with momentum, great people and solid foundations for growth.

Stephen Morana
Interim CEO

More information
Learn more about our passion at:
www.betfair.jobs/

OUR STRATEGIC VISION IS FOR BETFAIR TO BE THE NUMBER 1 GLOBAL ONLINE SPORTS BETTING OPERATOR.

WE WILL ACHIEVE THIS THROUGH OUR BEST IN CLASS EXCHANGE TECHNOLOGY, WHICH DRIVES AN UNRIVALLED EXPERIENCE FOR THE SPORTS BETTOR, AND OUR CUSTOMER, PRODUCT, CHANNELS AND GEOGRAPHIES STRATEGIES. OUR PEOPLE ARE KEY TO THE SUCCESS OF THIS STRATEGY.

Customer

Putting the customer at the heart of everything we do

Strategy:
Betfair started out championing a better deal for our customers and it is they who are vital to our continued success. Indeed, they are integral to the quality of our core Exchange product: they provide the liquidity that makes it the best sports proposition in the market. It follows that we need to put customers at the heart of everything we do. Our strategy is to focus on value, convenience and differentiation to maximise customer satisfaction.

Value:
This includes best odds but there's more to it than that. We also work hard to create a great customer experience through excellent service, content and communication.

Convenience:
We aim to offer a full range of fast, reliable and easy to use products.

Differentiation:
We continue to innovate to provide a unique betting experience.

Performance:

- Customer loyalty remained high resulting in a large share of our revenue coming from existing customers: FY12: 88%, FY11: 85%

People

Ensuring our people are Inspired, Engaged and Developed

Strategy:
Betfair strives to be a high performing and highly engaged organisation. Our focus is on understanding, supporting, growing and developing the people that will help us to execute and deliver our strategic objectives for the year.

Engagement is critical to our success and is a key element in delivering high performance. We know that people who are engaged are involved, enthusiastic and committed to contributing to the success of the Company. We are a global company with ambitious plans to grow further and we acknowledge that attracting and retaining talent is vital and we have highlighted this in our Principal Risks and Uncertainties section on page 36.

We invest in our employees. We have a wide range of training and development programmes that equip our people to deliver our vision and strategy. We have a clear and regular recognition and feedback process in place and succession planning is embedded throughout the organisation.

We listen to our employees, respond to their feedback and communicate the actions we have taken. We also ensure that those who deliver exceptional performance are recognised and rewarded.

Performance:

- Increased participation response rates for employee survey (year on year)
- New organisational development programmes implemented during the year
- Regular briefings/updates from the CEO

Product

Offering all products that our customers demand, centred around our Betting Exchange

Strategy:
The Betting Exchange will remain at the centre of our product offering. It gives us our competitive advantage and provides the best betting experience for our customers, leading to exceptionally high levels of customer loyalty. We believe that the Betting Exchange is the only truly differentiated and defensible product in the sports betting market and we will continue to invest to innovate and further improve the product.

We recognise, however, that many customers want to use other products in tandem with placing bets on the Exchange. We believe that developments in non-exchange gambling products are quickly replicated; our strategy is therefore to offer all such products demanded by customers and to react quickly to any innovations in the marketplace. We will continue to introduce new products to our portfolio to ensure we offer a full suite of gambling products. We have offered casino, poker, multiples and tote betting for a number of years and have recently introduced fixed odds sports bets to complement the Exchange. This one-stop-shop strategy should further increase customer loyalty and drive a higher share of wallet.

Performance:
- Customers spent more with Betfair, with ARPU increasing by 18%. FY12: £407, FY11: £345

Channels

Enabling customers to bet anywhere, anytime

Strategy:
We are agnostic about how our customers access our products. Our belief is that they should be able to bet anywhere, anytime and across a range of channels.

The fastest growing channel is mobile. We saw the mobile sports betting opportunity early and invested to achieve a broad product reach across all major operating systems, devices and geographies. Our in-house development capability allows us to introduce frequent enhancements to our mobile platform and we will continue investing and innovating to maintain our product advantage and deepen our product breadth.

We recognise that customers have different betting styles and strategies and it is impossible for any single interface to satisfy all needs. Equally, it is not possible for us to develop a sufficient range of interfaces to meet demand. Therefore, whilst maintaining a direct relationship with the end user, we will continue to provide open access to the Exchange via Betfair's application programming interface ("API"), allowing customers and software developers to create bespoke betting applications. This highly efficient product development model fosters innovation and harnesses the creativity of our customers and developer community to further differentiate Betfair in the marketplace.

Performance:
- Mobile usage grew strongly, with a doubling of the number of mobile bets. FY12: 44m, FY11: 20m

Geographies

Targeting a top-three position in priority markets

Strategy:
Betfair is the leading online sports betting operator in the UK and this remains our most important market. While almost half of Core Betfair revenue is generated from outside of the UK, we don't currently have a significant position in any other market. As well as driving revenue growth, achieving higher in-country market shares will result in improved operational efficiency and drive higher profitability.

Along with the UK, we have identified Italy and Spain as attractive in terms of scale, growth potential and regulatory outlook. We intend to focus resources on, and aim to achieve a top-three position in, these priority markets.

Performance:
- Non-UK revenue represents almost half of total revenue FY12: 47%, FY11: 47%

Core Betfair

We are pleased with the progress made against our strategic aims in the year. Revenue growth has accelerated, with double digit growth from the second quarter onwards; margins have improved; and new products, both delivered and planned, leave Betfair well positioned to drive further growth. This review reports on our progress against our key strategic areas of Customers, Products and Channels, and provides an update on regulatory developments across our geographies.

Customers

Ensuring that we provide the best possible experience for our customers and respond to their wants and needs is obviously vital to us. We regularly monitor customer satisfaction through surveys conducted by third party researchers and over the past 12 months we have collated feedback from over 70,000 customers. Exchange customers consistently report higher satisfaction than customers of any competitor and this helps us to generate high levels of loyalty. Customers score Betfair highest relative to the competition for 'best odds', 'innovative brand' and 'fair chance of winning'. The most important driver is the superior value of the Exchange which gives customers a better chance of winning compared with traditional bookmakers. Almost 200,000 customers made an overall profit in the year.

Customers told us that some aspects of our service could be improved, with 'site speed and reliability' and 'quality of promotions' highlighted as weaknesses. This feedback has directly shaped our product roadmap. We responded to the first of these concerns with our new website, which was launched towards the end of the year. It is achieving average page download times of around three seconds compared with over 18 seconds on the old site and has delivered improved reliability. In the coming year, the promotional tools available to our marketing team will be greatly enhanced through the rollout of our next generation sports products. These will include a separate promotions wallet that will improve the efficiency of our promotional spend.

Percentage of customers who made an overall profit in the year

As part of our strategy of putting customers at the heart of everything we do, in June 2011 we published a new Customer Commitment with 14 promises. These cover five key areas of our operations: protection for customers and their data; integrity in sport; customer service; communication; and the reliability of our products and services. Where possible, each includes a measurable KPI and we provide customers regular, open and honest updates on our performance and progress against these promises: see promotions.betfair.com/customer-commitment.

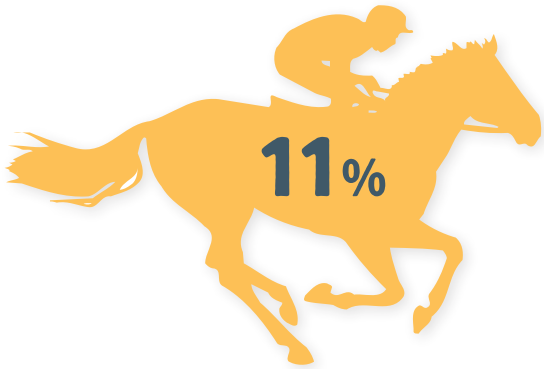
Following the launch of our "Don't Settle for Less" advertising campaign, the number of customers acquired in the final quarter was 45% higher than Q3. Total active customer numbers in the year fell by 10% to 852,000 due to the acquisition of 96,000 fewer customers during the first three quarters of the year primarily as a result of the World Cup boost in FY11.

During the year, a greater focus on retaining higher value customers resulted in reduced churn in this segment and the average revenue per customer ('ARPU') from existing customers increased by 13%. In the year, these customers generated 88% of revenue.

Product – Sports

Sports revenue for the year was up 9%. The Exchange was the main contributor of growth and continues to generate most of our total sports revenue. Non-risk Sports revenue, which is predominantly commission from the Exchange, contributed 93% of the total in FY12, (FY11: 92%). Revenue from risk Sports products, which is currently mostly from multiples, contributed 7% (FY11: 8%).

Racing revenue grew by 11%

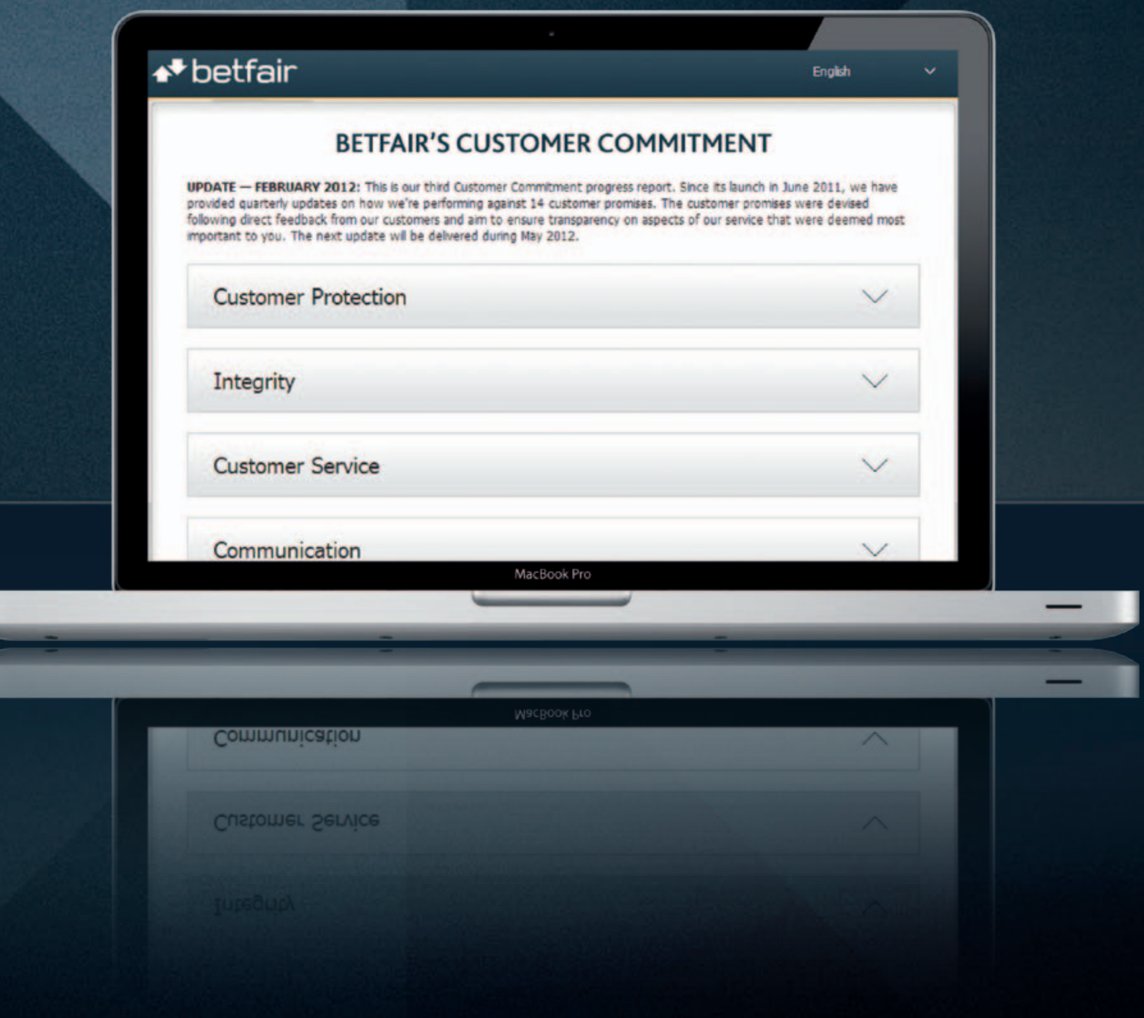


Racing performed well in the year, with revenue up 11%. The National Hunt season was particularly strong and included our best ever Cheltenham Festival. All products contributed to this growth, with the most significant contribution coming from the Exchange. Our continued investment in content, including the Paul Nicholls, Donald McCain and Ryan Moore columns, helped to drive activity on the Exchange and the "Don't Settle for Less" campaign reminded punters of Betfair's market leading odds. In the UK, the mild winter led to a low number of abandonments in FY12 (49 meetings versus 88 in FY11), although this was offset by a planned reduction in the number of fixtures. Irish Racing (up 11%) and other International Racing (up 16%) also saw strong growth. Racing Multiples benefited from the introduction of each-way betting and Tote revenues were helped by increased levels of interest in Jackpot and Placepot bets.

Football had a good start to the year, with the Champions League final between Barcelona and Manchester United becoming Betfair's biggest ever club match. The year culminated in the extraordinary Champions League 2012 semi-final between Barcelona and Chelsea, with the second leg of the tie seeing almost £50m of bets matched. Despite the World Cup boost in the prior year, football revenue increased by 6% this year. Outside of the World Cup, revenue was up 14%, helped by a 26% increase in the number of fixtures covered and a higher proportion of fixtures offered in-play as a result of increased automation (up 24 percentage points to 77%).

COMMITMENT TO OUR CUSTOMERS:

HOLDING OURSELVES OPENLY ACCOUNTABLE. AN INDUSTRY FIRST.



The Customer Commitment has enhanced the levels of transparency and dialogue between us and our customers. It gives us nowhere to hide when we fail to deliver what we've promised them and highlights how putting the customer first is a fundamental principle of our business.

Dan Staples, Global Brand

Customer Commitment
In June 2011, we launched a Customer Commitment listing 14 customer promises. These were a direct response to feedback from our customers and aim to ensure greater transparency across the following aspects of our business: customer protection; integrity; customer service; communication: product and technology. View the Customer Commitment at: https://promotions.betfair.com/customer-commitment/

We believe the Exchange remains the best sports betting product on the market. Customer activity was strong in the year, with the number and value of bets placed up 17% and 8% respectively. At the start of the financial year, we prioritised improving the monetisation of activity on the Exchange through education and pricing, and have made significant steps towards achieving this goal. The nature of the Exchange business model means that we want to help many of our customers to be 'better bettors'. This will improve the re-cycling of money between customers, which increases revenue for Betfair. To help achieve this objective, we have provided customers with more historical data, expert opinion, editorial content and educational events. Pricing changes in July 2011 for a small number of customers have also helped to ensure that Betfair enjoys a more equal share of the benefits that these customers gain from the Exchange. Most of the small number of customers affected by these changes continued to bet with us during the year and we have seen limited impact on market liquidity.

The Exchange continues to deliver industry-leading odds and this has been the central theme of our marketing messages in our "Don't Settle for Less" campaign. This launched at the end of the third quarter, focusing on horseracing, football, tennis and golf. For the first time, we have made direct comparisons between our pricing and that of our major competitors in a multi-media campaign. The simple and effective message that consistently better odds are available on Betfair has helped drive customer acquisition while reminding existing customers that Betfair offers unrivalled value.

150,000 customers used 'Cash Out'

'Cash Out', the unique tool we introduced just over a year ago to enable customers to lock in a profit or loss easily, especially in highly dynamic in-play markets (98% of cash outs are in-play), has proved highly popular. Around 150,000 customers used it during the year, including a quarter of football actives. These customers have subsequently shown reduced propensity to churn, increased betting frequency and increased average stakes. 'Cash Out' has a key educational role and has introduced many customers to some of the wider benefits of the Exchange in an easier to use format, encouraging them to trade positions during a game. Indeed, 40% of those who used it had previously only placed back bets and there was a 34% increase in the number of 'green books', or instances of customers locking in profits, in football match odds markets. 'Cash Out' further differentiates Betfair's core product from competitor offerings.

The technology re-architecture programme that began in FY10 was completed in the year, although we will continue to invest in the platform to ensure it remains best in class. As well as reducing on-going technology maintenance spend, the investment over the last three years facilitates the development of customer facing product enhancements and is the foundation for the roll out of our next generation sports products. We launched the first of these in April 2012 with a new integrated betslip, combining exchange singles and risk-based multiples bets. This makes it much easier for customers to place multiple-style bets and has started to drive higher volumes.

For all its great strengths and advantages, there are markets in which the Exchange may not have sufficient liquidity to offer an optimal betting experience, notably in ante post and ancillary markets. In May 2012, we introduced risk-based fixed odds on singles markets in certain sports, so that customers can now place bets on markets where Exchange liquidity is insufficient. Customers betting on these sports markets can now switch easily between Exchange prices and 'fixed odds' prices. The next stage of the roll out will introduce an increased number of in-play markets. In line with our product strategy, this will complete our sports product offering, eliminating a key reason for customers to bet with competitors and providing an opportunity to increase our share of wallet. This will complement the Exchange and will not be trying to compete with it on price once liquidity has formed.

17% increase in number of bets placed on the Exchange

Product – Gaming and Poker

We introduced 55 new games during the year and refreshed the presentation of our Casino site. The expansion of the Live Dealer product and the recent introduction of a Mobile Casino have been particular successes, showing the benefits of diversifying both our products and the channels through which our players access those products. Our FY13 roadmap includes additional mobile products and Bingo.

The benefits of the changes made during the course of the year are reflected in our performance. Like-for-like revenue, which excludes the impact of suspending the product in Italy, was flat in the year. However, performance improved in the final quarter following greater marketing focus, with an increase in actives and ARPU driving revenue up 14%, excluding the impact of Italy.

In Poker, an emphasis on recreational players and improving network ecology has seen like-for-like revenue increase 6% year-on-year, excluding Italian revenues.

SHOWCASING VALUE THROUGH INNOVATION:

BRINGING OUR BETTER VALUE TO THE COMPETITION'S DOORSTEP.

Our challenge was to come up with a way of making it even more difficult for customers to ignore Betfair's better value. We got a great thrill from having the creative freedom to develop what was originally a bit of blue sky thinking, into something so powerful and value-adding for our customers.

Csaba Suket, Bogdan Boros, Iacob Nasca, 'Team Betmen'

Betfair Everywhere
Conceptualised during a 24-hour 'hack day' by engineers from Betfair's Romanian tech centre, the 'Everywhere' tool shows a customer the Betfair prices, and allows them to bet on Betfair while viewing the website of a competitor.

Download Betfair Everywhere at: https://promotions.betfair.com/betfaireverywhere.

CONTINUED MOBILE LEADERSHIP:

IN-HOUSE DEVELOPMENT TEAM DELIVERS NEW IPAD APP.

We believe the shift in betting from online to mobile gambling is perhaps even more significant than the shift that took place from offline to online. For me, it's great to be working at the very cutting edge of product development in what is such an exciting and fast-moving industry.

Sumit Kumar, iPad Engineer

New iPad app

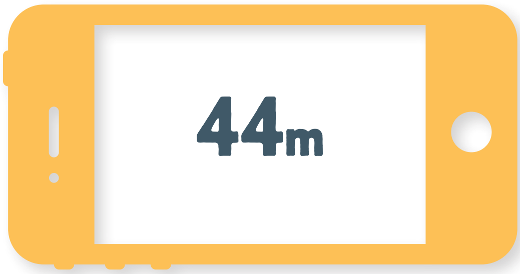
After being first to market with the iPhone and iPad apps, we shifted our focus to tailoring these applications to their specific devices – leading to a better customer experience and a more intuitive betting product.

Channels – Mobile

A sharp increase in mobile betting has been a key development over the past year, driven by increased smartphone penetration, improved products and greater customer awareness. For customers, the convenience of mobile betting is clear. For operators, it solves a critical constraint on the migration of betting from offline to online: when customers want to place a bet, they don't always have access to a computer on which they can access gaming websites. As smartphone penetration increases further and more people gain familiarity and confidence with mobile betting products, mobile betting could accelerate the shift away from offline channels. It may even become the dominant online channel in the next few years and it is therefore imperative to invest in the channel. Performance across the industry is polarising: companies that invested early in product development are experiencing a stronger take up of mobile betting.

Betfair invested early, becoming the first betting operator to have an app approved by Apple's AppStore in May 2010. In addition to our mobile web app, we offer native apps across all major platforms (iPhone, iPad, Android and Blackberry), with products in 26 AppStores globally and in 17 languages. Our products received industry recognition during the year, earning us awards for 'Mobile Operator of the Year' from eGaming Review and 'Best Gambling Company' at the Mobile Entertainment awards, amongst others. Our in-house development capability, consisting of over 50 mobile developers and product specialists across London, San Francisco and Romania, is a key differentiator against the competition. It allows a process of continuous product development, with three to four major releases per year per application. This capability also enables us to develop apps tailored for specific events, such as the Euro 2012 iPhone app which incorporates tournament specific content, news and tips, team guides and fixtures, together with our Exchange markets and multiples product.

44 million bets placed over mobile



During the year, 275,000 customers placed 44 million bets using a mobile device, year-on-year increases of 64% and 122% respectively. Mobile revenue in FY12, which was mostly derived from our exchange product as casino and multiples were added towards the end of the year, increased by 97% to £22.7 million.

Channels – API

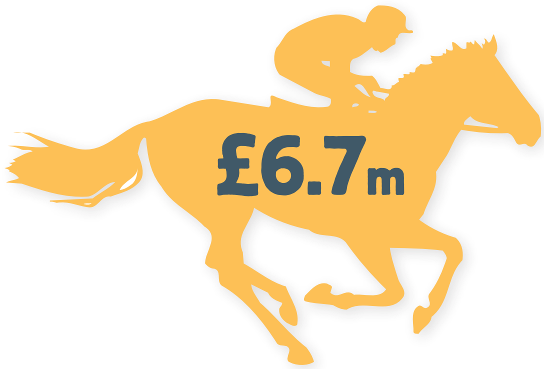
Betfair's application programming interface ("API") allows customers or software developers to interact with, and develop applications linked to, the Exchange directly, without the need to use our website. This allows customers to implement, and even automate, certain betting styles and strategies more effectively. We recently launched the Betfair App Cloud, a new service offering software developers the opportunity to build their own transactional betting websites and widgets based on our Exchange platform. The first site to go live with an App Cloud betting service was Manchester United's official website, manutd.com.

