THIS CIRCULAR AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional financial adviser immediately (being, in the case of Paddy Power Shareholders in Ireland, an organisation or firm authorised or exempted under the Investment Intermediaries Act, 1995 of Ireland (as amended) or the European Communities (Markets in Financial Instruments) Regulations (Nos. 1 to 3) 2007 or, in the case of Paddy Power Shareholders in the United Kingdom, an adviser authorised pursuant to the Financial Services and Markets Act 2000, or from another appropriately authorised independent financial adviser if you are in a territory outside Ireland or the United Kingdom).

If you sell or have sold or otherwise transferred your entire holding of Paddy Power Shares, please send this Circular, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Paddy Power Shares, you should retain this Circular and the accompanying Form of Proxy and immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

A Prospectus relating to the Merger and Admission prepared in accordance with the Prospectus Rules has been published on the Company's website on or around the date of this Circular. This document should be read in conjunction with the Prospectus and the information incorporated by reference from the Prospectus.

PADDY POWER PLC

(incorporated and registered in Ireland with limited liability with registered number 16956)

Recommended all share merger of Paddy Power plc and Betfair Group plc

Class 1 Acquisition

Change of Name to Paddy Power Betfair plc

Issue of up to 39,542,456 New Paddy Power Betfair Shares

and

Notice of Extraordinary General Meeting

Morgan Stanley, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom is acting as financial adviser and sponsor to Paddy Power and no one else in connection with the Merger. In connection with such matters, Morgan Stanley, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Merger, the contents of this Circular or any other matter referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Morgan Stanley by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Morgan Stanley and its affiliates, directors, officers, employees and advisers, accept no responsibility or liability whatsoever for, and do not make any representation or warranty, express or implied, as to the contents of this Circular, including its accuracy, completeness or verification or for any other statement made or purported to be made in connection with Paddy Power, Betfair, the Combined Group or the Merger and nothing in this Circular is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Morgan Stanley accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Circular or any such statement.

IBI Corporate Finance, which is regulated in Ireland by the Central Bank, is acting exclusively for Paddy Power and for no one else in connection with the Merger and will not be responsible to anyone other than Paddy Power for providing the protections afforded to customers of IBI Corporate Finance or for

providing advice in relation to the Merger, the contents of this Circular or any transaction or arrangement referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed by the Central Bank, IBI Corporate Finance and its affiliates, directors, officers, employees and advisers, accept no responsibility or liability whatsoever for, and do not make any representation or warranty, express or implied, as to the contents of this Circular, including its accuracy, completeness or verification or for any other statement made or purported to be made in connection with Paddy Power, Betfair, the Combined Group or the Merger, and nothing in this Circular is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. IBI Corporate Finance accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Circular or any such statement.

This Circular should be read as a whole. Your attention is drawn to the letter from the Chairman of Paddy Power, which is set out on pages 1 to 16 of this Circular and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting referred to below. Your attention is also drawn in particular to the risk factors set out in Part III (Risk Factors) of this Circular.

Notice of an Extraordinary General Meeting of Paddy Power, to be held at 11.15 a.m. on 21 December 2015 at Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, DO4 V972, Ireland is set out at the end of this Circular. A Form of Proxy for use by Paddy Power Shareholders in connection with the Extraordinary General Meeting is enclosed, other than for Paddy Power Shareholders who have opted for the electronic communications service, who will receive an email notification rather than a Form of Proxy. To be valid, Forms of Proxy, completed in accordance with the instructions printed thereon, must be received at the Company's registrar, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, D18 Y2X6, Ireland as soon as possible but in any event by no later than 11.15 a.m. on 19 December 2015. Completion and return of the Form of Proxy will not preclude Paddy Power Shareholders from attending and voting at the Extraordinary General Meeting or any adjournment thereof should they wish to do so.

Electronic proxy appointment is available for the Extraordinary General Meeting. This facility enables a shareholder to lodge his/her proxy by logging on to the website of Paddy Power's registrar at www.computershare.com/ie/voting/paddypower. Paddy Power Shareholders will need their unique PIN number and shareholder reference number. Alternatively, for those who hold Paddy Power Shares in CREST, a shareholder may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Computershare Investor Services (CREST participant ID 3RA50). In each case, Shareholders must complete the process by no later than 11.15 a.m. on 19 December 2015 (or, in the case of an adjournment, no later than 48 hours before the time fixed for holding the adjourned meeting). The completion and return of a Form of Proxy (including an electronic proxy appointment notification or a CREST Proxy Instruction) will not prevent shareholders from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof, should they wish to do so.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Paddy Power Shareholders should take note of the dates and times set forth in the schedule below in connection with the Merger. These dates and times may be changed by the Combined Group in accordance with the terms and conditions of the Merger, as described in this Circular.

Date of issue of this Circular	27 November 2015
Latest time and date for receipt of Forms of Proxy for the Betfair General Meeting	11.15 a.m. on 17 December 2015
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	11.15 a.m. on 19 December 2015
Scheme Voting Record Time	6 p.m. on 17 December 2015
Extraordinary General Meeting	11.15 a.m. on 21 December 2015
Court Meeting	11.00 a.m. on 21 December 2015
Betfair General Meeting	11.15 a.m. on 21 December 2015
Court Hearing to sanction the Scheme	A date expected to be in the first quarter 2016, subject to regulatory clearances ("**D**")
Last day of dealings in Betfair Shares	D
De-listing of Betfair Shares from the London Stock Exchange	5.00 pm on D
Effective Date	D+1
Expected Admission and commencement of dealings in New Paddy Power Betfair Shares, Completion	D+1
CREST accounts of holders of Betfair Shares in uncertified form credited with New Paddy Power Betfair Shares	D+1

These dates are indicative only and assume that the requisite regulatory clearances have been obtained and the other Conditions to Completion have been satisfied before the date estimated for Completion. The expected dates following the Court Hearing will depend, among other things, on the date upon which the Court sanctions the Scheme and the timing of the satisfaction of all the Conditions to Completion. If any of the above times and/or dates change, the revised times and/or dates will be notified by announcement through a Regulatory Information Service.

The Company will make appropriate announcements to a Regulatory Information Service promptly after the Extraordinary General Meeting giving details of the results thereof and on Admission giving details of the number of New Paddy Power Betfair Shares that have been issued.

PART I

LETTER FROM THE CHAIRMAN

Paddy Power plc

(incorporated in Ireland with limited liability with registered number 16956)

Directors		*Registered office*
Gary McGann*	*(Chairman)*	Power Tower
Andy McCue	(*Chief Executive Officer)*	Belfield Office Park
Cormac McCarthy	(*Chief Financial Officer*)	Beech Hill Road
Tom Grace*	(*Senior Independent Director*)	Clonskeagh
Michael Cawley*		Dublin 4
Danuta Gray*		Ireland
Ulric Jerome*		
Stewart Kenny*		
Pádraig Ó Ríordáin*		

* denotes Non-Executive Director

27 November 2015

To the holders of Paddy Power Shares.

Dear Shareholder,

Recommended all-share merger of Paddy Power plc and Betfair Group plc and Notice of Extraordinary General Meeting

1. Introduction

On 8 September 2015, the boards of Paddy Power and Betfair announced they had reached agreement on the terms of the recommended all-share merger which will result in Paddy Power Shareholders owning 52% of Paddy Power Betfair and Betfair Shareholders owning 48% of Paddy Power Betfair on a fully diluted basis taking into account existing share options and award schemes for both companies. Under the terms of the Merger, Betfair Shareholders will be entitled to receive 0.4254 New Paddy Power Betfair Shares in exchange for each Betfair Share. The value of the consideration is approximately £3.322 billion (€4.735 billion)[2].

In addition, immediately prior to Completion, Paddy Power Shareholders will receive a Special Dividend. The Special Dividend, which will be conditional upon the Scheme becoming Effective, will be paid to Shareholders on the register of members of the Company at 6.00p.m. on the Business Day prior to Completion.

The merged entity, to be called "Paddy Power Betfair plc" will be one of the world's largest public online betting and gaming companies by revenue with enlarged scale, capability and distinctive complementary brands. Subject to the satisfaction, or where applicable, waiver of the Conditions, it is expected that the Merger, which is to be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act, will become Effective in the first quarter of 2016.

Due to the size of Betfair in relation to the size of Paddy Power, the Merger constitutes a Class 1 Transaction pursuant to the Listing Rules and is therefore both subject to and conditional upon the approval of Paddy Power Shareholders. An Extraordinary General Meeting is being convened for this purpose and will be held at 11.15 a.m. on 21 December 2015 at Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, DO4 V972, Ireland. **A Notice of Extraordinary General Meeting and of the Resolutions to be proposed and considered at the Extraordinary General Meeting is set out at the end of this Circular.**

The Board considers that the Merger is in the best interests of Paddy Power Shareholders as a whole and unanimously recommends that Paddy Power Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

[2] Based on the closing market capitalisations of Paddy Power and Betfair on 25 November 2015 and using a £/€ exchange rate of 0.7015

The purpose of this Circular is to: (i) explain the background to and reasons for the Merger; (ii) explain why the Board considers the Merger to be in the best interests of Paddy Power Shareholders as a whole; and (iii) convene an Extraordinary General Meeting to seek Paddy Power Shareholder approval for the Merger and other actions required on the part of Paddy Power to implement the Merger.

2. Background to the Merger

Paddy Power and Betfair both have strong momentum and significant customer bases. The scale and momentum in the businesses has been achieved by developing distinctive brands and products, which are delivered through leading technology platforms by employees with deep expertise in betting and gaming. The Boards of Paddy Power and Betfair recognise the unique opportunity which exists for the businesses to combine their complementary strengths through the Merger and in doing so to better take advantage of the continuing growth in online betting and gaming and to expand their geographic platform.

3. Information on Betfair

Betfair is one of the world's largest international online sports betting providers, founded in 1999. In 2000, Betfair pioneered the betting exchange concept allowing customers to bet at odds set by themselves or by other customers. The exchange processes more than 7 million transactions every day. In 2013, Betfair launched a fixed odds sportsbook to offer greater choice to the recreational betting market. Betfair has more than 1.7 million active customers. Betfair holds gambling licences in Ireland, the UK, Gibraltar, Malta, Spain, Italy, the United States (including in respect of TVG), Bulgaria, Denmark and Romania and has agreed over 50 Memoranda of Understanding with sports governing bodies. Betfair is headquartered in London and employs over 2,000 people across 13 international offices.

Betfair Shares are traded on the London Stock Exchange and Betfair is a member of the FTSE 250 index.

4. Reasons for and effect of the Merger

The Board of Paddy Power believes the Merger provides a compelling strategic fit for Paddy Power for the following reasons:

- enhanced scale and capabilities such that the Combined Group will be better placed to compete in existing and new markets;
- complementary products, channels and capabilities which will give rise to revenue synergy opportunities;
- diversified group with strong platforms across online and retail in the UK and Ireland, and attractive international growth opportunities in Australia, the US and Continental Europe;
- a dual brand strategy in Europe utilising the distinctive and complementary brands of Paddy Power and Betfair; and
- synergies from efficiencies which reflect the complementary nature of the businesses and through building on the Combined Group's enlarged scale.

(a) Enhanced scale and capabilities will leave the Combined Group better placed to compete in existing and new markets

The Combined Group will be one of the world's largest public online betting and gaming companies with 80% of its combined revenues derived from online channels.* The scale of the Combined Group will ensure it is better positioned to generate returns from investment in people, technology and marketing. The Board of Paddy Power believes the enhanced efficiency of operating at greater scale means that the Combined Group will be well positioned to compete in both existing and new markets and to create increased value for shareholders.

(b) Complementary products, channels and capabilities will give rise to revenue synergy opportunities

The Board of Paddy Power believes that, given the complementary nature of the respective strengths of Paddy Power and Betfair and through the enhanced technology, branding, marketing and, most importantly, the combined skills and talent of the over 7,000 employees across the Combined Group, it will be able to provide its customers across all markets with an improved offering.

* Paddy Power H1 2015; Betfair Q1 FY 16

(c) Diversified group with strong platforms across online and retail in the UK and Ireland, and attractive international growth opportunities in Australia, the US and Continental Europe

The Combined Group will benefit from a diversified business with:

- online B2C licenses in UK, Australia, Ireland, USA, Italy, Spain, Bulgaria, Denmark, Romania, Gibraltar, Greece and Malta;
- a retail network in the UK and in Ireland supporting a multi-channel product offering; and
- B2B partnerships in Australia, France, Canada, Slovakia, Spain and the Czech Republic.

94% of the Combined Group's revenues will be derived from regulated markets. 80% of the Combined Group's revenues will be derived from online channels with the remaining 20% from retail and telephone channels.

The Combined Group will have customers from over 100 countries providing a base for further international expansion by utilising the combined scale and complementary strengths of Paddy Power and Betfair.

(d) Dual brand strategy in Europe utilising the distinctive and complementary brands of Betfair and Paddy Power

Because of the broad range of customer segments served by Paddy Power and Betfair, the Combined Group plans to pursue a dual brand strategy in the UK, Ireland and Italy. The respective strength of both brands means the Combined Group will be better able to serve the needs of this diversified customer base through targeted products and marketing.

The Paddy Power brand is one of the betting and gaming industry's leading entertainment-led sports betting brands and has a proven track record of targeting the substantial recreational customer base. The Betfair brand, with its Betting Exchange heritage, resonates more strongly with customers with studied, knowledgeable and sophisticated betting habits who are attracted to Betfair's highly dynamic betting experience and complete market transparency that exchanges provide.

The two brands have limited customer overlap. For example, market research indicates that only 3% of regular UK online gamblers bet regularly with both Paddy Power and Betfair. Additionally, Paddy Power and Betfair have a complementary event mix with circa. 50% of Paddy Power's sportsbook revenue derived from racing and circa. 35% from football, Betfair's sportsbook derives circa. 66% of its revenue from football and 20% from racing.

Preserving the unique features and characteristics of each of the Paddy Power and Betfair brands will reinforce the Combined Group's ability to provide customers with attractive yet familiar product offerings.

(e) Synergies from efficiencies which reflect the complementary nature of the businesses and through building on the Combined Group's enlarged scale

Following preliminary analysis undertaken by the Boards of Paddy Power and Betfair, significant cost and revenue synergies have been identified which reinforce the strategic rationale for the Merger and the significant value creation opportunity for shareholders. The Board of Paddy Power believes that the Combined Group will be able to achieve recurring annual pre-tax cost synergies of approximately £50 million. It is expected that the benefit of the full level of identified synergies will be achieved in the third full year following Completion.

The potential sources of the recurring annual pre-tax cost synergies identified by the Boards of Paddy Power and Betfair include:

- synergies in IT, product development, marketing and other operational areas driven by optimising infrastructure, operations and platforms and product design and development, efficiencies in brand spend and agency fees and rationalising certain operational and support functions; and
- removal of duplication across corporate functions and facilities.

In addition to these potential quantified cost synergies, the Boards of Paddy Power and Betfair believe that significant further value can be created through providing the customers of both businesses with the best products and features and most convenient channels available from either business, utilising the best talent, infrastructure and commercial practices from each business and achieving greater returns from investment in the brand, technology and the employees of the Combined Group.

It is envisaged that the realisation of the potential quantified cost synergies will result in a one-off cash integration cost of approximately £65 million. Aside from these one-off exceptional costs, no material dis-synergies are expected in connection with the Merger. The identified synergies will accrue as a direct result of the Merger and would not be achieved on a standalone basis.

In order to achieve the full potential benefits of the Merger and in the long-term interests of Paddy Power Betfair, a business, operational and administrative review will be undertaken following Completion. The Boards of Paddy Power and Betfair recognise the importance of the skill, experience and dedication of their employees and are committed to maintaining the necessary expertise to support the Combined Group. However, the realisation of potential quantified cost synergies will involve a reduction of headcount and places of business where there is opportunity to achieve efficiencies and rationalise the Combined Group's footprint. The Board of Paddy Power believes that approximately 50% of the estimated quantified cost savings will come from the reduction in headcount in the Combined Group while the remainder of the estimated quantified cost savings will come from non-payroll related efficiencies in IT, property, services and marketing.

The Boards of Paddy Power and Betfair's evaluation of these cost savings scenarios remain at a preliminary stage and proposals have not yet been developed as to how such cost savings will be implemented, including how specific employees or locations may be affected. This will depend on the outcome of the integration planning and these changes will only come into effect as synergies are realised over the three years post completion. Finalisation of the integration plan will be subject to engagement with appropriate stakeholders, including employees.

Paddy Power and Betfair will establish an integration team to ensure that the groups are combined, and all the benefits of the Merger are generated, on a timely basis following Completion. The Board of Paddy Power is confident that the integration of Paddy Power and Betfair can be achieved without undue disruption to the underlying operations of either business. The integration team work is based on a number of principles, which include:

- protecting the momentum and profitability of the businesses;
- retaining the best talent from Paddy Power and Betfair;
- operating with dual European brands but with a more focused positioning on their key target audiences;
- integrating technology infrastructure and platforms;
- creating a shared operations team; and
- combining the existing corporate functions into a single corporate function.

Prior to the announcement of the possible merger on 26 August 2015, discussions were held between senior finance, commercial and strategy personnel at Paddy Power and Betfair for the purposes of enabling the respective teams to quantify their initial estimates of potential synergies and associated costs available from the Merger. As part of this process, the Paddy Power and Betfair teams established a proposed framework operating model through which each team could refine their respective estimates of cost synergies.

Following the announcement of the possible merger on 26 August 2015, the Paddy Power and Betfair teams aligned their respective analyses into a combined set of cost synergies estimates, details of which are set out in the Appendix IV of the Announcement.

In preparing the estimated cost synergies, both Paddy Power and Betfair have shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential cost synergies available from the Merger. In circumstances where data has been limited for commercial, competition, or other reasons, estimations and assumptions have been made to aid its development of individual synergy initiatives.

The cost bases used as the basis for the quantification exercise are:

- in respect of Paddy Power, the seven months actual cost base to 31 July 2015 plus five months of the latest forecast cost base to 31 December 2015; and
- in respect of Betfair, the three months actual cost base to 31 July 2015 plus nine months of the latest forecast cost base to 30 April 2016.

These statements of estimated cost synergies reflect both the beneficial elements and relevant costs. These statements of estimated cost synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. For the purposes of Rule 28 of the Code, these statements of estimated cost synergies are the responsibility of the Paddy Power Directors, in Paddy Power's capacity as offeror under the terms of the Merger.

These statements are not intended as a profit forecast and should not be interpreted as such. The Betfair Directors and the Paddy Power Directors have confirmed that there have been no material changes to these statements which were set out in Appendix IV of the Announcement and which remain valid. KPMG and Morgan Stanley have also confirmed to Paddy Power that the reports they produced in connection with these statements continue to apply.

5. Principal terms and conditions of the Merger

Key Terms

It is intended that the Merger will be implemented by way of a Court-sanctioned scheme of arrangement between Betfair and the Scheme Shareholders under Part 26 of the Companies Act, under which Paddy Power will acquire all of the shares in Betfair. However, Paddy Power reserves the right to implement the Merger by way of a Merger Offer, subject to Panel consent and to the terms of the Co-operation Agreement.

The purpose of the Scheme is to provide for Paddy Power to become the holder of the entire issued and to be issued ordinary share capital of Betfair. This is to be achieved by the transfer of the Scheme Shares to Paddy Power in consideration for which Scheme Shareholders will receive New Paddy Power Betfair Shares.

Upon the Scheme becoming Effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Betfair General Meeting (and if they attended and voted, whether or not they voted in favour), and share certificates in respect of Betfair Shares will cease to be valid and entitlements to Betfair Shares held within the CREST system will be cancelled.

Scheme Shares will be acquired by Paddy Power pursuant to the Scheme fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the rights to receive and retain in full all dividends and other distributions declared, made or paid on or after the Effective Date, save where the record date for such dividend or other distribution falls prior to the Effective Date or otherwise where Paddy Power and Betfair agree.

The New Paddy Power Betfair Shares issued to Scheme Shareholders pursuant to the Scheme will be issued credited as fully paid and will rank *pari passu* in all respects with existing Paddy Power Shares, including the right to receive dividends and other distributions declared, made or paid on Paddy Power Shares by reference to a record date falling after the Effective Date. For the avoidance of doubt, the New Paddy Power Betfair Shares will not carry entitlement to the Special Dividend. The New Paddy Power Betfair Shares will be issued in registered form and will trade under the same ISIN number as the existing Paddy Power Shares.

Fractions of New Paddy Power Betfair Shares will not be allotted or issued to Scheme Shareholders and entitlements will be rounded down to the nearest whole number of New Paddy Power Betfair Shares and all fractions of New Paddy Power Betfair Shares will be aggregated and sold in the market as soon as practicable after the Effective Date. The net proceeds of such sale (after deduction of all expenses and commissions incurred in connection with the sale) will be paid by Paddy Power Betfair in due proportions to Scheme Shareholders who would otherwise have been entitled to such fractions, save that individual entitlements to amounts of less than £5 will be retained for the benefit of the Combined Group.

If the Scheme does not become Effective on or before 30 June 2016 (or such later date as Paddy Power and Betfair may agree with the consent of the Panel), it will lapse and the Merger will not proceed.

Conditions

The Merger is subject to the Conditions, which include the following:

- the Court Meeting and the Betfair General Meeting being held on or before the 22nd day after the expected date of such meetings as set out in the Scheme Document (or such later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow);
- the approval of the Scheme by a majority in number representing not less than 75% in value of the Scheme Shareholders who are on the register of members of Betfair at the Scheme Voting Record Time, present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof);
- the Scheme being sanctioned by the Court (with or without modification, on terms agreed by Paddy Power and Betfair) on or before the 22nd day after the expected date of the Court Hearing to sanction the Scheme as set out in the Scheme Document (or such later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow);
- the Scheme becoming unconditional and effective no later than the Long Stop Date (or such later date as Paddy Power and Betfair may, with the consent of the Panel, agree and the Court may allow) and the delivery of the office copy of the Court Order to the Registrar of Companies;
- all relevant anti-trust and regulatory approvals being obtained. The Merger is subject to the pre-approval of the CCPC in Ireland and the CMA in the United Kingdom, and the expiry of the applicable waiting period following notification to the Federal Trade Commission in the United States. The Merger is also conditional on the UKGC determining that all operating licenses held by members of the Betfair Group will continue to have effect following Completion;
- approval of such of the Resolutions as are necessary to implement the Merger by the requisite majorities of Paddy Power Shareholders at the Extraordinary General Meeting (or any adjournment thereof);
- the approval of, amongst other things, such of the Betfair Resolutions as are necessary to implement the Merger by the requisite majorities of Betfair Shareholders at the Betfair General Meeting (or any adjournment thereof); and
- the UK Listing Authority, the London Stock Exchange and Irish Stock Exchange having acknowledged to Paddy Power or its agent (and such acknowledgement not having been withdrawn) that the application for Admission of the New Paddy Power Betfair Shares has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the Irish Stock Exchange, UK Listing Authority and the London Stock Exchange having acknowledged to Paddy Power Betfair or its agent (and such acknowledgement not having been withdrawn) that the New Paddy Power Betfair Shares will be admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main market for listed securities and the Irish Stock Exchange's Main Securities Market.

Paddy Power does not anticipate any significant obstacle to obtaining all required regulatory and anti-trust approvals for the Merger.

6. Listing and indexation

In accordance with the current listings of Paddy Power and Betfair, it is expected that Paddy Power Betfair will be listed on the premium listing segment of the Official List of the FCA and admitted to trading on the London Stock Exchange's main market for listed securities.

From Completion, it is also expected that Paddy Power Betfair will be reclassified from its current primary listing on the Irish Stock Exchange to the secondary listing segment of the Irish Stock Exchange's Main Securities Market as an overseas company. It is intended that the reclassification to a secondary listing as an overseas company would become effective on Completion.

Based on initial discussions, FTSE have indicated to the Boards of Paddy Power and Betfair that, reflecting the proposed listings of Paddy Power Betfair, they would anticipate allocating a UK nationality classification to Paddy Power Betfair for the purposes of ongoing inclusion in the FTSE UK Index Series and the FTSE Global Index Series following Completion. As such, it is anticipated that Paddy Power Betfair would be eligible for inclusion in the FTSE All-Share and the FTSE 250 or FTSE 100 as appropriate.

7. Listing, dealings and settlement of the New Paddy Power Betfair Shares

Applications will be made to the Irish Stock Exchange, UK Listing Authority and the London Stock Exchange, respectively for the New Paddy Power Betfair Shares to be admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main market for listed securities and the Irish Stock Exchange's Main Securities Market. It is expected that Admission will become effective and that dealings for normal settlement in the New Paddy Power Betfair Shares will commence on the London Stock Exchange and the Irish Stock Exchange at 8.00 a.m. on or shortly after the Effective Date.

8. De-listing of Betfair Shares

Prior to the Scheme becoming Effective, applications will be made to the UK Listing Authority for the cancellation of the listing of the Betfair Shares on the Official List of the FCA and to the London Stock Exchange for the cancellation of trading of the Betfair Shares on the London Stock Exchange's main market for listed securities, in each case to take effect on or shortly after the Effective Date.

On the Effective Date, Betfair will become a wholly-owned subsidiary of Paddy Power and share certificates in respect of Betfair Shares will cease to be valid and entitlements to Betfair Shares held within the CREST system will be cancelled.

9. Dividends and dividend policy

Pre-Completion dividend policy

The Boards of Paddy Power and Betfair have agreed to retain their current dividend policies for the period prior to Completion, and that each set of shareholders should receive a dividend for the period prior to Completion. Accordingly, in addition to any dividends in respect of financial periods which have ended prior to Completion, Paddy Power and Betfair Shareholders will respectively receive a closing dividend which will be estimated by reference to the period from the end of the preceding financial period up to Completion. In the event that the Merger has not completed by 30 April 2016, updated information will be announced in relation to respective dividend entitlements.

Paddy Power

As part of the agreed terms of the Merger, Paddy Power Shareholders will receive the Special Dividend. The Special Dividend will be paid to Paddy Power Shareholders on the Register of Members of Paddy Power at 6.00 p.m. on the Business Day prior to Completion.

Paddy Power Shareholders will receive a dividend in respect of the financial year ending 31 December 2015 (the "**Paddy Power Closing Dividend**"). The amount of this dividend will be announced early in 2016 (the "***Paddy Power 2015 Dividend***").

Paddy Power Shareholders will also receive a closing dividend which will be an amount which is equal to the anticipated dividend per Paddy Power share (excluding the effects of the Merger) for the financial year ending 31 December 2016 (excluding the effects of the Merger) pro-rated for the number of days elapsed in the period from 1 January 2016 (inclusive) to Completion.