In the year, over 60,000 Betfair customers used non-Betfair built or owned interfaces to bet on the Exchange, generating approximately 25% of commission.

Regulation – UK

Recognising that a high quality racing product is necessary for our business to flourish, we continue to support British horseracing by again pledging a voluntary contribution to the Horserace Betting Levy Board. Following a £6.7m payment towards the 50th Levy Scheme in respect of racing revenues in the 12 months ended 31 March 2012 (consisting of a £6m advance payment plus £0.7m additional payment), we made an advance payment of £6.5m under the 51st Scheme. We are also fully engaged with the UK Government about potential reforms to the Levy.

Voluntary payment to the Levy Board for FY12



Separately, following a lengthy consultation process and independent legal advice from two eminent QCs and consistent with its treatment of the customers of any other bookmaker, the Levy Board decided in June 2011 that it would not seek to impose levy on the customers of betting exchanges. Subsequently, the British Horseracing Authority and William Hill have brought Judicial Review proceedings in relation to the Levy Board's decision, which will be heard on 4 July. We are optimistic that the Judicial Review will not lead to a change in levy arrangements for betting exchange customers, and will support the Levy Board in defending its stance as necessary.

During the year, the Department for Culture, Media and Sport and HM Treasury carried out reviews of the licensing and taxation of online gambling in the UK. The current legislation operates on a point of production basis, with licences and tax determined by the location of the operator's key equipment rather than the location of the customer. This incentivises operators to move their businesses outside the UK and Betfair moved its UK business to Gibraltar in March 2011 to achieve a level playing field with competitors. Following these reviews, the Government has announced its intention to change the basis of licensing and taxation to a point of consumption basis, so that all operators selling into the UK market, whether based domestically or overseas, will be required to hold a Gambling Commission licence to transact with, and advertise to, British consumers and to pay betting duty on UK gross gaming revenue (GGR). HM Treasury has proposed that the 15% rate that currently applies to remote gambling is maintained and that the reform will be implemented on 1 December 2014. However, both the rate and the exact implementation date are subject to change. Betfair is engaging with the Government and stressing the requirement for effective enforcement of any new rules to ensure player protection and fair competition in the marketplace.

Regulation – Europe
The regulatory environment across Europe continues to evolve. A number of countries are taking political and legislative steps to implement online gaming regulation and Betfair invests considerable time and resources engaging in these processes to achieve sensible and fair regulation.

In January 2012, we received a licence to operate all of our products in Denmark, where we are now paying tax at a rate of 20% of GGR. In May 2012 we received a sports betting licence in the German state of Schleswig-Holstein, where we are also paying 20% of GGR in gaming tax.

In Italy, we have a licence to operate a traditional sports betting product through our 'Betfair.it' website. In January 2012, the Government notified a Ministerial Decree to the European Commission that establishes the regulation of betting exchanges. We are hopeful this regulation will come into effect in the second half of FY13, allowing us to operate our Exchange on our 'Betfair.it' site in due course. Exchange revenues will attract gaming tax at a rate of 20% of GGR. We temporarily withdrew our gaming and poker products from the market in July 2011 and intend to apply for a licence to enable us to reintroduce these products in the coming months.

In Spain, Betfair has recently been awarded licences to operate a sportsbook and certain casino products. Under the terms of the licences, operators pay a GGR tax of 25%. Betfair has already been paying this tax since online gambling legislation was introduced in May 2011. Following the receipt of the initial licences on 6 June 2012, Betfair's Exchange was made unavailable to Spanish customers until exchange licences are issued. The regulation of betting exchanges is specifically provided for in primary legislation and the Spanish regulator has recently reiterated his intention to regulate exchanges in a second wave of licensing. In May 2012, the Spanish tax authority required online operators with customers in Spain to file tax returns and make a payment in respect of operations conducted between January 2009 and May 2011 under historical laws that previously were not applied to online operators. Betfair has satisfied these requirements.

In Greece, primary online gaming legislation has been passed by parliament, but industry bodies have lodged complaints with the European Commission challenging laws that create unfair barriers to new market entrants and the compatibility of the law with EU state aid requirements.

Other Investments

Betfair Australia
Betfair Australia is a 50:50 joint venture between Betfair and Crown Limited.

The Australian betting market continues to grow and Betfair Australia has participated in this growth with revenue up 21% (in local currency), driven predominantly by racing. The business has introduced new sportsbook products, including 'best of tote' style bets and multiples to ensure it has a full range of betting opportunities. It has also launched a localised mobile product focused on Australian content and products.

In March 2012, Betfair Australia learned that it was unsuccessful in an appeal to the High Court of Australia. Betfair Australia initiated proceedings in the Federal Court of Australia against Racing New South Wales (RNSW) in 2008 following the latter's decision to implement a race fields fee of 1.5% of betting turnover on all New South Wales races. The basis of the claim was that the fee is discriminatory in nature and protectionist in its purpose. Betfair was unsuccessful in the initial proceedings and subsequent appeal to the Full Court of the Federal Court and had been given leave to appeal to the High Court. Following the decision, Racing Victoria announced its intention to introduce a turnover based race field fee of between 1.5% and 2%. The low margin nature of the exchange model means that some customers betting on races in these states will become unprofitable. In reaction to this, Betfair Australia has considered its commercial response and has implemented an increase in commission on Australian racing markets, raising the base rate from 5% to 6.5%. Betfair Australia will continue its efforts to educate the racing industry on the mutual benefit of charging fees on a revenue basis.

Betfair – US
TVG continues to make progress, with handle growth of 7%, compared with an overall market decline of 2%, and revenue growth of 5% (both in local currency). The business has focused on improving the efficiency of its operations and achieved profitability in the year on a standalone basis.

Betfair US continues to work towards the introduction of exchange wagering and is in discussions with the racing industry in a number of states.

LMAX
Following a change of management in April 2011, LMAX has successfully transitioned towards a sales-led distribution strategy with an increased focus on liquid foreign exchange and commodity products. The business has built an experienced sales team and is establishing a wide international reach. The new strategy has delivered much improved results in FY12 and LMAX has outperformed the business plan developed by the new team.

Volume of trades on the LMAX platform in FY12: $85bn

Customer traction has improved throughout the year, leading to strong volume growth in FY12. In the year LMAX matched $85bn of foreign exchange volume (FY11: $9bn), delivering an annualised run-rate of c.$300bn in April 2012. The number of trades on the platform has increased from 4,000 a month to 300,000 a month over the period. LMAX now ranks in the top 30 retail FX providers globally and has firmly established proof of concept for its exchange technology in this market. The business is now focused on taking its key messages of speed, price and reliability to a wider audience of customers to build further volume flows and liquidity on the platform.

CUSTOMER EDUCATION:

BRAND AMBASSADORS MAKING BETFAIR BETTORS BETTER.

Our ambassadors have had a fantastic impact on our customers – in terms of both their all-round experience with our brand and their betting prowess. A betting operator wanting its customers to win more often is a novel concept in our industry, and one which I think everyone at Betfair is proud to work towards.

Andy Lulham,
UK Brand Marketing

Betfair Ambassadors
The education of customers to make them better bettors is central to driving revenue growth and increasing customer loyalty. Via blogs, videos and tweets, Betfair's brand ambassadors have provided customers with exclusive content and advice. Personal appearances have also been used to engage with Betfair's High Value customer base.

BEST PRACTICE ON INTEGRITY:

PARTNERING WITH THE INTERNATIONAL OLYMPIC COMMITTEE.

When it comes to keeping sport free from corruption, the interests of betting operators, sports governing bodies and regulators are completely aligned. We're proud to have a world class, industry leading integrity team and a track record of working proactively and transparently with relevant stakeholders across the world.

Susannah Gill, UK & Ireland Public Affairs

MoU with the IOC
Memoranda of Understanding enable Betfair to share information and betting patterns with sports governing bodies around the world. Betfair pioneered this type of agreement, signing its first in 2003 with the UK Jockey Club and today has over 50 such agreements in place including one with the International Olympic Committee ahead of London 2012.

Group summary

Reported Group revenue was £389.7m (FY11: £393.3m), and reported Group profit before tax was £41.6m (FY11: £26.6m).

Management believes that underlying results, which exclude the High Roller segment, share based payments and exceptional items, provide a better guide to the true performance of the business during the financial year. Underlying Group revenue was up 6% at £389.7m (FY11: £368.6m), with underlying Group adjusted EBITDA up 17% at £85.7m (FY11: £73.2m) and underlying basic EPS up 21% at 41.1 pence (FY11: 33.9 pence).

The Group ended the period with a cash balance of £135.4m (30 April 2011: £155.0m) and no debt. During the year the Group spent £50m of cash repurchasing its own shares. Customer funds held off balance sheet in separate ring fenced accounts were £288.3m (30 April 2011: £305.6m).

Twelve months ended 30 April

	FY12 £m	FY11 £m	Change %
Revenue			
Core Betfair revenue	**349.5**	330.0	+6%
Other investments revenue	**40.1**	38.6	+4%
Underlying Group revenue [2]	**389.7**	368.6	+6%
High rollers revenue	–	24.7	-100%
Group revenue	**389.7**	393.3	-1%
Adjusted EBITDA [1]			
Core Betfair	**92.1**	80.2	+15%
Other investments	**(6.4)**	(7.0)	+9%
Underlying Group Adjusted EBITDA [2]	**85.7**	73.2	+17%
High rollers	3.9	6.5	-40%
Group Adjusted EBITDA	89.6	79.7	+12%
EBITDA			
Core Betfair	78.1	55.0	+42%
Other investments	(6.9)	(5.2)	-33%
Group EBITDA (excluding High rollers)	71.2	49.8	+43%
High rollers	3.9	6.5	-40%
Group EBITDA	75.1	56.3	+33%
Underlying basic earnings per share [2]			
Core Betfair	51.6p	44.6p	+16%
Other investments	(10.5p)	(10.7p)	+2%
Group Underlying basic earnings per share	41.1p	33.9p	+21%

1 Excluding exceptional items and equity settled share-based payments
2 Underlying figures are stated after making a number of adjustments in order to aid comparability between periods. These adjustments involve the exclusion, where relevant, of: the revenue and EBITDA from the High rollers segment; exceptional items; equity settled share-based payments; profit on sale of financial asset; net foreign exchange gain and the associated tax effect of these adjustments.

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's website at http://corporate.betfair.com.

Twelve months ended 30 April

	FY12 £m	FY11 £m	Change %
Core Betfair revenue			
– Non-risk Sports	250.1	225.2	+11%
– Risk Sports	18.1	20.6	-12%
– Sports (total)	268.2	245.9	+9%
– Games	56.0	58.9	-5%
– Poker	22.3	21.9	+2%
Core Betfair Net Gaming Revenue	346.5	326.6	+6%
Revenue from management of customer funds	3.0	3.3	-10%
Core Betfair revenue	**349.5**	**330.0**	**+6%**

Core Betfair revenue increased by 6% to £349.5m, with Sports delivering the best performance. The year was characterised by a reduction in revenue in Q1, against a strong comparative period which included the World Cup, followed by three quarters of double digit growth. Our focus on attracting and retaining higher value customers has resulted in an 18% increase in overall ARPU to £407 (FY11: £345). The number of active customers increased by 8% in the final quarter as a result of new activations following the launch of the 'Don't Settle for Less' marketing campaign. In the year, the number of actives was 10% down to 852,000 (FY11: 949,000) as a result of fewer activations in the first nine months of the year. As well as the strong comparative period, this reflected a more targeted acquisition and retention strategy as well as the later phasing of marketing spend.

Revenue from the management of customer funds held on deposit reduced by 10% to £3.0m primarily reflecting a reduction in the average rate of interest earned on these deposits from 1.1% to 1.0%.

Sports KPIs

Twelve months ended 30 April

	FY12	FY11	Change %
Sports KPIs			
– Actives ('000)	**744**	810	-8%
– ARPU (£)	**360**	304	+18%
– Net Gaming Revenue (£m)	**268.2**	245.9	+9%

Overall Sports ARPU was up 18% and the number of active customers was down 8% due to the World Cup boost in the first quarter of the prior year, when actives increased by 47%. Following the success of recent marketing, the number of sports actives was up 6% in the final quarter compared to the prior year after being broadly flat in Q2 and Q3.

Overall Sports net gaming revenue ('NGR') increased by 9% to £268.2m (FY11: £245.9m), driven by the Exchange. Non-risk sports revenue, which is predominantly commission generated on the Exchange, increased by 11% to £250.1m (FY11: £225.2m).

Revenue from risk Sports was down 12% to £18.1m (FY11: £20.6m) as a result of adverse sporting results in Q1, which particularly affected margins in our telephone betting business. In the remainder of the year risk revenues increased by 7%, driven by slightly higher volumes and margins in our multiples product. The overall margin for the year decreased from 8.7% in FY11 to 6.8% in FY12.

Horseracing revenue increased by 11% in the year and represented 42.5% of sports revenue. The growth was mainly driven by the National Hunt season, which captured punters' interest with the exceptional quality of racing on offer. We had a record Cheltenham Festival with active customers up 10% and revenue up 18%.

Across most regions, with the exception of the UK and Ireland, football is the biggest sport by far. Football revenue increased by 6% in the year as a whole, with a 14% revenue increase in the 2011/12 season contained within the financial year. Football contributed 41.3% of revenue in the year.

Revenue from other sports and events increased by 13%. Tennis remains the most popular sport after football and horseracing, followed by cricket and golf, all of which contributed to revenue growth. Revenue records were set at the French and Australian Opens and Wimbledon in tennis and the British Open and US Masters in golf.

Games KPIs
Twelve months ended 30 April

	FY12	FY11	Change %
Games KPIs			
– Actives ('000)	213	258	-17%
– ARPU (£)	264	228	+16%
– Net Gaming Revenue (£m)	56.0	58.9	-5%

In the Games segment, revenue declined by 5% following a 17% reduction in active customers. The biggest decline was in Q1, when revenues and actives declined by 12% and 18% respectively against a tough comparative quarter in Q1 FY11. Growth in the remainder of the year was affected by our decision to temporarily suspend gaming and poker products in the Italian market. Excluding Italy, revenues in the final three quarters of the year were up 3%, flat and up 14% respectively. The improvement in Q4 resulted from higher active customer numbers following more effective marketing activity.

Poker KPIs
Twelve months ended 30 April

	FY12	FY11	Change %
Poker KPIs			
– Actives ('000)	147	161	-9%
– ARPU (£)	152	136	+12%
– Net Gaming Revenue (£m)	22.3	21.9	+2%

Poker actives declined by 9%, broadly in-line with the overall customer base, while 12% higher ARPU resulted in NGR up 2% to £22.3m. Q1 was the final quarter to be affected by year-on-year comparisons to the pre-migration period before the move to the Ongame network which caused an initial decline in revenue. Poker revenue has now seen six quarters of stability since the migration. Excluding Italy, revenues in the final nine months of the year increased by 14%.

Geographic KPIs
Twelve months ended 30 April

	FY12	FY11	Change %
UK			
– Actives ('000)	426	487	-13%
– ARPU (£)	429	358	+20%
– Net Gaming Revenue (£m)	182.9	174.0	+5%
Europe			
– Actives ('000)	401	441	-9%
– ARPU (£)	361	309	+17%
– Net Gaming Revenue (£m)	144.8	136.2	+6%
Rest of World			
– Actives ('000)	25	21	+19%
– ARPU (£)	749	787	-5%
– Net Gaming Revenue (£m)	18.8	16.4	+15%

The UK remains our most important region, generating 53% of Core Betfair NGR in FY12 (FY11: 53%).

Germany and Spain continued to grow strongly, whereas Italy and Greece saw lower revenue year-on-year. NGR in Italy declined by 32% following our decision to suspend temporarily our gaming and poker products in July 2011 and our agreement with the regulator not to accept new customers on the Exchange ahead of licencing. Revenue in Greece was affected by the continued economic difficulties in the country.

The Rest of World region continued to perform strongly with actives and NGR increasing by 19% and 15% respectively.

Gross margin
Core Betfair gross margin was £313.8m (FY11: £282.9m) excluding exceptional items, representing a gross margin percentage of 89.8% (FY11: 85.7%). The improvement in the gross margin percentage was largely driven by a reduction in gaming taxes following the move of the UK licence to Gibraltar in March 2011. Other items increased broadly in line with revenue.

Gaming taxes are expected to increase faster than revenues over the next few years, as we are awarded further licences and if the UK implements the intended point of consumption tax, reducing the Core Betfair gross margin percentage.

Administrative expenses
Twelve months ended 30 April

	FY12 £m	FY11 £m	Change %
Commercial and marketing	87.5	79.3	+10%
Technology and product	67.2	62.4	+8%
Operations	20.2	19.0	+6%
Corporate	46.9	42.0	+12%
Administrative expenses	**221.8**	**202.7**	**+9%**
Commercial and marketing as % of Core Betfair revenue	25.0%	24.0%	
Technology and product as % of Core Betfair revenue	19.2%	18.9%	
Operations as % of Core Betfair revenue	5.8%	5.7%	
Corporate as % of Core Betfair revenue	13.4%	12.7%	
Administrative expenses as % of Core Betfair revenue	**63.5%**	**61.4%**	

A ONE-STOP-SHOP:

INTEGRATED SPORTSBOOK HELPING US MEET CUSTOMER DEMAND.

It's our job to listen to our customers and to offer them the most rounded betting product available. The sportsbook provides convenience for our users, fewer reasons for them to bet elsewhere and a powerful cross-sell tool into our Exchange. It's an exciting evolution in our offering and has been great fun to work on.

Liam Barbour, Sports Product

Launch of fixed odds product

For efficient markets to form on Betfair, a sufficient amount of liquidity is required. This has made it hard for Betfair to offer as many in-play markets and early prices as the competition – and as a result, customers are currently spending up to 30% of their betting wallets elsewhere. The launch of the integrated sportsbook plugs these gaps in Betfair's offering, giving customers even fewer reasons to bet anywhere else.

Commercial and marketing spend was £87.5m (FY11: 79.3m) and represented 25% of revenue. The expenditure was deliberately phased towards the second half of the year with the launch of our "Don't Settle for Less" campaign in January 2012. The phasing of marketing spend is expected to be more evenly spread throughout the year in FY13 due to the European Championships in June and the planned timing of new product launches. We expect commercial and marketing spend to continue around 'mid-20%' of revenue in the medium term.

The increase in technology and product costs to £67.2m (FY11: £62.4m) included incremental costs associated with operating multiple data centres during the data centre migration programme. A further £20.1m of internal technology development expenditure has been capitalised (FY11: £17.5m) and will be amortised over three years, in accordance with our accounting policies. This development expenditure includes investment in the re-architecture of the technology platform.

Operations costs were 6% higher and included a step up in the sports trading team ahead of the launch of the expanded risk product.

Corporate costs increased in the period to £46.9m (FY11: £42.0m), primarily due to investment in legal and public affairs resources as part of our regulatory efforts in European countries, higher bonuses and additional costs relating to the move of the UK licence offshore and of being a listed company.

We expect technology, product, operations and corporate costs to reduce as a percentage of revenue, helping to offset expected higher levels of gaming tax.

EBITDA

Twelve months ended 30 April

	FY12 £m	FY11 £m	Change %
Adjusted Core Betfair EBITDA	**92.1**	**80.2**	**+15%**
Exceptional items	(6.4)	(19.1)	
Equity-settled share-based payments	(7.6)	(6.1)	
Core Betfair EBITDA	**78.1**	**55.0**	**+42%**

Core Betfair adjusted EBITDA increased by 15% to £92.1m (FY11: £80.2m), reflecting revenue growth and an increased gross margin following our UK business' move offshore.

On a reported basis, EBITDA increased by 42% to £78.1m (FY11: £55.0m). Exceptional costs in FY12 arise from a one off £6.4m payment to Spanish tax authorities. In the prior year, the exceptional costs of £19.1m were primarily in connection with the IPO in October 2010.

Reported EBITDA is also stated after equity settled share-based payments of £7.6m (FY11: £6.1m).

Other Investments

Twelve months ended 30 April

	FY12 £m	FY11 £m	Change %
Revenue			
Betfair US	36.1	35.2	+3%
LMAX	4.0	3.5	+14%
Other Investments revenue	**40.1**	**38.6**	**+4%**
Adjusted EBITDA			
Betfair US	(0.4)	(1.2)	+67%
LMAX	(6.0)	(5.8)	-3%
Other Investments adjusted EBITDA	**(6.4)**	**(7.0)**	**+9%**
EBITDA			
Betfair US	(0.9)	0.6	N/A
LMAX	(6.0)	(5.8)	-3%
Other Investments EBITDA	**(6.9)**	**(5.2)**	**-33%**

Betfair US

TVG had a good year and continued to grow its share of the US market. Handle was up 7% and overall revenue up 5% (both in local currency terms) driven by increases in both actives and ARPU.

On a standalone basis, TVG generated a positive EBITDA performance as a result of the revenue growth as well as operational efficiencies, but this was offset by investment in the Exchange and business development. Overall, Betfair US adjusted EBITDA improved by £0.8m to a loss of £0.4m.

LMAX

Overall LMAX revenue increased by 14% to £4.0m (FY11: £3.5m) driven by strong growth from the LMAX platform. Revenue from the platform increased from £0.1m to £1.0m, with over 70% of this delivered in the final quarter. Tradefair, our white label financial spread betting business, continues to contribute the majority of overall LMAX revenues, although revenue in this business declined to £3.0m (FY11: £3.4m) due to reduced levels of financial market volatility.

LMAX generated an EBITDA loss of £6.0m (FY11: £5.8m) reflecting continued investment in the business and expansion of its sales capability.

Depreciation and amortisation

Twelve months ended 30 April

	FY12 £m	FY11 £m	Change %
Core Betfair	34.4	25.0	+38%
Other investments	6.8	6.4	+6%
Group depreciation and amortisation	**41.2**	**31.4**	**+31%**

Depreciation and amortisation increased to £41.2m (FY11: £31.4m) following the increase in capital expenditure in the last two years, which includes the platform re-architecture and data centre consolidation.