Both the Paddy Power 2015 Dividend and the Paddy Power Closing Dividend will be paid to Paddy Power Shareholders on the Register of Members of Paddy Power at 6.00 p.m. on the Business Day prior to Completion.

Paddy Power Shareholders should be aware that they will not be entitled to the Special Dividend, Paddy Power 2015 Dividend and Paddy Power Closing Dividend if they sell their Paddy Power Shares before the Effective Date.

Betfair

On 25 November 2015, Betfair announced its interim results in respect of the six months ended 31 October 2015 and announced an interim dividend for that period of 15 pence per Betfair Share (the "***Betfair Interim Dividend***"). The ex-dividend date for the Betfair Interim Dividend is 17 December 2015 and the record date is 18 December 2015.

Betfair Shareholders will also receive a closing dividend which will be an amount which is equal to the anticipated dividend per Betfair Share (excluding the effects of the Merger) for the financial year ending 30 April 2016 pro-rated for the number of days elapsed in the period from 1 May 2015 to Completion (inclusive) less the Betfair Interim Dividend (the "***Betfair Closing Dividend***").

The Betfair Closing Dividend will be paid to Betfair Shareholders on the Register of Members of Betfair at 6.00 p.m. on the Business Day prior to Completion.

Betfair Shareholders should be aware that they will not be entitled to the Betfair Closing Dividend if they sell their Betfair Shares before the Merger becomes Effective.

Paddy Power Betfair dividend policy

Following Completion, Paddy Power Betfair intends to adopt a progressive dividend policy consistent with the Combined Group's enhanced growth strategy which balances returns to shareholders with the need to retain sufficient funds to drive growth. In setting its initial dividend, it is expected that the Paddy Power Betfair Board will target a payout ratio of approximately 50% of the Combined Group's profit after tax.

The New Paddy Power Betfair Shares issued to Betfair Shareholders pursuant to the Merger will carry the right to all dividends and other distributions declared, made or paid by Paddy Power Betfair on or after Completion, save for the Special Dividend, the Paddy Power 2015 Dividend and the Paddy Power Closing Dividend.

10. Management and employees

Paddy Power and Betfair recognise the skills and experience of their respective management and employees and expect the management teams of both Paddy Power and Betfair to play a leading role in the combined business in the future and that employees will benefit from the greater opportunities for the business following Completion.

To achieve the full potential benefits of the Merger and in the long-term interests of Paddy Power Betfair, a business, operational and administrative review will be undertaken following Completion. The initial synergies work carried out has highlighted the potential to generate savings for the Combined Group in areas where there may be duplication across general corporate overheads and facilities, and by rationalising certain operational and support functions. The Board of Paddy Power and the Board of Betfair anticipate that this may involve some headcount reduction.

No decisions have been made by either Paddy Power or Betfair in relation to specific actions that will be taken as part of this business, operational and administrative review. Prior to any decisions being made, detailed discussions will be held between Paddy Power, Betfair, employees, and appropriate stakeholders.

The Boards of Paddy Power and Betfair have each confirmed that the existing contractual and employment rights, including pension rights, of all Paddy Power and Betfair employees will be fully safeguarded on Completion.

The Combined Group will be headquartered in Dublin and will maintain a significant presence in both Ireland and the United Kingdom.

11. Board of Paddy Power Betfair

The Paddy Power Betfair Board will be drawn equally from the boards of both companies and will comprise twelve directors, including nine non-executive directors. The Paddy Power Betfair Board will be as follows:

Gary McGann	Chairman
Breon Corcoran	Chief Executive Officer
Andy McCue	Chief Operating Officer
Alex Gersh	Chief Financial Officer
Ian Dyson	Senior Independent Director
Zillah Byng-Maddick	Non-Executive Director
Michael Cawley	Non-Executive Director
Danuta Gray	Non-Executive Director
Peter Jackson	Non-Executive Director
Stewart Kenny	Non-Executive Director
Pádraig Ó Ríordáin	Non-Executive Director
Peter Rigby	Non-Executive Director

Any executive or non-executive director from Paddy Power not appointed to the Paddy Power Betfair Board will step down from the Board of Paddy Power upon Completion. Each member of the Board of Paddy Power who is stepping down from the Board of Paddy Power is fully supportive of the rationale for the Merger and of its terms and conditions.

Any executive or non-executive director from Betfair not appointed to the Paddy Power Betfair Board will step down from the Betfair Board upon Completion. Each member of the Betfair Board who will not join the Board of Paddy Power Betfair is fully supportive of the rationale for the Merger and of its terms and conditions.

The Board considers the ongoing contribution of Andy McCue to be of core importance to the success of the Combined Group and the delivery of the envisaged synergies. To provide for Mr. McCue's transition from Group Chief Executive to Group Chief Operating Officer and to provide him with clarity of role and tenure, the Company will enter into a new service agreement with him, effective on Completion. This service agreement will provide that Mr. McCue's salary, pension and bonus potential will not be less beneficial than those currently in place and that his employment is subject to a 12 month notice period by either Mr. McCue or the Company. Should Mr. McCue's employment be ended without cause, or if, after 12 months in his new role, he has reasonable grounds to believe that there has been an unacceptable diminution of his duties and responsibilities since the commencement of his role as Group Chief Operating Officer, he will be paid a severance payment of 2.5 years remuneration and treated as a good leaver under the Company's share schemes.

It has been agreed that Cormac McCarthy will cease to be Group Financial Officer of the Company from Completion. His six month notice period will commence on that date, at the expiry of which he will leave the Company. In addition to his contractual terms, Mr. McCarthy will be treated as a good leaver under the Company's share schemes and will receive a combined bonus and ex-gratia payment of €252,493, based on an exit date of 1 July 2016 which will increase proportionally if the exit date is later than this, payment of which shall be conditional upon the approval of the Paddy Power Shareholders at the Extraordinary General Meeting (notice of which is included at the end of this Circular).

12. Accounting considerations

The Paddy Power financial year ends on 31 December and the Betfair financial year ends on 30 April. It is intended that Paddy Power Betfair will have an accounting financial year ending on 31 December each year and that it will pay an interim dividend in September and a final dividend in May. It is also expected that Paddy Power Betfair's reporting currency will be GBP.

For accounting purposes, it is expected that Betfair will be consolidated into Paddy Power's balance sheet. A fair value exercise in respect of Betfair's assets and liabilities will be conducted following Completion, resulting in Betfair's assets and liabilities being included at fair value on the Combined Group's balance sheet. Intangible assets arising will include goodwill and brands.

13. Current trading and prospects*

Paddy Power

On 17 November 2015, Paddy Power released its interim management statement on trading in the period from 1 July to 15 November 2015. Paddy Power noted "Following on from a very strong first half performance, trading in the period has been in line with our expectations. While sports results in the period were unfavourable across the sector, for Paddy Power this has been offset by strong underlying growth. Accordingly, the Board continues to expect full year 2015 reported operating profit to be a mid to high single digit percentage increase above 2014. Top-line growth for the Group has been strong notwithstanding the comparative period benefitting from both very favourable sports results and the concluding stages of the football World Cup. In Online, sports betting stakes were up 23% and total net revenue was up 7%. In Retail, sports betting stakes grew by 12% and total net revenue by 7% (or 7% and 1% respectively excluding the impact of new shops)".

Current trading for Paddy Power continues in line with statements made in its interim management statement on 17 November 2015.

On 26 August 2015, as part of its results announcement for the period ended 30 June 2015, Paddy Power made the following profit forecast:

"*We now expect full year 2015 reported operating profit to be a mid to high single digit percentage above 2014 and the consensus market forecast*" (the "***August Profit Forecast***").

As at the date of the August Profit Forecast, the mean consensus for operating profit for the financial year ending 2015 was very similar to the actual operating profit for the financial year ending 31 December 2014. As a result of the August Profit Forecast, the mean consensus forecast has increased, exceeding the previous consensus forecast for operating profit for the financial year ending 31 December 2015. As a result, the statement *"and the consensus market forecast",* which was outside of the control or influence of the Directors, is no longer valid.

Accordingly, on 17 November 2015, as part of its interim management statement for the trading period ended 15 November 2015, Paddy Power made the following profit forecast:

"*the Board continues to expect full year 2015 reported operating profit to be a mid to high single digit percentage increase above 2014".*

Save for the amendments to the August Profit Forecast set out above, for the purposes of Rule 28 of the Code, the Directors confirm that the profit forecast referred to in the Announcement, remains valid, was properly compiled on the basis of the assumptions stated in Part A of Appendix V of the Announcement and that the basis of accounting is consistent with the accounting policies of the Paddy Power Group. Each of KPMG and Morgan Stanley have indicated that they have no objection to their reports set out in Part B and Part C of Appendix V of the Announcement continuing to apply to the profit forecast.

Betfair

On 25 November 2015, Betfair released its interim results for the six months ended 31 October 2015, in which it was noted: Betfair traded strongly in its key markets throughout the first half of FY16, with revenue up 15% to £274.4m despite the comparative period containing the World Cup. Betfair's two largest markets, the UK and the USA, accounted for most of this growth. Betfair's Sportsbook continued to take market share, with stakes up 93% year on year. In the US, TVG's acquisition of HRTV in February 2015 gave it greater distribution and access to premium content, which, together with the business' existing momentum, resulted in revenue growth of 38%.

Over the last twelve months Betfair added over 100 people to product development teams, and, adjusting for the World Cup, sales and marketing costs were up 13%. Notwithstanding this investment, and the significant burden of higher gaming taxes, strong revenue growth and continued cost discipline resulted in 9% higher EBITDA.

Reported profit before tax, which in the prior year included a £6.4m gain relating to the disposal of Betfair's joint venture in Australia, was down 1% to £66.3m (H1 FY15: £67.3m), and reported earnings per share was up 10% to 60.3 pence (H1 FY15: 55.0 pence).

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* percentage comparisons are against the equivalent period in 2014 in constant currency

Underlying earnings per share, which excludes the gain on disposal, increased by 23% to 60.3 pence (H1 FY15: 48.9 pence).

14. Risk factors

Paddy Power Shareholders should consider fully and carefully the risk factors associated with the Combined Group and the Merger. For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolutions, please refer to Part III (*Risk Factors*) of this Circular.

15. Shareholder Voting and Extraordinary General Meeting

The Merger is subject to the approval of Paddy Power Shareholders. Set out on page 239 of this Circular is a notice convening an Extraordinary General Meeting, to be held at 11.15 a.m. on 21 December 2015 at Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4, DO4 V972, Ireland. The purpose of the meeting is to approve the Resolutions.

The full text of the Resolutions is set out in the notice. In the event that any of Resolutions 1, 2, 3 or 5 are not passed, the Merger will not proceed. Resolutions 4, 8, 9, 10, 11, 12, 13, 14, 15, 16 and 17 are conditional on completion of the Merger.

If passed, the Resolutions will authorise the Merger substantially on the terms and subject to the conditions summarised in Section 5 of Part I (*Letter from the Chairman*) of this Circular. The passing of the ordinary resolutions requires the support of a simple majority of the votes cast (whether in person or by proxy) in respect of such ordinary resolutions. The passing of the special resolutions requires the support of not less than 75% of the votes cast (whether in person or by proxy) in respect of such special resolutions.

If you would like to vote on the Resolutions but cannot attend the Extraordinary General Meeting, you can appoint a proxy to exercise all or any of your rights to attend, vote and speak at the Extraordinary General Meeting by using one of the methods set out in the notes to the notice of the Extraordinary General Meeting.

Resolution 1—Approval of the Merger as a Class 1 Transaction

Resolution 1, which will be proposed as an ordinary resolution, proposes that the Merger, being a Class 1 Transaction for the purpose of the Listing Rules, be approved and that the Directors be authorised to take all steps and enter all agreements and arrangements necessary or desirable to implement the Merger.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 2—Approval of increase in Authorised Share Capital

Resolution 2, which will be proposed as an ordinary resolution, proposes that the authorised share capital of the Company be increased from 77,777,777 Ordinary shares to 150,000,000 Ordinary Shares by the creation of 72,222,223 Ordinary Shares, representing a 92.86% increase in the authorised Ordinary Shares. This is to ensure that the Company has sufficient share capital to issue the New Paddy Power Betfair Shares to Betfair Shareholders on Completion and also has sufficient headroom in the authorised but unissued share capital for the future needs of the Company.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 3—Approval of Directors Authority to allot Shares

Resolution 3, which will be proposed as an ordinary resolution, proposes that the Directors' authority to allot shares be renewed firstly, up to an aggregate nominal amount of €3,558,821.04 (representing, in aggregate, approximately 89.76% of the issued capital of the Company as at 25 November 2015, being the latest practicable date prior to the publication of this Circular) to allow the Directors allot and issue the New Paddy Power Betfair Shares, fully paid up, to Betfair Shareholders on Completion.

It is also proposed that the Directors' authority to allot shares be further renewed up to a maximum aggregate nominal value of €2,482,832.47 (representing, in aggregate, approximately 33% of the expected issued share capital of the Company at Completion). Paragraph (c) of this resolution proposes that authority be given to the Directors to allot equity securities in connection with a rights issue in favour of shareholders up to an aggregate nominal amount equal to €4,965,664.95 (representing 55,174,055 Ordinary

Shares) as reduced by the nominal amount of any shares issued under paragraph (b) of this resolution. This amount (before any reduction) represents, in aggregate, approximately 66% of the expected issued share capital of the Company (excluding Ordinary Shares held in treasury) at Completion. The Investment Association ("**IA**") guidelines on Directors' authority to allot shares permit, and treat as routine, resolutions seeking authority to allot shares representing up to two-thirds of the Company's issued share capital, provided that the authority granted under paragraph (c) can only be used to allot shares pursuant to a fully pre-emptive rights issue.

As at 25 November 2015, being the last practicable date prior to publication of this Circular, 1,965,600 Ordinary Shares were held by the Company in treasury, representing, in aggregate 4.46% of the Company's issued share capital (excluding treasury shares) as at 25 November 2015, being the latest practicable date prior to the publication of this Circular).

These additional authorities in paragraphs (b) and (c) of the resolution are required for the future needs of the Company. The Board has no present intention of exercising such authority except under paragraph (a) to allot shares to Betfair Shareholders. If renewed, the authorities granted by this resolution will expire on the earlier of the date of the next Annual General Meeting of the Company or 20 December 2016.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 4—Approval of disapplication of Pre-emption Rights

Resolution 4, which will be proposed as a special resolution, proposes that the Directors' authority to allot shares for cash without offering them to the other shareholders first be renewed. This authority is limited to an allotment of 8,359,705 Ordinary Shares (representing in aggregate approximately 10% of the expected issued share capital of the Company on Completion) in order to provide for the future needs of the Company. If renewed, the authority granted will expire on the earlier of the date of the next Annual General Meeting or 20 December 2016.

The Pre-emption Group's Statement of Principles, as updated in March 2015, have increased companies' supported authority to issue shares for cash otherwise than in connection with a pre-emptive offer from 5% to 10%, provided that the additional 5% is used in connection with an acquisition or specified capital investment.

The Board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles, and not to allot shares for cash on a non pre-emptive basis pursuant to the authority in Resolution 4:

(i) in excess of an amount equal to 5% of the total issued ordinary share capital of the Company excluding treasury shares; or

(ii) in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company excluding treasury shares within a rolling three-year period, without prior consultation with shareholders,

in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 5—Approval of change of Name and amendment to Memorandum and Articles

Resolution 5, which will be proposed as a special resolution, proposes that, with effect from Completion, the name of the Company be changed to Paddy Power Betfair plc and that the Memorandum and Articles of the Company be amended to reflect such change.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolutions 6 and 7—Approval of Amendments to Memorandum and Articles of the Company

Resolutions 6 and 7, which will be proposed as special resolutions, propose that the Memorandum and Articles of the Company be amended to reflect the increase in share capital which is the subject of Resolution 2.

The Board of Paddy Power recommends that you vote in favour of these proposals.

Resolution 8—Approval of compensatory arrangements with a Executive Director

Resolution 8, which will be proposed as an ordinary resolution, proposes that specified compensatory arrangements between Paddy Power and an executive director in connection with the Merger (as more particularly described in, Section 11 of Part I (*Letter from the Chairman*) of this Circular be approved.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 9—Approval of the creation of Distributable Reserves of Paddy Power Betfair

Resolution 9, which will be proposed as a special resolution, proposes that, should undenominated share capital be created as a result of the Merger, the Company be authorised to take the necessary steps to seek the approval of the High Court for the cancellation of a certain amount of the undenominated capital of the Company created by the issue of the New Paddy Power Betfair Shares, with the reserve created on cancellation to be treated as distributable reserves. It is also proposed to authorise the Board to fix the amount of the undenominated capital to be cancelled.

Under Irish company law, any dividends on Ordinary Shares in the Company must be funded from distributable reserves and any redemption of Ordinary Shares or repurchase of Ordinary Shares by the Company must be funded from the distributable reserves of the Company or from proceeds of a fresh issue of shares for that purpose. Section 84 of the Companies Act 2014 enables a company, subject to shareholder approval, to create distributable reserves through a reduction of company capital. The Company wishes to ensure that it is not constrained from paying dividends, redeeming or repurchasing Ordinary Shares by a lack of distributable reserves in circumstances where the Company is otherwise in a position to pay dividends, redeem or repurchase Ordinary Shares and this resolution is intended to maximise the Company's flexibility to do so.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 10—Approval of authority to repurchase Ordinary Shares

Resolution 10, which will be proposed as a special resolution, proposes that the authority to empower the Company, or any subsidiary, to make market purchases of the Company's shares be renewed. No more than 10% of the issued share capital of the Company on Completion may be acquired under this authority. The price range at which shares may be acquired cannot be less than the nominal value of the Company's shares and cannot be greater than 105% of the average price of the Company's shares over the five dealing days prior to the date of purchase by the Company. Shares purchased by the Company may be cancelled or held in treasury pending cancellation or re-issue. As at 25 November 2015, being the latest practicable date before the publication of this Circular, the Company held 1,965,600 existing Ordinary Shares as treasury shares.

The total number of options to subscribe for shares in the Company on 25 November, being the latest practicable date before the publication of this Circular, is 1,196,898 and represents 2.717% of the total voting rights of the Company (excluding treasury shares) on that date. The total number of options to subscribe for shares in Betfair on 25 November is 3,972,661 and represents 4.274% of the total voting rights of Betfair (excluding treasury shares on that date). The total number of options to subscribe for shares in the Combined Group would be 2,768,981 which would represent 3.312% of the expected issued share capital of the Company following Completion. This percentage would increase to 3.680% if the full authority to buy shares is used based on the expected issued share capital of the Company following Completion. The authority sought will expire on the earlier of the date of the next Annual General Meeting of the Company or 20 December 2016. The Board will only exercise the power to purchase shares in the future at price levels at which it considers purchases to be in the best interests of the shareholders generally after taking account of the Paddy Power Group's overall financial position.

The Board of Paddy Power recommends you vote in favour of this proposal.

Resolution 11—Increase in limits of Directors Remuneration

Resolution 11, which will be proposed as an ordinary resolution, proposes that the limit on the remuneration of Directors, which is set out in the Articles, be increased from €950,000 to €2,000,000.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 12—Approval of Amendment to Articles

Resolution 12, which will be proposed as a special resolution, proposes that amendments are made to the Articles to incorporate provisions that are currently included in Betfair's articles of association and are considered beneficial for the Company.

The licensing or regulatory authorities in the principal jurisdictions in which Paddy Power and Betfair have a betting and/or gaming licence or in which the Combined Group may seek a licence in the future have broad powers to request or require reporting of various detailed information from and/or approve the qualification or suitability for licensing of, online betting and gaming operators, including their directors, management and the holders of legal and/or beneficial interests in shares. In some jurisdictions, such authorities may impose such information sharing and filing requirements on a continuous and ongoing basis. These powers may be exercised by regulators as against the holders of interests in shares, whether legal and/or beneficial, or other securities in betting and gaming operators, as well as against the betting and gaming operators themselves, their directors and management. In some circumstances, the purpose of the exercise of powers by licensing or regulatory authorities may be to identify shareholders and directors whose involvement with the licensed entity the licensing or regulatory authority considers unacceptable because such persons are not suitable directors, managers or shareholders to have a direct or indirect financial interest in, or influence over, a betting and gaming operator in such jurisdiction.

Any failure by the Combined Group, its directors, its management or, as applicable, any holder of (or proposed investor in) an interest in Ordinary Shares, to comply with such requests could result in the relevant licensing or regulatory authority taking adverse action against the Combined Group in that jurisdiction, which may include the suspension or revocation of licences and/or the imposition of fines, which could have a material adverse effect on the operations, financial performance and prospects of the Combined Group.

To address the various requirements referred to above, it is proposed that certain provisions be included in the Articles which would permit it to (i) restrict the voting or distribution rights attaching to Ordinary Shares or (ii) compel the sale of Ordinary Shares if a "Shareholder Regulatory Event" (as defined in the Articles) occurs. A Shareholder Regulatory Event would occur if a holder of legal and/or beneficial interests in Ordinary Shares does not satisfactorily comply with a regulator's request(s) and/or the Combined Group's request(s) in response to regulatory action and/or the regulator indicates that such shareholder is not suitable (a determination which in all practical effects is at the sole discretion of such regulator) to be the holder of legal and/or beneficial interests in Ordinary Shares. Accordingly, as a result of these proposed amendments, to the extent a relevant threshold of ownership is passed, or to the extent any Shareholder may be found by any such regulator to be able to exercise significant or relevant financial influence over the Combined Group and is considered by a regulator to be unsuitable, a holder of an interest in Ordinary Shares may be subject to such restrictions or compelled to sell its Ordinary Shares (or have such Ordinary Shares sold on its behalf).

The full text of the amended Articles will be available for inspection at Arthur Cox, Earlsfort Terrace, Dublin 2, Ireland and at 12 Gough Square, London EC4A 3DW, United Kingdom from the date of this Circular until the close of the Extraordinary General Meeting.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 13—Approval of 2015 Long Term Incentive Plan ("2015 LTIP")

Resolution 13, which will be proposed as an ordinary resolution, proposes that the Company establish the 2015 LTIP, the key features of which are summarised on pages 216 to 219 of this Circular.

The 2015 LTIP will be available for inspection at Arthur Cox, Earlsfort Terrace, Dublin 2, Ireland and at 12 Gough Square, London EC4A 3DW, United Kingdom from the date of this Circular until the close of business at the Extraordinary General Meeting.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 14—Approval of 2015 Medium Term Incentive Plan ("2015 MTIP")

Resolution 14, which will be proposed as an ordinary resolution, proposes that the Company establish the 2015 MTIP, the key features of which are summarised on pages 216 to 219 of this Circular.

The 2015 MTIP will be available for inspection at Arthur Cox, Earlsfort Terrace, Dublin 2, Ireland and at 12 Gough Square, London EC4A 3DW, United Kingdom from the date of this Circular until the close of business at the Extraordinary General Meeting.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 15—Approval of 2015 Deferred Share Incentive Plan ("2015 DSIP")

Resolution 15, which will be proposed as a special resolution, proposes that the Company establish the 2015 DSIP, the key features of which are summarised on pages 216 to 219 of this Circular.

The 2015 DSIP will be available for inspection at Arthur Cox, Earlsfort Terrace, Dublin 2, Ireland and at 12 Gough Square, London EC4A 3DW, United Kingdom from the date of this Circular until the close of business at the Extraordinary General Meeting.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 16—Directors Remuneration Policy

Resolution 16, which will be proposed as an ordinary advisory and non-binding resolution, proposes that the Directors Remuneration Policy report set out on page 220 of this Circular be considered.

The Board of Paddy Power recommends that you vote in favour of this proposal.

Resolution 17—Amendments to Paddy Power Sharesave Scheme

Resolution 17, which will be proposed as an ordinary resolution, proposes that the Paddy Power Sharesave Scheme be amended to allow for the establishment of sub-plans of the scheme in jurisdictions outside Ireland. These plans shall be similar to the Paddy Power Sharesave Scheme but modified to take account of local tax, exchange control, or security laws in such jurisdictions.

The full terms of the proposed amendments will be available for inspection.

The Board of Paddy Power recommends that you vote in favour of this proposal.

16. Further information

Your attention is drawn to the further information set out in Parts II to VI of, and the Appendix to, this Circular. ***Paddy Power Shareholders should read the whole of this Circular and not just rely on the summarised information set out in this letter.***

17. General Meeting and action to be taken

You will find enclosed with the Circular a Form of Proxy for use at the Extraordinary General Meeting. Whether or not you intend to be present at the Extraordinary General Meeting in person, it is important that you complete and return the Form of Proxy (in accordance with the instructions printed thereon) and return it to the Company's registrar, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, D18 Y2X6, Ireland as soon as possible and in any event so as to be received by no later than 11.15 a.m. on 19 December 2015. You may also submit your proxies electronically using your investor code detailed on the Form of Proxy. The completion and return of the Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you wish to do so and are entitled.

CREST members may appoint one or more proxies through the CREST electronic proxy appointment service in accordance with the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. The message appointing a proxy(ies) must be received by the Registrar (ID 3RA50) not later than 11.15 a.m. on 19 December 2015.

18. Financial Advice

The Board has received financial advice from Morgan Stanley and IBI Corporate Finance in relation to the proposed Merger. In providing such financial advice to the Board, Morgan Stanley and IBI Corporate Finance have taken into account the Board's commercial assessment of the proposed Merger.

19. Recommendation

The Board considers the terms of the proposed Merger to be fair and reasonable. The Board believes the proposed Merger and the Resolutions to be in the best interests of Paddy Power Shareholders as a whole and, accordingly, unanimously recommends that Paddy Power Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as each member of the Board intends to do in respect of their own beneficial holdings of, in aggregate, 407,223 Paddy Power Shares, representing approximately 0.924% of the total number of voting rights in the Company as at 25 November 2015, being the latest practicable date before the publication of this Circular.

Yours faithfully
Gary McGann
Chairman
For and on behalf of the Board

PART II

PRINCIPAL TERMS AND CONDITIONS OF THE MERGER

A summary of the essential terms of the Merger is set out at Section 5 of Part I (*Letter from the Chairman*) of this Circular. Further details of the key terms of the Merger are set out below.

1. Overview

On 8 September 2015, Paddy Power and Betfair announced they had reached agreement on the terms of the recommended all-share Merger which will result in Paddy Power Shareholders owning 52% of Paddy Power Betfair and Betfair Shareholders owning 48% of Paddy Power Betfair on a fully diluted basis taking into account existing share options and award schemes for both companies.