Equity-settled share-based payments

Twelve months ended 30 April

	FY12 £m	FY11 £m	Change %
Core Betfair	7.6	6.1	+25%
Other investments	0.5	0.4	+25%
Group equity settled share-based payments	**8.1**	**6.4**	**+27%**

Equity-settled share-based payments totalled £8.1m (FY11: £6.4m) and relate to incentive plans for management and employees which are based on both corporate and personal performance. The increase in the period is due to the options awarded in relation to the Company's IPO in October 2010.

Finance income and expenses

Net finance income was £3.3m (FY11: £1.5m) primarily representing interest on corporate funds of £1.2m (FY11: £1.1m) and a net foreign exchange gain of £2.1m (FY11: £0.4m). The net foreign exchange gain primarily relates to unrealised gains from the retranslation of intercompany trading balances.

Share of income from joint venture – Betfair Australia

Betfair Australia generated 21% revenue growth (in local currency), driven by a strong horseracing performance and improved monetisation of Exchange activity. Revenue growth was driven by higher ARPU following an increased focus on higher value customers.

The joint venture achieved a breakeven result for the first time. Our reported share of the venture's net operating profit was £4.3m (FY11: loss of £0.9m). Excluding the £1.9m one-off net benefit of a sales tax refund and costs associated with the High Court appeal our share of operating profit was £2.4m.

Taxation

The Group's tax expense was £7.6m in the year (FY11: £3.6m). The effective Group consolidated tax rate was 18.3% (FY11: 13.6%). This is higher than the underlying tax rate of 16.2% (FY11: 17.3%) due to the non-allowance for tax purposes of certain exceptional items. We now expect the medium-term sustainable tax rate to be around 16%.

Dividend

The Board recommends the payment of a final dividend of 7.0 pence per share. Together with the interim dividend of 3.2 pence per share, the proposed full year dividend is 10.2 pence per share. This represents a payout of 20% of Core Betfair adjusted earnings per share.

The ex-dividend date will be 5 September 2012 for payment on 3 October 2012.

Capitalised expenditure

Twelve months ended 30 April

	FY12			FY11		
£m	Core	Other	Total	Core	Other	Total
External capex/devex	31.3	2.2	33.5	39.1	1.8	40.9
Internal devex	20.1	9.3	29.4	17.5	7.4	25.0
Total capex	**51.4**	**11.5**	**62.9**	**56.6**	**9.2**	**65.9**

Group capitalised expenditure (capex) totalled £62.9m (FY11: £65.9m), consisting of £51.4m in Core Betfair and £11.5m in Other Investments. Following the completion of the platform re-architecture, we expect a substantial reduction in Core Betfair capex in FY13 to c.£35m.

Cash and cash flow

Core Betfair generated free cash flow of £50.5m (FY11: £19.3m). The increase was largely driven by the increase in Core Betfair adjusted EBITDA, lower cash payments for capital expenditure and an improvement in working capital.

Free cash flow from Other Investments was an outflow of £11.9m (FY11: £16.3m), reflecting continued investment in the development of the US exchange and LMAX.

Returns to shareholders totalled £59.8m in the year, with £50.2m through the share buyback and dividends of £9.6m (consisting of the final dividend for FY11 and interim dividend for FY12).

Twelve months ended 30 April

	FY12 £m	FY11 £m
Core Betfair		
Cash flow from operating activities and interest	102.6	74.8
Capital expenditure	(47.7)	(52.8)
Tax paid	(4.4)	(2.7)
Core Betfair free cash flow	50.5	19.3
Other Investments		
Cash flow from operating activities	(0.5)	(7.0)
Capital expenditure	(11.4)	(9.3)
Other investments free cash flow	(11.9)	(16.3)
Share buyback	(50.2)	–
Dividends paid	(9.6)	–
Other	2.2	1.3
Net cash flow	**(19.0)**	**4.3**
Effect of exchange rate fluctuations on cash held	(0.6)	(0.2)
Net (decrease)/increase in cash and cash equivalents	**(19.6)**	**4.1**

Balance as at 30 April

	FY12 £m	FY11 £m
Cash and cash equivalents	135.4	155.0
Customer funds held off balance sheet on deposit in separate ring fenced accounts	288.3	305.6

Stephen Morana
Interim CEO

ACTING WITH INTEGRITY.

AN INDUSTRY LEADER IN PLAYER PROTECTION.

Fru Hazlitt
Independent Non-executive Director
and Chair of Corporate Responsibility Committee

Committed to responsible gambling

From day one, Betfair has done things differently. Innovation, transparency and fairness for the customer were values that underpinned the business from the start, but corporate responsibility (CR) wasn't something we really talked about in the early days. It was just part of business as usual.

Over the past decade, as the shape and size of the business has changed, our approach to CR has evolved. Protecting players, engaging with stakeholders and managing our social impacts is part of our vision to become the world number one online sports betting operator. It is not a separate agenda; it's a strategic business issue that's integral to everything we do and relevant to everyone in the business.

Our approach is based on collaboration, and this report shows how we put our CR thinking into practice. For example, we work with educational institutions to support research and further increase understanding of 'responsible gambling' and we're refreshing our community investment strategy to focus efforts on the areas where we can have the most positive impact in our local communities.

We have strong foundations in place and are committed to growing our reputation as an industry leader on issues relating to consumer protection.

Our values
The four core values of how we do business are:

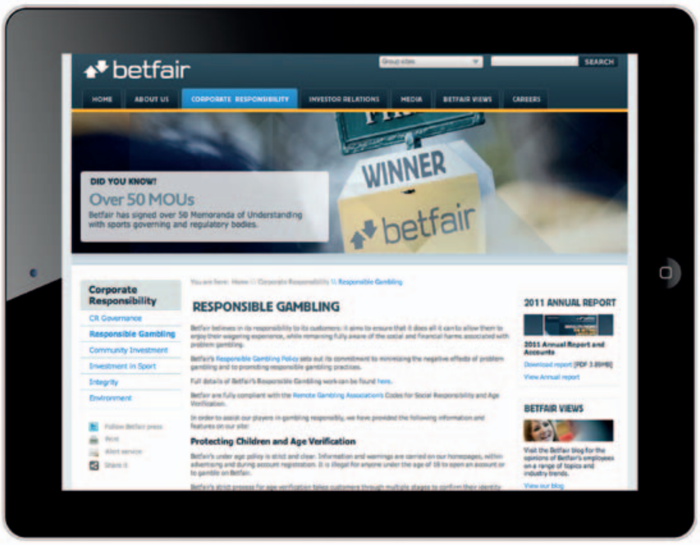
- Being trusted by our customers
- Acting with integrity in everything we do
- Ensuring our people are inspired, engaged and developed
- Taking pride in the communities where we live and work.

Corporate Responsibility Committee
The CR Committee meets up to four times a year and is responsible for reviewing the Company's policies and advising the Board on social, ethical and environmental matters.

Stakeholders

Customers	Business partners
Employees	Suppliers
Regulators	Local communities
Government	Civil Society organisations

Helping our customers gamble responsibly



Being trusted by our customers
Betfair's primary goal is to ensure its customers have an enjoyable gambling experience. Our responsible gambling policies and strategies ensure we listen and respond to the concerns of our customers, public interest groups, regulators and policy makers.

Our responsible gambling policy sets out our commitment to minimise the negative effects of problem gambling and to promote responsible gambling practices. You can read it at www.responsiblegambling.betfair.com. Betfair helps to protect customers, their families, communities and vulnerable groups from problem gambling through a range of measures from player protection tools on the website to support for problem gambling charities. As well as promoting responsible gambling practice among our customers, we work with leading academic researchers to understand the impact of Betfair products on the health of customers, their families and communities.

Vulnerable groups
Betfair is particularly concerned about vulnerable groups who are notably more susceptible to problem gambling. We are focused on the protection of minors and vulnerable people, and we endeavour not to direct our advertising at these two groups.

Betfair has a strict underage policy and a rigorously applied age verification process. Information and warnings are carried on our homepages, within advertising and during account registration. It is illegal for anyone under the age of 18 to open an account or gamble on Betfair. We are registered as a 'gambling content' site with the Internet Content Rating Association (ICRA), part of the Family Online Safety Institute, which provides general information and advice about internet safety. We also encourage customers to use parental filtering solutions.

Player protection
We put player protection at the heart of our business strategy. We take great pride in having a commitment to player protection that goes above and beyond the requirements of any licence we hold. We believe this commitment helps us to set the pace with regulators and governments in raising standards throughout the industry.

Betfair provides player protection tools which allow customers to manage their gambling if and when required. Before launching a new product, service or promotion, we use a risk assessment tool aimed at identifying any potential problems.

We are working to ensure that every Betfair product includes protection features such as deposit and loss limit functionality; self-exclusion options; reality checks and session timers and links to information about responsible gambling and sources of help.

More information
You can access the latest information and read more about our Corporate Responsibility at:
corporate.betfair.com/corporate-responsibility

Our advertising and marketing code seeks to ensure that advertising and sales promotion activities do not give gamblers misleading information, such as a false impression of the odds on winning.

We are committed to helping customers get information about gambling related problems and how to avoid them, as well as helping them evaluate their own behaviour and develop change strategies if they wish to do so. We do this by providing educational information for employees and customers on our dedicated responsible gambling microsite at www.responsiblegambling.betfair.com. Identifying a problem early can help prevent it from developing into something more serious. The responsible gambling site can be accessed via links placed throughout the main Betfair website and we're beginning to roll this out internationally. It contains:

- Information on the responsible gambling services and functions available on the site, and how to use them
- Considerations to bear in mind while betting onsite, to help maintain control of gambling
- Demonstrations of how to find and use the wide range of protection tools available to customers
- A self-test questionnaire, with contact information and links to various organisations that can offer valuable support and help for problem gamblers.

We want to maintain sector leading responsible gambling standards across our portfolio of products and continue to be accredited by G4, the Global Gambling Guidance Group, which recognises responsible remote and e-gambling operators. G4 standards exceed many current jurisdictional or regulatory standards in individual countries.

We see cash and in-kind contributions towards responsible gambling research, education and support as part of our duty of care. We donate to nine non-governmental organisations (NGOs) internationally that provide education and treatment for problem gamblers:

- Responsible Gambling Trust (UK) and through it:
  – Gamcare (UK)
  – Gordon Moody Association (UK)
  – National Problem Gambling Clinic (UK)
- Centre for Ludomani (Denmark)
- European Association for the Study of Gambling
- FEJAR (Spain)
- McGill University Adolescent Problem Gambling Unit (Canada)
- National Council on Problem Gambling (US)

Research and education

The research and analysis we're undertaking will give us an even better understanding of our customers' behaviour, so that we can further refine our 'responsible gambling' activities – to the greater benefit of our business and, crucially, our customers too.

We actively support research that will contribute to society's understanding of gambling. We are working with academic partners on our own internal structured research programme, which aims to ensure that new key insights on problem gambling are understood and acted on. We also support external research by contributing to a national fund for problem gambling research, education and treatment. We seek to make similar arrangements in every country where we are operational.

Analysis of Betfair customer data will provide considerable information to guide the process of risk assessment and the refinement of player protection tools. This research will develop a knowledge base to identify a risk gradient for customers, taking into consideration adverse reactions to gambling and interventions. Identifying high risk gambling patterns and behavioural markers that predict the emergence of gambling problems will give us the opportunity to develop and implement evidence-based prevention and intervention projects to prevent problem gambling.

In the past year independent research on self-exclusion conducted by the National Centre for Social Research has led to an increased understanding of what leads players to exclude themselves. This has enabled us to put in place a strategy to educate more vulnerable groups in order to prevent harm.

As a company we believe it is vital to understand our customers and how they interact with our products. As part of this, we have partnerships with research organisations to fine tune our consumer protection work.

Acting with integrity

We always act with integrity because we want to build trusted relationships with our customers, regulators, local communities and sports organisations around the world. We are committed to assisting sports governing bodies (SGBs) in maintaining the integrity of all sports, and Betfair's approach has brought unprecedented openness and transparency to the way in which the gambling industry interacts with sport on betting integrity related matters.

It is essential for Betfair's long-term sustainability that its customers have confidence in the honesty of the markets on which they place bets. This means that Betfair's business interests are aligned with those of SGBs in wanting sport to be conducted fairly and without corruption.

Our dedicated Integrity Team uses sophisticated forensic and analytical tools to monitor betting activity. Crucially, every transaction on Betfair is recorded. In addition, we have led the way in information-sharing agreements with sports authorities: We have signed over 50 Memoranda of Understanding (MoUs) with leading SGBs such as the British Horseracing Authority, FIFA, UEFA and recently the International Olympic Committee to cover the London 2012 Games. In practice MOUs are a commitment from us to share any relevant customer and transactional data with SGBs in the event of a betting integrity related issue being detected on their sport.

Our people

We have over 2,000 employees around the world, with major sites in the UK, Ireland, Gibraltar, Malta, Romania and the US. As a global business, we need good communication so that we can understand, support, grow and develop the people who will help us to execute and deliver our strategy and vision year by year. We work hard to be an employer of choice and recognise the need to attract, develop, retain and reward individuals who add value to our unique business.

Performance management is a crucial lever to delivering high performance and during the year we have delivered training to equip our managers to have quality conversations, set clear performance levels and develop people for future roles. This work is supported by talent and succession planning which determines the strength of our leadership talent pipeline, based on capability, performance, potential and career aspirations.

We listen to our employees, respond to their feedback and communicate the actions we have taken. In partnership with Gallup we measure our employee engagement through six-monthly surveys and use the detailed results to develop prioritised and structured action plans for improving engagement and performance throughout the business. We use the Company intranet and regular updates from the CEO to ensure that everyone understands the Company's focus and vision as it moves forward.

We review employee performance annually against objectives agreed a year earlier, and use this opportunity to formally identify training and career development opportunities. As in the previous year, the pay award for 2011 was performance related and a budget of 3.5% was made available for distribution.

All Betfair employees receive responsible gambling awareness training within their first three months of employment.

Our industry is often regarded as male-dominated because of its focus on technology, but we are committed to equal opportunities and a diverse, inclusive and representative workplace where everyone is treated with dignity and respect.

Health and Safety

Alongside our commitment to providing a vibrant working environment that values wellbeing and diversity, we recognise our wider legal and moral obligation to provide a safe and healthy working environment for our people, visitors and members of the public who may be affected by our activities. Our operations are fully compliant with all aspects of the relevant Health and Safety (H&S) law, codes of practice and approved industry standards. We never knowingly expose anyone to any risk to their health, safety and welfare. Our H&S policy statement reflects Betfair's commitment to managing health, safety and welfare across the whole business through selected senior representatives who form the National Health and Safety Forum. In addition, all of our facilities managers have IOSH accreditation and two employees are accredited at NEBOSH level.

It is a statutory requirement to keep a record of all accidents, incidents and near misses that occur at work. Our H&S record in 2011 was good. There were no reportable fatalities or major injuries across our business and a health, safety and environment inspection visit in the UK resulted in no enforcement notices or prosecutions for health, safety or environmental offences.

Environment

We are committed to reducing the environmental impact of our business and are monitoring our carbon emissions to better understand our direct impact. We recognise that good environmental management is an integral part of any business and our current priorities are energy performance, corporate travel and waste and recycling.

To date we're making an impact by:

- Setting buildings to use localised air conditioning/heating so that entire office systems can be switched off at weekends, resulting in huge savings in consumption; and installing motion sensor lighting in all offices where practicable
- Establishing videoconferencing links between all global sites to reduce business air travel. Following the roll-out to global sites, we aim to provide external videoconferencing facilities to enable more efficient communications with non-Betfair locations
- Promoting a 'Ride2Work' cycle scheme which allows employees to purchase bikes interest free, and at a discounted rate
- Recycling all paper, glass, cardboard, plastic, cans, printer cartridges and redundant IT equipment where possible.

Community and charity

We take pride in our local communities. Our community investment programme encourages employees to get actively engaged with the communities where we live and work, and provides investment in grassroots sport.

Grassroots sport

Sport in the community is about local people, local facilities, local groups and organisations working together to provide opportunities to enjoy sport. Recognising the importance of community sport, we set up Cash 4 Clubs in 2008 to offer sports clubs in the UK the chance to win grants ranging from £250 to £1,000. The programme has since launched in Australia and Malta and to date we've supported 234 clubs. A diverse panel of judges helps ensure that Cash 4 Clubs is supporting the clubs that are making a real impact in their communities. We are proud that Dame Kelly Holmes, Mark Foster and Karen Pickering have been part of this process alongside MPs, journalists and sports administrators.

We also work with Charlton Athletic Community Trust on a community football programme in South Africa; support Greenhouse, a charity which empowers young people in London's most disadvantaged communities to realise their potential through high quality, intensive sport and dance programmes; and are headline sponsors of the annual Betfair LifeCycle Challenge in Malta.

Grassroots horseracing

Betfair is one of the biggest betting operator supporters of racing in the UK. Since 2000, we have paid nearly £56 million in Horserace Betting Levy. We continue to pay the Levy in exactly the same way as other bookmakers licensed in the UK by contributing a fixed share, currently set at 10.75% of the profits we make from British customers betting on British horseracing.

"We are indebted to the ongoing financial support that Racing Welfare receives from Betfair. The charity supports the unsung heroes of racing in times of injury and need; our beneficiaries are stable and stud staff, racecourse staff, retired stable lads and lasses and all of the other people who make a day at the races possible. The contribution that Betfair has made since 2005 has topped £250,000, making it our largest corporate donor bar none. We feel that this generosity underlines Betfair's determination to support racing and its people at grassroots level."

Richard Negus, Racing Welfare

Grassroots sport
Cash 4 Clubs is Betfair's own programme which enables community sports clubs to apply for a grant to improve facilities, buy new equipment, improve coaching and nurture young talent. Since its inception we've supported 234 sports clubs with grants of up to £1,000.

Local communities
As part of our commitment to the communities in which we live and operate, we have a dedicated CSR resource linked to each of our offices. Employee engagement is a key driver for this activity, alongside a broader objective to create innovative community partnerships that find solutions to local issues.

Grassroots horseracing
Betfair has supported a wide range of courses, events, racing organisations and charities – see page 33 for more information.

Charity of the Year
The partnership between Betfair and The Prostate Cancer Charity focused on building a new supporter base for the charity across the horseracing industry: a series of fundraising events raised a total of £145,247.

In addition to continuing to pay the Levy, Betfair is investing £3 million into racing's grassroots between 2010 and the end of 2012. From this fund, we have supported a wide range of courses, racing organisations and charities including:

- £500,000 to the 14 Jockey Club Racecourses to help boost prize money at their fixtures
- £200,000 to Scottish racing for a new series of races and £150,000 to Go Racing in Yorkshire
- £50,000 continuing financial support for the Injured Jockeys' Fund Medical Adviser and £50,000 to Oaksey House
- Remaining the biggest corporate sponsor of racing's own charity, Racing Welfare, and organising the Pride of Racing Awards in July 2011 to recognise the sport's unsung heroes
- £40,000 sponsorship of the One in a Million Gala Ball, with proceeds going to the Riding for the Disabled Association Charity, The Bob Champion Cancer Trust, Racing Welfare and the National Rehabilitation Hospital in Ireland
- Purchase of a horsebox for Moorcroft Racehorse Welfare Centre, with additional support through sponsorship of a black tie event and charity race.

Fundraising
Betfair employees have traditionally nominated a Charity of the Year, which everyone across Europe gets behind and fundraises for. The Prostate Cancer Charity was our official charity partner for 2011 and we raised £145,247 through a series of events involving employees over the course of the year. We also support employees raising funds for their own chosen causes.

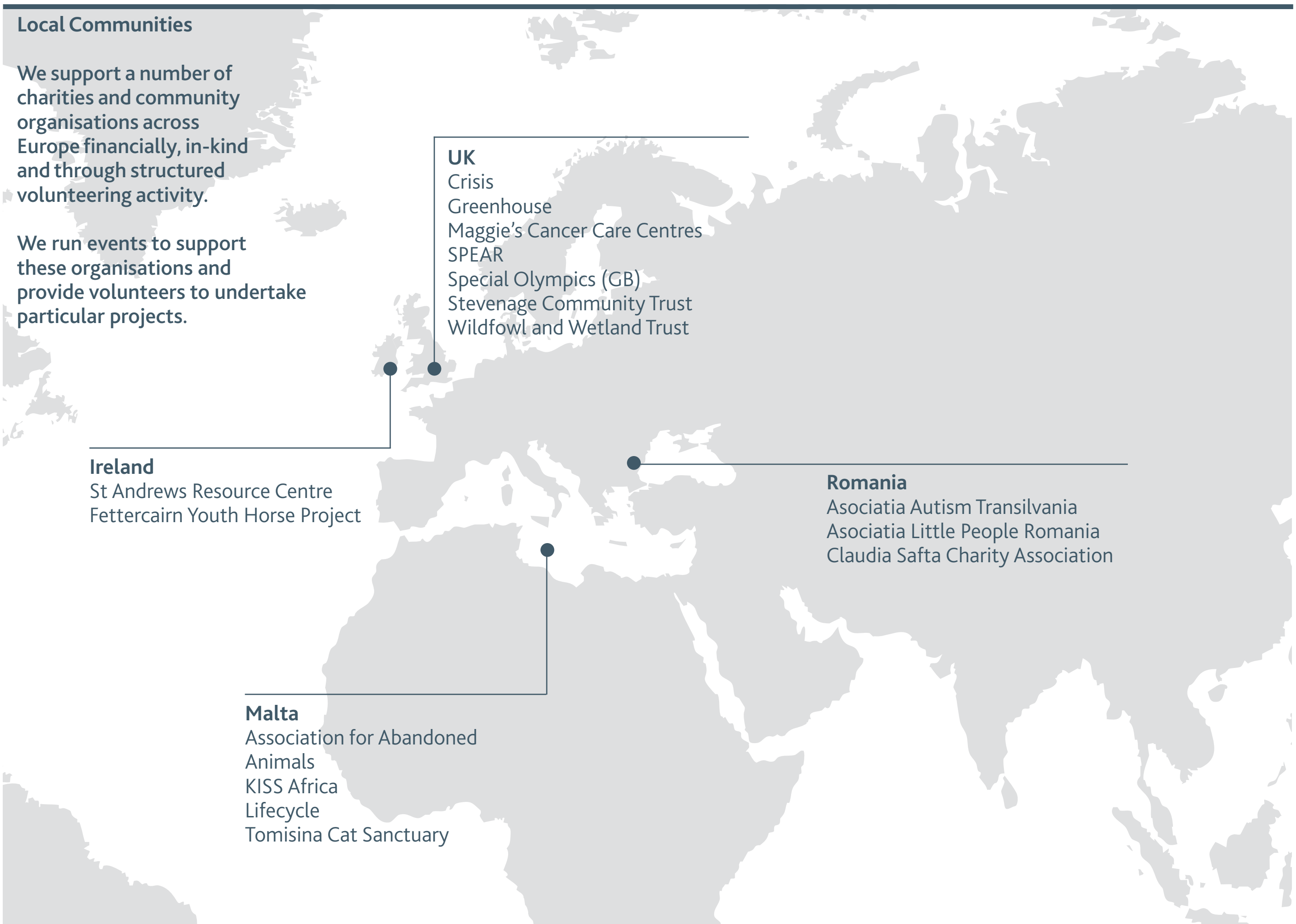
Volunteering
Employees are entitled to take two working days a year to volunteer for a recognised community service or registered charity of their choice.

Project Namibia
Each year we give one employee the opportunity to join The Bobby Moore Fund on an overseas project, which in addition to raising funds to tackle bowel cancer in the UK supports international projects that help to improve young lives abroad. Paul Cockburn, Operation Trainer, joined 39 other volunteers on 'Project Namibia' and spent 10 days in the Tubusis Settlement, in the Damaraland region at the foot of the Brandberg Massif, to renovate the local school's facilities. The project saw the volunteers spending long days in the heat painting and decorating, repairing the building, extending the school and creating a shaded area and a football pitch. Developed in partnership with local villagers, the work undertaken has left a lasting legacy for the community.

Local Communities

We support a number of charities and community organisations across Europe financially, in-kind and through structured volunteering activity.

We run events to support these organisations and provide volunteers to undertake particular projects.



Key statistics(ii)

80% of volunteers said volunteering increased their job satisfaction

80%

90% of volunteers said since the activity they're more likely to talk positively about the Company

90%

84% of volunteers participated to give something back to society

84%

86% of volunteers said the activity they participated in improved their sense of well being

86%

(ii) Data collated from responses to FY12 volunteering survey.

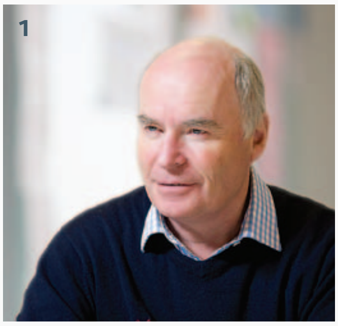
This section highlights the principal risks which are considered to have a material potential impact on the Group's long-term performance and achievement of strategy. It is not intended to be an exhaustive and extensive analysis of all risks which may affect the Company. Further details of how our risk management framework and policies are embedded can be found on pages 48 and 49.

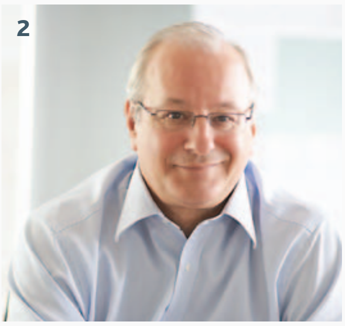
Risk summary

Risk	Impact	Mitigation
Online gambling regulation (EU/non-EU) Many jurisdictions are beginning to regulate their online gambling market by introducing a licensing regime. While opportunities exist, they are not without risks – such as commercial viability, delays in licensing of betting exchanges compared to other products, how our products are taxed and licensing one section of the online market such as sports betting but not another, such as casino or poker.	Any new licensing regime, adverse regulatory decisions or tax-base that makes it commercially unviable for Betfair to operate its exchange and products could restrict our ability to grow the business, gain access to new customers and ultimately, increase revenues.	We work closely with a wide variety of organisations involved in the regulation of online gambling. We are fully engaged with the UK government regarding the ongoing review of how operators licensed elsewhere are regulated in the UK. External third parties help us to substantiate evidence to support using a gross profits tax model. We have a dedicated internal and external legal, tax, compliance and public affairs resource.
Our Products Online gaming is a very competitive industry. Our competitors are constantly looking to gain advantage through aggressive marketing campaigns, pricing and promotional behaviour and new product features which could impact revenue or margins. Product and delivery to market is vital to gain competitive edge to other operators. Like all betting operators we recognise that our platform could be targeted by those who seek to benefit from corrupt activity on a market or to use the site for the illegal transfer of funds.	Our product offering could become less attractive in relation to competitors' offers. Disproportionate growth in risk products such as multiples and fixed odds could result in a volatile earnings pattern. We could fail to maximise the revenues earned from products offered. Betfair products could be used by criminals for money laundering or other criminal purposes. This, or fraud and corruption in sport more generally, could result in negative publicity for sports betting and Betfair.	Our product delivery activity includes an approval process whereby appropriate products are assessed for suitability and priority to bring to market. Our experienced Trading team and new Client Services Division constantly monitor client activity and betting patterns relating to risk products. We monitor competitor promotional activities, pricing and products and continue to invest in exchange technology and product development to make it more difficult for a competitor to launch comparable products. We have a fully staffed and highly skilled Integrity Team who investigate any potentially suspicious activity and liaise with sports regulatory bodies. We carry out routine risk assessments for specific territories in relation to anti-money laundering, fraud, terrorism financing and other crimes.
Customers Our customers are at the heart of the business. Macroeconomic factors such as; licensing, regulatory, tax or other developments outside Betfair's control could deter a significant number of customers from using our products.	Reduced activity by a significant number of customers could have a material adverse effect on our operations, financial performance and prospects. Poorly designed promotional activity could result in negative financial and reputational impacts.	We closely monitor the behaviour of customers and have a team focused on their management and retention. We aim to ensure we provide a service and platform which grow value for both the customer and Betfair, and significantly reduce the risk of customers leaving. We review our terms and conditions to ensure they are fit for purpose and have processes in place to assess risk and approve promotions.

Risk summary

Risk	Impact	Mitigation
People Our success and anticipated future growth is in part dependent on the continued services and performance of certain Directors, managers and key staff. Our ability to continue to attract, retain and motivate highly skilled employees in an intensely competitive environment means that competitive packages and development opportunities must be available.	Reduced ability to: • retain executives, managers and key staff; • attract, retain and motivate highly skilled employees; or • engage staff with their jobs and the Company's objectives could impair our operations, financial performance and prospects.	Succession planning and processes are in place throughout the business to: • Identify key roles in line with business continuity plans • Conduct regular succession and talent reviews • Recognise competitive package and career development opportunities. Our employees participate in regular surveys which help us to link improvements to achieving our corporate goals while reducing employee turnover and improving productivity and wellbeing.
Infrastructure and systems We rely on IT infrastructure and systems for our core operations and their overall management. Potential risks include: • Site outages and/or loss of customer connectivity • Software error • Reliance on third parties • Unauthorised access to customer data by employees, third-party providers or cyber attack.	We rely on our customers being able to access markets via the internet and any extended loss of connectivity could have a material effect on revenues. Any failure of the Company's and/or other infrastructure could lead to significant costs and disruptions that could reduce revenue and harm our business reputation.	We regularly review our business continuity plans and have service level agreements in place with third parties. Our Group Security team regularly review and assess our systems in terms of potential threat and vulnerability. We carry out targeted infrastructure testing and have implemented our own Secure Coding Standard for use within the business. We use a variety of systems and applications testing tools for critical customer-facing applications.
Financial 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. The future of the Eurozone is currently uncertain and could expose the Company to a wide range of issues, such as currency payment methods and loss of business in certain jurisdictions. Financial institutions could refuse to process transactions from online gaming companies. 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.	Adverse foreign exchange exposures could impact on Group revenues. A break-up of the Eurozone, or defaults within it, could have a wide range of negative impacts. Refusal by card processors to process transactions could impair our ability to operate. Actual or perceived mismanagement of customer funds could have severe financial and reputational impacts.	We monitor exposure to foreign exchange risk and where appropriate use financial instruments to mitigate any associated risk. Incident management plans are in place to address the unpredictable nature of events which could lead to the potential default or break-up of the Eurozone. We review arrangements with card processors and, in the event of moving certain currency transactions to another provider, our customers would be contacted and our websites updated. Daily and monthly reconciliations of the customer funds balance take place to ensure timely detection, in the event of fraud or error.





Board of Directors

1. Gerald Corbett
Non-executive Chairman (b – Chair)

Gerald Corbett is the Company's Chairman, a position he assumed in March 2012 having joined the Betfair Group as Deputy Chairman in January 2012.

External appointments: Chairman of Britvic Plc, Moneysupermarket.com Group Plc, Towry Holdings Limited and the Royal National Institute for the Deaf. He is also a non-executive director of the investment and stock broking business, Numis Securities.

Previous experience: Over a long business career, Gerald has been a director of 12 public companies, five of which he has chaired. His most recent role was as Chairman of SSL International plc between 2005 to 2010. His executive career included Group Finance Director roles with Redland plc and Grand Metropolitan plc and he was Chief Executive of Railtrack between 1997 and 2000.

2. Mike McTighe
Senior Independent Director (a) (b) (c – Chair)

External appointments: Board member of Ofcom (the UK's regulator of the broadcasting, telecommunications and wireless communication sectors) where he is Chairman of the Risk and Audit Committee and a member of the Remuneration and Nominations Committees. He is Chairman of JJB Sports plc, Volex Group plc and WYG plc, and is also Chairman of two privately-owned technology companies. Mike acts as a special advisor to General Atlantic, a US-based private equity firm.

Previous experience: Chairman of Pace plc, Chairman and CEO of Carrier1 International SA, Executive Director and CEO of Cable & Wireless plc. During the recent past he has been a member of the Audit Committees of Alliance & Leicester plc and London Metals Exchange Holdings Ltd. A Director of Betfair since 17 October 2008.

3. Stephen Morana
Interim CEO and CFO (d – Chair)

Stephen is the Company's Chief Financial Officer and during the year became Interim CEO. He joined Betfair 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. Ian Dyson
Independent Non-executive Director (a – chair) (c)

External appointments: Non-executive Director of Punch Taverns plc.

Previous experience: CEO of Punch Taverns plc, 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. A Director of Betfair since 1 February 2010.

5. Baroness Denise Kingsmill CBE
Independent Non-executive Director [(a)]

External appointments: Non-executive Director of International Airlines Group S.A. (formed as a result of the merger between British Airways and Iberia), a Non-executive Director of E.ON AG, APR Energy plc and Korn/Ferry International. She is Deputy Chair of the Advisory Board of PwC and is a member of Microsoft's European Policy Council and of IESE Business School.

Previous experience: Non-executive Director at British Airways plc 2004-2010. Deputy Chairman of the Competition Commission 1996 to 2003, chairing 20 economic enquiries into almost every sector in UK industry, before going on to chair three government-backed reviews and task forces over the next six years for the Department of Trade and Industry and Department for Culture, Media and Sport. Baroness Kingsmill has been a Director of Betfair since 1 February 2011.

6. Fru Hazlitt
Independent Non-executive Director [(b) (c) (e – Chair)]

External appointments: Managing Director of Commercial and Online at ITV Plc.

Previous experience: CEO of GCAP Media Plc, Chief Executive of Virgin Radio and a Managing Director of Yahoo UK and Ireland. Fru has been a Director of Betfair since 23 March 2005.

7. Josh Hannah
Non-executive Director

External appointments: General Partner of Matrix Partners.

Previous experience: Josh Hannah was Chief Executive and co-founder of Flutter.com which merged with the Betfair Group in 2002. He has been a Director of Betfair since 21 February 2002.

8. Martin Cruddace
Chief Legal and Regulatory Officer and Company Secretary [(d)(e)]

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.

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

Executive team

Stephen Morana
Interim CEO and CFO [(d – Chair)]

Martin Cruddace
Chief Legal and Regulatory Officer and Company Secretary [(d)(e)]

Andrew Botha
Acting Chief Commercial Officer

Andrew is Betfair's Acting Chief Commercial Officer, a role he assumed in January 2012, having joined Betfair in 2008 as the Company's Commercial and International Finance Director. Andrew has over 20 years' experience in managing high performing global finance and operational divisions. Before joining Betfair, he worked as UK Chief Operating Officer for Ceridian UK Ltd and prior to that as Finance Director for Lastminute.com's UK and Ireland business. Andrew gained his ACA qualification in 1991.

Mark Brooker
Corporate Development Director [(d)]

Mark joined the Company in March 2010. He has responsibility for Corporate Strategy, M&A and Investor Relations as well as the Company's Other investments (Betfair US, LMAX, Betfair Australia). Mark previously spent 17 years working in investment banking advising UK companies on equity capital raising and M&A, most recently at Morgan Stanley and prior to that Merrill Lynch. Mark graduated from Oxford University with a Masters degree in Engineering, Economics and Management.

Ian Chuter
Group Operations Director [(e)]

Ian joined the company in July 2011. He is responsible for overseeing Betfair's global operations team, which includes customer service, telephone betting, market operations, fraud, payments and trading. Ian has nearly 30 years' industry experience including nine years at William Hill, where before joining Betfair he served as its Group Head of International and UK Operations. Previously he worked at Rank Group and Talarius in a variety of commercial and operational roles.

Niall Dore
Finance Director

Niall joined the Company in June 2006. Previously he worked at General Electric as the Group Financial Controller of a financial services subsidiary and prior to this Niall had held senior finance roles across a variety of sectors. He is a fellow of the Chartered Institute of Management Accountants.

Tony McAlister
Chief Technology Officer [(e)]

Tony 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.

Tony Williams
Group Human Resources Director [(e)]

Tony joined the Company in 2009. He was previously Group Human Resources Director of Kingfisher plc, 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.

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 30 April 2012. 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, Corporate Responsibility Report 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 usually 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 2012, Betfair had more than 4 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 99.75% 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 as at 30 April 2012 can be found on pages 38 and 39 and the Board composition and any changes to it throughout the year are detailed in full in the Corporate Governance Statement on pages 43 to 50.

The Company has announced that Breon Corcoran will join on 1 August 2012 and he will stand for election at the 2012 Annual General Meeting (AGM) along with Gerald Corbett who was appointed during the year in accordance with the Articles of Association. Further details can be found in the Notice of Meeting which is enclosed with these financial statements.

Articles of Association

The Articles of Association can only be amended by special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing articles at the 2012 AGM.

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.

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 Financial Reporting Council in May 2010.

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.

Further information can be found on page 32 in the Corporate Responsibility Report.

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 transactions involving Directors or their connected persons are carried out on an arm's length basis and are properly recorded.

Interim dividend

The Company declared an interim dividend on 14 December 2011 of 3.2 pence (2011: nil) per share which was paid on 27 January 2012.

Final dividend

The Company has declared that a final dividend of 7.0 pence (2011: 5.9p) per share will be paid in respect of the year ended 30 April 2012.

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 2012 the Company's issued share capital was 102,328,826.

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. At the year end there were no shares held in treasury and the Company's employees share trust held 752,581 shares.

Authority to purchase shares

The Company currently has the authority to purchase a maximum of 10,759,855 of its own shares. This authority will expire at close of the 2012 AGM or the earlier of the 2012 AGM or 18 months from the date of resolution. Pursuant to this authority the Company announced its intention to repurchase shares up to the value of £50 million for cancellation on 28 June 2011. As at 30 April 2012, the Company had repurchased for cancellation 6,506,009 shares. Further details relating to the share purchase programme can be found in note 18 on page 84.

Major shareholdings
As at 28 June 2012, 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:

Shareholder	Number of shares held	Percentage of issued capital (%)
Edward Wray	11,624,602	11.36
Charlton Corporation	11,033,109	10.78
Le Peigne SA	9,769,772	9.54
Andrew Black	9,275,390	9.06
Richard Koch	6,694,530	6.53
SBI Holdings	4,890,233	4.77
Balderton Capital	4,227,170	4.13

Share transfer restrictions
There are no restrictions on the transfer of shares in the Company.

Annual General Meeting
The Notice convening the Annual General Meeting to be held on 11 September 2012 is contained in a circular sent out to shareholders with this Report. The Notice of Meeting contains full details of the resolutions that will be put to shareholders.

Political donations
At the 2011 AGM, shareholders passed a resolution to authorise the Company to make political donations and/or incur political expenditure (as such terms are defined in sections 362 to 379 of the Companies Act 2006), in each case in amounts not exceeding £50,000 in aggregate. As the authority granted will expire on 22 September 2012, renewal of this authority will be sought at this year's AGM. Further details are available in the Notice of AGM. The definitions of political donations and political expenditure used in the Companies Act 2006 are broad in nature and this authority is sought to ensure that any activities undertaken throughout the Group's businesses, which could otherwise be construed to fall within these provisions, can be undertaken without inadvertently infringing them.

During the year, the Group made £14,907 (2011: £nil) of EU political donations comprising of £7,453.53 each to the Schleswig-Holstein branches of the Christian Democratic Union and Free Democratic Party in Germany.

In accordance with applicable US state and federal laws, the Group has made £107,944 (2011: £6,468) of contributions to support candidates for nomination and/or election to public office. The Group has fully complied with jurisdictional reporting of these contributions and such contributions in the US are accepted normal business practice. Betfair is committed to working with Governments in the EU, US and other jurisdictions in which it operates.

Charitable donations
The Group donated £384,700 (2011: £560,000) for charitable purposes within the UK during the financial year. The Company's charitable activities are described within the Corporate Responsibility section on pages 30 to 35.

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.

Change of control provisions
There are no significant agreements which contain provisions entitling other parties to exercise termination or other rights in the event of a change in control of the Company.

There are no provisions in the Directors' or employees service agreements providing for loss of office or employment occurring because of a takeover.

The rules of certain of the Company's share plans include provisions which apply in the event of a takeover or reconstruction.

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 2012, the Group had trade creditors of £15.6 million (2011: £5.2 million).

Going concern, responsibilities and 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 (KPMG), the Company's external auditors, have expressed their willingness to be reappointed as auditors of the Company. Upon the recommendation of the Audit Committee, resolutions to reappoint KPMG as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed at the 2012 Annual General Meeting.

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 Group and Parent Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent 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 Group 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 Parent Company 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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. Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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 page 43 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 Company 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

Stephen Morana
Director

WE HAVE A ROBUST GOVERNANCE STRUCTURE.

WHICH CONTINUES TO DELIVER SUSTAINABLE VALUE.

Gerald Corbett
Chairman

Corporate Governance Statement

The Board is committed to the principles of corporate governance in the UK Corporate Governance Code (the "Code") as issued by the Financial Reporting Council in May 2010 which applies to financial years beginning on or after 29 June 2010 and is available at www.frc.gov.uk.

The Board has reviewed the content of the Code and will report on compliance through this Statement which incorporates the Directors' Report, Chairman's Statement, Chief Executive Officer's Review, Financial and Operational Review, Principal Risks and Uncertainties and the Directors' Remuneration Report by reference.

As at 30 April 2012, the Company had fully complied with all the provisions of the Code. During the year, Gerald Corbett succeeded Edward Wray as Chairman which marked the completion of a transition at Board level.

Board composition

As at 30 April 2012, the Board comprised the Chairman, one Executive Director and four Independent Non-executive Directors and one non-independent Non-executive Director. The biographical details of all Board Directors as at 29 June 2012 are set out on pages 38 and 39 and these include their main commitments outside the Company.

During the year various changes were made to the composition of the Board which is explained in further detail below.

Directors

The following were Directors of the Company during the year:

		Date appointed*
Edward Wray**	Non-executive Chairman	20 August 1999
Gerald Corbett	Non-executive Chairman	3 January 2012
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

* In certain cases the appointment date reflects the Director's appointment prior to the Company's admission to The London Stock Exchange on 27 October 2010.
** Director retired from the Board of Betfair Group on 6 March 2012.
*** Director retired from the Board of Betfair Group on 31 December 2011.
# Stephen Morana became Interim CEO on 1 January 2012.

The role of 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 and adopted a schedule of matters which are reserved for its attention and which are published on the Company's corporate website at: http://corporate.betfair.com/investor-relations/corporate-governance. 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 Board may delegate authority in the following instances:

- Determination and review of the terms of reference for Board Committees and receive reports on their activities
- Approval of lists of delegated authority to approve expenditure, investments and other matters as the Board may determine
- Approval of the division of responsibilities between the Chairman and the CEO and of delegated authorities for the CEO, CFO and other senior management
- Granting powers of attorney.

The Executive Committee is responsible for reviewing the performance of the business and supporting the CEO in performing his duties. Biographies of members the Executive Committee can be found on page 39. Decisions relating to commercial matters affecting the UK Exchange, International Exchange or Games businesses are delegated to the Chief Commercial Officer whose biography can be found on page 39.

Chairman

Gerald Corbett was appointed as Deputy Chairman on 3 January 2012 and succeeded Edward Wray as Chairman on 6 March 2012. In accordance with the Articles of Association, Gerald will seek election at the Annual General Meeting and further biographical information can be found on page 38.

It is the Chairman's responsibility to ensure that the Board is run smoothly and that all Directors are fully informed of matters relevant to their roles, have received a tailored induction and to review their training needs as required. The Chairman is responsible for ensuring that appropriate communication is maintained with shareholders and is available to meet with shareholders at the Annual General Meeting.

The Chairman ensures that the Board has the right composition and that the debate is effective and at the right level, involving all members and that appropriate conclusions are drawn. For Betfair, it is vital that the Chairman is accessible and can play an important role in providing support and wise counsel to the CEO and wider management team. The Chairman effectively challenges when required and takes a "helicopter view" of the business. For Betfair, personality and fit are vital and it is of paramount importance that the Chairman complements the CEO and can work well with him and the Board through the next phase of Betfair's evolution. The Chairman has a key role in instilling behaviours appropriate to a public company environment and is able to maintain relationships with shareholders and other stakeholders, as necessary. The Chairman has a proven track record as a plc Chairman and currently acts as Chairman to two other public quoted companies. Gerald Corbett's biography can be found on page 38.

Chief Executive Officer

Effective from 1 January 2012, Stephen Morana is acting Interim CEO and has responsibility for implementing the strategy agreed by the Board and for the executive management of the Group. Prior to this, David Yu had responsibility for this role. Breon Corcoran will join the Company on 1 August 2012 as CEO. Breon's appointment will be formally proposed for election at the Annual General Meeting as notified in the accompanying Notice of Meeting. Full biographical details of Breon Corcoran are included in the Notice of Meeting.