In addition, immediately prior to Completion, Paddy Power Shareholders will receive the Special Dividend. The Special Dividend, which will be conditional upon the Scheme becoming Effective, will be paid to Paddy Power Shareholders on the register of members of the Company at 6.00 p.m. on the Business Day prior to Completion.

The merged entity, to be called "Paddy Power Betfair plc" will be one of the world's largest public online betting and gaming companies by revenue with enlarged scale, capability and distinctive complementary brands. Subject to the satisfaction, or where applicable, waiver of the Conditions, it is expected that the Merger to be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act, will become Effective in the first quarter of 2016.

Paddy Power Betfair will be headquartered in Dublin and is expected to maintain a significant presence in both Ireland and the United Kingdom.

2. Consideration

Under the terms of the Merger, Betfair Shareholders will be entitled to receive 0.4254 New Paddy Power Betfair Shares in exchange for each Betfair Share. The value of the consideration is approximately £3.322 billion (€4.735 billion)[3].

3. Conditions to Completion

The Scheme and the Merger are subject to the Conditions, which include the following:

- the Court Meeting and the Betfair General Meeting being held on or before the 22nd day after the expected date of such meetings as set out in the Scheme Document (or such later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow);
- the approval of the Scheme by a majority in number representing not less than 75% in value of the Scheme Shareholders who are on the register of members of Betfair at the Scheme Voting Record Time, present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof);
- the Scheme being sanctioned by the Court (with or without modification, on terms agreed by Paddy Power and Betfair) on or before the 22nd day after the expected date of the Court Hearing to sanction the Scheme as set out in the Scheme Document (or such later date as may be agreed between Paddy Power and Betfair in writing and the Court may allow);
- the Scheme becoming unconditional and effective no later than the Long Stop Date (or such later date as Paddy Power and Betfair may, with the consent of the Panel, agree and (if required) the Court may allow) and the delivery of the office copy of the Court Order to the Registrar of Companies;
- all relevant anti-trust approvals being obtained. The Merger is subject to the pre-approval of the CCPC in Ireland and the CMA in the United Kingdom, and the expiry of the applicable waiting period following notification to the Federal Trade Commission in the United States. The Merger is also conditional on the UKGC determining that all operating licenses held by members of the Betfair Group will continue to have effect following Completion;

[3] Based on the closing market capitalisations of Paddy Power and Betfair on 25 November 2015 and using £/€ exchange rate of 0.7015

- approval of such of the Resolutions as are necessary to implement the Merger by the requisite majorities of Paddy Power Shareholders at the Extraordinary General Meeting (or any adjournment thereof);
- the approval of, amongst other things, such of the Betfair Resolutions as are necessary to implement the Merger by the requisite majorities of Betfair Shareholders at the Betfair General Meeting (or any adjournment thereof); and
- the UK Listing Authority, the London Stock Exchange and Irish Stock Exchange having acknowledged to Paddy Power or its agent (and such acknowledgement not having been withdrawn) that the application for Admission of the New Paddy Power Betfair Shares has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the Irish Stock Exchange, UK Listing Authority and the London Stock Exchange having acknowledged to Paddy Power Betfair or its agent (and such acknowledgement not having been withdrawn) that the New Paddy Power Betfair Shares will be admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main market for listed securities and the Irish Stock Exchange's Main Securities Market.

Paddy Power does not anticipate any significant obstacle to obtaining all required regulatory and anti-trust approvals to the Merger. The long stop date for the Merger is 30 June 2016.

As a Class 1 Transaction under the Listing Rules, the Merger is also conditional on the approval of Paddy Power Shareholders.

4. **Merger Related Agreements**

Confidentiality Agreement

Paddy Power and Betfair have entered into a mutual Confidentiality Agreement dated 18 August 2015 pursuant to which each of Paddy Power and Betfair has undertaken to keep certain information relating to the Merger and the other party confidential and not to disclose it to third parties (other than to permitted disclosees) unless required by law or regulation. These confidentiality obligations will remain in force until Completion.

Co-operation Agreement

Paddy Power and Betfair have entered into a Co-operation Agreement dated 8 September 2015 in connection with the Merger.

Under the Co-operation Agreement, Paddy Power and Betfair have agreed to co-operate with each other and to each use its reasonable endeavours to secure the regulatory clearances and authorisations necessary to satisfy certain of the Conditions, including by accepting the imposition of, or offering, undertakings or commitments by or to the relevant authorities that are acceptable to both Paddy Power and Betfair.

Paddy Power and Betfair have agreed to certain undertakings to co-operate and provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to such regulatory clearances and authorisations.

Paddy Power or Betfair may terminate the Co-operation Agreement if the Scheme has not become effective by 30 June 2016, or such later date as may be agreed in writing by Paddy Power and Betfair, the consummation of the Merger becomes illegal or otherwise prohibited, the Betfair Resolutions which are necessary to implement the Merger are not approved at the Betfair General Meeting, the Resolutions which are necessary to implement the Merger are not approved at the Extraordinary General Meeting or the Scheme or Merger Offer, as the case may be, is withdrawn or lapses before the specified date.

Paddy Power has the right to terminate the Co-operation Agreement if the Betfair Board: (i) fails to recommend the Merger; or (ii) withdraws, amends, modifies or qualifies its recommendation of the Merger in a manner adverse to Paddy Power; or (iii) fails to publicly reaffirm its recommendation of the Merger until such time as the Betfair Resolutions which are necessary to implement the Merger have been approved; or (iv) if the Betfair Board or a committee thereof approves or recommends a disposal of certain assets or shares or certain other transactions. Betfair has the right to terminate the Co-operation Agreement if: (i) the Board of Paddy Power fails to recommend the Merger; or (ii) withdraws, amends,

modifies or qualifies its recommendation for the Merger in a manner adverse to Betfair; or (iii) fails to publicly reaffirm its recommendation of the Merger until such time as the Resolutions which are necessary to implement the Merger have been approved; or (iv) if the Board of Paddy Power or a committee thereof approves or recommends a disposal of certain assets or shares or certain other transactions.

The Co-operation Agreement records Paddy Power's and Betfair's intention to implement the Merger by way of the Scheme, subject to the ability of Paddy Power to proceed by way of a Merger Offer: (i) with Betfair's consent; (ii) if a third party announces a firm intention to make an offer for the issued and to be issued ordinary share capital of Betfair which is recommended by the Betfair Board; or (iii) if the Betfair Board withdraws its unanimous and unconditional approval of the Scheme.

5. **Share Schemes**

Participants in the Betfair Share Schemes will be contacted separately regarding the effect of the Merger on their outstanding awards and options under the Betfair Share Schemes and will be provided with further details concerning the proposals which will be made to them in due course. Paddy Power and Betfair have agreed that the participants in the Paddy Power Share Schemes will be treated equitably with the participants in the Betfair Share Schemes in determining whether any adjustment to their entitlements is necessary to reflect the impact of the Merger on those schemes.

Betfair Long Term Incentive Plan

Paddy Power and Betfair have agreed that outstanding awards granted under the Betfair Long Term Incentive Plan ("**Betfair LTIP Awards**") in 2013/14, 2014/15 and 2015/16 will not vest on Completion but will be replaced by awards over an equivalent number of Ordinary Shares (calculated by reference to the Exchange Ratio) which will have the same normal vesting dates as the original awards but be subject to certain absolute vesting levels.

The vesting levels of the replacement awards will be crystallised on grant reflecting the extent to which the Betfair Remuneration Committee considers that the performance conditions applying to the relevant awards would have been satisfied at the end of the original vesting periods (the "**Betfair Fixed Vesting Level**"). The Betfair Fixed Vesting Levels for each of the awards will be as follows:

- 2013/14 Betfair LTIP Awards—100% of the underlying shares vesting in full on the normal vesting dates between July 2016 and April 2017;
- 2014/15 Betfair LTIP Awards—100% of the underlying shares vesting in full on the normal vesting dates between June 2017 and March 2018; and
- 2015/16 Betfair LTIP Awards—a proportion of the underlying shares vesting in full on the normal vesting date in July 2018 or, if later, three years after the applicable date of grant. This proportion will be the time-pro-rata proportion of the three year vesting period (from the date of grant) which has elapsed at the later of the date of Completion and the date on which the 2015 Performance Based Award (as defined below) becomes effective.

In the case of the 2015/16 Betfair LTIP Awards, an additional replacement award will be granted in respect of the balance of the awards that is not reflected in the Betfair Fixed Vesting Level which will be capable of vesting on the third anniversary of the date of grant according to the extent to which specified performance conditions relating to the performance of the Combined Group are satisfied (the "**2015 Performance Based Award**"). These performance conditions will be set by the Paddy Power Betfair Remuneration Committee at a level which it considers to be no more or less challenging to achieve in the context of the Combined Group than would have been the case for the original Betfair performance conditions had the Merger not occurred, taking account of the performance of Betfair in the period up to Completion.

Betfair Sharesave Plan and Betfair Irish Sharesave Plan

Options granted under the Betfair Sharesave Plan and the Betfair Irish Sharesave Plan will be exercisable for a period of six months following the date of the Court Order. These options will be exercisable over Betfair Shares to the extent of savings made under the related savings contract at the time of exercise. Paddy Power will offer participants in the Betfair Sharesave Plan and the Betfair Irish Sharesave Plan the opportunity (as an alternative to exercise) to exchange their options over Betfair Shares for equivalent options over Ordinary Shares which will be eligible to vest at the normal maturity dates. The basis on which

the exchange will be calculated will be subject to any approvals that may be required of relevant tax authorities.

Other Betfair Share Schemes

Options granted over Betfair Shares under the Betfair Long Term Incentive Plan, the Betfair Option Agreement, the Betfair Restricted Share Awards Plan and the Betfair Deferred Share Incentive Plan which have vested and become exercisable before, and are outstanding at, the date of the Court Order will remain exercisable for periods of 30 days (in respect of the Betfair Long Term Incentive Plan and the Betfair Option Agreement), 40 days (in respect of the Betfair Restricted Share Awards Plan) and one month (in respect of the Betfair Deferred Share Incentive Plan) following the date of the Court Order. Paddy Power will offer participants holding such vested options the opportunity (as an alternative to exercise) to exchange such options for equivalent vested options over Ordinary Shares (calculated by reference to the Exchange Ratio). These replacement options will continue to be exercisable until the normal lapse dates that would have applied to the original options over Betfair Shares had the Merger not occurred (being not later than the tenth anniversary of the grant date of the original option). Options over Betfair Shares which are not either exercised or exchanged as described above will lapse.

Unvested options granted over Betfair Shares under the Betfair Restricted Share Awards Plan and the Betfair Deferred Share Incentive Plan which are outstanding at the date of the Court Order will vest in full in accordance with the applicable rules on the date of the Court Order and will be exercisable for 40 days (in respect of the Betfair Restricted Share Awards Plan) and one month (in respect of the Betfair Deferred Share Incentive Plan) following the date of the Court Order. Paddy Power will offer participants holding such options the opportunity (as an alternative to exercise) to exchange such options for equivalent vested options over Ordinary Shares (calculated by reference to the Exchange Ratio). These replacement options will be exercisable until the normal lapse dates that would have applied to the original options over Betfair Shares had the Merger not occurred (being not later than the tenth anniversary of the grant date of the original option). Such options over Betfair Shares which are not either exercised or exchanged as described above will lapse.

Options granted over Betfair Shares under the Betfair Unapproved Share Option Plan and outstanding awards granted over Betfair Shares under the 2010 Equity US Subplan to the Betfair Deferred Share Incentive Plan and the Betfair Unapproved Share Option Plan which are outstanding at the date of the Court Order will, to the extent not already vested, vest in full in accordance with the rules of the applicable plans on the date of the Court Order. Options under the Betfair Unapproved Share Option Plan will be exercisable for a period of 40 days following the date of the Court Order, at the end of which time they will lapse.

Options granted over Betfair Shares under the Betfair Approved Company Share Option Plan, the Betfair Management Incentive Plan and the Betfair Stakeholder Plan which have vested and become exercisable before, and are outstanding at, the date of the Court Order will remain exercisable for periods of six months (in respect of the Betfair Approved Company Share Option Plan) and 30 days (in respect of the Betfair Management Incentive Plan) following the date of the Court Order and 30 days following the Effective Date (in respect of the Betfair Stakeholder Plan) at the end of which time they will lapse.

Paddy Power Long Term Incentive Plan

Paddy Power and Betfair have agreed that outstanding awards granted under the Paddy Power Long Term Incentive Plan ("**Paddy Power LTIP Awards**") in 2013, 2014 and 2015 will not vest on Completion but will have the same normal vesting dates subject to certain absolute vesting levels.

The vesting levels of the Paddy Power LTIP Awards will be crystallised on Completion reflecting the extent to which the Paddy Power Remuneration Committee considers that the performance conditions applying to the relevant Paddy Power LTIP Awards would have been satisfied at the end of the original vesting periods (the "**Paddy Power Fixed Vesting Level**"). The Paddy Power Fixed Vesting Levels for each of the awards will be as follows:

- 2013 Paddy Power LTIP Awards—100% of the underlying shares vesting in full on the normal scheduled vesting dates in 2016;
- 2014 Paddy Power LTIP Awards—100% of the underlying shares vesting in full on the normal scheduled vesting dates in 2017; and

- 2015 Paddy Power LTIP Awards—a proportion of the underlying shares vesting in full on the normal scheduled vesting dates in 2018. This proportion will be the time-pro rata proportion of the three year vesting period (from date of grant) which has elapsed at the date of Completion.

In the case of the 2015 Paddy Power LTIP Awards, the balance of the awards not reflected in the Paddy Power Fixed Vesting Level will remain outstanding and will be capable of vesting in 2018 according to the extent to which specified performance conditions relating to the performance of the Combined Group are satisfied. The existing performance conditions for such balance of the existing 2015 awards will be adjusted by the Paddy Power Betfair Remuneration Committee at a level which it considers to be no more or less challenging to achieve in the context of the Combined Group than would have been the case for the original Paddy Power performance conditions had the Merger not occurred, taking account of the performance of Paddy Power in the period up to Completion.

Paddy Power Sharesave Scheme

Options granted under the Paddy Power Sharesave Scheme will remain unchanged and will continue in accordance with their terms.

Paddy Power Share Option Scheme

Options granted under the Paddy Power Share Option Scheme will remain unchanged and will continue in accordance with their terms.

PART III

RISK FACTORS

The proposed Merger may give rise to certain risks which, if they occur, may have a material adverse effect on the business, financial condition, results of operations or prospects of the Paddy Power Group, as currently constituted, and/or the Combined Group. Accordingly, the risk factors should be afforded careful consideration together with all the other information set out in, or incorporated by reference into, this Circular in deciding whether to approve the Resolutions being put to Paddy Power Shareholders at the Extraordinary General Meeting.

The risks which the Directors consider to be material as at the date of this Circular are set out in this Part III.

The risks described in this Part III are based on information known at the date of this Circular but may not be the only risks to which the Paddy Power Group, as currently constituted, or the Combined Group, is or might be exposed.

Additional risks and uncertainties, which are currently unknown to the Paddy Power Group or that the Paddy Power Group does not currently consider to be material, may adversely affect the business of the Paddy Power Group and/or the Combined Group and could have material adverse effects on the business, financial condition, results of operations and future prospects of the Paddy Power Group and/or the Combined Group. If any of the following risks were to materialise, the business, financial condition, results of operations and prospects of the Paddy Power Group and/or the Combined Group could be materially adversely affected and the value of Ordinary Shares could decline and Paddy Power Shareholders could lose all or part of their investment in those Ordinary Shares.

Paddy Power Shareholders should read this Circular as a whole and not rely solely on the information set out in this section.

PART A: MATERIAL RISKS RELATING TO THE MERGER

1. The Completion of the Merger is subject to various conditions precedent

Completion of the Merger is subject to the fulfilment or waiver of various Conditions as described in more detail in paragraph 5 of Part I (*Letter from the Chairman*) of this Circular, including the receipt of all required regulatory, anti-trust, court and shareholder approvals. There is no guarantee that these Conditions will be satisfied and therefore, there can be no assurance that the Merger will be completed as proposed or at all.

The regulatory approval processes and/or the anti-trust clearance processes may take a lengthy period of time to complete, which could delay Completion. The relevant anti-trust authorities may impose conditions to Completion, such as the divestiture of certain businesses and assets of Paddy Power and/or Betfair, or require changes to the terms of the Merger. The terms and conditions of approvals that are granted may impose additional requirements, limitations or costs on the business of the Combined Group. There can be no assurance that these conditions or undertakings will not materially limit the revenues of the Combined Group, increase the costs of the Combined Group, reduce the ability of the Combined Group to achieve cost synergies or lead to the abandonment of the Merger.

2. There are risks associated with the integration of Paddy Power and Betfair

The integration of Paddy Power and Betfair will be a substantial challenge. In particular, combining the resources of two groups that rely upon different technology platforms may prove costly and technically difficult to achieve. In addition, the integration of the two groups will require substantial management attention and other resources. The Merger involves certain risks, including:

a) the unexpected loss of key personnel and customers;

b) difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the two groups;

c) challenges in managing the increased scope, geographic diversity and complexity of the Combined Group's operations;

d) attempts by third parties to terminate or alter their contracts with Paddy Power or Betfair;

e) failure to mitigate contingent and/or assumed liabilities; and

f) disruption to the services provided by each company's ongoing business to its customers.

Should the integration fail or require more time, management attention or other resources than is currently anticipated, the Combined Group may not be able to achieve the joint growth potential and synergies that form the foundation of the economic and strategic rationale for the Merger. This could affect the services that each of Paddy Power and Betfair currently provide and the Combined Group will provide going forward and could have a material adverse impact on relationships with customers, regulators, employees, suppliers and other market participants. The image of the Combined Group and its individual brands might be harmed by a failed integration. Any material problems or delays in the integration of Paddy Power and Betfair could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

3. **The Combined Group may not realise the anticipated benefits of the Merger**

The estimates regarding the potential cost savings and the potential revenue synergy opportunities resulting from the Merger included in this Circular are based on the Directors' assessment of information currently available and may prove to be incorrect. The Combined Group may not realise any anticipated benefits of the Merger or may encounter difficulties or higher costs in achieving these anticipated benefits and synergies and may not be successful in integrating the business and operations of Paddy Power and Betfair.

4. **The Combined Group will incur significant Merger-related costs**

The Combined Group expects to incur a number of non-recurring costs associated with combining the operations of Paddy Power and Betfair after Completion. There can be no assurance that the actual costs of this integration process will not exceed those estimated and the actual integration process may result in additional and unforeseen expenses. In addition, the Combined Group will incur legal, accounting and other professional services fees and other costs related to the Merger itself. Some of these costs will be payable whether or not the Merger reaches Completion. While it is expected that the cost savings and synergies achieved by the Combined Group will offset these transaction and integration-related costs over time, this net benefit may not be achieved in the short-term or at all, particularly if the Merger is delayed or does not happen at all. These combined factors could adversely affect the business, operating profit or overall financial condition of the Combined Group.

5. **Management distraction or overstretch in connection with the Merger could have an adverse effect on the business of the Combined Group**

Paddy Power and Betfair anticipate benefits and cost savings as a result of the Merger. However, the Combined Group will be required to devote significant management attention and resources to integrating Paddy Power's and Betfair's business practices and operations. There is a risk that the challenges associated with managing the Combined Group will result in management distraction or overstretch and that consequently the underlying businesses will not perform in line with expectations.

6. **Rights to terminate upon a change-of-control of Betfair in Betfair's contracts may be exercised by counterparties in connection with the Merger**

Betfair is party to a number of ordinary course contracts that enable the counterparty to terminate the relevant contract on a change-of-control of Betfair. While Betfair has not identified any material contracts under which the counterparty is expected to exercise a right to terminate such contract as a result of the Merger, there can be no assurance that these contracts will not be terminated or that Betfair has identified all contracts with change-of-control clauses that are material to its business. If a counterparty to a contract exercises their right to terminate a material contract or counterparties exercise their rights to terminate a number of contracts, this could have a material adverse effect on Betfair and on the Combined Group's operations, financial performance and prospects.

PART B: MATERIAL NEW RISKS TO THE COMBINED GROUP AS A RESULT OF THE MERGER

1. **A significant amount of Betfair's revenue is derived from jurisdictions where no regulatory framework exists and the approach to the regulation and legality of online betting and gaming varies from jurisdiction to jurisdiction**

The regulation and legality of online betting and gaming and the approaches to enforcement vary from jurisdiction to jurisdiction (from open licensing regimes to regimes that impose sanctions or prohibitions) and in certain jurisdictions there is no directly applicable legislation. In FY15 Betfair derived approximately 18% of its revenue from certain jurisdictions where it did not (and was not, during the relevant period, required to) operate under local licensing regimes. In FY15, Betfair did not derive more than 1.2% of its revenue from any one of these jurisdictions (other than Portugal, from which it derived 2.3%). In many jurisdictions, there are conflicting laws and/or regulations, conflicting interpretations, divergent approaches by enforcement agencies and/or inconsistent enforcement policies and therefore, some or all forms of online betting and gaming could be determined to be illegal in some of these countries. Moreover, the legality of online betting and gaming is subject to uncertainties arising from differing approaches among jurisdictions as to the determination of where online betting and gaming activities take place and which authorities have jurisdiction over such activities and/or those who participate in or facilitate them.

There are many jurisdictions around the world where the legality of various forms of betting and gaming is open to interpretation, often arising from a delay or failure to update gambling laws to reflect the availability of modern remote betting and gaming products. In those cases, there are justifiable arguments to support various forms of betting and gaming on the basis that they are not expressly prohibited, that their application to off-shore activities is unclear, that betting and gaming products are readily available within the particular territory and/or that there is no history of enforcement in respect of the particular type of betting and gaming being offered. In addition, changes in regulation in a given territory could result in it being re-assessed as a restricted territory without the potential to generate revenues on an ongoing basis.

While the list of Betfair and Paddy Power restricted territories is similar and includes several large countries (such as China and the United States (except, in the case of Betfair, with regard to activities for which Betfair is licenced (ie TVG, Betfair's online horse race betting business in California and Betfair Casino, an online casino site in New Jersey))), unsurprisingly the lists are not identical. This reflects the fact that the two entities have taken differing commercial views as to whether or not to seek national licences in some territories. For example, Betfair took the commercial decision to obtain licences in Denmark, Bulgaria and Romania when their regimes moved to a licensing model while Paddy Power did not, therefore Paddy Power includes those countries on its Restricted Territories list.

The Combined Group's determination as to whether or not to permit customers in a given jurisdiction to access any one or more of the Combined Group's products and whether or not to engage in various types of marketing activity and customer contact will be made on the basis of a number of factors. These factors will include:

(a) the laws and regulations of the jurisdiction;

(b) the terms of the Combined Group's betting and gaming licences;

(c) the approach by regulatory and other authorities to the application or enforcement of such laws and regulations, including the approach of such authorities to the extraterritorial application and enforcement of such laws and the willingness or ability (or absence thereof) of such authorities to take enforcement action;

(d) state, federal or supranational law, including EU law if applicable; and

(e) any changes to these factors.

There is a significant risk that the Combined Group's assessment of the factors referred to above may not always accurately predict the likelihood of one or more jurisdictions taking enforcement or other adverse action against the Combined Group, its customers or its third-party suppliers, which could lead to fines, criminal sanctions or the termination of the Combined Group's operations in such jurisdiction or jurisdictions. While Betfair has received fines in certain jurisdictions, it has historically successfully challenged these.

If the Combined Group is found by a court to be acting unlawfully in offering services to customers or carrying out marketing activities in a particular jurisdiction, it may have to desist from doing so, which may have a negative effect on its operations, financial performance, licences and prospects. There may also be additional civil, criminal or regulatory proceedings brought against the Combined Group or its directors as a result. Legal proceedings potentially have cost, resource and reputational implications, and could potentially have a material adverse effect on the operations, financial performance and prospects of the Combined Group and on the ability of the Combined Group to retain, renew or expand its portfolio of licences. Moreover, even if successfully defended, the process may result in the Combined Group incurring considerable costs and may require significant management resource and time.

2. **The success of Betfair's Betting Exchange depends upon maintaining liquidity**

Betfair's Betting Exchange product operates with, and its success is dependent on, high levels of liquidity and a significant proportion of this liquidity is created by transactions generated by significant customers of Betfair. A significant reduction of this liquidity could have a material adverse impact on the attractiveness of one of the Combined Group's key products as well as eroding one of its key competitive strengths. The occurrence of any of the risks relating to the operations of Paddy Power and Betfair (and following Completion the Combined Group) and/or those relating to the online betting and gaming industry may have an adverse impact on liquidity levels on Betfair's Betting Exchange, which in turn may have a material adverse effect on the Combined Group's operations, financial performance and prospects.

3. **The Combined Group's success may depend on the maintenance, development and enhancement of its brands**

The success of the Combined Group may depend on the maintenance, development and enhancement of its brands and reputation. The strong reputation of the Paddy Power and Betfair businesses and its valuable brand names are currently and will be a key competitive strength. The two brands are important to the Combined Group. The Combined Group intends to run a dual brand strategy and there is a risk associated with managing brands which are competing with one another. The image of the Combined Group and its individual brands might be harmed by a failed integration, or any disruption to the products or services that the Combined Group provides. To the extent integration does not go as planned, it could impact either or both brands, which could have an impact on the financial performance of the business.

If the Combined Group is unable to maintain, develop and enhance its brands, its ability to implement its strategic goals may be adversely affected. As a result, the Combined Group's operations, financial performance and prospects would be adversely affected.

Damage to the reputation and brands of the Combined Group may arise from internal factors (technology failures, regulatory investigations and litigation) and external factors (legal, economic and political factors) which make the venues in which the Combined Group will operate less attractive. In addition, increased competition may require more management time and resource and greater levels of expenditure to maintain, develop and enhance the Combined Group's brands, which may have a material adverse effect on its operations, financial performance and prospects.

4. **The Combined Group may face claims alleging infringement of intellectual property rights held by others as a result of the intellectual property used by Betfair**

Betfair's business activities, products and systems may infringe the proprietary rights of others, and other parties may assert infringement claims against it. Any such claim and any resulting litigation, should it occur, could subject the Combined Group to significant liability for damages (or an account of profits) and legal costs and could result in invalidation of its proprietary rights, loss of rights to use software or other intellectual property rights or technology that are material to its business, distract management, and/or require it to enter into costly and burdensome royalty and licensing agreements. Such royalty and licensing agreements, if required, may not be available on terms acceptable to the Combined Group, or may not be available at all. In the future, the Combined Group may also need to file legal proceedings to defend its trade secrets and the validity of its intellectual property rights, or to determine the validity and scope of the proprietary rights of others. Such litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources. The occurrence of any of these events could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

PART C: EXISTING MATERIAL RISK FACTORS TO THE COMBINED GROUP WHICH WILL BE IMPACTED BY THE MERGER

1. The Combined Group may be unsuccessful in the implementation of future acquisitions, joint ventures or alliances in existing jurisdictions

Following the Merger, the Combined Group may seek to acquire or invest in other businesses if appropriate opportunities become available. Any future acquisition may pose regulatory, anti-trust and other risks, as well as integration risks where the Combined Group already has a presence due to the Combined Group's size. Due to the regulatory environment in which the Combined Group will operate, it faces restrictions with respect to the way in which it conducts certain operations. These may limit the Combined Group's ability to implement its global strategy and its ability to achieve synergies as a consequence of the Merger. Additionally, the Combined Group may experience certain competitive disadvantages if it does not receive necessary regulatory approvals for new business initiatives, or if it receives them in an untimely manner. In particular, where the Combined Group already operates in a particular jurisdiction, certain competitors may be able to obtain regulatory approval more rapidly or with less cost or difficulty than the Combined Group, providing them with an advantage in a new market or product area. Competitors may be able to respond more quickly to competitive pressures, especially if they are not subject to the same degree of regulatory oversight as the Combined Group.

All of the foregoing factors may limit the Combined Group's ability to achieve future business growth. Such risk extends to new acquisitions or mergers and will be particularly relevant if the Combined Group seeks to develop business initiatives in existing jurisdictions.

Furthermore, any new acquisitions will require significant time and resources of management and may require the diversion of resources from other activities. The Combined Group may be unable to manage future acquisitions profitably or to integrate such acquisitions successfully without substantial costs, delays or other problems. In addition, any companies or businesses acquired or invested in may not achieve levels of profitability or revenues that justify the original investment by the Combined Group.

2. The loss of certain key members of the Combined Group's senior management team and staff could have adverse consequences on the Combined Group

The Combined Group's future success depends in a large part upon the continued service of key members of its senior management team and employees. In particular, the Combined Group's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and a number of other key staff will be critical to the overall management of the Combined Group as well as the integration of Paddy Power and Betfair, the development of the Combined Group's technology, its culture and its strategic direction. The loss of any of the Combined Group's senior management or key personnel could seriously harm its business. The Combined Group's ability to compete effectively will be dependent upon its ability to attract new employees and to retain and motivate its existing employees. There can be no assurance that the Combined Group will be able to retain the personnel it requires when the Merger completes. The Combined Group's ability to retain key personnel will depend upon a number of factors, including compensation packages offered by other companies and the impact of share price performance on the Combined Group's share schemes.

3. The Combined Group will depend on technology and advanced information systems, which may fail or be subject to disruption

The integrity, reliability and operational performance of the Combined Group's IT systems will be critical to its operations. These IT systems may be damaged or interrupted by increases in usage, human error, natural hazards or disasters or similarly disruptive events or by the integration of Paddy Power and Betfair. Major IT projects have risks associated with them. There is no guarantee that integration will be completed successfully. Furthermore, Paddy Power's and Betfair's current systems may be unable to support a significant increase in online traffic or increased customer numbers, whether as a result of the Merger, or organic or subsequent inorganic growth of the business. Any failure of the Combined Group's IT infrastructure or the telecommunications and/or other third-party infrastructure on which such infrastructure relies could lead to significant costs and disruptions that could reduce revenue, harm the Combined Group's business reputation and have a material adverse effect on the operations, financial performance and prospects of the Combined Group.

To compete effectively, the Combined Group must be able to anticipate and respond, in a timely and effective manner, to the need for new and enhanced technology. The markets in which the Combined Group will compete are characterised by rapidly changing technology, evolving industry standards, frequent enhancements to existing products and services, the introduction of new services and products and changing customer demands. If the Combined Group's systems are unable to expand to meet increased demand, are disrupted or otherwise fail to perform, the Combined Group's reputation business and operating results could be materially adversely affected.

The Combined Group will have in place business continuity procedures, disaster recovery systems and security measures in the event of network or IT failure or disruption. However, those procedures and measures may not be effective to ensure that the Combined Group is able to carry on its business in the ordinary course if they fail or are disrupted, and they may not ensure that the Combined Group can anticipate, prevent or mitigate a material adverse effect on its operations, financial performance and prospects resulting from such failure or disruption.

As with all IT dependent companies, the Combined Group's IT systems and networks, and those of its third party service providers, may be vulnerable to cyber-attacks, unauthorised access, computer viruses and other security issues. These events could damage the integrity of the Combined Group's markets and data provision as well as the Combined Group's reputation and business more generally. Ensuring that appropriate protections are in place to detect any intrusion or other security breaches, together with preventative measures safeguarding against sabotage, hackers, viruses, and cyber-attacks will also be essential to the Combined Group's success. Any failure in these protections could have a material adverse effect on the operations, financial performance and prospects of the Combined Group.

4. **The Combined Group will be exposed to foreign exchange rate and interest rate fluctuations**

The Combined Group's reporting currency will be pounds sterling, but part of its income deposits and expenditure will be in other currencies, notably euro, US dollars, and Australian dollars. As a result, revenues and costs are affected by foreign exchange rate fluctuations. Exchange rate fluctuations may affect the Combined Group's consolidated statement of financial position, particularly individual assets and liabilities, but the Combined Group will seek to minimise the effect on net assets where in the opinion of the Paddy Power Betfair Directors it makes economic sense to do so.

The Combined Group may, from time to time, hedge a portion of its currency exposures and requirements to try to limit any adverse effect of exchange rate fluctuations on its operations, financial performance and prospects, but there can be no assurance that such hedging will eliminate the potentially material adverse effect of such fluctuations.

As a result of the cash generative nature of the Combined Group and the cash balances it retains on behalf of customers, the Combined Group will be exposed to interest rate risk affecting the income earned on such deposits. The Combined Group will also have gross debt balances and is therefore exposed to interest rate risk on borrowings. These factors may have a material adverse effect on the Combined Group's operations, financial performance and prospects.

5. **Risk of increased payment obligations to racing and sporting bodies**

Paddy Power and Betfair have, and the Combined Group will have, commercial, statutory and regulatory payment obligations to industry and governmental authorities in the jurisdictions in which it operates, connected with the funding, support and development of sports on which the Combined Group may take bets. These may be specific to a particular area (for example, horseracing) or generally applicable to the Combined Group's business, and may be imposed as taxes (for example, on bets placed or other sources of revenue for the Combined Group), or as other fees or duties relating to the Combined Group's activities. If the number or amount of these payment obligations were to significantly increase, this may have a material adverse effect on the Combined Group's operations, financial performance and prospects.

6. **Adverse changes to the taxation of betting and gaming or the imposition of statutory levies or other duties or charges could materially and adversely affect the operations, financial performance and prospects of the Combined Group**

The jurisdictions in which each of Paddy Power and Betfair hold, and the Combined Group will hold, licences impose taxes and duties on its licensed activities. Adverse changes to the taxation or the

imposition of, or adverse changes to, statutory levies or other duties or charges, in such jurisdictions could materially adversely affect the Combined Group's operations, financial performance and prospects.

The Combined Group's customers will be located worldwide. Revenues earned from customers located in a particular jurisdiction may give rise to direct or turnover taxes in that jurisdiction. Moreover, if jurisdictions where gaming winnings are currently not subject to income tax or are taxed at low rates were to begin to levy taxes or increase the existing tax rates on winnings, betting and gaming might become less attractive for customers in those jurisdictions, which could have a material adverse effect on the operations, financial performance and prospects of the Combined Group in that jurisdiction.

7. **Risk of disproportionate liability following changes in taxation law relating to the Combined Group's operations**

The Combined Group is subject to a number of different tax regimes across the jurisdictions in which it operates. From time to time, these tax regimes change, often driven by new regulations or policies applicable to online betting and gaming in the relevant jurisdictions. In certain circumstances, the effect of such changes could have a disproportionate effect on some of the operations of the Combined Group. For example, a sports betting tax was introduced in Germany in 2012 which Betfair believes should not apply to Betfair's Betting Exchange. However, if applied to Betfair's Betting Exchange in the same manner as to other more traditional online betting and gaming companies, this would lead to an effective taxation rate on the operation of Betfair's Betting Exchange equivalent to many times the profit derived from such activity. The German Tax Authorities have sought to apply this tax strictly to Betfair. As well as discontinuing the operation of Betfair's Betting Exchange in Germany after the introduction of this new tax, Betfair has recently issued appeal proceedings in the German Courts to challenge the German tax assessment on the basis that, in view of its distinct business model, a betting exchange should not be subject to the sports betting tax, or if it is, should be taxed differently to more traditional online betting and gaming companies. While the outcome of this challenge is not yet known, and may not be known for some time, it is possible that the Combined Group could become liable for a one-off liability to tax in Germany in respect of its historical German operations.

By way of further example Austria, where Betfair operated its Betting Exchange until August 2014, extended the scope of stamp duty in January 2011 which had a similar effect to the German sports betting tax. It is possible that the Austrian Tax Authorities could seek to make a similarly strict assessment on Betfair in respect of its historical Austrian operations. Any failure by Betfair to challenge successfully such an assessment could give rise to a one-off tax liability in Austria for the Combined Group.

Liabilities of this sort could have a material adverse effect on the Combined Group's operations, reputation, financial performance and prospects.

8. **Adverse changes to the regulation of online betting and gaming or the interpretation thereof by regulators could materially adversely affect the Combined Group**

Where regulated, the provision of online betting and gaming services is subject to extensive laws, regulations and, where relevant, licensing requirements. These laws, regulations and licensing requirements vary from jurisdiction to jurisdiction but typically address the responsibility, financial standing and suitability of owners, directors and operators. Many of these laws, regulations and licensing requirements are recent and are subject to change at any time and relevant regulatory authorities may change their interpretation thereof at any time.

Failure to comply with relevant laws, regulations or licensing requirements may lead to penalties, sanctions or ultimately the revocation of relevant operating licences and may have an impact on licences in other jurisdictions. In addition, the compliance costs associated with these laws, regulations and licensing requirements may be significant. Any adverse changes to the regulation of online betting and gaming, the interpretation of these laws, regulations and licensing requirements by relevant regulators or the revocation of operating licences could materially adversely affect the operations, financial performance and prospects of the Combined Group. Following Completion, the Combined Group's internal and external legal counsel will frequently review the ever-changing regulatory framework across all jurisdictions where the Combined Group operates or may wish to operate in the future and determinations as to the application of relevant prohibitions will be made on a case by case basis. Where a prohibition is deemed to apply, technical steps will be introduced to effect compliance if required. However, the infringement by the Combined Group of the domestic regulatory regimes or those of other countries (even if inadvertent) or changes to those regulatory frameworks may result in additional compliance and litigation costs for the

Combined Group, or could restrict the range of products and services it offers and the value of its assets, and/or require the Combined Group to change certain of its business practices in some or all of the jurisdictions in which it operates.

9. **Shareholders may be subject to voting or distribution restrictions on, or be required to dispose of, their interests in Ordinary Shares as a result of the regulatory requirements to which Paddy Power and Betfair are, and the Combined Group will be, subject**

The licensing or regulatory authorities in the principal jurisdictions in which Paddy Power and Betfair have a betting and/or gaming licence or in which the Combined Group may seek a licence in the future may have broad powers to request or require reporting of various detailed information from and/or approve the qualification or suitability for licensing of, online betting and gaming operators, including their directors, management and the holders (legal and beneficial) of interests in shares. In some jurisdictions, such authorities may impose such information sharing and filing requirements on a continuous and ongoing basis, including in relation to the Combined Group, its Directors, management and the holders (legal and beneficial) of interests in Ordinary Shares. These powers may be exercised by regulators as against the holders, whether legal or beneficial, of interests in shares or other securities in betting and gaming operators, as well as against the betting and gaming operators themselves, their directors and management. In some circumstances, the purpose of the exercise of powers by licensing or regulatory authorities may be to identify shareholders and directors whose involvement with the licensed entity the licensing or regulatory authority considers unacceptable because such persons are not suitable directors, managers or shareholders to have a direct or indirect financial interest in, or influence over, a betting and gaming operator in such jurisdiction.

The information required, qualification or suitability requirements to be satisfied and ongoing regulatory filings to be submitted, may be very detailed, onerous and/or intrusive and may include, for example, personal and financial information concerning the ultimate beneficial owners and/or persons influencing the control of corporate shareholders. In many cases, the terms of Paddy Power's and Betfair's licences or the provisions of regulations in relevant jurisdictions require Paddy Power and Betfair to produce such information on demand in relation to the holders (legal and beneficial) of interests in Paddy Power Shares or Betfair Shares, as the case may be either following, or in some cases prior to, such persons acquiring specified percentage (legal or beneficial) interests in the share capital of Paddy Power or Betfair. Any failure by the Combined Group, its Directors, its management or, as applicable, any holder (or proposed investor) of an interest in Ordinary Shares, to comply with such requests could result in the relevant licensing or regulatory authority taking adverse action against the Combined Group in that jurisdiction which may include the suspension or revocation of licences and/or the imposition of fines, which could have a material adverse effect on the operations, financial performance and prospects of the Combined Group.

To address the various requirements referred to above, certain provisions will be contained in Paddy Power Betfair's Articles which permit it to restrict the voting or distribution rights attaching to Ordinary Shares or to compel the sale of Ordinary Shares if a holder of legal or beneficial interests in Ordinary Shares does not satisfactorily comply with a regulator's request(s) and/or the Combined Group's request(s) in response to regulatory action and/or the regulator indicates that such shareholder is not suitable (a determination which in all practical effects is at the sole discretion of such regulator) to be the holder of legal or beneficial interests in Ordinary Shares. Accordingly, to the extent a relevant threshold of ownership is passed, or to the extent any shareholder may be found by any such regulator to be able to exercise significant or relevant financial influence over the Combined Group and is considered by a regulator to be unsuitable, there can be no assurance that any given holder of an interest in Ordinary Shares may not be subject to such restrictions or compelled to sell its Ordinary Shares (or have such Ordinary Shares sold on its behalf). If a holder of Ordinary Shares is required to sell its interests in Ordinary Shares (or have such Ordinary Shares sold on its behalf), subject to the Articles, any such sale may be required at a time, price or otherwise on terms not acceptable to such holder. Holders of interests in Ordinary Shares should be aware that Combined Group accepts no responsibility whatsoever for any loss which any such holder may suffer as a result of the sale of any interests in Ordinary Shares held by him in connection with the exercise by Combined Group of the powers referred to above.

10. **The Combined Group may be exposed to contractual claims arising from regulatory action**

Paddy Power and Betfair have each entered into agreements with service providers in relation to, amongst other things, the marketing of Paddy Power's and Betfair's products and the processing of payments. Paddy

Power and Betfair have also entered into sponsorship agreements with companies or entities that they have agreed to sponsor. Many of these agreements contain warranty, indemnity and termination provisions that the counterparties to the agreements may rely on in circumstances where, for instance, the validity of a licence held by Paddy Power or Betfair, as the case may be, is disputed (whether as a result of judicial proceedings, a change in law or otherwise), or where regulatory action is taken against the counterparty.

If such claims are made, or action is taken, and counterparties were to rely on the relevant warranty, indemnity or termination provisions, the Combined Group could be faced with material damages or indemnity claims. The Combined Group may also remain liable for any outstanding fees payable to the counterparty of an agreement which has been terminated without receiving any value for such fees. The termination of one or more of the Combined Group's service or sponsorship agreements and any damages claims brought by the counterparties to such agreements could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

11. **Money laundering regulations and anti-corruption laws may increase the costs of compliance and/or limit or restrict the Combined Group's ability to do business**

Paddy Power's and Betfair's activities are (and the Combined Group's activities will be) subject to money laundering regulations and anti-corruption laws which may increase the costs of compliance, limit or restrict the Combined Group's ability to do business or engage in certain activities, or subject Paddy Power Betfair to the possibility of civil or criminal actions or proceedings. Although Paddy Power and Betfair have in place systems and controls designed to comply with applicable laws and regulations, there can be no assurance that the Combined Group, its employees, or its agents acting on its behalf are or will be in full compliance with all applicable laws and regulations or their interpretation by the relevant authorities and, given the complex nature of the risks, it may not always be possible for the Combined Group to ascertain compliance with such laws and regulations. Failure to comply with or to obtain appropriate authorisations and/or exemptions under such laws or regulations could subject the Combined Group to investigations, criminal sanctions or civil remedies, including fines, injunctions, loss of an operating license, reputational consequences, and other sanctions, all of which could have a material adverse effect on the Combined Group's operations, financial performance and prospects.

FORWARD-LOOKING STATEMENTS

This Circular and the documents incorporated herein contain statements about Paddy Power, Betfair and the Combined Group that are or may be forward looking statements. All statements other than statements of historical facts included in this Circular may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "should", "continue", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include all matters that are not historical facts and statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Paddy Power's, Betfair's or the Combined Group's operations and potential synergies resulting from the Merger; and (iii) the effects of government regulation on Paddy Power's, Betfair's or the Combined Group's business.

By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward looking statements are not guarantees of future performance and the actual results of the Combined Group's operations, and the development of the markets and the industry in which the Combined Group operates, may differ materially from those described in, or suggested by, the forward looking statements contained in this Circular. In addition, even if the Combined Group's results of operations, financial position and growth, and the development of the markets and the industry in which the Combined Group operates, are consistent with the forward looking statements contained in this Circular, those results of developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments of the Combined Group to differ materially from those expressed or implied by the forward looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in law or regulation, changes in taxation regimes, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in Part III (*Risk Factors*) of this Circular. The forward-looking statements therein speak only at the date of this Circular and Paddy Power Shareholders are cautioned not to place under reliance on such forward looking statement. Save as required by the EU Prospectus Regulation, Prospectus Rules, the Market Abuse Rules, the Transparency Regulations and the Transparency Rules, the Disclosure and Transparency Rules and the Listing Rules, the Irish Stock Exchange and London Stock Exchange or by law, the Combined Group undertakes no obligation to update these forward looking statements and will not publicly release any revisions it may make to these forward looking statements that may occur due to any change in the Combined Group's expectations or to reflect events or circumstances after the date of this Circular. Paddy Power Shareholders should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statements made as to sufficiency of working capital available to the Combined Group set out in paragraph 8 of Part VI of this Circular.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all references in this Circular to "€", "euro" or "cent" are to the lawful currency of participating member states of the European Union. Unless otherwise indicated, all references in this Circular to "Sterling", "£" or "p" are to the lawful currency of the UK, references to "US dollar", "USD" and "$" are to the lawful currency of the United States and references to "AUD" and Australian dollar" are to the lawful currency of Australia. Certain figures contained in this Circular or in the documents incorporated by reference herein, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or row in tables contained in this Circular or in the documents incorporated by reference herein may not conform exactly to the total figure given for that column or row.

TIME

All references in this Circular to times are to Dublin, Ireland times, unless otherwise stated.

DEFINITIONS

Capitalised terms used in this Circular have the meaning ascribed to them in the section headed "Definitions" in this Circular.

PART IV
HISTORICAL INFORMATION FOR THE BETFAIR GROUP

HISTORICAL FINANCIAL INFORMATION RELATING TO THE BETFAIR GROUP

The following tables set out audited consolidated financial information of the Betfair Group for the financial years ended 30 April 2015, 30 April 2014 and 30 April 2013 and the unaudited financial statements for the six months ended 31 October 2015. The financial information has been extracted without material adjustment from the audited accounts of the Betfair Group for each respective financial year and from the unaudited interim report for the six months ended 31 October 2015 and has been prepared in accordance with IFRS.

The Directors confirm that no material adjustment needs to be made to the financial information of Betfair for the years ended 30 April 2015, 30 April 2014 and 30 April 2013 and for the six months ended 31 October 2015 to achieve consistency with the Company's accounting policies.

SECTION A

HISTORICAL FINANCIAL INFORMATION RELATING TO THE BETFAIR GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2015

INDEPENDENT AUDITOR'S REPORT 2015 OF BETFAIR GROUP PLC

Opinions and conclusions arising from our audit

1. **Our opinion on the financial statements is unmodified**

We have audited the financial statements of Betfair Group plc for the year ended 30 April 2015 set out on pages 81 to 121. 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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; 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.

2. **Our assessment of risks of material misstatement**

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Revenue recognition (£476.5m)

Refer to page 45 (Audit Committee Report)), page 92 (Accounting policies) and pages 95, 96 and 106 (financial disclosures).

- The risk—The recognition of commission revenues or revenues from winning and losing bets may be misstated.

  The appropriate recognition of revenue is dependent on IT systems correctly calculating commission revenues and appropriate wins and losses and customer funds and core finance processes and controls accurately reporting on and reconciling these transactions.

  Revenue streams for the vast majority of the Group's products are computed on highly complex IT systems, with a number of different bases for calculating revenue. There are in excess of 1 billion transactions each year, all requiring a correct IT outcome. There is a risk that a system may not be configured correctly from the outset such that commissions or winning and losing bets are calculated incorrectly, that the systems do not interface correctly from the customer facing systems through to the financial information systems and that unauthorised changes may be made to any of these systems, which may result in the misstatement of revenue.

  The calculation of revenue from the IT systems links directly to the reconciliation of funds between customer and corporate accounts and as such customer funds must be appropriately managed and safeguarded. There is a risk that commissions or winning and losing bets are not calculated correctly and consequently a risk that the revenue to be transferred from the customer accounts in the ring fenced trust to Betfair corporate accounts could be misstated.

- Our response—Our audit procedures included, among others, the use of IT audit experts throughout the audit process. We critically assessed the design and operating effectiveness of IT controls and tested that the systems are configured appropriately. We traced bets placed on live betting environments from the customer facing systems to the data centre and then from the data warehouse to the financial information systems to ensure that information is passed appropriately from one system to another. We tested controls over the capture of initial bets, their allocation between different products and their processing through the system to recognition in revenue or in the appropriate customer account. We also tested the configuration of the system which monitors the information transfer between key IT systems and evaluated whether it was operating effectively.

  Data on a sample of different types of bets placed by customers in different markets was extracted from the systems. Commission rate calculations were re-performed to assess the completeness and accuracy of commissions and revenues from winning bets.

  We tested controls related to access to programs and data, program change and development and

computer operations by evaluating account set-up and termination for users, password restrictions, access reviews, users with super-user access, program change and development process controls and integration monitoring, and tested whether any unauthorised changes had been made to the system. The overall IT environment was critically assessed, including security policies and procedures, IT organisational structure, strategy and reporting, disaster recovery and back-up testing.

We tested processes and controls over customer account set-up and cash deposits and withdrawals from customer accounts. We verified customer bank balances to third party information and tested the reconciliation of these bank balances to Betfair customers' betting accounts.

We have also considered the adequacy of the Group's disclosures in respect of revenue recognition.

Valuation of tax liabilities

Refer to page 45 (Audit Committee Report), page 93 and 94 (Accounting policies) and pages 106 and 117 (financial disclosures).

- The risk—The online gaming regulatory environment is complex and constantly changing. Some markets are highly regulated, while in other markets, online gaming regulation is not yet formed or is unclear. Betfair organises its operations in different jurisdictions in a way which requires the Directors to exercise a level of judgement surrounding the interpretation of international tax laws and the way in which they interact within each jurisdiction. This may result in significant provisions or contingent liabilities for gaming and other indirect taxes in countries where the tax and / or other regulations are not yet formed or are unclear, the volatility of which could have a significant impact on the financial statements, particularly if there is a retrospective element applied to taxes. Where tax regulations are formalised in certain jurisdictions, Betfair must adhere to the operating guidelines within these jurisdictions, such that taxes do not become payable elsewhere, which would result in current tax provisions being understated.

  In addition to gaming taxes, the Directors must make judgements in relation to international income tax laws including transfer pricing and controlled foreign companies.

- Our response—Our audit procedures included, among others, challenging the Directors and the Group's in-house lawyers in order to understand and critically assess the procedures that the Group has in place to comply with regulations in different jurisdictions. We used KPMG's wider understanding of the regulatory markets to challenge the Directors and critically assessed the Group's exposure to taxation. We examined correspondence with regulators during the year and evaluated the Group's taxation position, working with KPMG tax specialists to test gaming taxes, indirect taxes and income taxes.

  We also considered the adequacy of the disclosures in respect of tax and uncertain tax positions.

Acquisition Accounting

Refer to page 45 (Audit Committee Report), page 87, 90 and 90 (Accounting policies) and page 101 and 116 (financial disclosures).

- The risk: During the current financial year the Group has acquired the HRTV horseracing broadcasting network along with long-term broadcasting and wagering rights to certain racecourses for an aggregate purchase consideration consisting of: an initial payment of $25.6 million and an estimated further deferred and contingent consideration totalling $30.9 million payable over a seven year period, which is in part dependent on future trading.

  The terms of the agreements require judgement to be exercised by the Directors in assessing control, and in identifying any contractual arrangements entered into that are required to be accounted for separately to the acquisitions.

  The Directors have exercised judgement in determining that the broadcasting and wagering rights acquired as part of the transaction, but external to the HRTV legal entity, form an integrated set of activities and assets and therefore are treated as part of the business combination for accounting purposes. In particular, this judgement results in the recognition of a larger balance sheet liability in respect of contingent consideration, and the recognition of a larger amount for goodwill than if an alternative accounting treatment as an asset purchase had been adopted, as well as a differing accounting treatment in relation to transaction costs. In aggregate, the differences between the

feasible accounting treatments have had a material effect on the Group's financial statements. In accounting for the business combination, the amount derived in arriving at the fair value of the broadcasting and wagering rights acquired is sensitive to the underlying assumptions around forecast future cash flows over the 7-year initial term of the agreements, and the discount rate applied in its valuation. The fair value of these rights used in the business combination accounting amount to $48.3 million out of the total $49.8 million net assets acquired.

- Our response: In this area our audit procedures included, amongst others, understanding the key terms and rationale for the transaction through inspection of purchase agreements, board minutes and discussions with the Directors. We challenged the judgement taken to account for the assets acquired as a business combination, and inspected the agreements for terms that may impact the assessment of control.

  Using our own valuation specialists to the extent necessary, we inspected the Group's valuation analysis prepared by the Directors, which was the basis for the determination of the fair value of the intangible assets used in the business combination accounting. We critically challenged the key assumptions within, and in particular evaluated the reasonableness of assumptions underlying the future trading forecasts of the combined TVG and HRTV operations, growth rates and the discount rate applied. In performing this assessment we had regard to the performance of the existing TVG business, and historical accuracy of the Director's forecasts.