Senior Independent Director

Mike McTighe is the Senior Independent Director and is available to shareholders if they have concerns which are not resolved through the normal channels of Chairman, CEO or CFO. In addition, Mike is Chairman of the Remuneration Committee. His biography can be found on page 38.

Non-executive Directors

The Company has experienced Non-executive Directors on its Board. 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 under the provisions of the Code. He has served as a director for over 10 years and intends to step down in the first quarter of 2013. Under the terms of his letter of appointment, which will expire in October 2013, he will seek re-election at this years' annual general meeting as the Board are satisfied that Josh continues to bring value to the Board.

All Directors' biographies can be found on pages 38 and 39 and will stand for re-election in accordance with the Code.

Other than their fees, which are disclosed on page 55, 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.

The training needs of Directors and of members of the Board's Committees are formally considered on an annual basis.

Company Secretary

Martin Cruddace is the Chief Legal and Regulatory Officer and Company Secretary. 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.

Board attendance

During the year, there were 10 scheduled Board meetings excluding 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	AGM
Current Directors who served during the year					
Gerald Corbett*	3 (3)	–	–	1	0 (0)
Stephen Morana*	10 (10)	–	–	–	1 (1)
Mike McTighe	8 (10)	2	8	5	1 (1)
Ian Dyson	9 (10)	4	8	–	0 (1)
Josh Hannah	6 (10)	–	–	–	0 (1)
Fru Hazlitt	8 (10)	–	7	5	1 (1)
Baroness Denise Kingsmill	9 (10)	4	–	–	1 (1)
Former Directors who served during the year					
David Yu*	7 (7)	–	–	–	1 (1)
Edward Wray*	9 (9)	–	–	5	1 (1)

* Attends Committee meetings at the invitation of the respective Committee Chairman

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.

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 CEO. There are eight Board meetings and a two day off-site meeting currently scheduled for 2012/13.

Annual re-election and appointments

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

In accordance with the Company's Articles of Association, Gerald Corbett and Breon Corcoran will stand for election at the 2012 Annual General Meeting. Further information is set out in the Notice of Meeting.

Service contracts and letters of appointment

Details of the Executive Directors' service contracts are set out in the Directors' Remuneration Report on page 55. 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.

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.

Training and development

During the year, the Company Secretary initiated a comprehensive induction for newly appointed Directors, tailored to individual requirements and including guidance on requirements of, and Directors' duties in connection with the Code and the Companies Act 2006 as well as other relevant legislation. The Board as a whole is updated as necessary in light of any governance developments as and when they occur.

Conflicts of interest

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

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. The Board believes that the systems it has in place for reporting and considering conflicts continues to operate effectively.

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 Head of Investor Relations regularly reports to the Board the views of major shareholders in respect of the Company, and the Senior Independent Director and other Non-executive Directors are available and 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

The Board indicated in last year's annual report that a formal assessment of its performance for the year ended 30 April 2011 would be carried out. It has been agreed to defer formal assessment of its performance until 2013, to allow sufficient time for the Board to adjust to recent changes in composition and the arrival of Breon Corcoran as CEO.

The last formal assessment (with an external assessor) was carried out in 2010 and included 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.

Committees

There are four main Committees of the Board which are detailed below. 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

Ian Dyson has been chairman of the Audit Committee since 17 February 2010. Ian has been identified as having significant recent and relevant financial experience and his biography can be found on page 38. The other members of the Audit Committee; Mike McTighe and Baroness Denise Kingsmill, have extensive commercial experience. The Chairman of the Board, the CEO and the CFO attend such meetings at the invitation of the Committee's Chairman. During the year, the Committee met four times.

Further details about the Audit Committee and its activities are included in the Report of the Audit Committee on pages 47 to 50.

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 eight times during the year.

Further details about the Remuneration Committee and its activities are included in the Directors' Remuneration Report on pages 51 to 57.

Nomination Committee

The Nomination Committee is responsible for identifying and nominating, for the approval of the Board, candidates for appointment to the Board. The Committee has written terms of reference which are available on the Company's website.

During the year and in accordance with its terms of reference, the members of the Nomination Committee engaged with the Zygos Partnership, an executive search firm, to assist with and recommend potential candidates for the CEO role and also to provide a successor to the Chairman through the identification and appointment of a Deputy Chairman.

The Chairman, Edward Wray, and the Senior Independent Director, guided the Committee throughout the recruitment process for both roles. The process was conducted in an inclusive manner as the Chairman believed it should be a matter for the Board as a whole and as such the majority of Nomination Committee meetings were held during Board meetings. Comprehensive candidate search briefs were agreed and circulated to the executive search firm. Thereafter a shortlist of candidates was circulated. After careful consideration of a range of quality candidates, a number of shortlisted candidates were invited for meetings as appropriate. After these meetings, a review of the candidates took place and the preferred candidates were recommended for appointment to the Board. Throughout the process, regular evaluation of the balance of skills, knowledge, experience and capability were taken into account and the candidates were considered on merit against objective criteria.

The chosen CEO candidate, Breon Corcoran, was a Board member at a competitor organisation. His contract included a Restrictive Covenant that prevented him joining a competitor immediately upon resignation. Following a negotiation between the various parties, it was agreed that Mr Corcoran would be able to take up his role at Betfair on 1 August 2012.

The chosen Deputy Chairman candidate, Gerald Corbett, joined the Board on 3 January 2012. Edward Wray stood down as Chairman on 6 March 2012 and Mr Corbett was appointed Chairman on that same date.

Corporate Responsibility Committee

The Committee, which is chaired by Fru Hazlitt, an independent Non-executive Director, consists of the CEO and the Chief Legal and Regulatory Officer and Company Secretary and certain other senior executives as shown on page 39.

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 30 and 35.

Market Disclosure Committee

The Market 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 CFO (Committee chairman), CEO, Chief Legal and Regulatory Officer and Company Secretary and Corporate Development Director.

Executive Committee

The Executive Committee, which is chaired by the CEO, consists of the Executive Directors and certain other senior executives as shown on page 39.

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.

Board diversity

The Board has noted the contents of the Davies Report on Women on Boards in February 2011 and Code revision to strengthen the principle of board diversity. 28% of the Board is female and we, as a Board, believe that the composition of the Board is based on range and balance of skills, knowledge, experience and merit and remains appropriate for a business of this size.

Gerald Corbett
Chairman

The Audit Committee is the body which carries out the functions required by DTR 7.1.3 (Audit Committees and their functions). The principal responsibilities of the Committee 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
- 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 meetings throughout the year at which detailed reports are presented for review. The Terms of Reference of the Committee can be found on the Company's website www.corporate.betfair.com/about-us/corporate-governance.

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 Director of Group Internal Audit & Risk Management. The external auditors meet the Director of Group Internal Audit & Risk Management in private throughout the year and liaise with Company management in considering areas for review.

During the year, the Committee considered the following matters:

- review and recommendation of 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;
- the Committee's own terms of reference, membership and its effectiveness; and
- detailed reviews of strategy, security, disaster recovery, insurance, treasury, related parties transactions, financial authorisation controls, financial personnel succession planning and directors and senior officer expenses.

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

External auditors' independence

The Committee has primary responsibility for making recommendations on the appointment, reappointment and removal of the external auditors. The Committee maintains an ongoing oversight of the external audit appointment and recommends that the auditors, KPMG Audit Plc's (KPMG) election be proposed at the Annual General Meeting.

KPMG was appointed as external auditor, following a competitive tender in 2003. Any decision to open the external audit to tender will be taken on the recommendation of the Committee based on a review of the effectiveness of the external auditor. There are no contractual obligations restricting the Committee's choice of external auditors. In any event, the external auditors are required to rotate the audit partner responsible for the Group audit every five years. The current lead audit partner will rotate this year.

The Committee is satisfied that there are no relationships between the Company and the auditor, its employees or its affiliates that may reasonably be thought to impair the auditors' objectivity and independence.

Private meetings were held with KPMG to ensure there were no restrictions on the scope of their audit and to discuss any items that the auditors did not wish to raise with the Executive Directors present. The Committee reviews and agrees the engagement letter from KPMG and verifies their independence and objectivity. It also reviewed the scope of non-audit services provided by KPMG to ensure that their objectivity was not impaired.

Non-audit services

The Committee has adopted a policy on the use of the external auditors for non-audit work which is in compliance with the 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; and
- certain specified tax services, including tax compliance, tax planning and tax advice.

In exceptional circumstances relating to urgent transactions or services deemed not to be of a material nature, the engagement of the auditor for non-audit work must be approved in advance by the Committee Chairman.

The Committee is satisfied that the level of fees payable in respect of audit services is appropriate for a group of its size and that an effective audit was conducted during the year. The fees for audit and non-audit services are disclosed in Note 3 to the Financial Statements on page 74.

Internal controls and risk management

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 Corporate Governance Code, including clear operating procedures, lines of responsibility and delegated authority. These procedures, which are in accordance with revised Turnbull Guidance, have been in place since before the Group was listed 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, including 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.

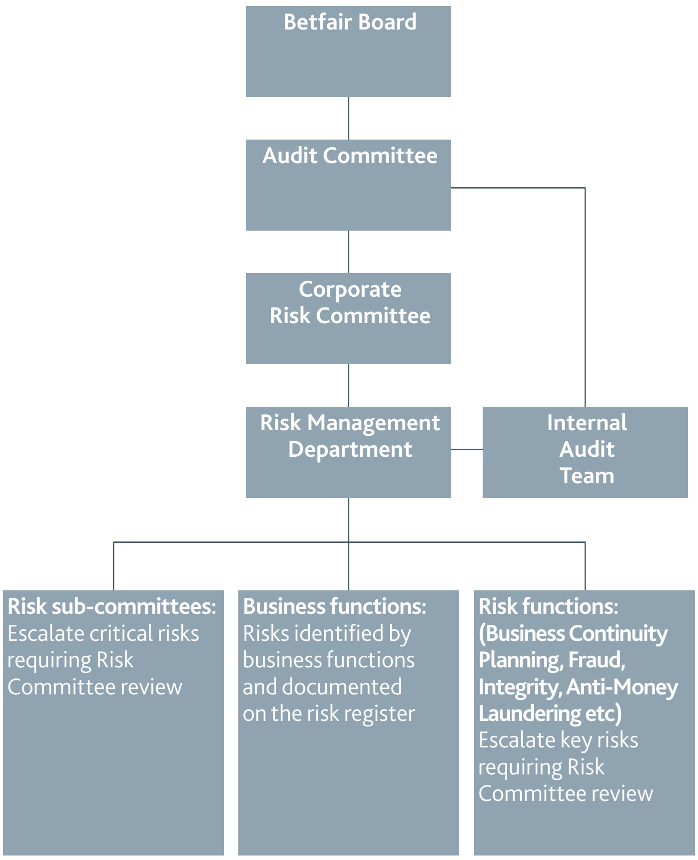
Through the monitoring processes set out above, the Board has conducted a review of the effectiveness of the system of internal control during the year ended 30 April 2012. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives 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.

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 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 the Corporate Risk Committee, which reports to the Audit Committee. 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. 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 CEO, the CFO, Finance Director 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

The 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.

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 (Business Continuity Assessment). The 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 – IT Continuity). Betfair has pre-placed equipment in dedicated DR sites in Ireland to which key products, technology operations and back end functionality can be moved over and remotely operated. 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 CFO and also has a direct reporting line to the Audit Committee.

Compliance Group

The Compliance Group comprises four teams of specialist and subject matter experts in their individual fields. The teams report through the Director of Group Compliance to Betfair's Chief Legal and Regulatory Affairs Officer.

Regulatory Compliance Team

The Regulatory Compliance team provides advice and administrative assistance across the Betfair business in the development, licensing and launch of new products, and day-to-day product and process compliance with existing licences and Betfair regulatory policies. Together, Betfair's compliance managers and compliance analysts maintain an ongoing dialogue with gambling regulators and relevant staff within the business to ensure that Betfair operates in accordance with the terms of its licences and relevant legislation.

Regulatory Licensing Team

This team is responsible for applying for, and obtaining, relevant gambling licences in jurisdictions which the business has identified as a suitable market to offer its products. The team co-ordinates and organises the collation and submission of the application and supporting documents and acts as advisor to the product team and Regulatory Compliance to ensure products meet the new jurisdictional requirements.

Additional 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 remote gambling. 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. 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 Betfair 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 Team
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.

- 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.

- 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 Memoranda of Understanding (MoUs) in place with over 50 sports regulators, under which, in certain circumstances, Betfair shares relevant information about its customers with sports regulators 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 and gambling 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). Betfair also makes donations to various research and treatment organisations, including the Responsible Gambling Trust (RGT) and Gambling Therapy. It was one of the five UK betting and gaming operators that committed to underwrite any shortfall in the 2011-12 £5 million funding target set by RGT 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.

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. 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.

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.

The Company's principal risks and uncertainties may be found on pages 36 and 37.

Ian Dyson
Chairman of the Audit Committee

A REMUNERATION POLICY.

ALIGNED TO OUR STRATEGY.

Mike McTighe
Remuneration Committee Chairman

DEAR SHAREHOLDER

During the year ended 30 April 2012, the Remuneration Committee has worked hard to continue to develop the remuneration policy, improving the alignment with both the Company's short and long-term strategy and best and market practice.

While there have been no significant changes to the remuneration policy in terms of structure and quantum, a number of changes are being proposed to the Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP) to simplify the arrangements and better align them to current practice, including; the introduction of dividend roll-up and clawback provisions, separating the STIP into a cash plan and a deferred share incentive plan and, in respect of the LTIP, granting nil cost options rather than a combination of market value and nil cost options (a rebalancing which started last year) and expressing awards as a percentage of salary rather than a fixed number of shares. Following consultation with the Company's major investors, changes will also be made to the LTIP performance conditions. Further details of these changes are provided within the report below and, where shareholder approval is being sought (e.g. for the dividend roll-up and separate deferred share incentive plan), in the Notice of Annual General Meeting ("AGM"). The Committee also dealt with the departure of our CEO, the appointment of an Interim CEO and the recruitment of a new CEO during the year.

A summary of the main topics discussed at the Committee meetings during the year can be found below.

I hope that you will support the Directors' Remuneration Report resolution which will be put to the forthcoming AGM.

Introduction

The contents of this report sets out the Group's policy and disclosures in relation to Directors' remuneration for the year ended 30 April 2012. 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 UK Corporate Governance Code (the "Code") as applicable for the financial year. The relevant sections of this report have been audited by KPMG Audit Plc. This report will be put to 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 has 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. Biographies of the Committee members can be found on pages 38 and 39.

The Committee meets at least twice each year, and during the year under review met on eight occasions. Each member's attendance at these meetings is set out in the Corporate Governance report on page 45. The Committee received material assistance and advice from the Chairman, CEO and the Group Human Resources Director, although no individual is present for decisions relating to their personal remuneration.

During the year, a tender for consultancy services to the Remuneration Committee was carried out by the Committee and after careful consideration, New Bridge Street ("NBS") was appointed. While NBS, an Aon plc company, does not provide any other services to the Company, a separate subsidiary of Aon plc is the Group's appointed insurance broker. The Committee is however satisfied that the insurance services do not prejudice the independence of the remuneration advice provided to it by NBS. Prior to NBS's appointment, the Committee received advice from Kepler Associates. 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. PricewaterhouseCoopers LLP also acted in an advisory capacity to the Committee during the recruitment of our new Chief Executive.

Activities of the Committee

During the year, Committee meetings were held to discuss the following items:

June 2011	Reward strategy Executive pay LTIP awards and performance measures Treatment of leavers Approval of Directors' Remuneration Report
July 2011	Executive pay awards Retention risk with respect to key executives Promotion to Executive Committee
October 2011	Incoming CEO contract and remuneration
December 2011	CEO exit arrangements Remuneration levels – senior management and members of executive committee Restricted Share Award Plan Remuneration Committee timetable and meetings Employee Benefit Trust CFO contractual arrangements Remuneration of Deputy Chairman
February 2012	Review of Terms of Reference Tender process - advisors to the Committee Dilution limits Incoming CEO arrangements Government recommendations – executive remuneration
March 2012	Approval of appointment of new advisors to the Committee

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 levels, 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. The table below sets out the Committee's strategy and policy during the year and details changes envisaged going into the next financial year.

Elements of remuneration

Element	Objective	FY12 policy	FY13 policy
Base salary (see page 53)	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 54)	Incentivise delivery of Betfair's business strategy by rewarding profit and revenue targets and each executive's contribution to Group success.	A maximum opportunity of up to 180% of salary. Up to 10% is payable against personal performance. The remaining 170% of salary is based equally on Core Betfair Adjusted EBITDA and revenue, Paid 2/3rds in cash and 1/3rd in shares, vesting in equal tranches after 1 and 2 years from date of grant.	No change
Long-Term Incentive Plan (LTIP) (see pages 54 and 56)	Incentivise senior executives to create long-term shareholder value. Align the interests of senior executives with those of shareholders.	Awards over fixed numbers of shares of nil-cost and fair-market value options vesting based 50% on EPS and 50% on revenue performance after 3 years.	The Committee plans to: – move to awarding only nil-cost options, based on a multiple of salary; – introduce a dividend roll-up provision for LTIP awards granted post the 2012 AGM (subject to shareholder approval at the 2012 AGM); and – introduce Relative TSR as an additional LTIP performance measure for 50% of awards, with EPS for 25% of awards and Revenue for 25% of awards.
Pension (see page 55)	Provide competitive total fixed pay.	Company contributions of 10% of salary for Executive Directors.	The pension contribution for the incoming CEO will be set at 15% of salary. The CFO will remain at 10% of salary.

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.

Departure of the CEO

David Yu ceased to be employed by the Company as CEO and stepped down from the Board on 31 December 2011 before the expiry of his notice period on 31 October 2012. He received a cash payment of £429,167 in respect of the unexpired portion of his notice period.

On 1 January 2012, David Yu took up a fixed term employment as an advisor to the Board of TVG, which represents Betfairs' interests in the US. He receives an annual salary of £43,000. The employment will terminate on 31 March 2013. He is entitled to continued medical, life and permanent health insurance until 31 March 2013 (or any later date on which any annual subscriptions to such insurance schemes expire).

David Yu retains awards granted to him in 2009 and 2010 under the Long Term Incentive Plan although he agreed to surrender his 2011 award. The 2009 and 2010 awards will vest in accordance with the rules of the plan at their normal vesting dates subject to the applicable performance targets. The number of shares that will vest will be reduced on a time pro-rata basis to reflect the cessation of his employment as CEO on 31 December 2011. David Yu also retains vested and unvested share option awards under various of the Company's employee share plans which he may exercise in accordance with the rules of the relevant plans. Details of these awards are set out on pages 56 and 57.

In addition to the above, David Yu is entitled to receive a cash payment in July 2012 in respect of the cash and share option elements of his 2011 Short Term Incentive Plan award, pro-rated to reflect the termination of his employment as CEO on 31 December 2011). Details of the payment are set out on page 56).

Interim CEO

Stephen Morana, CFO, became Interim CEO on 1 January 2012 and in recognition of additional responsibilities his salary was temporarily increased from £412,000 to £512,000 per annum (i.e. the salary received by David Yu until his departure) until the new CEO joins the Company in August 2012. The Directors' remuneration table on page 56 details the how the temporary increase in salary has been calculated for bonus purposes. In addition to the temporary increase in base salary, Stephen Morana was granted a one-off award of 26,688 shares at nil-cost under the 2011 LTIP which is subject to the same performance conditions as the main 2011 LTIP award. Further information relating to the performance conditions can be found on page 54. The awards will vest no earlier than the third anniversary of grant subject to continued employment and the performance targets being met.

Incoming CEO

The incoming CEO, Breon Corcoran, was a Board member at a competitor organisation and was selected after a rigorous search process led by the Nominations Committee, as outlined in the Nomination Committee on page 46. Breon Corcoran will join the Company and be appointed CEO on 1 August 2012. He will be paid a basic salary of £515,000 per annum, with a payment in lieu of pension of 15% of basic salary per annum. Breon Corcoran will participate in the executive annual bonus plan as set out below, with a maximum opportunity of 180% of basic salary of which 10% is payable against Personal performance and the remaining 170% against Company performance. One third of any award paid is deferred into Company shares with 50% vesting after 1 year and 50% vesting after 2 years. The level of any bonus paid in respect of the 2012-13 financial year will be reduced pro-rata for the period of service in this year.

In order to facilitate his recruitment from a major competitor organisation and to recognise and partly compensate for awards forfeited upon leaving his previous employer, Breon Corcoran will be granted the following share awards shortly after joining:

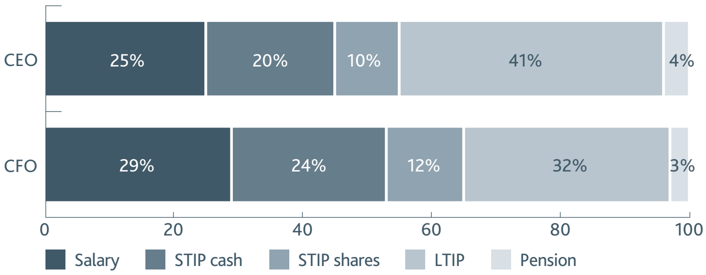
- An award of restricted shares over 350,000 of the Company's shares which will vest in thirds on each of the first, second and third anniversaries of grant subject to continued employment.
- An award of nil cost options over 500,000 of the Company's shares which vest on the third anniversary of grant subject to performance conditions and continued service. Performance conditions, which have yet to be finalised but which will be the same as those made to other senior executives under the 2012 LTIP award, will be set out within a Stock Exchange announcement which will be released shortly following grant.

It is anticipated that from 2013 onwards, Breon Corcoran will participate in the Group LTIP with an award level of 300% of basic salary annually. The Company will also pay certain relocation expenses in connection with Breon's move to the UK to take up this role.

The restricted shares and nil cost options above, which are non pensionable, will be granted pursuant to the authority contained in Listing Rule 9.4.2R(2) and full details of the awards as required by Listing Rule 9.4.3 will be disclosed in next year's Annual Report. In only partly compensating Breon Corcoran for awards forfeited upon leaving his previous employer and with a majority linked to the future performance of Betfair, the Remuneration Committee is satisfied that the package agreed is appropriate in light of the candidate recruited and it is not paying any more than necessary to facilitate his recruitment.