  We also assessed whether the Group's disclosures regarding the acquisition and the estimation required are appropriate and comply with those required by the relevant accounting standards.

3. **Our application of materiality and an overview of the scope of our audit**

The materiality for the Group financial statements as a whole was set at £3.5 million, determined with reference to a benchmark of Group profit before tax (of which it represents 3.5%).

We report to the Audit Committee any uncorrected misstatements we identified through our audit exceeding £175,000; in addition to other audit misstatements we believed warranted reporting on qualitative grounds. In addition we considered whether any misstatements corrected by management identified during the course of the audit should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

The audits of three components for Group reporting purposes were performed by component auditors in Malta. The Group audit team performed the audit over Betfair Group, including components in the UK, Ireland and Gibraltar, and consolidation-type adjustments in the UK. These Group procedures covered 87% of Group revenue, 93% of the total profits and losses that made up Group profit before tax and 96% of the Group net assets and liabilities.

For the remaining components (Betfair US, Portugal, Spain, Italy, Romania and Hong Kong), we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The audits undertaken for Group reporting purposes at the reporting components of the Group in Malta were all performed to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component, ranging between £0.1 million and £3.0 million, having regard to the mix of size and risk profile of the Group across the components.

Detailed instructions were sent to component auditors, which covered the significant areas that should be covered by the audit engagements (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team.

The Group audit team visited Malta, including to assess the audit risk and strategy, and telephone meetings were also held with the component auditors throughout the year. At these visits and meetings, the Group audit team also discussed the findings reported in more detail and assessed the adequacy of the work performed by the component auditors.

4. **Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. **We have nothing to report in respect of the matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Report of the Audit Committee on pages 43 to 52 does not appropriately address matters communicated by us to the audit committee.

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 75, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 36 in the Annual Report and Accounts relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on pages 76, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Michael Harper (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
17 June 2015

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2015

	Note	2015	2014
		£m	£m
Continuing operations			
Revenue	2	**476.5**	393.6
Cost of sales		**(90.6)**	(50.9)
Gross profit		**385.9**	342.7
Administrative expenses		**(291.6)**	(281.1)
Group operating profit		**94.3**	61.6
Analysed as:			
EBITDA*	2	**120.2**	91.1
Depreciation and amortisation	8, 9	**(25.9)**	(29.5)
Group operating profit		**94.3**	61.6
Finance income	5	**1.1**	1.1
Finance expense	5	**(0.7)**	(0.4)
Net finance income		**0.4**	0.7
Profit on disposal of joint venture	10	**6.4**	—
Share of profit/(loss) of equity accounted investments	10	**0.1**	(1.2)
Profit before tax		**101.2**	61.1
Tax	6	**(14.8)**	(10.1)
Profit for the year		**86.4**	51.0
Attributable to:			
Equity holders of the Company		**86.4**	51.0
Non-controlling interest	10	**—**	—
Profit for the year		**86.4**	51.0
Earnings per share			
Basic	7	**85.9p**	49.0p
Diluted	7	**83.7p**	48.1p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2015

	2015	2014
	£m	£m
Profit for the year	**86.4**	51.0
Other comprehensive income/(expense)		
Items that will be reclassified to profit or loss:		
Foreign exchange differences arising on consolidation	**1.4**	(4.0)
Reclassification to profit or loss	**0.1**	—
Other comprehensive income/(expense) for the year, net of income tax	**1.5**	(4.0)
Total comprehensive income for the year	**87.9**	47.0
Attributable to:		
Equity holders of the Company	**87.9**	47.0
Non-controlling interest	**—**	—
Total comprehensive income for the year	**87.9**	47.0

CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2015

	Note	2015	2014
		£m	£m
Assets			
Non-current assets			
Property, plant and equipment	8	**14.8**	16.7
Goodwill and other intangible assets	9	**83.2**	49.3
Investments	10	**0.1**	5.5
Available-for-sale financial assets	11	**1.3**	1.3
Deferred tax assets	12	**4.2**	3.9
		103.6	76.7
Current assets			
Trade and other receivables	13	**23.3**	23.0
Cash and cash equivalents	14	**105.1**	209.8
		128.4	232.8
Total assets		**232.0**	309.5
Liabilities			
Current liabilities			
Trade and other payables	15	**128.1**	111.8
Tax payable		**29.5**	24.4
Provisions	16	**5.1**	1.2
		162.7	137.4
Non-current liabilities			
Trade and other payables	15	**19.5**	—
Provisions	16	**0.4**	0.7
Total liabilities		**182.6**	138.1
Net assets		**49.4**	171.4
Equity			
Share capital	17	**0.1**	0.1
Share premium		**5.3**	21.9
Other reserves		**(9.0)**	(11.4)
Retained earnings		**53.0**	160.8
Equity attributable to equity holders of the Company		**49.4**	171.4
Non-controlling interest	10	**—**	—
Total equity		**49.4**	171.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2015

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained earnings	Total parent equity	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 May 2013	0.1	19.4	0.9	(8.5)	120.1	132.0	—	**132.0**
Comprehensive income/(expense) for the year								
Profit for the year	—	—	—	—	51.0	51.0	—	**51.0**
Other comprehensive expense	—	—	—	(4.0)	—	(4.0)	—	**(4.0)**
Total comprehensive income/ (expense) for the year	—	—	—	(4.0)	51.0	47.0	—	**47.0**
Transactions with owners, recorded directly in equity								
Issue of shares	—	2.5	—	—	—	2.5	—	**2.5**
Dividend paid	—	—	—	—	(15.6)	(15.6)	—	**(15.6)**
Equity-settled share-based payments	—	—	—	—	6.5	6.5	—	**6.5**
Sale of own shares by the EBT*	—	—	—	—	1.7	1.7	—	**1.7**
Purchase of own shares by the EBT*	—	—	—	—	(2.9)	(2.9)	—	**(2.9)**
Tax on equity-settled share-based payments	—	—	0.2	—	—	0.2	—	**0.2**
Total transactions with owners	—	2.5	0.2	—	(10.3)	(7.6)	—	**(7.6)**
Balance at 30 April 2014	**0.1**	**21.9**	**1.1**	**(12.5)**	**160.8**	**171.4**	**—**	**171.4**
Balance at 1 May 2014	0.1	21.9	1.1	(12.5)	160.8	171.4	—	**171.4**
Comprehensive income for the year								
Profit for the year	—	—	—	—	86.4	86.4	—	**86.4**
Other comprehensive income	—	—	—	1.5	—	1.5	—	**1.5**
Total comprehensive income for the year	**—**	**—**	**—**	**1.5**	**86.4**	**87.9**	**—**	**87.9**
Transactions with owners, recorded directly in equity								
Issue of shares	—	5.6	—	—	—	5.6	—	**5.6**
Share premium cancellation**	—	(22.2)	—	—	22.2	—	—	**—**
Capital reduction***	—	—	—	—	—	—	—	**—**
Dividend paid	—	—	—	—	(24.1)	(24.1)	—	**(24.1)**
Return of capital to shareholders including fees and duty***	—	—	—	—	(200.7)	(200.7)	—	**(200.7)**
Equity-settled share-based payments	—	—	—	—	9.2	9.2	—	**9.2**
Sale of own shares by the EBT*	—	—	—	—	4.4	4.4	—	**4.4**
Purchase of own shares by the EBT*	—	—	—	—	(5.2)	(5.2)	—	**(5.2)**
Tax on equity-settled share-based payments	—	—	0.9	—	—	0.9	—	**0.9**
Total transactions with owners	**—**	**(16.6)**	**0.9**	**—**	**(194.2)**	**(209.9)**	**—**	**(209.9)**
Balance at 30 April 2015	**0.1**	**5.3**	**2.0**	**(11.0)**	**53.0**	**49.4**	**—**	**49.4**

* Employee Benefit Trust is defined as EBT.

** Following shareholder approval at the Annual General Meeting on 4 September 2014 and court approval on 8 October 2014, the Company cancelled its share premium account, transferring £22.2m to the retained earnings account within reserves.

*** During the year the Group returned £200.7m of cash to shareholders, including fees and duty. See note 25 for further details.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 APRIL 2015

	Note	2015 £m	2014 £m
Cash flows from operating activities			
Profit for the year		**86.4**	51.0
Adjustments for:			
Depreciation and amortisation	8, 9	**25.9**	29.5
Equity-settled share-based payments and associated costs	18	**10.4**	7.3
Profit on disposal of joint venture	10	**(6.4)**	—
Share of (profit)/loss of equity accounted investments	10	**(0.1)**	1.2
Net finance income	5	**(0.4)**	(0.7)
Tax	6	**14.8**	10.1
Increase in trade and other receivables		**(0.7)**	(4.4)
Increase in trade and other payables		**13.6**	2.4
Increase/(decrease) in provisions	16	**3.6**	(11.3)
Cash generated from operations		**147.1**	85.1
Tax paid		**(8.0)**	(5.6)
Net cash flows generated from operating activities		**139.1**	79.5
Cash flows from investing activities			
Acquisition of business combination, net of cash received	23	**(16.6)**	—
Acquisition of property, plant and equipment	8	**(6.3)**	(8.5)
Acquisition of other intangible assets	9	**(6.9)**	(6.5)
Capitalised internal development expenditure	9	**(6.6)**	(7.4)
Cash received on disposal of joint venture	10	**5.5**	—
Cash received from repayment of joint venture loan	10	**6.5**	—
Finance income received		**1.1**	0.9
Net cash flows used in investing activities		**(23.3)**	(21.5)
Cash flows from financing activities			
Proceeds from the issue of share capital	17	**5.6**	2.5
Dividends paid	25	**(24.1)**	(15.6)
Return of capital to shareholders, including fees and duty	25	**(200.7)**	—
Purchase of own shares by the EBT		**(5.2)**	(2.9)
Sale of own shares by the EBT		**4.4**	1.7
Net cash flows used in financing activities		**(220.0)**	(14.3)
Net (decrease)/increase in cash and cash equivalents		**(104.2)**	43.7
Cash and cash equivalents at the beginning of the year	14	**209.8**	168.1
Effect of exchange rate fluctuations on cash held		**(0.5)**	(2.0)
Cash and cash equivalents at year end	14	**105.1**	209.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2015 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 2015 were authorised for issue in accordance with a resolution of the Directors on 17 June 2015.

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 118 to 120.

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. 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 75.

Functional currency and presentation currency

These consolidated financial statements are presented in Pounds Sterling, which is the Company's functional currency. All values are in millions (£m) rounded to one decimal place, except where otherwise stated.

Changes in accounting policy

The Group has adopted the following accounting policies, standards, interpretations and amendments to existing standards during the year ended 30 April 2015:

IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRIC 21	Levies
IAS 27 (revised)	Separate financial statements
IAS 28 (revised)	Investments in associates and joint ventures
IAS 32 (amended)	Financial instruments: presentation
IAS 36 (amended)	Impairment of assets
IAS 39 (amended)	Financial instruments: recognition and measurement

Adopting the above IFRS standards required management to reassess where control is exerted by the Group and elaboration of the relevant changes is provided below.

1 Accounting policies (Continued)

IFRS 10 "Consolidated Financial Statements"

IFRS 10 establishes a single control framework to determine whether an entity is required to consolidate investees into its financial statements. It unifies the existing principles from SIC-12 and IAS 27 to provide a single model to be applied to all entities. In particular, the standard redefines the notion of control as when an investor is exposed, or has rights, to variable returns from an investee and has the ability to affect those returns through its power over the investee. IFRS 10 applies prospectively for annual periods beginning on or after 1 January 2014.

IFRS 11 "Joint Arrangements"

IFRS 11 adopts the same control framework introduced under IFRS 10 and applies its principles to joint operations. It combines the IAS 31 categories of jointly controlled assets and jointly controlled operations into a single classification of joint operations. Jointly controlled entities under IAS 31 are classified as joint ventures and the option of proportional consolidation has been removed, requiring such arrangements to be accounted for under the equity method.

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 2015 or on any disclosures.

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

Basis of consolidation

(i) 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 exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

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.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 to align them with the policies adopted by the Group when necessary.

1 Accounting policies (Continued)

(iii) Associates and joint arrangements ("equity accounted investments")

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint arrangements 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 joint arrangements are accounted for using the equity method (equity accounted investments) and are initially recognised at cost.

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.

(iv) 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, Pounds 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 the 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 items 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.

1 Accounting policies (Continued)

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 • (Average rates)
Euro	**1.38**	**1.29**
US Dollar	**1.54**	**1.60**
Australian Dollar	**1.92**	**1.86**
Romanian Lei	**6.08**	**5.71**

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 re-measured 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 exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

(ii) Non-derivative financial instruments

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

1 Accounting policies (Continued)

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

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

(iii) Other

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

(iv) Derivative financial instruments

The Group holds derivative financial instruments in relation to open betting liability positions arising as a result of open positions at the reporting date.

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 through 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 or from retained earnings.

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 attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of shares is adjusted for amounts held by the Group's EBT. Diluted EPS is determined by the profit 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 of bringing the assets to a working condition for their intended use.

1 Accounting policies (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 life 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

Computer equipment—3 years

Equipment, fixtures and fittings—3 to 5 years

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

Goodwill and other intangible assets

(i) Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint arrangements.

Acquisitions on or after 1 May 2007

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

Acquisitions prior to 1 May 2007

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

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (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 as an expense in the income statement, as incurred.

(iii) Research and development

Expenditure on research activities is recognised as an expense in the income statement, as 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.

1 Accounting policies (Continued)

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.

Tax credits receivable in relation to qualifying spend that has been capitalised is treated as a deduction against that asset.

(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

Development expenditure—3 years

Brand—2 years

Customer lists—2 to 4 years

Broadcasting rights—2 to 7 years

Wagering rights—6 to 7 years

Impairment

(i) Financial assets

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

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

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised

1 Accounting policies (Continued)

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 CGU 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 CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs 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 CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs 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 Group 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

1 Accounting policies (Continued)

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 operates a Restricted Share Awards Plan. Under this plan, the Company may grant ad hoc nominal value or nil cost options which vest at specified dates up to 7 years from grant. Performance conditions may be applied to awards. As an equity-settled scheme, a charge is recognised over the vesting period and may be reversed to the extent that any non-market based performance conditions are not met. In January 2012, the Group modified certain outstanding share options and replaced them with restricted shares on a 3:1 basis.

A number of individuals were granted restricted shares in the current and prior periods.

Long Term Incentive Plan ("LTIP"), Deferred Share Incentive Plan ("DSIP"), Short Term Incentive Plan ("STIP") and Management Incentive Plan ("MIP")

The Group currently operates the LTIP and DSIP. In previous years, the STIP and MIP were used but these were replaced by DSIP in the financial year ended 30 April 2014.

- The LTIP entitles recipients to share options and restricted share rewards based on meeting the Group and individual performance criteria over a three-year period.
- The DSIP provides for one-third of any annual incentive payment (determined under the Annual Cash Incentive Plan) to be paid in deferred shares. Any such deferred element granted under the DSIP will vest 50% after one year and 50% after two years from the date of grant. Clawback provisions are included and dividends accrue on vested DSIP awards.
- The previous STIP and MIP structures had both cash and share elements. The cash element was two-thirds of the award; the remaining one-third was paid in deferred shares.

The fair value of the LTIP, DSIP and the share-based elements of the STIP and MIP are calculated under IFRS 2 share-based payment. The cash elements of the STIP and the MIP were fixed in value and paid in the year the award was made, with no option on the part of the recipient to choose whether they received cash or shares. Accordingly, these cash payments were classified as a cash bonus in the income statement (rather than a "cash-settled share-based payment") and expensed in the year in which the award was made.

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

The long-term 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 vested 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. All shares granted under the SEIP have now been exercised or have lapsed.

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.

1 Accounting policies (Continued)

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.

Sports revenue represents the commission earned on the Group's betting exchange activities and the margin derived from betting activity on the Group's fixed odds bookmaking product. Commission and margin are recognised on the date the outcome for an event is settled. Open betting liability positions are recognised based on the best estimate of the outflow that will be required to settle the position at the balance sheet date, and losses arising from these positions are recognised in revenue. This gives rise to a derivative financial instrument and is accounted for at fair value through profit and loss, as described in the Financial Instruments section on page 112.

Gaming revenue can either represent the margin derived from betting activity between customers and the Group or, in relation to Poker and Exchange Games, the commission earned from customers.

TVG revenue is derived from US pari-mutuel betting products (Advanced Deposit Wagering and Tote products), representing a percentage of the stake and is recognised on settlement of the event.

Revenue also includes amounts received from the management and investment 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.

Finance income and expense

Finance income comprises interest earned on corporate 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 changes in the fair value of financial assets at fair value through profit or loss and discount unwinding in relation to deferred and contingent consideration.

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 other reserves), 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.

1 Accounting policies (Continued)

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.

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.

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 judgment 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 Executive Committee which monitors the financial and operational performance of the Group and allocates resources within the budgets agreed by the Board.

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 2015 and 2014, all premises leases qualify as operating leases.

Separately disclosed items

Separately disclosed items are those items included within operating profit that 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

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

1 Accounting policies (Continued)

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):

IFRS 9 "Financial Instruments"

IFRS 14 "Regulatory Deferral Accounts"

IFRS 15 "Revenue from Contracts with Customers"

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.

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

Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates, judgments 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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Estimates

Note 9—Measurement of the recoverable amounts of goodwill and other intangible assets

An impairment review has been performed of all goodwill and intangible assets held by the Group. 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 12—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 18—Measurement of share-based payments

Estimation and judgment 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 award's term, the risk-free interest rate and the expected volatility of the market price of shares of the Group.

Note 23—Determination of fair value of deferred and contingent consideration

Deferred and contingent consideration is initially recognised at fair value and subsequently reassessed at each reporting date to reflect changes in estimates and assumptions. Fair value is determined using an income approach 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.

1 Accounting policies (Continued)

Judgments

Note 1—Basis of consolidation

Judgment 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. 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.

Valuation of tax provisions and liabilities

Judgment and estimation is required to interpret international tax laws and the way that they interact within each jurisdiction, in order to identify and value provisions in relation to gaming taxes as applicable. In addition to gaming taxes, judgment is required in relation to international tax laws including transfer pricing and controlled foreign companies.

Business combinations

Judgment 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.

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:

Betfair excl. US

- Sports
- Gaming
- Management of customer funds
- Betfair US.

The previous reportable segments of Sportsbook and Exchange have been combined into one reportable segment named "Sports". This is to better reflect the way financial information is reviewed by the CODM. Sports now consists of the Exchange sports betting product, Timeform, the Sportsbook and Multiples. The Group has restated the operating segment information for the year ended 30 April 2014 accordingly.

Gaming consists of various Casino products and bespoke Exchange games products. Tradefair Spreads and Poker are also classified within Gaming. All of these gaming activities are played by customers in a number of geographical areas.

Sports and Gaming meet the quantitative thresholds required by IFRS 8 as reportable segments. While the revenue from the Management of customer funds does not meet these requirements, this segment is separately disclosed as it is monitored by the CODM.

The Group's US operations (including the TVG Network) meet the quantitative threshold to be disclosed separately.

The results of the Australian joint venture (up to the date of disposal) were consolidated in the Group accounts on an equity accounting basis. As such only the Group's share of gains and losses are presented in the operating segment note below.

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

2 Operating segments (Continued)

readily 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 Betfair excl. US and the Betfair US operating segment. The analysis of EBITDA is summarised below.

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

- UK
- Rest of World.

The majority of the Group's non-current assets are located in the UK and the US, representing 44% and 45% of total non-current assets respectively (30 April 2014: UK 71% and US 12%).

Segmental information for the years ended 30 April 2015 and 30 April 2014 is as follows:

Year ended 30 April 2015

	Sports	Gaming	Management of customer funds	Betfair excl. US	Betfair US	Group
	£m	£m	£m	£m	£m	£m
Revenue	328.0	88.5	1.2	**417.7**	58.8	**476.5**
EBITDA				**115.4**	4.8	**120.2**
Depreciation and amortisation						**(25.9)**
Net finance income						**0.4**
Profit on disposal of joint venture						**6.4**
Share of profit of equity accounted investments						**0.1**
Profit before tax						**101.2**
Tax						**(14.8)**
Profit for the year						**86.4**
Total assets						**232.0**
Total liabilities						**182.6**

Year ended 30 April 2014

	Sports	Gaming	Management of customer funds	Betfair excl. US	Betfair US	Group
	£m	£m	£m	£m	£m	£m
Revenue	280.5	66.2	1.2	**347.9**	45.7	**393.6**
EBITDA				**89.1**	2.0	**91.1**
Depreciation and amortisation						**(29.5)**
Net finance income						**0.7**
Share of loss of equity accounted investments						**(1.2)**
Profit before tax						**61.1**
Tax						**(10.1)**
Profit for the year						**51.0**
Total assets						**309.5**
Total liabilities						**138.1**

2 Operating segments (Continued)

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

Year ended 30 April 2015

	UK Sustainable	Rest of World Sustainable	Total Sustainable	Rest of World Other	Group
	£m	£m	£m	£m	£m
Betfair excl. US	315.5	14.2	**329.7**	88.0	**417.7**
Betfair US	—	58.8	**58.8**	—	**58.8**
Total Group revenue	**315.5**	**73.0**	**388.5**	**88.0**	**476.5**

Year ended 30 April 2014

	UK Sustainable	Rest of World Sustainable	Total Sustainable	Rest of World Other	Group
	£m	£m	£m	£m	£m
Betfair excl. US	246.4	14.0	**260.4**	87.5	**347.9**
Betfair US	—	45.7	**45.7**	—	**45.7**
Total Group revenue	**246.4**	**59.7**	**306.1**	**87.5**	**393.6**

Revenue derived from customers located in Ireland and Gibraltar is classified within UK.

3 Profit before tax

Profit before tax is stated after charging:

	Note	2015	2014
		£m	£m
Equity-settled share-based payments and associated costs	18	**10.4**	7.3
Depreciation of property, plant and equipment	8	**8.2**	12.1
Amortisation of capitalised development costs	9	**11.7**	10.2
Amortisation of other intangibles	9	**6.0**	7.2
Rentals payable under operating leases		**5.5**	5.7
Research and non-capitalised development costs		**44.8**	44.4

Auditors' remuneration:

	2015	2014
	£m	£m
Fees payable to the Company's auditor for the audit of these financial statements	**0.1**	0.1
Fees payable to the Company's auditor and its associates for other services:		
Audit of financial statements of subsidiaries pursuant to legislation	**0.5**	0.5
Other services pursuant to legislation—review of interim financial statements	**0.1**	0.1
Tax services	**0.4**	0.4
Total	1.1	1.1

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.

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:

	2015	2014
	No	No
Technology	**748**	687
Sales and marketing	**388**	333
Operations	**588**	535
G&A	**177**	184
Total	**1,901**	**1,739**

The aggregate payroll costs of these persons were as follows:

	Note	2015	2014
		£m	£m
Wages and salaries		**84.2**	80.6
Social security costs		**10.5**	10.3
Redundancy costs		**1.3**	3.0
Equity-settled share-based payments and associated costs	18	**10.4**	7.3
Pension costs		**2.0**	1.9
Total		**108.4**	**103.1**

Details on the remuneration of Directors are set out in the Directors' Remuneration Report on pages 52 to 72.

5 Finance income and expense

Recognised in income statement

	2015	2014
	£m	£m
Finance income		
Bank interest receivable	**1.1**	1.1
Total	**1.1**	**1.1**

	2015	2014
	£m	£m
Finance expense		
Foreign exchange loss	**0.3**	0.4
Unwinding of discount on deferred and contingent consideration	**0.4**	—
Total	**0.7**	0.4

6 Tax

Recognised in the income statement

	2015 £m	2014 £m
Current tax		
UK—current year	**8.1**	5.8
UK—adjustments in respect of prior periods	**0.3**	(0.9)
Overseas—current year	**6.4**	4.1
Overseas—adjustments in respect of prior periods	**(0.1)**	—
Current tax expense	**14.7**	9.0
Deferred tax		
Origination and reversal of temporary differences	**0.1**	0.7
Tax rate reduction	**—**	0.4
Deferred tax	**0.1**	1.1
Total tax expense	**14.8**	10.1

Reconciliation of effective tax rate

	2015 £m	2014 £m
Profit before tax	**101.2**	61.1
Total tax expense	**(14.8)**	(10.1)
Profit for the year	**86.4**	51.0
Tax using the UK corporation tax rate of 20.9% (2014: 22.8%)	**21.2**	13.9
Effect of tax rates in foreign jurisdictions	**(9.3)**	(5.5)
Non-deductible expenses	**1.0**	5.6
Tax rate reduction	**—**	0.4
Current year income statement charge/(credit) for which no deferred tax asset was recognised	**3.7**	(2.5)
Adjustments in respect of prior periods	**(1.8)**	(1.8)
Total tax expense	**14.8**	10.1

Tax recognised directly in equity

	2015 £m	2014 £m
Other deferred tax in relation to equity-settled share-based payments	**0.4**	(0.1)
Deferred tax	**0.4**	(0.1)
Current tax in relation to equity-settled share-based payments	**0.5**	0.3
Total tax	**0.9**	0.2

The Group's consolidated effective tax rate for the year was 14.6% (30 April 2014: 16.5%).

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantially enacted on 2 July 2013. Any deferred tax assets and liabilities at 30 April 2015 have been calculated at 20%.

7 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 30 April 2015 was based on the profit attributable to ordinary shareholders of £86.4m (30 April 2014: £51.0m) and a weighted average number of

7 Earnings per share (Continued)

ordinary shares outstanding of 100,573,899 (30 April 2014: 103,975,695). The weighted average number of shares has been adjusted for amounts held by the Group's EBT.

	2015	2014
Profit for the year (£m)	**86.4**	51.0
Weighted average number of shares	**100,573,899**	103,975,695
Basic earnings per share	**85.9p**	49.0p
Diluted earnings per share	**83.7p**	48.1p

All earnings in the current year relate to continuing operations.

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 April 2015 was based on the profit attributable to ordinary shareholders of £86.4m (30 April 2014: £51.0m) and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 103,167,618 (30 April 2014: 106,019,686).

Profit used to determine diluted earnings per share

	2015	2014
	£m	£m
Profit used to determine diluted earnings per share	**86.4**	51.0

Weighted average number of shares (diluted)

	2015	2014
Weighted average number of ordinary shares (basic)	**100,573,899**	103,975,695
Effect of share options on issue	**2,593,719**	2,043,991
Weighted average number of ordinary shares (diluted)	**103,167,618**	106,019,686

The average market value of the Company's shares of £13.92 (30 April 2014: £9.89) was used to calculate the dilutive effect of share options based on the market value for the year that the options were outstanding.

8 Property, plant and equipment

	Freehold land and buildings	Leasehold improvements	Computer equipment	Equipment, fixtures and fittings	Total
	£m	£m	£m	£m	£m
Cost					
At 1 May 2013	0.8	14.0	90.3	9.2	**114.3**
Additions	—	0.4	2.7	5.4	**8.5**
Disposals	—	—	(1.0)	(0.3)	**(1.3)**
Net foreign exchange differences	—	(0.2)	(0.4)	(0.5)	**(1.1)**
At 30 April 2014	0.8	14.2	91.6	13.8	**120.4**
Additions	—	0.6	4.7	1.0	**6.3**
Disposals	—	(0.1)	(0.8)	(0.1)	**(1.0)**
Net foreign exchange differences	—	0.1	0.5	0.7	**1.3**
At 30 April 2015	**0.8**	**14.8**	**96.0**	**15.4**	**127.0**
Depreciation					
At 1 May 2013	0.1	8.5	79.0	6.1	**93.7**
Depreciation for the year	—	1.6	9.3	1.2	**12.1**
Disposals	—	—	(0.9)	(0.1)	**(1.0)**
Net foreign exchange differences	—	(0.1)	(0.6)	(0.4)	**(1.1)**
At 30 April 2014	0.1	10.0	86.8	6.8	**103.7**
Depreciation for the year	—	1.5	4.5	2.2	**8.2**
Disposals	—	—	(0.8)	(0.1)	**(0.9)**
Net foreign exchange differences	—	0.1	0.7	0.4	**1.2**
At 30 April 2015	**0.1**	**11.6**	**91.2**	**9.3**	**112.2**
Net book value					
At 30 April 2014	0.7	4.2	4.8	7.0	**16.7**
At 30 April 2015	**0.7**	**3.2**	**4.8**	**6.1**	**14.8**

9 Goodwill and other intangible assets

	Goodwill	Computer software	Licences	Development expenditure	Brand	Customer lists	Broadcasting and wagering rights	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
At 1 May 2013	55.8	34.5	1.6	118.8	2.1	9.4	0.9	**223.1**
Other acquisitions—internally developed	—	—	—	7.4	—	—	—	**7.4**
Other acquisitions—externally purchased	—	1.0	0.6	4.9	—	—	—	**6.5**
Net foreign exchange differences	(2.8)	—	(0.1)	(0.3)	(0.2)	(0.3)	(0.1)	**(3.8)**
At 30 April 2014	53.0	35.5	2.1	130.8	1.9	9.1	0.8	**233.2**
Acquired through business combinations	4.3	—	—	—	0.4	—	31.3	**36.0**
Other acquisitions—internally developed	—	—	—	6.6	—	—	—	**6.6**
Other acquisitions— externally purchased	—	0.8	1.8	4.3	—	—	—	**6.9**
Net foreign exchange differences	2.7	(0.1)	0.2	0.3	0.2	0.4	0.1	**3.8**
At 30 April 2015	**60.0**	**36.2**	**4.1**	**142.0**	**2.5**	**9.5**	**32.2**	**286.5**
Amortisation								
At 1 May 2013	35.3	26.6	1.5	97.8	2.1	4.4	0.8	**168.5**
Amortisation for the year	—	3.7	0.7	10.2	—	2.7	0.1	**17.4**
Net foreign exchange differences	(1.2)	—	(0.1)	—	(0.2)	(0.4)	(0.1)	**(2.0)**
At 30 April 2014	**34.1**	**30.3**	**2.1**	**108.0**	**1.9**	**6.7**	**0.8**	**183.9**
Amortisation for the year	—	2.6	—	11.7	0.1	2.4	0.9	**17.7**
Net foreign exchange differences	0.8	(0.1)	0.2	0.1	0.2	0.4	0.1	**1.7**
At 30 April 2015	**34.9**	**32.8**	**2.3**	**119.8**	**2.2**	**9.5**	**1.8**	**203.3**
Net book value								
At 30 April 2014	18.9	5.2	—	22.8	—	2.4	—	**49.3**
At 30 April 2015	**25.1**	**3.4**	**1.8**	**22.2**	**0.3**	**—**	**30.4**	**83.2**

Computer software represents software licences which have been purchased from suppliers. Licences represent bookmaking and gaming 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 brought forward intangibles represent assets purchased as part of the TVG Network acquisition (being brand, customer lists and broadcasting and wagering rights) and the customer database purchased as part of the Blue Square Bet acquisition in March 2013. These are amortised over their estimated useful economic lives, which fall between two to six years, and are now all fully amortised.

The assets acquired through business combinations represent the identifiable intangible assets acquired from The Stronach Group as part of the HRTV acquisition. Other than goodwill these assets are amortised over their estimated useful economic lives which fall between two and seven years.

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

9 Goodwill and other intangible assets (Continued)

Goodwill

At 30 April 2015, the carrying amount of goodwill, after the impairment review, was £25.1m (30 April 2014: £18.9m) allocated across one (30 April 2014: one) CGU as follows:

	2015	2014
	£m	£m
CGU		
TVG	**25.1**	18.9
Total goodwill net book value at 30 April	**25.1**	**18.9**

All goodwill is recorded in local currency. Additions 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

Goodwill

Goodwill is tested annually for impairment at each reporting date by comparing the carrying amounts of these assets with their recoverable amounts. Where the recoverable amount exceeds the carrying amount of the assets, the assets are considered as not impaired.

No impairment charges were incurred in the year ended 30 April 2015 (30 April 2014: £nil). The TVG CGU is comprised of the assets and operations of the TVG Network and newly acquired HRTV network, which are included in the Group's Betfair US operating segment as disclosed in note 2. Additional information regarding the acquisition is included in note 23.

Testing is carried out by allocating the carrying value of these assets to the CGU and determining the recoverable amount of this CGU through a value in use calculation. 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, which are subject to Board approval, form the basis of the cash flow projections for the CGU. Cash flow projections for the next four financial years reflect management's expectations of the medium-term operating performance of the CGU and growth prospects in the CGU's markets and regions, and have been modelled in line with historic patterns experienced by the Group in recent years, where relevant. Growth rates used do not exceed expectations of long-term growth in the local market.

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 CGU is an amount in excess of the "value in use". The discount rate is estimated by the Group using a range of equity costs for similar companies and external market data, with samples chosen where applicable from the same markets or territories as the CGU.

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 as the calculation of the recoverable amount of TVG goodwill is sensitive to future developments in US horseracing. The 2016 revenue figures for the CGU are based on the budget for the next financial year. For the years 2017 to 2020, the likely organic growth rates were assessed for each region in the CGU, taking account of past experience, growth prospects in regions and historic player patterns. The terminal growth rate used was nil% (30 April 2014: nil%). Management considers the assumed growth rate to be conservative.

9 Goodwill and other intangible assets (Continued)

(ii) Discount rate applied

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

For the TVG CGU, a pre-tax discount rate of 11.0% (30 April 2014: 12.5%) has been used in discounting the projected cash flows.

As discussed on page 20, the TVG business performed positively during the financial year. As a result, there are no reasonable changes in the key assumptions that would cause the carrying amount of the CGU to exceed the recoverable amount.

10 Investments in subsidiaries and joint arrangements

On 12 August 2014, the Group completed the sale of its 50% share in its joint venture, Betfair Australasia Pty Limited, for consideration of A$10.0m (£5.5m). The shareholder loan owed by the joint venture, which amounted to A$11.7m (£6.5m), was also repaid to the Group. Until the date of disposal, in accordance with IAS 28, the Group's interest in the joint venture was accounted for using the equity method with the share of profit for the period reported on the face of the income statement.

The interest in the Group's joint ventures is as follows:

	2015	2014
	£m	£m
Share of net assets/(liabilities)		
At the beginning of the year	**(1.2)**	(0.3)
Share of operating profit/(loss)	**—**	(1.4)
Share of interest receivable	**0.1**	0.2
Foreign exchange differences	**(0.1)**	0.3
Eliminated on disposal	**1.3**	—
At the end of the year	**0.1**	(1.2)
Goodwill		
At the beginning of the year	**0.4**	0.4
Eliminated on disposal	**(0.4)**	—
At the end of the year	**—**	**0.4**

	2015	2014
	£m	£m
Loan		
At the beginning of the year	**6.3**	7.8
Foreign exchange differences	**0.2**	(1.5)
Repayment of loan	**(6.5)**	—
At the end of the year	**—**	6.3
Net book value		
At 30 April 2014	**5.5**	7.9
At 30 April 2015	**0.1**	5.5

The Group's profit on disposal of joint venture was calculated as follows:

	£m
Sale proceeds	**5.5**
Add share of net liabilities at disposal	**1.3**
Less goodwill at disposal	**(0.4)**
Profit on disposal of joint venture	**6.4**

10 Investments in subsidiaries and joint arrangements (Continued)

The table below presents the summary aggregated financial information of Betfair Australasia Pty Limited at 100% for the year ended 30 April 2014.

	2014
	£m
Current assets	10.5
Non-current assets	5.3
Total liabilities	(9.8)
Revenue	30.9
Expenses	(31.4)

The Group and Company have the following principal holdings in subsidiaries and investments:

	Country of origin	Principal activity	Classification	Ordinary shares held %
The Sporting Exchange Limited	England	Holding company	Subsidiary	100
Betfair Limited	England	Support services	Subsidiary	100
The Sporting Exchange (Clients) Limited	England	Trust operator	Subsidiary	100
Timeform Limited	England	Publisher	Subsidiary	100
TSE Global Limited	England	Support services	Subsidiary	100
TSE Development Limited	England	Intellectual property licensor	Subsidiary	100
TSE Holdings Limited	England	Holding company	Subsidiary	100
TSE (International) Ltd	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	Investment and holding company	Subsidiary	100
Winslow Four	Cayman Islands	Investment and holding company	Subsidiary	100
TSE (Gibraltar) LP	Gibraltar	Online sports betting	Subsidiary	100
TSE Data Processing Limited	Ireland	Data centre and support services	Subsidiary	100
Polco Limited	Malta	Intellectual property licensor and online sports betting	Subsidiary	100
Betfair Games Limited	Malta	Online gaming	Subsidiary	100
Betfair Casino Limited	Malta	Online gaming	Subsidiary	100
Betfair Counterparty Services Limited	Malta	Online sports betting	Subsidiary	100
Betfair Entertainment Limited	Malta	Online gaming	Subsidiary	100
Betfair International Plc	Malta	Online sports betting and gaming	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 Italia S.R.L.	Italy	Online sports betting and gaming	Subsidiary	100
TSE Development Romania S.R.L.	Romania	R&D activities	Subsidiary	100
TSE Services Limited	Gibraltar	Support services	Subsidiary	100
TSE Marketing España, SL	Spain	Marketing activities	Subsidiary	100
The Rebate Company LLC	USA	Online gaming	Subsidiary	100
TSE US Holdings LLC	USA	Holding company	Subsidiary	100
TSE US LLC	USA	R&D activities	Subsidiary	100
ODS Holding LLC	USA	Holding company	Subsidiary	100

10 Investments in subsidiaries and joint arrangements (Continued)

	Country of origin	Principal activity	Classification	Ordinary shares held %
ODS Technologies LP	USA	Online gaming	Subsidiary	100
Trackside Live Productions, LLC	USA	Online gaming	Subsidiary	100
ODS Properties, Inc.	USA	Property holding company	Subsidiary	100
Betfair Interactive US LLC	USA	Online gaming	Subsidiary	100
HRTV, LLC	USA	Online gaming	Subsidiary	100
HRTV Holdco LLC	USA	Holding company	Subsidiary	100
TSED Unipessoal LDA	Portugal	R&D activities	Subsidiary	100
Tradefair Spreads Limited*	England	Spread betting services	Subsidiary	99.75
London Multi Asset Exchange (Holdings) Limited*	England	Holding company	Subsidiary	99.75
LMAX Limited	England	Trading	Investment	31.4

* Non-controlling interest of 0.25% exists in relation to Tradefair Spreads Limited and London Multi Asset Exchange (Holdings) Limited.

The value of this non-controlling interest was less than £0.1m at 30 April 2015 and 30 April 2014.

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.

11 Available-for-sale financial assets

At 30 April 2015 and 2014, the available-for-sale financial assets comprised the Group's 6.7% non-controlling interest in Featurespace Limited (£0.1m) and non-controlling interest in LMAX Limited of 31.4% (£1.2m). The Group does not have significant influence over the operations and decision making of LMAX Limited and does not have any representation on the board. The Group's holding in LMAX Limited decreased from 33% to 31.4% on 5 March 2014 as a result of new share issues by LMAX Limited. The Group's holding in Featurespace Limited decreased from 9.9% to 6.7% on 9 June 2014 as a result of new share issues by Featurespace Limited.

	2015	2014
	£m	£m
At 1 May	**1.3**	1.3
At 30 April	**1.3**	1.3

12 Deferred tax assets and liabilities

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

	Assets		Liabilities		Total	
	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	**5.4**	5.8	**—**	—	**5.4**	5.8
Intangible assets	**—**	—	**(4.1)**	(4.1)	**(4.1)**	(4.1)
Equity-settled share-based payments and associated costs	**1.8**	1.0	**—**	—	**1.8**	1.0
Losses	**0.2**	—	**—**	—	**0.2**	—
Other	**0.9**	1.2	**—**	—	**0.9**	1.2
Deferred tax assets/(liabilities)	**8.3**	8.0	**(4.1)**	(4.1)	**4.2**	3.9

12 Deferred tax assets and liabilities (Continued)

The Group has unrecognised deferred tax assets in respect of losses of £13.2m (30 April 2014: £8.9m), unrecognised deferred tax assets in respect of depreciation in excess of capital allowances of £0.7m (30 April 2014: £0.8m) and unrecognised deferred tax assets in respect of share-based payments of £nil (30 April 2014: £0.6m).

These have not been recognised on the basis that there is insufficient certainty of there being future taxable profits in the relevant jurisdictions.

Movements in deferred tax are as follows:

	Property, plant and equipment	Intangible assets	Share-based payments	Tax value of loss carry-forwards	Other	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 May 2013	6.3	(4.3)	1.2	—	1.9	5.1
Recognised in income statement	(0.5)	0.2	(0.1)	—	(0.7)	(1.1)
Recognised in equity	—	—	(0.1)	—	—	(0.1)
Balance at 30 April 2014	5.8	(4.1)	1.0	—	1.2	3.9
Recognised in income statement	(0.4)	—	0.4	0.2	(0.3)	(0.1)
Recognised in equity	—	—	0.4	—	—	0.4
Balance at 30 April 2015	**5.4**	**(4.1)**	**1.8**	**0.2**	**0.9**	**4.2**

13 Trade and other receivables

	2015	2014
	£m	£m
Trade receivables	**3.6**	2.2
Other receivables	**5.1**	5.4
Prepayments	**14.6**	15.4
Total	**23.3**	23.0

14 Cash and cash equivalents

	2015	2014
	£m	£m
Cash and cash equivalents	**105.1**	209.8

The above cash and cash equivalents include £12.9m (30 April 2014: £9.0m) of customer funds that are not held on trust in The Sporting Exchange (Clients) Limited in accordance with local regulations. These customer funds that are not held on trust are matched by liabilities of an equal value as disclosed in note 15. The cash and cash equivalents also include an additional £0.7m of restricted cash relating to the Group's financial guarantees (30 April 2014: £0.9m).

As at 30 April 2015, £280.6m (30 April 2014: £269.0m) was held on trust in The Sporting Exchange (Clients) Limited, on behalf of the Group's customers and is equal to the amounts deposited into customer accounts.

15 Trade and other payables

	2015	2014
	£m	£m
Trade payables	**8.6**	8.1
Other payables	**31.0**	21.2
Amounts owed to joint ventures	**—**	2.1
Accruals and other taxation	**88.5**	80.4
Total current	**128.1**	111.8

15 Trade and other payables (Continued)

Included in other payables at 30 April 2015 is an amount of £12.9m (30 April 2014: £9.0m) in respect of amounts due to customers, representing deposits received and customer winnings which are not held on trust. This is offset by an equivalent amount of customer funds held, which is included in cash and cash equivalents as disclosed in note 14.

The non-current trade and other payables are as follows:

	2015	2014
	£m	£m
Other payables	**19.5**	—
Total non-current	**19.5**	—

The non-current trade and other payables relate to the deferred and contingent consideration payable to The Stronach Group that will be settled more than 12 months after the reporting date.

16 Provisions

	Redundancy provision	Onerous contracts	Gaming tax	Total
	£m	£m	£m	£m
Balance at 1 May 2013	9.7	1.9	—	11.6
Utilised in the year	(9.7)	(1.6)	—	(11.3)
Reclassification from non-current*	—	0.9	—	0.9
Current provisions 30 April 2014	**—**	**1.2**	**—**	**1.2**
Additions in the year	—	—	4.1	4.1
Utilised in the year	—	(0.5)	—	(0.5)
Reclassification from non-current*	—	0.3	—	0.3
Current provisions 30 April 2015	**—**	**1.0**	**4.1**	**5.1**
Balance at 1 May 2013	—	1.6	—	1.6
Reclassification to current*	—	(0.9)	—	(0.9)
Non-current provisions 30 April 2014	**—**	**0.7**	**—**	**0.7**
Reclassification to current*	—	(0.3)	—	(0.3)
Non-current provisions 30 April 2015	**—**	**0.4**	**—**	**0.4**

* Non-current provisions reflect contractual obligations that will be settled more than 12 months after the reporting date. During the year, £0.3m (30 April 2014: £0.9m) has been reclassified from non-current provisions to current provisions.

Onerous contracts relate to provisions made in relation to operating leases for premises that were vacated during the year ended 30 April 2013 as part of the restructuring.

Gaming tax provisions relate to amounts provided for taxes in certain jurisdictions where the interpretation of tax legislation is uncertain.

17 Equity

Share capital

	Note	Ordinary shares 2015	Ordinary shares 2014
		No.	No.
As at 1 May		**104,988,330**	104,221,610
Issued by the Group in relation to:			
Exercised share options and restricted shares		**790,464**	704,426
Impact of share consolidation	25	**(13,210,903)**	—
Exercised SAYE options		**35,360**	62,294
Total fully paid, ordinary shares of £0.00095 (2014: £0.001) each as at 30 April		**92,603,251**	104,988,330

	2015	2014
	£m	£m
Allotted, called up and fully paid		
92,603,251 ordinary shares of £0.00095 (30 April 2014: £0.001) each (30 April 2014: 104,988,330)	**0.1**	0.1

During the year, the Group received consideration of £5.4m (30 April 2014: £2.2m) for the exercise of 790,464 (30 April 2014: 704,426) share options and restricted shares and £0.2m (30 April 2014: £0.3m) for the exercise of 35,360 (30 April 2014: 62,294) SAYE options, resulting in total consideration from the issue of shares of £5.6m (30 April 2014: £2.5m).

Exercise prices ranged from £0.001 to £10.00.

The Employee Benefit Trust held 429,471 ordinary shares in the Company as at 30 April 2015 (30 April 2014: 1,515,096).

The total fully diluted shares as at 30 April 2015 was 96,544,683 (30 April 2014: 109,136,657).

Other reserves

Other reserves mainly comprise 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.

18 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, Deferred Share Incentive Plan, Short Term Incentive Plan and Management Incentive Plan

(e) Senior Executives' Incentive Plan

(f) Stakeholder award scheme.

As at 30 April 2015, 3,941,432 share options and restricted shares (30 April 2014: 4,148,327) in the capital of the Group remain outstanding and are exercisable up to 30 April 2025.

18 Share-based payments (Continued)

In accordance with IFRS 2, the total expense recognised in respect of these schemes was £9.2m (excluding Employers' National Insurance costs) for the year ended 30 April 2015 (30 April 2014: £6.5m). Employers' National Insurance costs amount to £1.2m (30 April 2014: £0.8m).

The fair value of the options (Share option plans and SAYE share option schemes) is determined using the Black-Scholes option pricing model. 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.

(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 10 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 2014	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2015	Exercise price	Exercisable before
						£	
2005	**70,303**	—	**(34,183)**	**(36,120)**	**—**	2.17–4.50	2015
2006	**175,061**	—	**(9,063)**	**(149,336)**	**16,662**	4.50	2016
2007	**534,488**	—	**(107,439)**	**(424,686)**	**2,363**	0.001–10.00	2017
2008	**36,275**	—	**(5,275)**	**(28,000)**	**3,000**	0.001–10.00	2018
2009	**5,000**	—	**(2,000)**	**(3,000)**	**—**	0.001–10.00	2019
2010	**10,000**	—	**(10,000)**	**—**	**—**	0.001–10.00	2020
2011	**6,129**	—	**(2,726)**	**(403)**	**3,000**	0.001–10.00	2021
2012	**24,195**	—	**(9,195)**	**(15,000)**	**—**	0.001–8.71	2022
	861,451	—	**(179,881)**	**(656,545)**	**25,025**		

25,025 options were exercisable under this scheme as at 30 April 2015 (30 April 2014: 855,014).

The weighted average exercise price for share options exercised during the year is £7.94 (30 April 2014: £4.77) at a weighted average share price at the date of exercise of £11.74 (30 April 2014: £9.51).

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 the above options:

Share price at date of grant	£0.40–£10.00
Exercise price	£0.001–£10.00
Expected volatility	32.51%–62.71%
Expected term until exercised	1–5 years
Expected dividend yield	Nil–0.8%
Risk-free interest rate	0.35%–5.79%

There were no options granted under the share options plan during the year ended 30 April 2015 (30 April 2014: none).

No expense was incurred in the year ended 30 April 2015 (30 April 2014: £nil).

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

The Group operates an 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 £500 (30 April 2014:

18 Share-based payments (Continued)

£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% 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. In line with market practice, the exercise of these options is not subject to any performance conditions.

Financial year granted	Outstanding at 1 May 2014	Granted during the year	Lapsed/ Cancelled during the year	Exercised during the year	Outstanding at 30 April 2015	Exercise price	Exercisable before
						£	
2012	**271,395**	**—**	**(16,955)**	**(247,977)**	**6,463**	5.68	2016
2014	**210,350**	**—**	**(50,162)**	**(7,323)**	**152,865**	8.17	2018
2015	**—**	**473,081**	**(23,120)**	**—**	**449,961**	9.08	2019
	481,745	**473,081**	**(90,237)**	**(255,300)**	**609,289**		

The weighted average exercise price for share options exercised during the year is £5.75 (30 April 2014: £5.96) at a weighted average share price at the date of exercise of £12.85 (30 April 2014: £9.93).

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 the above options:

	2015	2010–2014
Share price at date of grant	**£13.51**	£2.71–£10.13
Exercise price	**£9.08**	£2.17–£8.17
Expected volatility	**30.67%**	33.36%–54.40%
Expected term until exercised	**3.25 years**	3.25 years
Expected dividend yield	**1.48%**	Nil–1.29%
Risk-free interest rate	**0.89%**	0.84%–5.08%

There were 473,081 SAYE options granted during the year ended 30 April 2015 (30 April 2014: 231,173). The weighted average fair value of the options granted in the year ended 30 April 2015 was £5.43.

The expense recognised in the income statement (excluding Employers' National Insurance costs) was £0.6m (30 April 2014: £0.4m).

(c) Restricted share scheme

The Group provided a restricted shares scheme as part of its bonus plan until 2010. In 2011, the bonus plan was revised with the introduction of the Long Term Incentive Plan, Deferred Share Incentive Plan, Short Term Incentive Plan and Management Incentive Plan. Refer to note 18(d).

Awards made under the terms of the restricted shares scheme plan prior to 2010 have vested.

In January 2012, the Group modified certain outstanding share options and replaced them with restricted shares on a 3:1 basis. These were expensed over the remaining vesting period of the originally granted share options.

18 Share-based payments (Continued)

A number of individuals were granted restricted shares in the current and prior periods. These have a range of vesting periods of up to three years.

	Outstanding at 1 May 2014	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2015	Exercise price	Exercisable before
						£	
2009	**15,903**	**—**	**(4,488)**	**(11,415)**	**—**	0.001	2014
2012	**30,550**	**—**	**(3,750)**	**(14,836)**	**11,964**	0.001	2017
2013	**247,859**	**—**	**(14,525)**	**(116,667)**	**116,667**	0.001	2018
2014	**63,894**	**—**	**—**	**(5,417)**	**58,477**	0.001	2019
2015	**—**	**70,029**	**—**	**(10,000)**	**60,029**	0.001	2020
	358,206	**70,029**	**(22,763)**	**(158,335)**	**247,137**		

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 (30 April 2014: £0.001) at a weighted average share price at the date of exercise of £10.32 (30 April 2014: £9.94).

The total expense recognised in the income statement related to the restricted shares (excluding Employers' National Insurance costs) was £0.9m (30 April 2014: £1.4m).

The Employers' National Insurance costs amounted to £0.1m (30 April 2014: £0.2m).

(d) Long Term Incentive Plan, Deferred Share Incentive Plan, Short Term Incentive Plan and Management Incentive Plan

The following shares were introduced to incentivise and reward for the successful delivery of the short-term and long-term business strategy:

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; and

Deferred Share Incentive Plan ("**DSIP**") 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 2014	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2015	Exercise price £	Exercisable before
2010	**1,570**	**—**	**—**	**(1,570)**	**—**	0.001	2020
2011	**2,223**	**—**	**(324)**	**(1,899)**	**—**	0.001	2021
2012	**55,181**	**—**	**(400)**	**(50,663)**	**4,118**	0.001–8.56	2022
2013	**1,033,934**	**—**	**(92,062)**	**(46,395)**	**895,477**	0.001	2023
2014	**1,192,280**	**6,565**	**(218,540)**	**(83,839)**	**896,466**	0.001	2024
2015	**—**	**1,286,636**	**(31,956)**	**(4,469)**	**1,250,211**	0.001	2025
	2,285,188	**1,293,201**	**(343,282)**	**(188,835)**	**3,046,272**		

The weighted average exercise price for share options exercised during the year was £0.87 (30 April 2014: £0.001) at a weighted average share price at the date of exercise of £11.61 (30 April 2014: £9.71).

The fair value of the share options in the LTIP scheme is expensed over the three-year period that the options vest. No grants were awarded in the current year which included option elements. The following

18 Share-based payments (Continued)

assumptions were used in the Black-Scholes pricing model for options granted in the year ended 30 April 2012

Financial year options granted	2012
Share price at date of grant	£8.56
Exercise price	£8.56
Expected volatility	43.91%
Expected term until exercised	4 years
Expected dividend yield	Nil
Risk-free interest rate	1.97%

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 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" 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, DSIP, STIP and MIP are measured consistently with the treatment of other restricted shares. The restricted shares in the LTIP scheme vest at the end of the third year. The STIP, MIP and DSIP restricted shares vest over the second and third year of the scheme.