Executive Director pay mix FY12

The chart below shows the relative importance of each element of the expected ongoing annual package for Executive Directors, 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 benchmarking, 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. As at 1 July 2011, Stephen Morana's underlying basic salary increased by 3% from £400,000 to £412,000, in line with general increases throughout the Group, as detailed in the table below.

(audited) Executive Director	Salary last reviewed	Salary at 30 April 2012 £	Salary effective 30 April 2011 £	% Increase applied to underlying basic salary
Stephen Morana	1 July 2011	412,000	400,000	3%

As previously stated, Stephen Morana was awarded a temporary increase in basic salary of £100,000 per annum whilst acting in the role of Interim CEO from 1 January 2012 (equating to £33,333 in the financial year under review). Therefore, as of 30 April 2012 together with his underlying basic salary shown above he was remunerated at the rate of £512,000 per annum. The temporary increase will then cease upon Breon Corcoran's commencement on 1 August 2012.

Short-Term Incentive Plan

For the year to 30 April 2012, Executive Directors continued to be eligible for a maximum STIP opportunity of 180% of salary. The STIP continued to reinforce our annual business strategy by incentivising profitable growth captured through Core Betfair Adjusted EBITDA and revenue. The Remuneration Committee is satisfied that EBITDA and revenue are 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. Up to 85% of salary was 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 was introduced for the STIP during FY12. Executive Directors were eligible to earn up to 10% of salary for achieving specific and measurable individual objectives. 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. Details of the STIP awards are set out in the Directors' remuneration table below.

The STIP arrangements for FY13 will be similar to those operated for FY12. However, the Committee will be seeking to separate the STIP into its component parts of a cash bonus plan and deferred share arrangement and as the deferred share arrangement will contain the flexibility to use new issue shares, shareholder approval for the plan will be sought at the forthcoming AGM. Further details of the deferred share arrangement are set out in the Notice of AGM. While there will be no change in the 180% maximum bonus available to the participants or the level of share deferral operated, the new plans will allow the Committee to introduce a clawback clause, dividend roll-up provision and other changes to simplify the arrangements and better align them with best and market practice.

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). Historically award sizes have been determined based on a number of options rather than as a fixed multiple of salary. 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.

As described last year, the Committee determined that for 2011-2012, the balance of LTIP awards shifted from fair market value options towards nil-cost options, while the overall fair value remained broadly unchanged.

During the year the CEO, David Yu (prior to him stepping down) and Chief Financial Officer, Stephen Morana were conditionally each awarded 45,000 and 39,000 fair market value options respectively, as well as 45,000 and 39,000 respectively nil-cost options. 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 the Group's EPS growth and 50.0% on the Group's revenue growth. Revenue targets are set as £ million amounts for the financial year ending 30 April 2014. Vesting occurs on a sliding scale, with no vesting under 86.5% of the target and full vesting only if 120.0% of target is reached.

As reported last year, the Committee introduced EPS as an additional measure to improve alignment with shareholders, and better reflect market practice at FTSE-listed companies. Revenue remained as the other measure to reinforce our growth strategy. The EPS targets for the 2011 award are:

	Threshold	Target	Max
Group – EPS	49.0p	56.6p	67.9p
% of award vesting	0%	66.7%	100%

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.

For the 2012 LTIP award, and as described earlier in the table on page 52, the Committee is proposing to introduce a third measure for the LTIP, being Relative TSR against a specific comparator group composed of similar gaming organisations. The awards made will vest 50% against the Relative TSR measure, 25% against Group EPS and 25% against Core Betfair Revenue. The associated targets, which have yet to be finalised, will be set out within a stock exchange announcement which will be released shortly following grant.

The Committee will also be moving to granting LTIP awards as a multiple of salary rather than a fixed number of shares from 2012 onwards, and continuing the process started in 2011, as of 2012, awards will be made solely over nil-cost options. In addition, consistent with the deferred share arrangement, the Committee will seek shareholder approval at the 2012 AGM to introduce a dividend roll-up, add clawback and tidy up a number of provisions to aid the administration of the plan. Further details of the proposed amendments are set out in the Notice of AGM.

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. During 2011/12 an offer was made available to eligible employees with savings commencing in December 2011.

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 2012 can be found at page 56.

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, Executive Directors may choose to take the amount as a cash supplement. As noted previously, Breon Corcoran will be entitled to a 15% pension contribution from appointment.

Other benefits
Benefits in kind for Executive Directors relate to 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. 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 for the duration of their notice period. It is the Remuneration Committee's policy to seek to mitigate such payments. Details of Breon Corcoran's service agreement will be disclosed in next year's remuneration report and will be available for inspection at the Company's registered office and at the AGM.

External Directorships for Executive Directors
At the discretion of the Board, an executive director 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. During the year, Stephen Morana was a Non-executive Director of Featurespace Limited. He did not receive any fees in respect of this role. Betfair has a non-controlling interest in Featurespace Limited.

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
Josh Hannah	29 September 2010	5 October 2013
Ian Dyson	30 September 2010	5 October 2013
Fru Hazlitt	30 September 2010	5 October 2013
Mike McTighe	4 October 2010	5 October 2013
Baroness Denise Kingsmill	1 February 2011	1 February 2014
Gerald Corbett	3 January 2012	3 January 2015

* Please see Non-executive Directors' profiles for total service on pages 38 and 39.

Non-executive Directors' fees
The fees paid to NEDs, excluding the Chairman of the Board, are determined by the Board, on recommendation of the Executive Directors, and are set out in individual letters of appointment. The Chairman's fee is determined by the Remuneration Committee. For the year ended 30 April 2012, fees remain unchanged from the prior year.

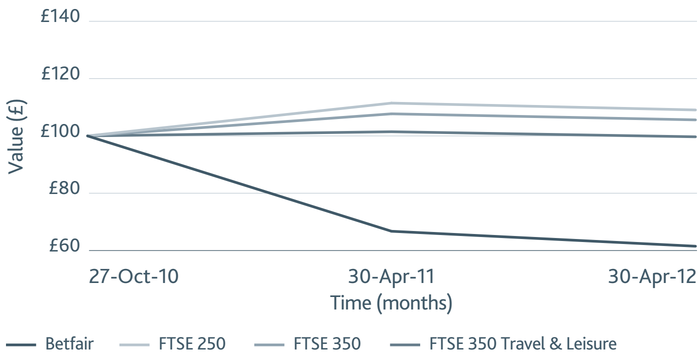
The agreed annual basic fees payable to the NEDs for the year to 30 April 2012 were:

Non-executive Director (audited)	Annual Basic fee £	Committee chairmanship fee £	Senior Independent Director fee £	Total £
Edward Wray	225,000[1]	–	–	**225,000**
Gerald Corbett	250,000[1,2]	–	–	**250,000**
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**

1 This fee includes chairing the Nominations Committee.
2 Gerald Corbett was initially appointed as Deputy Chairman and under the terms of the letter of appointment, fees of £125,000 were payable. On becoming Chairman on 6 March 2012, the fees increased to £250,000.

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 2012:

Ordinary Shares in Betfair Group plc (audited)	30 April 2012	30 April 2011
Executive Director		
David Yu	**37,326**	3,909
Stephen Morana	**14,750**	14,750
Non-executive Director		
Edward Wray	**11,624,602**	11,472,024
Gerald Corbett	**–**	–
Ian Dyson	**8,500**	8,500
Josh Hannah	**548,672**	588,672
Fru Hazlitt	**14,114**	14,114
Mike McTighe	**18,450**	18,450
Baroness Denise Kingsmill	**–**	–

Directors' remuneration (audited)

The fees paid to the Directors for the year to 30 April 2012 were as follows:

Year ended 30 April 2012	Salary/Fee £	Bonus[3] £	Pension £	Benefits £	**Total emoluments £**	30 April 2011 Total £
Executive Directors						
David Yu	781,467*	130,467	34,078	1,623	**947,635**	824,676
Stephen Morana	445,333[1]	178,133	47,140	1,754	**672,360**	1,606,204
Non-executive Directors						
Edward Wray	208,846*	–	–	961	**209,807**	226,693
Gerald Corbett	61,056*	–	–	–	**61,056**	–
Mike McTighe	70,000	–	–	–	**70,000**	70,000
Ian Dyson	65,000	–	–	–	**65,000**	65,000
Josh Hannah	50,000	–	–	–	**50,000**	50,000
Fru Hazlitt	50,000	–	–	–	**50,000**	50,000
Baroness Denise Kingsmill	50,000	–	–	–	**50,000**	12,500
Former Directors	–	–	–	–	–	**66,666[2]**
Totals	**1,781,702**	**308,600**	**81,218**	**4,338**	**2,175,858**	**2,971,739[2]**

* Pro-rated for the proportion of the year served. The figure for David Yu includes his pro-rata salary plus the £429,167 notice pay as detailed on page 53.
1 In recognition of additional responsibilities as Interim CEO, Stephen Morana received a temporary salary increase. Further details can be found on page 53.
2 Includes salary/fees for former directors Chris Batterham and Andrew Black who retired from the Board on 6 October 2011.
3 The bonus for David Yu was calculated on a pro-rata basis to 31 December 2012. The bonus for Stephen Morana was calculated on a pro-rata basis including his temporary increase in salary. The Committee is satisfied that the personal performance element was met. The payment represents 33% of his maximum opportunity.

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 2011*	Number* conditionally granted in year	Exercise price	Exercisable between	Nil cost Options	Fair Market Value Options	**Share Options held at 30 April 2012**
David Yu								
	1 May 2009	7,500	–	Nominal Value	On vesting	7,500	–	**7,500**
	1 May 2009	120,000	–	£10.00		–	120,000	**120,000**
	1 May 2010	22,500*	–	Nominal Value	On vesting	22,500	–	**22,500**
	1 May 2010	195,000*	–	£10.00		–	195,000	**195,000**
	1 July 2011	–	67,500	Nominal Value	On vesting	67,500	–	**67,500**
	1 July 2011	–	67,500	£7.62		–	67,500	**67,500**
Total		**345,000**	**135,000**			**97,500**	**382,500**	**480,000**
Stephen Morana								
	1 May 2009	7,500	–	Nominal Value	On vesting	7,500	–	**7,500**
	1 May 2009	120,000	–	£10.00		–	120,000	**120,000**
	1 May 2010	22,500*	–	Nominal Value	On vesting	22,500	–	**22,500**
	1 May 2010	150,000*	–	£10.00		–	150,000	**150,000**
	1 July 2011	–	58,500	Nominal value	On vesting	58,500	–	**58,500**
	1 July 2011	–	58,500	£7.62		–	58,500	**58,500**
	1 January 2011	–	26,688	Nominal value	On vesting	26,688	–	26,688
Total		**300,000**	**143,688**			**115,188**	**328,500**	**443,688**

* Awards made under the LTIP during the year are subject to the performance conditions described on page 54.

The table above presents the maximum number of awards which may vest subject to performance targets being met in full, rather than the target number of awards which may vest (as disclosed last year).

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 2011	Exercised during the year	Lapsed during the year	Modified during the year	**Share options held at 30 April 2012**	Exercise price £	Market price at grant date £	Market price at exercise date £	Exercisable from	Expires on
Executive Directors										
David Yu										
The Sporting Exchange Limited Enterprise Management Incentive Share Option Plan	60,451	(60,451)	–	–	**–**	0.25	0.40	8.6577	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	7.390	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
	1,695,183	(126,531)	–	–	**1,568,652**					
Stephen Morana										
The Sporting Exchange Limited Unapproved Share Option Plan 2006*	275,000	–	–	(275,000)	**–**	10.00	10.00	–	11 September 2006	10 September 2016
Restricted Share Award Scheme (modified shares of The Sporting Exchange Limited Unapproved Share Option Plan 2006)	–	–	–	91,666	**91,666**	0.001	10.00	–	1 December 2012	10 September 2016
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
	466,591	–	–	(183,334)	**283,257**					

* On 3 January 2012, Stephen Morana exercised a right to modify 275,000 vested options (at a strike price of £10) under this scheme into 91,666 nil priced Restricted Shares which is detailed above and further in Note 19(c) on page 87.

The awards above are not subject to any performance conditions.

The lowest price of the shares during the year was 567 pence as at 4 August 2011 and the highest price was 901 pence as at 16 March 2012. The share price as at 30 April 2012 was 790 pence.

Approved by the Board of directors and signed on its behalf by:

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 2012 set out on pages 59 to 97. The financial reporting framework that has been applied in their preparation 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 42, 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 2012 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 43 to 46 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 41, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance 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, Statutory Auditor.
Chartered Accountants
15 Canada Square
London, E14 5GL
28 June 2012

	Note	2012 £'000	2011 £'000
Continuing operations			
Revenue	2	**389,652**	393,311
Cost of sales		**(48,674)**	(74,572)
Gross profit		**340,978**	318,739
Administrative expenses		**(307,046)**	(293,900)
Group operating profit		**33,932**	24,839
Analysed as:			
Adjusted EBITDA*	2	**89,584**	79,684
Exceptional items	5	**(6,395)**	(16,995)
Equity-settled share-based payments and associated costs	19	**(8,051)**	(6,413)
EBITDA**	2	**75,138**	56,276
Depreciation and amortisation		**(41,206)**	(31,437)
Group operating profit		**33,932**	24,839
Profit on disposal of available-for-sale financial asset	6	–	1,158
Finance income	7	**3,344**	1,546
Finance expense	7	–	(15)
Net finance income		**3,344**	1,531
Share of profit/(loss) of equity accounted investments	12	**4,292**	(911)
Profit before tax		**41,568**	26,617
Tax	8	**(7,619)**	(3,611)
Profit for the year		**33,949**	23,006
Attributable to:			
Equity holders of the Company		**34,661**	24,157
Non-controlling interest		**(712)**	(1,151)
Profit for the year		**33,949**	23,006
Earnings per share on profit for the year			
Basic	9	**33.1p**	22.6p
Diluted	9	**32.5p**	22.0p

* 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.

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2012

	2012 £'000	2011 £'000
Profit for the year	**33,949**	23,006
Other comprehensive income		
Foreign exchange differences arising on consolidation	**(2,875)**	(2,853)
Other comprehensive expense for the year, net of income tax	**(2,875)**	(2,853)
Total comprehensive income for the year	**31,074**	20,153
Attributable to:		
Equity holders of the Company	**31,786**	21,304
Non-controlling interest	**(712)**	(1,151)
Total comprehensive income for the year	**31,074**	20,153

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	**33,701**	32,857
Goodwill and other intangible assets	11	**132,389**	110,868
Investments	12	**6,190**	1,959
Available-for-sale financial assets	13	**2,115**	2,115
Deferred tax assets	14	**–**	3,623
		174,395	151,422
Current assets			
Trade and other receivables	15	**29,551**	21,239
Cash and cash equivalents	16	**135,408**	155,038
		164,959	176,277
Total assets		**339,354**	327,699
Liabilities			
Current liabilities			
Trade and other payables	17	**118,460**	87,437
Tax payable		**22,872**	24,698
		141,332	112,135
Non-current liabilities			
Deferred tax liabilities	14	**1,955**	–
Total liabilities		**143,287**	112,135
Net assets		**196,067**	215,564
Equity			
Share capital	18	**102**	108
Share premium		**11,996**	10,694
Other reserves		**(9,324)**	(5,974)
Retained earnings		**193,293**	207,058
Equity attributable to equity holders of the Company		**196,067**	211,886
Non-controlling interest		**–**	3,678
Total equity	18	**196,067**	215,564

These Financial Statements were approved by the Board of Directors on 28 June 2012 and were signed on its behalf by:

Stephen Morana
Director

Financial Statements
Consolidated Statement of Changes in Equity
For the year ended 30 April 2012

	Share capital £'000	Share premium £'000	Other reserves £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 May 2010	105	4,078	1,640	(3,903)	179,892	181,812	–	**181,812**
Comprehensive income for the year								
Profit for the year	–	–	–	–	24,157	24,157	(1,151)	**23,006**
Other comprehensive income	–	–	–	(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								
Distributions to owners								
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**
Deferred tax on equity-settled share-based payments	–	–	(71)	–	–	(71)	–	**(71)**
Total distributions to 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**
Balance at 1 May 2011	108	10,694	1,569	(7,543)	207,058	211,886	3,678	**215,564**
Comprehensive income for the year								
Profit for the year	–	–	–	–	34,661	34,661	(712)	**33,949**
Other comprehensive expense (note 18)	–	–	–	(2,757)	(118)	(2,875)	–	**(2,875)**
Total comprehensive income for the year	–	–	–	(2,757)	34,543	31,786	(712)	**31,074**
Transactions with owners, recorded directly in equity								
Issue of shares	1	1,302	–	–	–	1,303	–	**1,303**
Cancellation of shares	(7)	–	7	–	–	–	–	**–**
Dividend paid	–	–	–	–	(9,561)	(9,561)	–	**(9,561)**
Equity-settled share-based payments	–	–	–	–	7,613	7,613	–	**7,613**
Purchase of own shares	–	–	–	–	(50,216)	(50,216)	–	**(50,216)**
Purchase of own shares by the EBT*	–	–	–	–	(120)	(120)	–	**(120)**
Sale of own shares by the EBT*	–	–	–	–	1,010	1,010	–	**1,010**
Deferred tax on equity-settled share-based payments	–	–	(600)	–	–	(600)	–	**(600)**
Total transactions with owners	(6)	1,302	(593)	–	(51,274)	(50,571)	–	**(50,571)**
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Acquisition of non-controlling interest without a change in control	–	–	–	–	2,966	2,966	(2,966)	**–**
Total changes in ownership interests in subsidiaries	–	–	–	–	2,966	2,966	(2,966)	**–**
Balance at 30 April 2012	**102**	**11,996**	**976**	**(10,300)**	**193,293**	**196,067**	**–**	**196,067**

* Employee Benefit Trust is defined as EBT.

Financial Statements
Consolidated Statement of Cash Flow
For the year ended 30 April 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Profit for the year		**33,949**	23,006
Adjustments for:			
Depreciation and amortisation	10, 11	**41,206**	31,437
Loss on disposal of property, plant and equipment	3	**33**	43
Equity-settled share-based payments and associated costs	19	**8,051**	6,413
Profit on disposal of available-for-sale financial asset	6	**–**	(1,158)
Share of (profit)/loss of equity accounted investments	12	**(4,292)**	911
Net finance income	7	**(3,344)**	(1,531)
Tax	8	**7,619**	3,611
Increase in trade and other receivables		**(8,421)**	(1,102)
Increase/(decrease) in trade and other payables		**26,087**	(989)
Cash generated from operations		**100,888**	60,641
Tax paid		**(4,499)**	(2,958)
Net cash flows generated from operating activities		**96,389**	57,683
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(14,357)**	(21,552)
Proceeds from sale of property, plant and equipment		**19**	386
Acquisition of other intangible assets		**(15,366)**	(12,616)
Capitalised internal development expenditure		**(29,353)**	(27,895)
Acquisition of interest in subsidiary, net of cash acquired		**–**	(192)
Cash injection in jointly controlled entities	12	**(85)**	(230)
Disposal of available-for-sale financial assets	13	**–**	3,428
Finance income received		**1,330**	976
Net cash flows used in investing activities		**(57,812)**	(57,695)
Cash flows from financing activities			
Proceeds from the issue of share capital	18	**1,303**	6,619
Proceeds from sale of shares in LMAX	18	**–**	4,829
Dividends paid	18	**(9,561)**	–
Purchase and cancellation of own shares	18	**(50,216)**	–
Purchase of own shares by the EBT	18	**(120)**	(7,225)
Sale of own shares by the EBT	18	**1,010**	117
Net cash flows (used in)/from financing activities		**(57,584)**	4,340
Net (decrease)/increase in cash and cash equivalents		**(19,007)**	4,328
Cash and cash equivalents at the beginning of the year	16	**155,038**	150,947
Effect of exchange rate fluctuations on cash held		**(623)**	(237)
Cash and cash equivalents at year end	16	**135,408**	155,038

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 2012 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 2012 were authorised for issue in accordance with a resolution of the Directors on 28 June 2012.

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 95 to 97.

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; and
- financial instruments at fair value through profit or loss are measured at fair value.

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. Further detail is contained in the Directors' report on Page 41.

Functional currency and presentation currency

These consolidated financial statements are presented in Pounds sterling, which is the Company's functional currency. All financial information presented in Pounds sterling has been rounded to the nearest thousand, except otherwise stated.

Changes in accounting policy

The Group has adopted the following new standards and interpretations for the year ended 30 April 2012:

- Revised IAS 24 Related Party Disclosures – The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive. The revision provided a revised definition of a related party which has been simplified with inconsistencies eliminated.

- Various Improvements to IFRSs (2010) (Endorsed 22 February 2011) – A number of minor amendments primarily with a view to removing inconsistencies and to clarify certain wording.

The new standards and interpretations did not have a material impact on the results or the financial position of the Group as at 30 April 2012 or on any disclosures.

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

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquired entity; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the goodwill is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value as at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity.

(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.

1 Accounting policies *continued*

Basis of consolidation *continued*

(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.

(iii) Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners therefore no goodwill is recognised as a result.

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.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income and presented in the translation reserve in equity.

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	**1.23**	1.17
US dollar	**1.63**	1.59
Australian dollar	**1.55**	1.53
Romanian Lei	**5.42**	5.01

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 and where the fair value of the unlisted equity shares can be reliably measured.

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.

1 Accounting policies *continued*

Financial instruments *continued*

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 certain 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.

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 from time to time 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.

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.

When the Company opts to buy back its own shares, this is treated as a cancellation of 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.

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 cost to bringing the assets to a working condition for their intended use.

1 Accounting policies *continued*

Property, plant and equipment *continued*

(i) Recognition and measurement continued

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 CGUs 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.

(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 income statement 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 lives.

(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.

(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
Capitalised development costs	– 3 years
Brands	– 2 years
Broadcasting technologies	– 2 years

1 Accounting policies *continued*

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:

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 until 2011 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.

1 Accounting policies *continued*

Employee benefits *continued*

Restricted share scheme continued

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.

During the year, 774,955 previously granted share options (at a strike price of £10) were modified to 258,318 restricted shares. These shares are valued with reference to the incremental fair value of the shares with reference to their market values on the date of grant and spread over the vesting period.

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 to 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 2011, 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 had 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 were convertible into shares upon vest date and they were measured consistently with the treatment of normal restricted shares. The phantom shares in the scheme were only convertible to cash upon the vest date and they are measured based on the market value at the date of grant.