An expense of £7.7m for the options and restricted shares has been recognised (excluding Employers' National Insurance costs) which is management's best estimate of the charge in respect of these awards for the current year (30 April 2014: £4.7m). The removal of the TSR metric for certain options, as discussed in the Directors Remuneration Report, has not resulted in a modification under IFRS 2. The cash element of the scheme has been included in the bonus cash pool for the performance year ended 30 April 2015. The Employers' National Insurance costs amounted to £1.1m (30 April 2014: £0.6m).

(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 being 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, and 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 vested 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 other restricted shares.

No expense was incurred in the year ended 30 April 2015 (30 April 2014: £nil).

Scheme year	Outstanding at 1 May 2014	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2015	Exercise price £	Exercisable before
2011	**126,516**	**—**	**—**	**(126,516)**	**—**	0.001	2021

The weighted average exercise price for share options exercised during the year was £0.001 (30 April 2014: £0.001) at a weighted average share price at the date of exercise of £10.29 (30 April 2014: £9.30).

(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

18 Share-based payments (Continued)

convertible into shares upon vest date and they are measured consistently with the treatment of other 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).

No expense was incurred in the year ended 30 April 2015 (30 April 2014: £nil).

Scheme year	Outstanding at 1 May 2014	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2015	Exercise price £	Exercisable before
2011	**35,221**	**—**	**(1,805)**	**(19,707)**	**13,709**	0.001	2020

The weighted average exercise price for share options exercised during the year was £0.001 (30 April 2014: £0.001) at a weighted average share price at the date of exercise of £14.06 (30 April 2014: £9.39).

19 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 £2.0m (30 April 2014: £1.9m).

20 Financial instruments

The carrying value of the Group's financial instruments by category, together with their fair values, is analysed as follows:

	Note	Carrying value 2015	Fair value 2015	Carrying value 2014	Fair value 2014
		£m	£m	£m	£m
Financial assets					
Available-for-sale financial assets					
Available-for-sale financial assets	11	**1.3**	**1.3**	1.3	1.3
Loans and receivables					
Trade and other receivables	13	**8.7**	**8.7**	7.6	7.6
Cash and cash equivalents	14	**105.1**	**105.1**	209.8	209.8
Financial liabilities					
Fair value through the income statement					
Derivative financial liability	20(b)	**(0.2)**	**(0.2)**	(0.1)	(0.1)
Deferred and contingent consideration	20(b)	**(20.5)**	**(20.5)**	—	—
Liabilities at amortised cost					
Trade and other payables	15	**(38.6)**	**(38.6)**	(29.3)	(29.3)
Amounts owed to joint ventures	15	**—**	**—**	(2.1)	(2.1)
Net financial assets		**55.8**	**55.8**	187.2	187.2

(a) Fair values of financial instruments

Available-for-sale financial assets

The fair value of available-for-sale financial assets is valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1.

20 Financial instruments (Continued)

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 if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents approximates to book value due to its short-term maturity.

Trade and other payables and amounts owed to joint ventures

The fair value of trade and other payables and amounts owed to joint ventures 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 Group's own markets on relevant sporting events. The fair value calculation also includes the impact of any Exchange hedging activities in relation to these open positions.

Deferred and contingent consideration

The fair value of deferred and contingent consideration is estimated using the present value of acquired future cash flows discounted at the market rate of interest at the reporting date. The fair value is subsequently reassessed at each reporting date to reflect changes in estimates and assumptions.

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy:

	Note	Total 2015	Level 1 2015	Level 2 2015	Level 3 2015
		£m	£m	£m	£m
Available-for-sale financial assets	11	**1.3**	**—**	**1.3**	**—**
Deferred and contingent consideration		**(20.5)**	**—**	**—**	**(20.5)**
Fair value of open bets		**(0.2)**	**—**	**(0.2)**	**—**
Net position		**(19.4)**	**—**	**1.1**	**(20.5)**

	Note	Total 2014	Level 1 2014	Level 2 2014	Level 3 2014
		£m	£m	£m	£m
Available-for-sale financial assets	11	1.3	—	1.3	—
Fair value of open bets		(0.1)	—	(0.1)	—
Net position		1.2	—	1.2	—

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.

The fair value of open bet liabilities is classified as level 2 in the hierarchy using observable inputs other than quoted prices. The principal assumptions within the open bet liabilities valuation relate to anticipated

20 Financial instruments (Continued)

gross win margins on unsettled bets with the fair value determined by future sporting results. The fair value of deferred and contingent consideration is classified as level 3 in the hierarchy using some inputs not based on observable market data. The principal assumptions within the deferred and contingent consideration valuation relate to future net operating cash flows, the associated time period of these cash flows, the discount rate applied and the anticipated growth rate.

(b) 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.

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 is summarised in the table below:

		Carrying amount	
	Note	2015	2014
		£m	£m
Non-derivative financial liabilities			
Trade and other payables	15	**38.6**	29.3
Amounts owed to joint ventures	15	**—**	2.1
Derivative financial liabilities			
Fair value of open bets (within Accruals)		**0.2**	0.1
Deferred and contingent consideration (within Other payables)		**20.5**	—
Total		**59.3**	31.5

20 Financial instruments (Continued)

The maturity analysis of the financial liabilities is as follows:

30 April 2015

	0–30 days	31–60 days	61–90 days	> 91 days	Total
	£m	£m	£m	£m	£m
Trade and other payables	37.1	1.2	0.1	0.2	**38.6**
Fair value of open bets	0.2	—	—	—	**0.2**
Deferred and contingent consideration	—	—	—	20.5	**20.5**

30 April 2014

	0–30 days	31–60 days	61–90 days	> 91 days	Total
	£m	£m	£m	£m	£m
Trade and other payables	28.0	0.7	0.1	0.5	**29.3**
Fair value of open bets	0.1	—	—	—	**0.1**
Amounts owed to joint ventures	2.1	—	—	—	**2.1**

The undiscounted amounts payable under the deferred and contingent consideration total £31.1m.

Market risk

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.

Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than Pounds Sterling (GBP). The currencies in which these transactions primarily are denominated are US Dollars (USD), Euros (EUR) and Australian Dollars (AUD).

The Group does not normally hedge against these sales and purchases. However, the Group monitors all foreign currency exposures and where appropriate may undertake currency hedging 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 2015

	GBP	EUR	USD	AUD	Other	Total
	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	78.2	12.0	13.4	0.9	0.6	105.1
Trade payables	(4.5)	(3.2)	(0.5)	—	(0.4)	(8.6)
Balance sheet exposure	**73.7**	**8.8**	**12.9**	**0.9**	**0.2**	**96.5**

20 Financial instruments (Continued)

30 April 2014

	GBP	EUR	USD	AUD	Other	Total
	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	180.9	14.1	11.9	2.0	0.9	209.8
Trade payables	(6.7)	(1.2)	(0.1)	—	(0.1)	(8.1)
Balance sheet exposure	**174.2**	**12.9**	**11.8**	**2.0**	**0.8**	**201.7**

Sensitivity analysis

A 15.0% weakening of Pounds Sterling against the following currencies 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	
	2015	2014	2015	2014
	£m	£m	£m	£m
Foreign currency				
EUR	**1.2**	1.2	**0.4**	0.9
USD	**2.2**	1.9	**0.1**	0.2
AUD	**—**	—	**0.2**	0.4

A 15.0% strengthening of Pounds Sterling against the following currencies at 30 April 2015 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.

Interest rate risk

The Group has no bank loans and therefore is not exposed to interest rate risk on its liabilities. At the balance sheet date the Group's interest-bearing financial assets equated to cash and cash equivalents, all of which are held in variable rate instruments.

Sensitivity analysis

An increase of 100 and a decrease of 100 basis points in interest rates at the balance sheet date would have increased/(decreased) profit by the amounts shown below. The rationale behind the 1.0% sensitivity analysis is that interest rates in the UK have been low due to the economic climate and any increase or decrease greater than 1.0% 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.

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. The analysis is performed on the same basis for 2014 amounts.

	2015	2014
	£m	£m
Profit or loss		
Increase	**1.6**	1.9
Decrease	**(1.1)**	(1.1)

20 Financial instruments (Continued)

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.

As of 30 April 2015, the trade receivables balance was £3.6m (30 April 2014: £2.2m) of which £3.2m is current and £0.4m is past due.

An amount of £0.1m (30 April 2014: £0.3m) of the gross trade receivable balance has been provided for.

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 £113.8m (30 April 2014: £217.4m) being the total of the carrying amount of the financial assets excluding equity investments, shown in note 20(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 17.

The Group regularly monitors capital on the basis of gross cash (defined as cash and cash equivalents) which was £105.1m at 30 April 2015 (30 April 2014: £209.8m). 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 finances its operations through retained earnings and the management of working capital and has sufficient capital for its needs. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As discussed in the Chairman's Statement on page 5, the Board targets a progressive and sustainable dividend and considers the appropriate payout ratio to be approximately 50% of profit after tax in the medium term.

21 Operating leases

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

	2015	2014
	£m	£m
Not later than one year	**6.0**	5.6
Later than one year and not later than five years	**12.6**	12.9
Later than five years	**1.9**	2.3
Total	**20.5**	20.8

Operating lease payments represent rents payable by the Group for office properties. These leases have varying terms, escalation charges and renewal rights.

During the year £5.5m was recognised as an expense in the income statement in respect of operating leases (30 April 2014: £5.7m).

22 Capital commitments

Contracted but not provided for in the financial statements:

	2015 £m	2014 £m
Capital	**0.2**	0.6
Marketing	**10.0**	14.1
Total	**10.2**	14.7

23 Acquisitions during the year

On 17 February 2015 the Group acquired 100% of the equity interests in HRTV LLC, a horseracing television network, from The Stronach Group. As a result of the acquisition, the Group now has long-term television rights to the racecourses owned and operated by The Stronach Group. This strengthens the Group's ability to drive incremental wagering on its advanced wagering platform and is expected to lead to additional advertising and distribution opportunities.

Initial cash consideration of $25.6m was paid by the Group upon acquisition, with estimated future consideration of $47.8m to be transferred over the next seven years. After discounting at 10% the total fair value of consideration at the acquisition date is estimated to be $56.5m, of which $6.3m is dependent on future performance over the next 7 years. There is no maximum cap on the amount payable however there are no reasonable changes in the assumptions used that would result in a material impact.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	2015 £m
Cash paid	**16.6**
Deferred and contingent consideration	**20.1**
Total consideration	**36.7**
Non-current assets (excluding goodwill and other intangible assets)	**0.2**
Identifiable intangible assets	
Broadcasting and wagering rights	**31.3**
Brand	**0.4**
Working capital	**0.5**
Net assets acquired	**32.4**
Goodwill	**4.3**

The main factor leading to the recognition of goodwill is the synergies expected to be generated from the combined television and wagering operations. The Group expects the goodwill recognised on acquisition to be tax deductible in full.

Given the value to the Group lies predominantly in the acquired broadcast and wagering rights and the ability to generate incremental wagering on the existing advanced wagering platform, the post-acquisition revenue and profit and the Group performance assuming the acquisition occurred at the beginning of the year have not been disclosed.

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.

24 Related parties (Continued)

Betfair Pty Limited

During the year, up to the date of disposal, the Group recharged the Australian joint venture, Betfair Pty Limited, the following costs:

operational costs amounting to £2.3m (30 April 2014: £4.6m).

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

operational costs amounting to £1.1m (30 April 2014: £2.9m).

The outstanding balance of loans receivable from the Australian joint venture was fully repaid during the year (balance at 30 April 2014: £6.3m). The balance was not interest bearing.

In addition to the recharges detailed above, the Group collected revenue on behalf of the joint venture and to a lesser extent the Australian joint venture collected revenue on behalf of the Group.

As at 30 April 2014, the Group owed £2.1m to the former Australian joint venture.

Featurespace Limited

During the year the Group was charged £0.1m (30 April 2014: £0.1m) for consultancy services by Featurespace Limited in which the Group has a non-controlling interest.

LMAX Limited

In the year ended 30 April 2014, the Group utilised tax losses amounting to £1.1m that were transferred from LMAX limited, for consideration of £0.3m. This consideration was paid in the year ended 30 April 2015.

Transactions with key management personnel

Key management personnel compensation, including the Group's Directors and Non-Executive Directors, is shown in the table below:

	2015	2014
	£m	£m
Short-term benefits	**5.7**	5.4
Share-based payment expense	**5.4**	4.6
Total	**11.1**	10.0

25 Dividends

	2015	2014
	£m	£m
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 30 April 2014 of 14.0p per qualifying ordinary share (30 April 2013: 9.0p)	14.6	9.3
Interim dividend for the year ended 30 April 2015 of 9.0p per qualifying ordinary share (30 April 2014: 6.0p)	9.5	6.3
Return of capital to shareholders	199.7	—
Total	223.8	15.6

As a result of the return of capital to shareholders, the Group paid an additional £1.0m in relation to stamp duty and fees.

The proposed final dividend for the year ended 30 April 2015 is 25.0 pence per share (30 April 2014: 14.0 pence).

25 Dividends (Continued)

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. The estimated dividend to be paid in respect of this amounts to £23.0m.

Return to shareholders in respect of the financial year ended 30 April 2015

On 4 December 2014 the Company announced its intention, subject to shareholder approval to return approximately £200m to shareholders (the "Return of Cash"). This was implemented by way of a B share scheme followed by a share consolidation (the "Capital Reorganisation"), which offered shareholders the ability to elect to receive proceeds of £1.89 per share as income, capital or a combination of the two.

Each Existing Ordinary Share was sub-divided into one Intermediate Ordinary Share and one B share, and every eight Intermediate Ordinary Shares were immediately sub-divided and consolidated into seven New Ordinary Shares.

Shareholders elected to receive the Return of Cash either as a dividend of £1.89 per B share or as consideration of £1.89 per B share for the purchase of their B shares by Jefferies International Limited ("Jefferies"). Following declaration of the B share dividend, the B shares automatically converted into deferred shares with, in practice, no economic or other rights, to be acquired from shareholders by the Company and subsequently cancelled.

The Capital Reorganisation was implemented on 12 January 2015 following shareholder approval on 9 January 2015. The Existing Ordinary Shares were subdivided into 105,687,224 Intermediate Ordinary Shares and 105,687,224 B shares. The Intermediate Ordinary Shares were then subdivided and consolidated into 92,476,321 New Ordinary Shares of 0.095 pence each.

On 22 January 2015, in accordance with the results of the shareholder elections, Jefferies purchased 34,622,872 B shares for an amount equal to £1.89 per share. On 23 January 2015, the Company declared a B share dividend of £1.89 per B share, and following the declaration of the dividend, all B shares were converted into deferred shares. On 27 January the Company purchased 105,687,224 deferred shares, being all of the deferred shares in issue, to be cancelled in line with previous communication to shareholders.

£1.0m has been transferred back to the Group from the Employee Benefit Trust. This represents the return of capital received by the Employee Benefit Trust in respect of the B shares created out of the ordinary shares held in the Employee Benefit Trust at the time of the return.

26 Contingent liabilities

The Group operates in an uncertain marketplace where many governments are either introducing or contemplating new regulatory or fiscal arrangements.

The Board monitors legal and regulatory developments and their potential impact on the business, however given the lack of a harmonised regulatory environment, the value and timing of any obligations in this regard are subject to a high degree of uncertainty and cannot always be reliably predicted.

COMPANY BALANCE SHEET
AS AT 30 APRIL 2015

	Note	2015	2014
		£m	£m
Fixed assets			
Investments	2	**169.4**	160.2
Current assets			
Debtors	3	**148.6**	201.3
Cash at bank and in hand		**0.1**	0.2
		148.7	201.5
Creditors: Amounts falling due within one year	4	**(21.4)**	(6.5)
Net current assets		**127.3**	195.0
Net assets		**296.7**	355.2
Capital and reserves			
Share capital	5	**0.1**	0.1
Share premium	5	**5.3**	21.9
Profit and loss account	5	**291.3**	333.2
Shareholders' funds		**296.7**	355.2

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 408 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 profit for the financial year ended 30 April 2015 of £151.5m (30 April 2014: £264.8m).

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.

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 FRS 20 Share-based payment charge.

1 Company accounting policies (Continued)

Director and employee remuneration

The Company had no employees other than the Directors during the current or prior year.

The remuneration paid to Directors for services to the Company during the year was paid and accounted for by another entity within the Group. Details of the Directors' remuneration is discussed in the Directors' Remuneration Report on pages 53 to 72.

2 Investments

	Shares in Group undertakings
	£m
Cost	
As at 1 May 2014	**160.2**
Increase in the cost of investment for share-based payments under FRS 20	**9.2**
At 30 April 2015	**169.4**

3 Debtors

	2015	2014
	£m	£m
Amounts owed by fellow Group undertakings	**148.6**	201.3

4 Creditors: amounts falling due within one year

	2015	2014
	£m	£m
Amounts owed to fellow Group undertakings	**21.4**	6.5

5 Reconciliation of movement in capital and reserves

	Share capital	Share premium	Capital redemption reserve	Profit and loss account	Total Parent equity
	£m	£m	£m	£m	£m
Balance at 1 May 2013	0.1	19.4	—	77.5	**97.0**
Total profit for the year	—	—	—	264.8	**264.8**
Issue of shares	—	2.5	—	—	**2.5**
Dividends paid	—	—	—	(15.6)	**(15.6)**
Equity-settled share-based payment transactions	—	—	—	6.5	**6.5**
Balance at 30 April 2014	0.1	21.9	—	333.2	**355.2**
Balance at 1 May 2014	0.1	21.9	—	333.2	**355.2**
Total profit for the year	—	—	—	151.5	**151.5**
Issue of shares	—	5.6	—	—	**5.6**
Share premium cancellation	—	(22.2)	—	22.2	**—**
Dividends paid	—	—	—	(24.1)	**(24.1)**
Return of capital to shareholders, including fees and duty	—	—	—	(200.7)	**(200.7)**
Equity-settled share-based payment transactions	—	—	—	9.2	**9.2**
Balance at 30 April 2015	**0.1**	**5.3**	**—**	**291.3**	**296.7**

5 Reconciliation of movement in capital and reserves (Continued)

Return to shareholders in respect of the financial year ended 30 April 2015

On 4 December 2014 the Company announced its intention, subject to shareholder approval to return approximately £200m to shareholders (the "Return of Cash"). This was implemented by way of a B share scheme followed by a share consolidation (the "Capital Reorganisation"), which offered shareholders the ability to elect to receive proceeds of £1.89 per share as income, capital or a combination of the two.

Each Existing Ordinary Share was sub-divided into one Intermediate Ordinary Share and one B share, and every eight Intermediate Ordinary Shares were immediately sub-divided and consolidated into seven New Ordinary Shares.

Shareholders elected to receive the Return of Cash either as a dividend of £1.89 per B share or as consideration of £1.89 per B share for the purchase of their B shares by Jefferies International Limited ("Jefferies"). Following declaration of the B share dividend, the B shares automatically converted into deferred shares with, in practice, no economic or other rights, to be acquired from shareholders by the Company and subsequently cancelled.

The Capital Reorganisation was implemented on 12 January 2015 following shareholder approval on 9 January 2015. The Existing Ordinary Shares were subdivided into 105,687,224 Intermediate Ordinary Shares and 105,687,224 B shares. The Intermediate Ordinary Shares were then subdivided and consolidated into 92,476,321 New Ordinary Shares of 0.095 pence each.

On 22 January 2015, in accordance with the results of the shareholder elections, Jefferies purchased 34,622,872 B shares for an amount equal to £1.89 per share. On 23 January 2015, the Company declared a B share dividend of £1.89 per B share, and following the declaration of the dividend, all B shares were converted into deferred shares. On 27 January the Company purchased 105,687,224 deferred shares, being all of the deferred shares in issue, to be cancelled in line with previous communication to shareholders.

£1.0m has been transferred back to the Group from the Employee Benefit Trust. This represents the return of capital received by the Employee Benefit Trust in respect of the B shares created out of the ordinary shares held in the Employee Benefit Trust at the time of the return.

FIVE YEAR SUMMARY

£m	2015	2014	2013	2012*	2011*
Revenue	**476.5**	393.6	387.0	388.5	393.3
EBITDA before separately disclosed items	**120.2**	91.1	73.3	86.0	73.3
Separately disclosed items—restructuring and other	**—**	—	(22.1)	(2.5)	(17.0)
EBITDA	**120.2**	91.1	51.2	83.5	56.3
Profit/(loss) before tax	**101.2**	61.1	(49.4)	54.2	26.6
Profit/(loss) for the year	**86.4**	51.0	(66.3)	34.0	23.0

* As reported in previous Annual Reports and not restated for discontinued operation of LMAX.

SECTION B

HISTORICAL FINANCIAL INFORMATION
RELATING TO THE BETFAIR GROUP
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2014

INDEPENDENT AUDITOR'S REPORT 2014 OF BETFAIR GROUP PLC

Opinions and conclusions arising from our audit

1. **Our opinion on the financial statements is unmodified**

We have audited the financial statements of Betfair Group plc for the year ended 30 April 2014 set out on pages 75 to 119. 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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; 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.

2. **Our assessment of risks of material misstatement**

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Revenue recognition (£393.6m)

Refer to page 44 (Report of the Audit Committee), page 86 (Accounting policies) and pages 89 to 91 (financial disclosures).

- The risk—The recognition of commission revenues or revenues from winning and losing bets may be misstated. The appropriate recognition of revenue is dependent on IT systems correctly calculating commission revenues and appropriate wins and losses and client funds and core finance processes and controls accurately reporting on and reconciling these transactions.

  Revenue streams for the vast majority of the Group's products are computed on highly complex IT systems, with a number of different bases for calculating revenue. There are in excess of 1 billion transactions each year, all requiring a correct IT outcome. There is a risk that each system is not configured correctly from the outset such that commissions or winning and losing bets are calculated incorrectly, that the systems do not interface correctly from the customer facing systems through to the financial information systems and that unauthorised changes are made to any of these systems, which may result in the misstatement of revenue.

  The calculation of revenue from the IT systems links directly to the reconciliation of funds between client and corporate accounts and as such client funds must be appropriately managed and safeguarded. There is a risk that commissions or winning and losing bets are not calculated correctly and therefore a risk that the revenue to be transferred from the customer accounts in the ring fenced trust to Betfair corporate accounts could be misstated.

- Our response—Our audit procedures included, among others, the use of IT audit experts throughout the audit process. We critically assessed the design and operating effectiveness of IT controls and tested that the systems are configured appropriately. We traced bets placed on live betting environments from the customer facing systems to the data centre and then from the data centre to the financial information systems to ensure that information is passed appropriately from one system to another. We tested controls over the capture of initial bets, their allocation between different products and their processing through the system to recognition in revenue or in the appropriate customer account. We also tested the configuration of the system which monitors the information transfer between each IT system and evaluated whether it was operating effectively.

  Data on a sample of different types of bets placed by customers in different markets was extracted from the systems. Commission rate calculations were re-performed to assess the completeness and accuracy of commissions and revenues from winning bets.

  We tested controls related to access to programs and data, program change and development and computer operations by evaluating account set-up and termination for users, password restrictions,

access reviews, users with super-user access, program change and development process controls and integration monitoring, and tested whether any unauthorised changes had been made to the system. The overall IT environment was critically assessed, including security policies and procedures, IT organisational structure, strategy and reporting, disaster recovery and back-up testing.

We tested processes and controls over customer account set-up and cash deposits and withdrawals from client accounts. We verify client bank balances to third party information and test the reconciliation of these bank balances to Betfair customers' betting accounts. We have also considered the adequacy of the Group's disclosures in respect of revenue recognition.

Valuation of tax provisions

- The risk—The online gaming regulatory environment is complex and constantly changing. Some markets are highly regulated, while in other markets, online gaming regulation is not yet formed or is unclear. Betfair organises its operations in different jurisdictions in a way which requires the Directors to exercise a level of judgement surrounding the interpretation of international tax laws and the way in which they interact within each jurisdiction. This may result in significant provisions or contingent liabilities for gaming and other indirect taxes in countries where the tax and/or other regulations are not yet formed or are unclear, the volatility of which could have a significant impact on the financial statements, particularly if there is a retrospective element applied to taxes. Where tax regulations are formalised in certain jurisdictions, Betfair must adhere to the operating guidelines within these jurisdictions, such that taxes do not become payable elsewhere, which would result in current tax provisions being understated.

  In addition to gaming taxes, the Directors must make judgements in relation to international income tax laws including transfer pricing and controlled foreign companies.

- Our response—Our audit procedures included, among others, challenging the Directors and the Group's in-house lawyers in order to understand and critically assess the procedures that the Group has in place to comply with regulations in different jurisdictions. We used KPMG's wider understanding of the regulatory markets to challenge the Directors and critically assessed the exposure to taxation. We examined correspondence with regulators during the year and evaluated the Group's taxation position, working with KPMG tax specialists to test gaming taxes, indirect taxes and income taxes. We also assessed whether the Group's disclosures detailing legal proceedings adequately disclose the potential liabilities of the Group and considered the adequacy of the disclosures in respect of tax and uncertain tax positions.

3. **Our application of materiality and an overview of the scope of our audit**

In establishing the overall audit strategy, and performing the audit, materiality for the Group financial statements as a whole was set at £3.5m. This has been calculated with reference to a benchmark of Group profit before tax, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. Materiality represents 6% of Group profit before tax.

We agreed with the Audit Committee to report to it all uncorrected misstatements we identified through our audit with a value in excess of £175,000, for income statement items, in addition to other audit misstatements we believed warranted reporting on qualitative grounds. In addition we considered whether any misstatements corrected by management identified during the course of the audit should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Audits for Group reporting purposes were performed by component auditors in Malta and Australia. The Group audit team performed the audit over Betfair Group, including consolidation type adjustments in the UK, and the Group audit team also performed reviews over Betfair US (TVG) and Betfair Italy.

These Group procedures covered 88% of Group revenue, 92% of Group profit before tax and 82% of Group assets.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to materiality levels set by, or agreed with, the Group audit team.

These materiality levels were set individually for each component at £3.0m.

Detailed instructions were sent to component auditors, which covered the significant areas that should be covered by the audit engagements (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team.

The Group audit team visited the following locations: Malta and Ireland. Telephone meetings were also held with the auditors at these locations and the majority of the other locations that were not physically visited.

4. **Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

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 Strategic Report and 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 38 to 68 of the Annual Report and Accounts 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.

5. **We have nothing to report in respect of the matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Report of the Audit Committee on pages 43 to 45 does not appropriately address matters communicated by us to the Audit Committee.