Revenue

Revenue is measured as the consideration received from customers and represents amounts received for services provided by the Group, 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 and other financial products is recognised on the date of the transaction of each trade.

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

During the year ended 30 April 2011, the Group operated a reportable segment for 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. Due to the volatility of returns from these 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 betting and gaming taxes, 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.

1 Accounting policies *continued*

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 other 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.

In determining the current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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. The CODM is the Chief Executive Officer.

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 2012 and 2011, all premises leases qualify as operating leases.

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 disclosed 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:

1 Accounting policies *continued*

Accounting estimates and judgements *continued*

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, when considering whether or not a project meets the criteria within IAS 38 "Intangible assets". An estimate 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 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 14 – Deferred tax

Deferred tax assets and liabilities represent management's best estimate in determining the amounts to be recognised. When assessing the extent to which deferred tax assets should be recognised, consideration is given to the timing and level of future taxable income.

Note 17 – 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 19 – 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 21 – 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.

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.

Future accounting developments

The following new standards, interpretations and amendments were issued by the IASB or the IFRIC but were not effective for the financial year (and in some cases have not yet been adopted by the EU):

- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- Revision to IAS 27 Separate Financial Statements
- Revision to IAS 28 Investments in Associates and Joint Ventures
- Revision to IAS 19 Employee Benefits
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 1 Government Loans
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- IFRS 9 Financial Instruments

1 Accounting policies *continued*

Future accounting developments *continued*

The Directors have decided not to early adopt the above standards and they do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods with the potential exception of IFRS 9.

IFRS 9 Financial Instruments will eventually replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. 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.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of this standard until a detailed review has been completed.

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 in making decisions about reporting 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 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 in 2011. Due to the volatility of returns from such customers, at 31 July 2010, the Directors decided not to continue with this product offering.

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 profits/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 £16.0 million (30 April 2011: £12.3 million) and increased EBITDA by £4.9 million (30 April 2011: decrease by £0.1 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.

The majority of the Group's non-current assets are located in the UK.

Whilst a distinction between Risk and Non-Risk Sports revenue is provided in the operating and financial review, the majority of Sports' revenue is related to the Group's non-risk products and is therefore not disclosed separately in this note.

Revenue unallocated to a geographical segment represents amounts 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.

2 Operating segments *continued*

Segmental information for the years ended 30 April 2012 and 30 April 2011 is as follows:

Year ended 30 April 2012

	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	268,208	56,009	22,286	3,014	**349,517**	36,131	4,004	**40,135**	–	**389,652**
Adjusted EBITDA					**92,064**	(431)	(5,951)	**(6,382)**	**3,902**	**89,584**
Exceptional items					**(6,395)**	–	–	–	–	**(6,395)**
Equity-settled share-based payments and associated costs					**(7,563)**	(488)	–	**(488)**	–	**(8,051)**
EBITDA					**78,106**	(919)	(5,951)	**(6,870)**	**3,902**	**75,138**
Depreciation and amortisation										**(41,206)**
Net finance income										**3,344**
Share of profit of equity accounted investments										**4,292**
Profit before tax										**41,568**
Total assets										**339,354**
Total liabilities										**(143,287)**

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)

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

Year ended 30 April 2012

	UK £'000	Europe £'000	Rest of World £'000	Unallocated £'000	**Group £'000**
Core Betfair	182,888	144,827	18,788	3,014	**349,517**
Other investments	4,004	–	36,131	–	**40,135**
High rollers	–	–	–	–	**–**
Total Group revenue	**186,892**	**144,827**	**54,919**	**3,014**	**389,652**

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 revenue	177,489	136,232	51,543	28,047	393,311

3 Profit before tax

Profit before tax is stated after charging:

	2012 £'000	2011 £'000
Equity-settled share-based payments and associated costs	**8,051**	6,413
Depreciation of property, plant and equipment	**16,233**	13,470
Amortisation of capitalised development costs	**16,915**	11,028
Amortisation of other intangibles	**8,058**	6,939
Loss on disposal of property, plant and equipment	**33**	43
Rentals payable under operating leases – equipment	**22**	49
Rentals payable under operating leases – property	**8,417**	8,580
Research and non-capitalisable development cost	**49,474**	48,366

Auditors' remuneration:

	2012 £'000	2011 £'000
Fees payable to the Company's auditor for the audit of these financial statements	**106**	101
Fees payable to the Company's auditor and its associates for other services:		
Audit of financial statements of subsidiaries pursuant to legislation	**594**	574
Other services pursuant to legislation – review of interim financial statements and audit of levy	**63**	55
Tax services	**462**	392
Transaction advisory	**54**	600
Total	**1,279**	1,722

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 in 2011 relates to work performed on the IPO on the London Stock Exchange 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:

	2012 No.	2011 No.
Technology and product	**994**	808
Commercial and marketing	**281**	263
Operations	**656**	674
Corporate	**333**	293
Total	**2,264**	2,038

The aggregate payroll costs of these persons were as follows:

	2012 £'000	2011 £'000
Wages and salaries	**110,632**	94,054
Social security costs	**11,327**	10,750
Redundancy costs	**1,535**	458
Equity-settled share-based payments and associated costs (note 19)	**8,051**	6,413
Pension costs	**2,654**	2,016
Total	**134,199**	113,691

Details on the remuneration of Directors are set out in the Directors' Remuneration Report on pages 51 to 57.

5 Exceptional items

Exceptional items are those items the Group considers to be non-recurring or material in nature that should be brought to the reader's attention in understanding the Group's financial performance.

	2012 £'000	2011 £'000
Regulatory developments	6,395	–
Costs incurred on corporate projects	–	19,103
Release of specific liabilities	–	(2,108)
Total	6,395	16,995

Current year exceptional costs comprise a one-off expense relating to Spanish gaming tax and other costs relating to the Group's Spanish operations in prior periods. These costs have been recorded within cost of sales. During the year ended 30 April 2011, the Group incurred IPO expenses amounting to £15.7 million and £3.4 million relating to cost optimisation planning and strategic development. The costs were accounted for as administrative expenses.

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

	2012 £'000	2011 £'000
Profit on sale of investment	–	1,158

During the year ended 30 April 2011, the Group disposed of its 5.6% investment in Fine Success Limited (note 13).

7 Finance income and expense

Recognised in income statement

	2012 £'000	2011 £'000
Finance income		
Bank interest receivable	1,219	1,113
Net foreign exchange gain	2,125	433
Total	3,344	1,546

	2012 £'000	2011 £'000
Finance expense		
Interest expense	–	15
Total	–	15

Recognised directly in other comprehensive income

	2012 £'000	2011 £'000
Translation reserve	(2,875)	(2,853)
Finance expense recognised directly in other comprehensive income	(2,875)	(2,853)
Attributable to:		
Equity holders of the Company	(2,875)	(2,853)
Total	(2,875)	(2,853)

	2012 £'000	2011 £'000
Recognised in:		
Translation reserve	(2,875)	(2,853)
Finance expense recognised directly in other comprehensive income	(2,875)	(2,853)

8 Tax

Recognised in the income statement

	2012 £'000	2011 £'000
Current tax		
UK – current year	**4,809**	7,686
UK – adjustments in respect of prior periods	**(3,483)**	(3,466)
Overseas – current year	**2,636**	1,491
Overseas – adjustments in respect of prior periods	**(522)**	1,122
Current tax expense	**3,440**	6,833
Deferred tax		
Origination and reversal of temporary differences	**4,379**	(3,347)
Tax rate reduction	**(200)**	125
Deferred tax	**4,179**	(3,222)
Total tax expense	**7,619**	3,611

Reconciliation of effective tax rate

	2012 £'000	2011 £'000
Profit before tax	**41,568**	26,617
Total tax expense	**(7,619)**	(3,611)
Profit for the year	**33,949**	23,006
Tax using the UK corporation tax rate of 25.8% (2011: 27.8%)	**10,725**	7,400
Effect of tax rates in foreign jurisdictions	**(2,140)**	(6,053)
Non-deductible expenses	**1,108**	2,545
Tax rate reduction	**(106)**	125
Current year losses for which no deferred tax asset was recognised	**2,559**	1,981
Adjustments in respect of prior periods	**(4,527)**	(2,387)
Total tax expense	**7,619**	3,611

Tax recognised directly in equity

	2012 £'000	2011 £'000
Other deferred tax in relation to equity-settled share-based payments	**(1,369)**	(5,162)
Deferred tax	**(1,369)**	(5,162)
Current tax in relation to equity-settled share-based payments	**769**	5,091
Total tax	**(600)**	(71)

The Group's consolidated effective tax rate for the year was 18.3% (30 April 2011: 13.6%).

The tax effect of exceptional items in the current year amounted to a tax credit of £0.2 million (2011: £2.2 million).

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012.

This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 30 April 2012 has been calculated based on the rate of 24% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax liability accordingly.

Adjustments in respect of prior periods primarily result from a reassessment of tax liabilities relating to an overseas subsidiary.

9 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 30 April 2012 was based on the profit attributable to ordinary shareholders of £34.7 million (30 April 2011: £24.2 million) and a weighted average number of ordinary shares outstanding of 104,569,704 (30 April 2011: 106,811,660).

	2012	2011
Profit for the year (£'000)	**34,661**	24,157
Weighted average number of shares	**104,569,704**	106,811,660
Basic earnings per share	**33.1p**	22.6p
Diluted earnings per share	**32.5p**	22.0p

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 April 2012 was based on the profit attributable to ordinary shareholders of £34.7 million (30 April 2011: £24.2 million) and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 106,780,109 (30 April 2011: 109,653,974), calculated as follows:

Profit used to determine diluted earnings per share

	2012 £'000	2011 £'000
Profit used to determine diluted earnings per share	**34,661**	24,157

Weighted average number of shares (diluted)

	2012	2011
Weighted average number of ordinary shares (basic)	**104,569,704**	106,811,660
Effect of share options on issue	**2,210,405**	2,842,314
Weighted average number of ordinary shares (diluted)	**106,780,109**	109,653,974

The average market value of the Company's shares of £7.76 (2011: Director's valuation of £10.32 due to the Group not being listing on the London Stock Exchange for the full financial year) 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 2010	750	11,370	63,608	4,928	539	81,195
Additions	–	2,374	17,285	2,059	169	21,887
Disposals	–	–	(52)	(14)	(105)	(171)
Net foreign exchange differences	–	(73)	(448)	(62)	107	(476)
At 30 April 2011	750	13,671	80,393	6,911	710	102,435
Additions	–	4,176	10,716	1,734	303	16,929
Disposals	–	(4,850)	(986)	(422)	(311)	(6,569)
Net foreign exchange differences	–	35	14	54	–	103
At 30 April 2012	**750**	**13,032**	**90,137**	**8,277**	**702**	**112,898**
Depreciation						
At 1 May 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)
Net foreign exchange differences	–	(97)	194	(648)	2	(549)
At 30 April 2011	67	8,120	57,839	3,126	426	69,578
Depreciation for the year	15	2,035	12,633	1,363	187	16,233
Disposals	–	(4,850)	(984)	(408)	(290)	(6,532)
Net foreign exchange differences	–	27	(147)	41	(3)	(82)
At 30 April 2012	**82**	**5,332**	**69,341**	**4,122**	**320**	**79,197**
Net book value						
At 30 April 2011	683	5,551	22,554	3,785	284	32,857
At 30 April 2012	**668**	**7,700**	**20,796**	**4,155**	**382**	**33,701**

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 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)
Net 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
Acquisitions through business combinations	216	–	–	–	–	–	–	216
Other acquisitions – internally developed	–	–	–	29,353	–	–	–	29,353
Other acquisitions – externally purchased	–	9,533	–	7,019	–	–	–	16,552
Disposals	–	(167)	–	–	–	–	–	(167)
Net foreign exchange differences	407	(48)	(75)	(55)	47	93	23	392
At 30 April 2012	**54,078**	**31,014**	**1,612**	**110,494**	**1,960**	**3,880**	**887**	**203,925**
Amortisation								
At 1 May 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)
Net 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
Amortisation for the year	–	6,874	126	16,915	–	990	68	24,973
Disposals	–	(155)	–	–	–	–	–	(155)
Net foreign exchange differences	–	(8)	(75)	(1)	47	33	11	7
At 30 April 2012	**–**	**15,225**	**1,348**	**49,149**	**1,960**	**3,153**	**701**	**71,536**
Net book value								
At 30 April 2011	53,455	13,182	390	41,942	–	1,657	242	110,868
At 30 April 2012	**54,078**	**15,789**	**264**	**61,345**	**–**	**727**	**186**	**132,389**

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 represent 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 two to six years.

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

Goodwill

At 30 April 2012, the carrying amount of goodwill was £54.1 million (2011: £53.5 million) allocated across four (2011: four) cash generating units (CGUs) as follows:

	2012 £'000	2011 £'000
CGU		
Sports	**8,652**	8,652
Games	**2,545**	2,780
Poker	**9,957**	9,957
TVG	**32,924**	32,066
Total goodwill net book value at 30 April	**54,078**	53,455

11 Goodwill and other intangible assets *continued*

CGUs

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 (2011: £nil).

In order to determine whether impairments are required the Directors estimate 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 cash flow

One of the key drivers of operating cash flow is revenue. The 2013 revenue figures for each CGU are based on the budget for the next financial year. For the years 2014 to 2017, 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% (2011: 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% (2011: 12.2%) has been used in discounting the projected cash flows for each CGU.

For the TVG CGU, a pre-tax discount rate of 12.5% (2011: 13.8%) has been used in discounting the projected cash flows for that CGU. The revision of the discount rate from the prior year reflects changes to the relevant market rates in the US economy. In addition, the 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 2017 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 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 considered to be slightly more sensitive to a decrease in future earnings assumptions as well as future developments in US horseracing.

In line with the prior year, the agreed strategy for TVG is to continue its focus on streamlining its business model and improving operating margins in the coming year. In view of this 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 Plc.	Malta	Bookmaking	Subsidiary	100
Betfair 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
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	Gibraltar	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	99.75
Tradefair Spreads Limited	England	Spread Betting services	Subsidiary	99.75
London Multi Asset Exchange (Holdings) Limited	England	Holding company	Subsidiary	99.75
Betfair Pty Limited	Australia	Bookmaking	Joint venture	50
Betfair Development Pty Limited	Australia	Intellectual property licensor	Joint venture	50
Betfair Australasia Pty Limited	Australia	Holding company	Joint venture	50
TSED Unipessoal LDA	Portugal	R&D activities	Subsidiary	100

The Sporting Exchange Limited is held directly by Betfair Group plc. 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 is as follows:

	2012 £'000	2011 £'000
Share of net liabilities		
At the beginning of the year	(6,101)	(4,910)
Share of operating profit/(loss) *	4,155	(1,002)
Share of interest receivable	137	91
Contribution of cash into joint venture	85	230
Share of change in equity	(83)	–
Foreign exchange differences	80	(510)
At the end of the year	(1,727)	(6,101)
Goodwill		
At the beginning of the year	385	385
At the end of the year	385	385
Loan		
At the beginning of the year	7,675	4,677
Reclassification of loan from short-term to long-term	–	2,204
Foreign exchange differences	(143)	794
At the end of the year	7,532	7,675
Net book value		
At the beginning of the year	1,959	152
At the end of the year	6,190	1,959

* £1.9 million of the share of the operating profit of Betfair Australasia Pty Limited in the year comprises a one-off gain of £2.9 million due to a settlement of historic tax matters related to Goods and Services Tax (GST) which is partially offset by a one off legal fee of £1 million accrued to cover fees relating to a recent legal case.

The table below presents the summary aggregated financial information of the Group's joint venture Betfair Australasia Pty Limited at 100%.

	2012 £'000	2011 £'000
Current assets	13,862	6,421
Non-current assets	9,231	8,728
Current liabilities	(22,016)	(20,188)
Revenue	31,930	24,573
Expenses	(26,207)	(29,880)

13 Available-for-sale financial asset

At 30 April 2012 and 2011, the available-for-sale financial assets primarily comprises the Group's 11.2% (fully diluted holdings of 9.4%) non-controlling interest in Kabam Inc. (£2.0 million) and non-controlling interest in Featurespace Limited of 14.1% (fully diluted holdings of 12.7%) (£0.1 million).

	2012 £'000	2011 £'000
At 1 May	2,115	4,385
Disposals	–	(2,270)
At 30 April	2,115	2,115

The disposal in 2011 is related to the sale of the 5.6% holding of shares in Fine Success Limited for a consideration of US$5.2 million (£3.4 million). A profit on sale of the available-for-sale investment was recognised in the income statement of £1.2 million in 2011.

14 Deferred tax assets and liabilities

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

	Assets		Liabilities		Total	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Property, plant and equipment	**4,148**	3,624	**–**	–	**4,148**	3,624
Intangible assets	**1,638**	2,100	**(14,044)**	(11,016)	**(12,406)**	(8,916)
Equity-settled share-based payments and associated costs	**3,607**	5,436	**–**	–	**3,607**	5,436
Value of tax loss carry-forwards	**1,287**	1,398	**–**	–	**1,287**	1,398
Other	**1,409**	2,081	**–**	–	**1,409**	2,081
Deferred tax (liabilities)/assets	**12,089**	14,639	**(14,044)**	(11,016)	**(1,955)**	3,623

The Group has unrecognised deferred tax assets in respect of losses of £11.7 million (2011: £8.3 million) and unrecognised deferred tax assets in respect of depreciation in excess of capital allowances of £0.9 million (2011: £0.9 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 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
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**
Balance at 1 May 2011	3,624	(8,916)	5,436	1,398	2,081	3,623
Recognised in income statement	524	(3,460)	(460)	(111)	(672)	(4,179)
Foreign exchange differences	–	(30)	–	–	–	(30)
Recognised in equity	–	–	(1,369)	–	–	(1,369)
Balance at 30 April 2012	**4,148**	**(12,406)**	**3,607**	**1,287**	**1,409**	**(1,955)**

15 Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	**1,859**	2,225
Other receivables	**12,542**	6,056
Prepayments and accrued income	**15,150**	12,958
Total	**29,551**	21,239

16 Cash and cash equivalents

	2012 £'000	2011 £'000
Cash and cash equivalents	**135,408**	155,038

The above includes restricted cash of £8.0 million (30 April 2011: £nil) relating to the Group's financial guarantees.

As at 30 April 2012 £288.3 million (30 April 2011: £305.6 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 also include £9.3 million (2011: £0.2 million) of client funds held by LMAX which are not held on trust in The Sporting Exchange (Clients) Limited and are matched by liabilities of an equal value as disclosed in note 17.

17 Trade and other payables

	2012 £'000	2011 £'000
Trade payables	**15,598**	5,210
Other payables	**24,986**	11,253
Amounts owed to joint ventures	**3,028**	2,951
Other taxation and social security	**3,871**	6,834
Non-trade payables and accrued expenses	**70,977**	61,189
Total	**118,460**	87,437

Included in other payables is an amount of £9.3 million (30 April 2011: £0.2 million) in respect of amounts due to customers, representing deposits received and customer winnings held by LMAX. This is offset by an equivalent amount of client funds held, which is included in cash and cash equivalents as disclosed in note 16.

18 Equity

Share capital

	Ordinary shares 2012 No.	2011 No.
As at 1 May	**107,904,239**	105,385,361
Issued by the Group in relation to:		
Exercised share options and restricted shares	**921,983**	2,345,474
Exercised SAYE options	**8,613**	163,899
Shares cancelled	**(6,506,009)**	(495)
New shares issued for cash	**–**	10,000
Total fully paid, ordinary shares of £0.001 each	**102,328,826**	107,904,239

	2012 £'000	2011 £'000
Allotted, called up and fully paid		
102,328,826 ordinary shares of £0.001 each (30 April 2011: 107,904,239)	**102**	108

During the year, the Group received consideration of £1.2 million (30 April 2011: £5.2 million) for the exercise of 921,983 (30 April 2011: 2,345,474) share options and restricted shares and £0.1 million (30 April 2011: £1.3 million) for the exercise of 8,613 (30 April 2011: 163,899) SAYE options, resulting in total consideration from the issue of shares of £1.3 million (30 April 2011: £6.5 million).

Exercise prices ranged from £0.001 to £10.00.

The Employee Benefit Trust held 2,458,771 ordinary shares in the Company as at 30 April 2012 (30 April 2011: 2,993,801).

As part of the Share Buyback Programme, the Group purchased 6,506,009 shares at a total cost of £50.2 million (including the cost of the transaction of £0.2 million) during the year (30 April 2011: £nil). In the prior year, 495 shares were cancelled and £3,000 was remitted upon cancellation of the shares.

The total fully diluted shares as at 30 April 2012 was 107,773,076 (30 April 2011: 114,226,773).

Other reserves

Other reserves mainly 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

Non-controlling interests in prior year related to the issue of shares by the Group's subsidiary LMAX to non-controlling interests for the year ended 30 April 2011. In January 2012 the Group acquired an additional 24.92% interest in LMAX, increasing the ownership from 74.83% to 99.75%. Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners therefore no goodwill is recognised as a result.

18 Equity *continued*

Reconciliation of movement in equity

	2012 £'000	2011 £'000
Balance at 1 May	**215,564**	181,812
Total comprehensive income for the year		
Profit for the year	**33,949**	23,006
Other comprehensive income		
Foreign exchange differences arising on consolidation	**(2,875)**	(2,853)
Other comprehensive income	**(2,875)**	(2,853)
Total comprehensive income for the year	**31,074**	20,153
Transactions with owners, recorded directly in equity		
Issue of shares	**1,303**	6,619
Purchase of own shares	**(50,216)**	–
Purchase of own share by the EBT	**(120)**	(7,225)
Sale of own shares by the EBT	**1,010**	117
Equity-settled share-based payment transactions	**7,613**	6,324
Share-based payment liabilities settled by the issue of equity instruments	**–**	3,006
Dividends paid	**(9,561)**	–
Tax directly recognised in equity	**(600)**	(71)
Total transactions with owners	**(50,571)**	8,770
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	**196,067**	215,564

19 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 2012, 5,444,250 share options and restricted shares (2011: 6,322,534) in the capital of the Group remain outstanding and are exercisable up to 30 April 2022.

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 £7.6 million (excluding Employers' National Insurance costs) for the year ended 30 April 2012 (30 April 2011: £6.3 million). Employers' National insurance costs have been included which total £0.5 million (30 April 2011: £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 the Group's traded options. 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 and volatility was calculated based on the historical yield and historical volatility of the Company since initial listing on the London Stock Exchange.

19 Share-based payments *continued*

(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 2011	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2012	Exercise price £	Exercisable before
2001	66,080	–	–	(66,080)	–	0.001 to 0.20	2011
2002	201,557	–	(6,562)	(194,995)	–	0.001 to 0.40	2012
2004	34,005	–	–	(3,112)	**30,893**	0.25 to 2.25	2014
2005	446,167	–	–	(105,394)	**340,773**	2.17 to 4.50	2015
2006	2,090,548	–	–	(181,602)	**1,908,946**	4.50	2016
2007	884,438	–	(282,900)	–	**601,538**	0.001 to 10.00	2017
2008	56,275	–	(20,000)	–	**36,275**	0.001 to 10.00	2018
2009	233,751	–	(225,438)	–	**8,313**	0.001 to 10.00	2019
2010	144,000	–	(127,813)	–	**16,187**	0.001 to 10.00	2020
2011	380,517	–	(300,317)	–	**80,200**	0.001 to 10.00	2021
2012	–	406,873	(50,762)	(16,000)	**340,111**	0.001 to 8.71	2022
	4,537,338	406,873	(1,013,792)	(567,183)	**3,363,236**		

2,943,808 options were exercisable under this scheme as at 30 April 2012 (2011: 4,010,948).

The weighted average exercise price for share options exercised during the year is £2.18 (2011: £2.52).

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:

Financial year options granted	2012	2003 – 2011
Share price at date of grant	**£6.55 – £8.62**	£0.40 – £10.00
Exercise price	**£0.001 – £8.63**	£0.001 – £10.00
Expected volatility	**39.54% – 46.75%**	32.51% – 62.71%
Expected term until exercised	**1 – 5 years**	1 – 5 years
Expected dividend yield	**0.8%**	Nil
Risk-free interest rate	**0.35% – 2.23%**	0.61% – 5.79%

The weighted average fair value of the awards granted during the year ended 30 April 2012 under the share option plan at the date of grant was £4.12 (2011: £3.57).

The expense recognised in the income statement (excluding Employers' National Insurance costs) was £1.0 million (2011: £1.1 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 and some international 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. 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.

19 Share-based payments *continued*

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

Financial year granted	Outstanding at 1 May 2011	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2012	Exercise price £	Exercisable before
2008	4,440	–	(4,440)	–	**–**	8.00	2011
2009	143,295	–	(92,914)	(8,613)	**41,768**	8.00	2012
2010	144,069	–	(86,919)	–	**57,150**	8.00	2013
2012	–	661,201	(27,524)	–	**633,677**	5.68	2014
	291,804	661,201	(211,797)	(8,613)	**732,595**		

The weighted average exercise price for share options exercised during the year is £8.00 (2011: £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	2012	2003 – 2011
Share price at date of grant	**£7.57**	£2.71 – £10.00
Exercise price	**£5.68**	£2.17 – £8.00
Expected volatility	**44.56%**	40.07% – 54.40%
Expected term until exercised	**3.25 years**	3.25 years
Expected dividend yield	**0.69%**	Nil
Risk-free interest rate	**0.84%**	1.92% – 5.08%

There were 661,201 SAYE share options granted during the year ended 30 April 2012 (30 April 2011: nil). The weighted average fair value of the options granted in the year was £3.21 (30 April 2011: n/a).

The expense recognised in the income statement (excluding Employers' National Insurance costs) was £0.7 million (2011: £0.7 million).

(c) Restricted shares schemes

The Group provided a restricted shares scheme as part of its bonus plan which ceased in 2010. In 2010, 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 prior year. Refer to note 19 (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 2011	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2012	Exercise price £	Exercisable before
2007	111,406	–	–	(61,864)	**49,542**	0.001	2012
2008	172,263	–	–	(88,344)	**83,919**	0.001	2013
2009	225,489	–	–	(96,809)	**128,680**	0.001	2014
2012	–	327,652	–	–	**327,652**	0.001	2017
	509,158	327,652	–	(247,017)	**589,793**		

Restricted shares are valued with reference to the market value of the shares on the date of grant.

The weighted average exercise price for share options exercised during the year was £0.001 (2011: £0.001).

Of the restricted shares granted in the current year, 258,318 are related to a new restricted share scheme. In January 2012, the Group modified certain outstanding share options and replaced them with restricted shares on a 3:1 basis, of options to restricted shares. The exercise price was reduced from £10.00 to £0.001. The incremental fair value of £0.4 million was expensed in the current year and the remaining £1.2 million will be expensed over the remaining vesting period. The Group used the inputs noted above to measure the fair value of the old share options and the new restricted shares.

The total expense recognised in the income statement related to the restricted shares (excluding Employers' National Insurance costs) was £0.6 million (2011: £0.3 million).

19 Share-based payments *continued*

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

In 2010, 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 a mixture of 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 2011	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2012	Exercise price £	Exercisable before
2010	5,638	–	–	(844)	**4,794**	0.001	2020
2011	–	4,689	–	–	**4,689**	0.001	2021
	5,638	4,689	–	(844)	**9,483**		

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	2012	2011
Share price at date of grant	**£8.56**	£10.00
Exercise price	**£8.56**	£10.00
Expected volatility	**43.91%**	52.71%
Expected term until exercised	**4 years**	4 years
Expected dividend yield	**Nil**	Nil
Risk-free interest rate	**1.97%**	2.28%

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 vest over the second and third year after the first year's cash element is paid.

An expense of £0.6 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 (30 April 2011: £1.0 million). The cash element of the scheme has been included in the bonus cash pool for the performance year ended 30 April 2012.

The Employers' National Insurance costs amounted to £0.1 million (30 April 2011: £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) was £4.6 million (2011: £3.5 million). The Employers' National Insurance costs amounted to £0.3 million (2011: £0.3 million).

19 Share-based payments *continued*

(e) Senior Executives' Incentive Plan *continued*

Scheme year	Outstanding at 1 May 2011	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2012	Exercise price £	Exercisable before
2011	704,546	–	(53,030)	(51,030)	**600,486**	0.001	2021

(f) Stakeholder award scheme

During 2011, the Group issued restricted shares and phantom shares to the employees of the Group as part of the stakeholder award scheme. The scheme relates to the individual employees' performance during the financial year ended 30 April 2010.

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).

The annual true up on equity amounted to £nil (30 April 2011: £0.3 million) and a reduction in Employers' National Insurance liability of £nil (2011: £0.2 million).

Scheme year	Outstanding at 1 May 2011	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2012	Exercise price £	Exercisable before
2011	274,050	–	(18,454)	(106,939)	**148,657**	0.001	2020

20 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 disclosed in note 4 relating to this plan in the current year was £2.7 million (2011: £2.0 million).

21 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 21(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.

21 Financial instruments *continued*

(a) Fair values of 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 2012 £'000	Fair value 2012 £'000	Carrying value 2011 £'000	Fair value 2011 £'000
Trade and other receivables (note 15)	**14,401**	**14,401**	8,281	8,281
Cash and cash equivalents (note 16)	**135,408**	**135,408**	155,038	155,038
Derivative financial liability (note 21(c))	**(71)**	**(71)**	(373)	(373)
Trade and other payables (note 17)	**(40,584)**	**(40,584)**	(16,463)	(16,463)
Net financial assets	**109,154**	**109,154**	146,483	146,483

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

	Total 2012 £'000	Level 1 2012 £'000	Level 2 2012 £'000	Level 3 2012 £'000
Available-for-sale financial asset (note 13)	**2,115**	–	**2,115**	–
Fair value of open Sports bets	**(71)**	–	**(71)**	–
Net position	**2,044**	–	**2,044**	–

	Total 2011 £'000	Level 1 2011 £'000	Level 2 2011 £'000	Level 3 2011 £'000
Available-for-sale financial asset (note 13)	2,115	–	2,115	–
Fair value of open Sports bets	(373)	–	(373)	–
Net position	1,742	–	1,742	–

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

In 2011, the Group took out a foreign currency forward contract to mitigate any unfavourable movements in the US Dollar against the Sterling in any specific transaction.

The fair value of forward exchange contracts is based on their quoted price.

At 30 April 2012, the Group held no forward exchange contracts (2011: the fair value of forward exchange contracts was £0.1 million).

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.

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.

21 Financial instruments *continued*

(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 summarised in the table below all have contractual maturities of one year or less as at 30 April.

	Carrying amount 2012 £'000	2011 £'000
Non-derivative financial liabilities		
Trade and other payables (note 17)	**40,584**	16,463
Derivative financial liabilities		
Open bet liability (within non-trade payables and accrued expenses)	**71**	373
Total	**40,655**	16,836

The ageing profile of the trade and other payables is as follows:

30 April 2012

	0-30 days £'000	31-60 days £'000	61-90 days £'000	> 91 days £'000	Total £'000
Trade and other payables	**38,180**	**1,979**	**234**	**191**	**40,584**

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

(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 volatility.

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.

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).

21 Financial instruments *continued*

(d) Market risk *continued*

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 2012

	GBP £'000	EUR £'000	USD £'000	AUD £'000	Other £'000	Total £'000
Cash and cash equivalents	**97,975**	**16,383**	**18,067**	**1,974**	**1,009**	**135,408**
Trade payables	**(9,840)**	**(5,485)**	**(192)**	**–**	**(81)**	**(15,598)**
Balance sheet exposure	**88,135**	**10,898**	**17,875**	**1,974**	**928**	**119,810**

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

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.

	Equity		Income statement	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Foreign Currency				
EUR	**(968)**	(272)	**2,891**	1,179
USD	**(34)**	(35)	**3,188**	1,299
AUD	**–**	–	**348**	154

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 Group's interest-bearing financial assets were as follows:

	2012 £'000	2011 £'000
Variable rate instruments		
Financial assets – cash and cash equivalents	**135,408**	155,038

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.

21 Financial instruments *continued*

(d) Market risk *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 2011.

	2012 £'000	2011 £'000
Profit or loss		
Increase	**3,277**	3,101
Decrease	**(1,219)**	(1,098)

(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 2012, the trade receivables balance was £1.9 million (2011: £2.2 million) of which £1.4 million is current and £0.5 million is past due. An amount of £0.5 million (2011: £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 £149.8 million (2011: £163.3 million) being the total of the carrying amount of the financial assets excluding equity investments, shown in note 21(a).

Capital management

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 18.

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.

22 Operating leases

The Group had total future minimum payments under non-cancellable operating leases as follows:

	2012 £'000	2011 £'000
Not later than one year	**6,873**	6,657
Later than one year and not later than five years	**19,403**	21,031
Later than five years	**5,065**	6,668
Total	**31,341**	34,356

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 £8.4 million was recognised as an expense in the income statement in respect of operating leases (2011: £8.6 million).

23 Capital commitments

Contracted but not provided for in the Financial Statements:

	2012 £'000	2011 £'000
Capital	**861**	586
Marketing	**6,083**	4,332
Total	**6,944**	4,918

24 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 £0.1 million (2011: £nil)
- Operational costs amounting to £0.9 million (2011: £0.8 million).

During the year the Australian joint venture recharged the Group the following costs:

- Salary and related costs amounting to £0.5 million (2011: £0.8 million)
- Operational costs amounting to £2.0 million (2011: £2.1 million).

The outstanding balance as at 30 April 2012 of loans receivable from the Australian joint venture is £7.5 million (2011: £7.7 million). The balance is 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 2012, the Group owed £3.0 million (2011: £3.0 million) to the Australian joint venture.

Featurespace Limited

During the year the Group was charged £0.5 million (2011: £0.4 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:

	2012 £'000	2011 £'000
Short-term benefits	**2,509**	2,469
Share-based payment expense	**2,197**	3,113
Total	**4,706**	5,582

25 Dividends

	2012 £'000	2011 £'000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 30 April 2011 of 5.9p per qualifying ordinary share (2010: nil)	**6,231**	–
Interim dividend for the year ended 30 April 2012 of 3.2p per qualifying ordinary share (2011: nil)	**3,330**	–
Total	**9,561**	–

Proposed final dividend for the year ended 30 April 2012 of 7.0p per share (2011: 5.9p)

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Company Balance Sheet
At 30 April 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	2	**146,163**	138,542
Current assets			
Debtors	3	**703**	6,872
Cash at bank and in hand		**834**	430
		1,537	7,302
Creditors: Amounts falling due within one year	4	**(3,023)**	(300)
Net current (liabilities)/assets		**(1,486)**	7,002
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year	5	**(50,503)**	–
Net assets		**94,174**	145,544
Capital and reserves			
Share capital	6	**102**	108
Share premium	6	**11,996**	10,694
Other reserves	6	**7**	–
Profit and loss account	6	**82,069**	134,742
Shareholders' funds		**94,174**	145,544

These Financial Statements were approved by the Board of Directors on 28 June 2012 and were signed on its behalf by:

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. The Company reported a loss for the financial year ended 30 April 2012 of £509k (2011: Profit of £28k).

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 in respect of awards to employees of subsidiary companies.

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.

Treasury share transactions

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

2 Investments

	Shares in Group undertakings £'000
Cost	
As at 1 May 2011	138,542
Increase in the cost of investment for share-based payments under UITF 44	7,621
At 30 April 2012	**146,163**

3 Debtors

	2012 £'000	2011 £'000
Other debtors	–	174
Amounts owed by fellow group undertakings	**703**	6,698
Total	**703**	6,872

4 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed to fellow group undertakings	**3,023**	300

5 Borrowings: amounts falling due more than one year

	2012 £'000	2011 £'000
Amounts owed to fellow group undertakings	**50,503**	–

6 Reconciliation of movement in capital and reserves

	Share capital £'000	Share premium £'000	Capital Redemption reserve £'000	Profit and loss account £'000	Total Parent equity £'000
Balance at 1 May 2010	105	4,078	–	125,384	129,567
Total profit for the year	–	–	–	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
Balance at 1 May 2011	108	10,694	–	134,742	145,544
Total loss for the year	–	–	–	(509)	(509)
Issue of shares	1	1,302	–	–	1,303
Shares buyback and cancellation	(7)	–	7	–	–
Share buyback	–	–	–	(50,216)	(50,216)
Dividends paid	–	–	–	(9,561)	(9,561)
Equity-settled share-based payment transactions	–	–	–	7,613	7,613
Balance at 30 April 2012	**102**	**11,996**	**7**	**82,069**	**94,174**

Financial Statements
Five Year Summary

£'000s	2012	2011	2010	2009	2008
Revenue	**389,652**	393,311	340,915	301,206	242,430
Adjusted EBITDA	**89,584**	79,684	53,484	70,288	53,855
Equity-settled share-based payment and associated costs	**(8,051)**	(6,413)	(4,192)	(4,250)	(4,319)
EBITDA before exceptional items	**81,533**	73,271	49,292	66,038	49,536
Exceptional items	**(6,395)**	(16,995)	(4,600)	(892)	–
EBITDA	**75,138**	56,276	44,692	65,146	49,536
Profit before tax	**41,568**	26,617	17,778	47,468	43,781
Profit for the year	**33,949**	23,006	15,119	38,824	30,749

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Please contact Computershare quoting your shareholder reference number (on your share certificate or dividend tax voucher) for advice regarding any change of name or address, transfer of shares or loss/destruction of share certificate. Computershare will also be able to respond to general queries such as the number of shares you hold or payment details for dividends.

Amalgamation of Accounts
Shareholders who receive duplicate sets of Company mailings owing to multiple accounts in their name should contact Computershare to request their accounts be amalgamated.

Dividend Mandates
We encourage shareholders to have their dividends paid directly into their bank account. This method of payment removes the risk of delay or loss of dividend cheques in the post and ensures your account is credited on the due date. Tax vouchers are provided by Computershare. To take advantage of this convenient method of payment contact Computershare or visit **www-uk.computershare.com/investor**.

Electronic Communications
Using the Company's corporate website as a method of communicating with shareholders the Company is able to distribute messages to shareholders instantaneously. Receiving the Company's communications electronically allows the Company to communicate with its shareholders in a more environmentally friendly, cost effective and timely manner. You can to elect to receive email notifications by contacting Computershare or by registering with Investor Centre at **www-uk.computershare.com/investor**.

Scams and frauds
Shareholders are advised to be wary of any unsolicited communications, such as:
- offers to buy or sell shares at a discount
- opportunities to receive free company reports
- free financial advice; and
- chances to invest in carbon credit trading schemes.

If you receive any unsolicited advice, make sure you get the correct name of the person and organisation and check that they are appropriately authorised by the FSA by visiting **www.fsa.gov.uk/fsaregister**. More information on protecting your investment can be found at **www.fsa.gov.uk/consumerinfo/stay_safe**.

Share Dealing
If you wish to buy or sell shares in the Company you can do this by using the services of a stockbroker or high street bank or through telephone or online dealing services. The Company's Registrar, Computershare offer a telephone and online service, further information can be found at **www-uk.computershare.com/Investor/ShareDealing** or by calling 0870 703 0084 (Mon-Fri).

Please note the following when contacting Computershare:
- you will need to have your shareholder reference number available; and
- if your shareholding is in certificated form you will need to present your valid share certificate at the time of sale.

Please note the price of shares can go down as well as up, and you are not guaranteed to get back the amount you originally invested. If you are in any doubt you should contact an independent financial adviser. Details of stockbrokers in the UK can be found via the Association of Private Client Investment Managers and Stockbrokers (APCIMS) on +44(0) 20 7448 7100 or at **www.apcims.co.uk.**

ShareGift
If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity 1052686) which specialises in accepting such shares as donations. The relevant stock transfer form may be obtained from the Company's registrar Computershare. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. Further information about ShareGift may be obtained on 020 7930 3737 or from **www.ShareGift.org.**

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Betfair Group plc website

The Company's corporate website provides shareholders with a broad range of information including investor information such as the Company's financial statements, current and historic share prices, AGM materials, events and governance information. You may visit the investor website at **http://corporate.betfair.com/investor-relations**.

Financial Calendar	
2012 Final Results	29 June 2012
Ex-dividend date	5 September 2012
Record date	7 September 2012
2013 Q1 Interim Management Statement	11 September 2012
Annual General Meeting	11 September 2012
Payment of final dividend	3 October 2012
2013 H1 Interim Management Statement	13 December 2012*

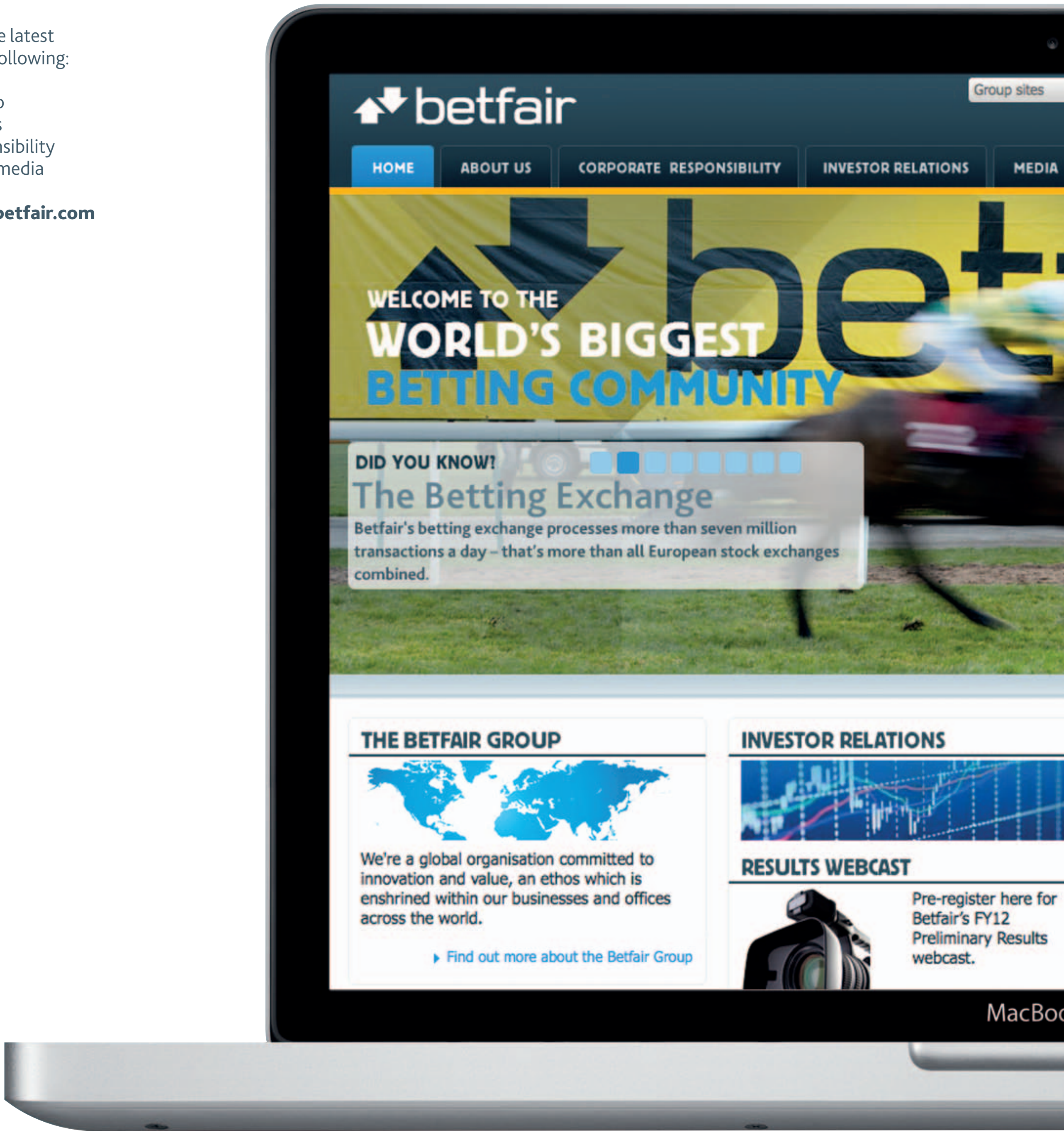
* Provisional date

Find out more about Betfair Group plc

Betfair Online
Here you will find the latest information on the following:

- The Betfair Group
- Investor relations
- Corporate responsibility
- Latest news and media

http://corporate.betfair.com



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