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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 69, in relation to going concern; and
- the part of the Corporate Governance Statement on page 38 in the Annual Report and Accounts relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 71 , the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and

fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Michael Harper (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square London, E14 5GL
11 June 2014

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2014

	Note	2014 £m	2013 £m
Continuing operations			
Revenue	2	393.6	387.0
Cost of sales		(50.9)	(49.8)
Gross profit		342.7	337.2
Administrative expenses		(281.1)	(406.2)
Group operating profit/(loss)		61.6	(69.0)
Analysed as:			
Underlying EBITDA* (excluding separately disclosed items)	2	91.1	73.3
Separately disclosed items—restructuring and other	5	—	(22.1)
EBITDA*	2	91.1	51.2
Separately disclosed items—impairment of goodwill and other intangible assets	5	—	(82.4)
Depreciation and amortisation		(29.5)	(37.8)
Group operating profit/(loss)		61.6	(69.0)
Profit on disposal of available-for-sale financial asset	6	—	16.8
Finance income	7	1.1	1.4
Finance expense	7	(0.4)	—
Net finance income		0.7	1.4
Share of (loss)/profit of equity accounted investments	12	(1.2)	1.4
Profit/(loss) before tax		61.1	(49.4)
Tax	8	(10.1)	4.2
Profit/(loss) for the year from continuing operations		51.0	(45.2)
Discontinued operations			
Loss for the year/period from discontinued operations, net of tax	27	—	(21.1)
Profit/(loss) for the year		51.0	(66.3)
Attributable to:			
Equity holders of the Company		51.0	(66.3)
Non-controlling interest	12	—	—
Profit/(loss) for the year		51.0	(66.3)
Earnings/(loss) per share from continuing operations			
Basic		49.0p	(44.4)p
Diluted**		48.1p	(44.4)p
Earnings/(loss) per share from continuing and discontinued operations			
Basic	9	49.0p	(65.1)p
Diluted**	9	48.1p	(65.1)p

* EBITDA is defined as Group operating profit before net finance income, tax, impairment, 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. Underlying EBITDA is defined as EBITDA before separately disclosed items.

** Where any potential ordinary shares would have the effect of decreasing a loss per share, they have not been treated as dilutive.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2014

	2014	2013
	£m	£m
Profit/(loss) for the year	51.0	(66.3)
Other comprehensive (expense)/income		
Items that will be reclassified to profit or loss:		
Foreign exchange differences arising on consolidation	(4.0)	1.8
Other comprehensive (expense)/income for the year, net of income tax	(4.0)	1.8
Total comprehensive income/(expense) for the year	47.0	(64.5)
Attributable to:		
Equity holders of the Company	47.0	(64.5)
Non-controlling interest	—	—
Total comprehensive income/(expense) for the year	47.0	(64.5)

CONSOLIDATED BALANCE SHEET AS AT 30 APRIL 2014

	Note	2014	2013
		£m	£m
Assets			
Non-current assets			
Property, plant and equipment	10	16.7	20.6
Goodwill and other intangible assets	11	49.3	54.6
Investments	12	5.5	7.9
Available-for-sale financial assets	13	1.3	1.3
Deferred tax assets	14	3.9	5.1
		76.7	89.5
Current assets			
Trade and other receivables	15	23.0	18.7
Cash and cash equivalents	16	209.8	168.1
		232.8	186.8
Total assets		**309.5**	**276.3**
Liabilities			
Current liabilities			
Trade and other payables	17	111.8	109.6
Tax payable		24.4	21.5
Provisions	18	1.2	11.6
		137.4	142.7
Non-current liabilities			
Provisions	18	0.7	1.6
Total liabilities		**138.1**	**144.3**
Net assets		171.4	132.0
Equity			
Share capital	19	0.1	0.1
Share premium		21.9	19.4
Other reserves		(11.4)	(7.6)
Retained earnings		160.8	120.1
Equity attributable to equity holders of the Company		171.4	132.0
Non-controlling interest	12	—	—
Total equity		**171.4**	**132.0**

These financial statements were approved by the Board of Directors on 11 June 2014 and were signed on its behalf by:

Breon Corcoran
Chief Executive Officer

Alexander Gersh
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2014

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained earnings	Total parent equity	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 May 2012	0.1	12.0	1.0	(10.3)	193.3	196.1	—	196.1
Comprehensive (expense)/income for the year								
Loss for the year	—	—	—	—	(66.3)	(66.3)	—	(66.3)
Other comprehensive income	—	—	—	1.8	—	1.8	—	1.8
Total comprehensive (expense)/income for the year	—	—	—	1.8	(66.3)	(64.5)	—	(64.5)
Transactions with owners, recorded directly in equity								
Issue of shares	—	7.4	—	—	—	7.4	—	7.4
Dividend paid	—	—	—	—	(11.2)	(11.2)	—	(11.2)
Equity-settled share-based payments	—	—	—	—	7.5	7.5	—	7.5
Purchase of own shares by the EBT*	—	—	—	—	(3.2)	(3.2)	—	(3.2)
Tax on equity-settled share-based payments	—	—	(0.1)	—	—	(0.1)	—	(0.1)
Total transactions with owners	—	7.4	(0.1)	—	(6.9)	0.4	—	0.4
Balance at 30 April 2013	0.1	19.4	0.9	(8.5)	120.1	132.0	—	132.0
Balance at 1 May 2013	0.1	19.4	0.9	(8.5)	120.1	132.0	—	132.0
Comprehensive income/(expense) for the year								
Profit for the year	—	—	—	—	51.0	51.0	—	51.0
Other comprehensive expense	—	—	—	(4.0)	—	(4.0)	—	(4.0)
Total comprehensive income/(expense) for the year	—	—	—	(4.0)	51.0	47.0	—	47.0
Transactions with owners, recorded directly in equity								
Issue of shares	—	2.5	—	—	—	2.5	—	2.5
Dividend paid	—	—	—	—	(15.6)	(15.6)	—	(15.6)
Equity-settled share-based payments	—	—	—	—	6.5	6.5	—	6.5
Sale of own shares by the EBT*	—	—	—	—	1.7	1.7	—	1.7
Purchase of own shares by the EBT*	—	—	—	—	(2.9)	(2.9)	—	(2.9)
Tax on equity-settled share-based payments	—	—	0.2	—	—	0.2	—	0.2
Total transactions with owners	—	2.5	0.2	—	(10.3)	(7.6)	—	(7.6)
Balance at 30 April 2014	0.1	21.9	1.1	(12.5)	160.8	171.4	—	171.4

* Employee Benefit Trust is defined as EBT.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 APRIL 2014

	Note	2014	2013
		£m	£m
Cash flows from operating activities			
Profit/(loss) for the year		51.0	(66.3)
Adjustments for:			
Depreciation and amortisation	10, 11	29.5	40.1
Equity-settled share-based payments and associated costs	20	7.3	9.3
Profit on disposal of available-for-sale financial asset	6	—	(16.8)
Loss on disposal of subsidiary undertakings	27	—	5.3
Impairment loss in respect of goodwill and other assets	10, 11	—	90.1
Share of loss/(profit) of equity accounted investments	12	1.2	(1.4)
Net finance income	7	(0.7)	(1.5)
Tax	8, 27	10.1	(3.8)
Increase in trade and other receivables		(4.4)	(1.1)
Increase in trade and other payables		2.4	20.7
(Decrease)/increase in provisions	18	(11.3)	13.2
Cash generated from operations		85.1	87.8
Tax paid		(5.6)	(4.7)
Net cash flows generated from operating activities		79.5	83.1
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(8.5)	(7.2)
Acquisition of other intangible assets	11	(6.5)	(12.0)
Capitalised internal development expenditure	11	(7.4)	(18.9)
Disposal of discontinued operation, net of cash disposed	27	—	(24.5)
Disposal of available-for-sale financial assets	13	—	18.8
Finance income received		0.9	0.9
Net cash flows used in investing activities		(21.5)	(42.9)
Cash flows from financing activities			
Proceeds from the issue of share capital	19	2.5	7.4
Dividends paid	26	(15.6)	(11.2)
Purchase of own shares by the EBT		(2.9)	(3.2)
Sale of own shares by the EBT		1.7	—
Net cash flows used in financing activities		(14.3)	(7.0)
Net increase in cash and cash equivalents		43.7	33.2
Cash and cash equivalents at the beginning of the year	16	168.1	135.4
Effect of exchange rate fluctuations on cash held		(2.0)	(0.5)
Cash and cash equivalents at year end	16	209.8	168.1

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)

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 2014 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 2014 were authorised for issue in accordance with a resolution of the Directors on 11 June 2014.

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 116 to 118.

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. 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 69.

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 million, except where otherwise stated.

Changes in accounting policy

The Group has adopted the following accounting policies, standards, interpretations and amendments to existing standards during the year ended 30 April 2014:

IFRS 13 'Fair Value Measurement'

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments: Disclosures'. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013.

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items

1. Accounting policies (Continued)

that may be reclassified to profit or loss in the future from those that would never be so reclassified. Comparative information has been re-presented accordingly. The adoption of the Amendments to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

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 2014 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 as well as assessing whether 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. 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 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 to align them with the policies adopted by the Group when necessary.

(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.

1. Accounting policies (Continued)

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, Pounds 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.

Foreign operations continued

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 the 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.

1. Accounting policies (Continued)

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	1.22	1.19
US Dollar	1.68	1.60
Australian Dollar	1.82	1.74
Romanian Lei	5.41	5.30

Discontinued operations

Results in relation to discontinued operations are disclosed as a single amount on the face of the consolidated income statement comprising the total post-tax loss of the subsidiary disposed of. The comparative periods in the income statement are stated in the same way.

Restructuring costs

A restructuring cost is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation to those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a restructuring cost includes only the direct expenditure arising from the restructuring, which are those amounts that are both necessarily incurred by the restructuring and not associated with the ongoing activities of the entity.

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 re-measured 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.

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.

1. Accounting policies (Continued)

(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 the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

(iii) Other

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

(iv) Derivative financial instruments

The Group holds derivative financial instruments in relation to open betting liability positions arising as a result of open positions at the reporting date.

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 through 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 or from retained earnings.

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 year. Diluted EPS is determined by

1. Accounting policies (Continued)

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

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

(ii) Depreciation

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

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

Freehold buildings—50 years

Leasehold improvements—Over the term of the lease or the useful economic life of the asset, if shorter

Plant and machinery—10 years

Equipment, fixtures and fittings—3 to 5 years

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

Goodwill and other intangible assets

(i) Goodwill

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

Goodwill and other intangible assets continued

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.

1. Accounting policies (Continued)

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (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 as an expense in the income statement, as incurred.

(iii) Research and development

Expenditure on research activities is recognised as an expense in the income statement, as 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—2 to 4 years

Development expenditure—3 years

Brand—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 CGU 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 CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs 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 CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs 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 Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further

1. Accounting policies (Continued)

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.

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.

In January 2012, the Group modified certain outstanding share options and replaced them with restricted shares on a 3:1 basis.

A number of individuals were granted restricted shares in the current and prior periods.

Long Term Incentive Plan ('LTIP'), Deferred Share Incentive Plan ('DSIP'), Short Term Incentive Plan ('STIP') and Management Incentive Plan ('MIP')

The Group currently operates the LTIP and DSIP. In previous years, the STIP and MIP were used but these were replaced by DSIP in the financial year ended 30 April 2014.

The LTIP entitles recipients to share options and restricted share rewards based on meeting the Group and individual performance criteria over a three year period.

The DSIP provides for one-third of any annual incentive payment (determined under the Annual Cash Incentive Plan) to be paid in deferred shares. Any such deferred element granted under the DSIP will vest 50% after 1 year and 50% after 2 years from the date of grant. Clawback provisions are included and dividends accrue on vested DSIP awards.

1. Accounting policies (Continued)

The previous STIP and MIP structures had both cash and share elements. The cash element was two-thirds of the award; the remaining one-third was paid in deferred shares.

The fair value of the LTIP, DSIP and the share-based elements of the STIP and MIP are calculated under IFRS 2 share-based payment. The cash elements of the STIP and the MIP were fixed in value and paid in the year the award was made, with no option on the part of the recipient to choose whether they receive cash or shares. Accordingly, these cash payments were classified as a cash bonus in the income statement (rather than a 'cash settled share-based payment') and expensed in the year in which the award was made.

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

The long-term 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 vested 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.

Exchange revenue arises from the Group's betting exchange activities. A commission is earned on each transaction and is recognised on the date the market for an event is settled.

Sportsbook revenue represents the margin derived from betting activity on the Group's fixed odds bookmaking product. Open betting liability positions are recognised based on the best estimate of the outflow that will be required to settle the position at the balance sheet date, and losses arising from these positions are recognised in revenue. This gives rise to a derivative financial instrument and is accounted for at fair value through profit and loss, as described in the Financial Instruments section on page 109.

Gaming revenue can either represent the margin derived from betting activity between customers and the Group or, in relation to Poker and Exchange Games, the commission earned from customers.

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

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

1. Accounting policies (Continued)

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.

Finance income and expense

Finance income comprises interest earned on corporate 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 changes in the fair value of financial assets at fair value through profit or loss.

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 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

1. Accounting policies (Continued)

may involve a series of judgements 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 Executive Committee who monitors the financial and operational performance of the Group and allocates resources within the budgets agreed by the Board.

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 2014 and 2013, all premises leases qualify as operating leases.

Separately disclosed items

Separately disclosed items are those items included within operating profit that 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.

The separate reporting of these items, which are disclosed 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 estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Estimates

Note 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

An impairment review has been performed of all goodwill and intangible assets held by the Group. The impairment review is performed on a 'value in use' basis, which requires estimation of future net operating

1. Accounting policies (Continued)

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 20—Measurement of share-based payments

Estimation and judgement 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 award's term, the risk-free interest rate and the expected volatility of the market price of shares of 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.

Note 5—Separately disclosed items

Judgement has been used by management to identify items that are material in size and unusual or infrequent in nature. Separately disclosed items are those items included within operating profit that 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.

Valuation of tax provisions

Judgement and estimation is required to interpret international tax laws and the way that they interact within each jurisdiction, in order to identify and value provisions in relation to gaming taxes as applicable. In addition to gaming taxes, judgement is required in relation to international tax laws including transfer pricing and controlled foreign companies.

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):

- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 14 'Regulatory Deferral Accounts'

1. Accounting policies (Continued)

- revision to IAS 27 'Separate Financial Statements'
- revision to IAS 28 'Investments in Associates and Joint Ventures'
- amendments to IFRS 10, IFRS 11 and IFRS 12, 'Consolidated Financial Statements', 'Joint Arrangements' and 'Disclosure of Interests in Other Entities: Transition Guidance'
- amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities'
- amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'
- amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'
- amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'.

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.

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.

Following the disposal of LMAX in the year ended 30 April 2013, the segment previously disclosed as Other Investments now only comprises Betfair US.

As a result, management considers that it is more appropriate to provide segmental disclosures as follows:

- Betfair excl. US
- Exchange
- Sportsbook
- Gaming
- Management of customer funds
- Betfair US.

Exchange consists of the Exchange sports betting product and includes Timeform. Sportsbook (previously described as Sports) consists of the Sportsbook product and Multiples. Gaming consists of various Casino products and bespoke Exchange games products. Tradefair Spreads and Poker are also classified within Gaming. All of these gaming activities are played by customers in a number of geographical areas.

Exchange and Gaming meet the quantitative thresholds required by IFRS 8 as reportable segments. While Sportsbook and revenue from the Management of customer funds do not meet these requirements, these segments are separately disclosed as they are closely monitored by the CODM.

Betfair US (including the TVG Network) meets the quantitative threshold to be disclosed separately.

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 £15.4m (30 April 2013: £18.0m) and decreased EBITDA by £0.1m (30 April 2013: increase of £2.1m).

The revenue from Exchange, Sportsbook, Gaming and the Management of customer funds represents the developed and integrated parts of the Group's business and has been grouped together as Betfair excl. US.

2 Operating segments (Continued)

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 Betfair excl. US and Betfair US 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. This information is analysed below on the following basis:

- UK
- Rest of World.

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

Segmental information for the years ended 30 April 2014 and 30 April 2013 is as follows:

Year ended 30 April 2014

	Exchange	Sportsbook	Gaming	Management of customer funds	Betfair excl. US	Betfair US	Group
	£m	£m	£m	£m	£m	£m	£m
Revenue	244.3	36.2	66.2	1.2	347.9	45.7	393.6
Underlying EBITDA					89.1	2.0	91.1
Separately disclosed items—restructuring and other					—	—	—
EBITDA					89.1	2.0	91.1
Depreciation and amortisation							(29.5)
Net finance income							0.7
Share of loss of equity accounted investments							(1.2)
Profit before tax							61.1
Tax							(10.1)
Profit after tax							51.0
Total assets							309.5
Total liabilities							138.1

2 Operating segments (Continued)

Year ended 30 April 2013

	Exchange	Sportsbook	Gaming	Management of customer funds	Betfair excl. US	Betfair US	Group
	£m	£m	£m	£m	£m	£m	£m
Revenue	247.5	24.1	75.9	1.5	349.0	38.0	387.0
Underlying EBITDA					70.4	2.9	73.3
Separately disclosed items—restructuring and other					(21.9)	(0.2)	(22.1)
EBITDA					48.5	2.7	51.2
Depreciation and amortisation							(37.8)
Separately disclosed items—impairment							(82.4)
Profit on disposal of available-for-sale financial asset							16.8
Net finance income							1.4
Share of profit of equity accounted investments							1.4
Profit before tax							(49.4)
Tax							4.2
Loss for the period from discontinued operations							(21.1)
Loss after tax and discontinued operations							(66.3)
Total assets							276.3
Total liabilities							144.3

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

Year ended 30 April 2014

	UK Sustainable	Rest of World Sustainable	Total Sustainable	Rest of World Other	Group
	£m	£m	£m	£m	£m
Betfair excl. US	246.4	14.0	260.4	87.5	347.9
Betfair US	—	45.7	45.7	—	45.7
Total Group revenue	246.4	59.7	306.1	87.5	393.6

Year ended 30 April 2013

	UK Sustainable	Rest of World Sustainable	Total Sustainable	Rest of World Other	Group
	£m	£m	£m	£m	£m
Betfair excl. US	228.6	13.4	242.0	107.0	349.0
Betfair US	—	38.0	38.0	—	38.0
Total Group revenue	228.6	51.4	280.0	107.0	387.0

In prior years, revenue was recorded and disclosed on a registration basis. The CODM believes it is more reliable to assess the performance of the Group's operations by analysing revenue on a residency basis following regulatory changes in a number of jurisdictions. Comparatives for the year ended 30 April 2013 have therefore been restated accordingly. Revenue derived from customers located in Ireland is classified within UK.

3 Profit/(loss) before tax

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

	2014	2013
	£m	£m
Equity-settled share-based payments and associated costs	7.3	9.3
Depreciation of property, plant and equipment	12.1	17.0
Amortisation of capitalised development costs	10.2	15.6
Amortisation of other intangibles	7.2	7.5
Rentals payable under operating leases	5.7	8.7
Research and non-capitalised development costs	44.4	51.0

Auditors' remuneration:

	2014	2013
	£m	£m
Fees payable to the Company's auditor for the audit of these financial statements	0.1	0.1
Fees payable to the Company's auditor and its associates for other services:		
Audit of financial statements of subsidiaries pursuant to legislation	0.5	0.5
Other services pursuant to legislation—review of interim financial statements	0.1	0.1
Other services pursuant to legislation—profit estimate procedures	—	0.1
Tax services	0.4	0.1
Transaction advisory	—	0.1
Total	1.1	1.0

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.

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:

	2014	2013
	No.	No.
Technology	750	911
Sales and marketing	339	363
Operations	428	446
G&A	222	346
Total	1,739	2,066

The prior year employee numbers include the average number of persons of 71 employed by the Group's discontinued operation LMAX. The categories above disclosing the average number of persons employed has been amended to reflect the new operating structure of the Group. Prior year numbers have been disclosed in a manner consistent with this revised structure.

4 Employee numbers and costs (Continued)

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£m	£m
Wages and salaries	80.6	104.7
Social security costs	10.3	10.8
Redundancy costs	3.0	—
Equity-settled share-based payments and associated costs (note 20)	7.3	9.3
Pension costs	1.9	2.4
Total	103.1	127.2

The prior year numbers include the aggregate payroll costs of £5.5m in relation to the Group's discontinued operation LMAX.

Redundancy costs for the year ended 30 April 2013 of £15.9m were classified as "Separately disclosed items—restructuring and other" as they related to a major restructuring initiative and were therefore not disclosed in the aggregate payroll costs above.

Details on the remuneration of Directors are set out in the Directors' Remuneration Report on pages 50 to 67.

5 Separately disclosed items

Separately disclosed items are those items included within operating profit that 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.

Restructuring and other

	2014	2013
	£m	£m
Restructuring costs	—	19.4
Costs incurred on corporate projects	—	2.7
Total	—	22.1

During the year ended 30 April 2013, the Group incurred costs of £19.4m, which related to restructuring and cost optimisation initiatives (see note 18), and £2.7m in relation to professional fees resulting from the rejected takeover approach by CVC and partners.

Impairment of goodwill and other intangible assets

	2014	2013
	£m	£m
Impairment of goodwill and other intangible assets	—	82.4

As at 30 April 2013, following the announcement of the Group's strategic priorities during the first six months of that financial year, management undertook a review of the carrying value of all intangible assets, including goodwill and capitalised development expenditure. As a result of this review, an impairment charge of £82.4m was recorded in the income statement (see note 11).

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

	2014	2013
	£m	£m
Profit on sale of investment	—	16.8

On 20 November 2012 the Group sold its shares held in Kabam for $30m (£18.8m) (see note 13).

7 Finance income and expense

Recognised in income statement

	2014	2013
	£m	£m
Finance income		
Bank interest receivable	1.1	1.1
Foreign exchange gain	—	0.3
Total	1.1	1.4

	2014	2013
	£m	£m
Finance expense		
Foreign exchange loss	0.4	—
Total	0.4	—

8 Tax

Recognised in the income statement

	2014	2013
	£m	£m
Current tax		
UK—current year	5.8	4.1
UK—adjustments in respect of prior periods	(0.9)	(0.6)
Overseas—current year	4.1	0.9
Overseas—adjustments in respect of prior periods	—	(0.2)
Current tax expense	9.0	4.2
Deferred tax		
Origination and reversal of temporary differences	0.7	(8.2)
Tax rate reduction	0.4	(0.2)
Deferred tax	1.1	(8.4)
Total tax expense/(credit)	10.1	(4.2)

Reconciliation of effective tax rate

	2014	2013
	£m	£m
Profit/(loss) before tax	61.1	(49.4)
Total tax (expense)/credit	(10.1)	4.2
Profit/(loss) for the year	51.0	(45.2)
Tax using the UK corporation tax rate of 22.8% (2013: 23.9%)	13.9	(11.8)
Effect of tax rates in foreign jurisdictions	(5.5)	(0.9)
Non-deductible expenses	5.6	15.5
Tax rate reduction	0.4	0.2
Current year income statement (credit)/charge for which no deferred tax asset was recognised	(2.5)	1.0
Adjustments in respect of prior periods	(1.8)	(0.6)
Group relief claimed for no payment	—	(3.6)
Tax exempt revenues	—	(4.0)
Total tax expense/(credit)	10.1	(4.2)

8 Tax (Continued)

Tax recognised directly in equity

	2014 £m	2013 £m
Other deferred tax in relation to equity-settled share-based payments	(0.1)	(0.9)
Deferred tax	(0.1)	(0.9)
Current tax in relation to equity-settled share-based payments	0.3	0.8
Total tax	0.2	(0.1)

The Group's consolidated effective tax rate for the year was 16.5% (30 April 2013: 8.5%).

The tax effect of separately disclosed items and impairment in the year amounted to £nil (30 April 2013: tax credit of £10.4m).

The 2013 Budget on 25 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012, and further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 30 April 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

9 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 30 April 2014 was based on the profit attributable to ordinary shareholders of £51.0m (30 April 2013: loss of £66.3m) and a weighted average number of ordinary shares outstanding of 103,975,695 (30 April 2013: 101,854,246). The weighted average number of shares has been adjusted for amounts held by the Group's EBT.

	2014	2013
Profit/(loss) for the year (£m)	51.0	(66.3)
Weighted average number of shares	103,975,695	101,854,246
Basic earnings/(loss) per share*	49.0p	(65.1)p
Diluted earnings/(loss) per share*	48.1p	(65.1)p

* The loss per share calculations in the prior year include the results of the discontinued operations.

Please see page 75 for the disclosure of basic and diluted earnings per share for the continuing operations of the Group for the year ended 30 April 2013. All earnings in the current year relate to continuing operations.

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 April 2014 was based on the profit attributable to ordinary shareholders of £51.0m (30 April 2013: loss of £66.3m) and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 106,019,686 (30 April 2013: 103,378,698).

As any potential ordinary shares would have the effect of decreasing the loss per share for the year ended 30 April 2013, they have not been treated as dilutive.

9 Earnings per share (Continued)

Profit/(loss) used to determine diluted earnings/(loss) per share

	2014	2013
	£m	£m
Profit/(loss) used to determine diluted earnings/(loss) per share	51.0	(66.3)

Weighted average number of shares (diluted)

	2014	2013
Weighted average number of ordinary shares (basic)	103,975,695	101,854,246
Effect of share options on issue	2,043,991	1,524,452
Weighted average number of ordinary shares (diluted)	106,019,686	103,378,698

The average market value of the Company's shares of £9.89 (2013: £7.33) 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	Leasehold improvements	Computer equipment	Equipment, fixtures and fittings	Total
	£m	£m	£m	£m	£m
Cost					
At 1 May 2012	0.8	13.0	90.1	9.0	112.9
Additions	—	2.2	4.2	0.8	7.2
Disposals	—	(0.9)	(0.2)	(0.6)	(1.7)
Derecognised on disposal of subsidiary	—	(0.4)	(4.4)	(0.1)	(4.9)
Net foreign exchange differences	—	0.1	0.6	0.1	0.8
At 30 April 2013	0.8	14.0	90.3	9.2	114.3
Additions	—	0.4	2.7	5.4	8.5
Disposals	—	—	(1.0)	(0.3)	(1.3)
Net foreign exchange differences	—	(0.2)	(0.4)	(0.5)	(1.1)
At 30 April 2014	0.8	14.2	91.6	13.8	120.4
Depreciation					
At 1 May 2012	0.1	5.2	69.4	4.5	79.2
Depreciation for the year	—	2.5	12.7	1.8	17.0
Impairment	—	1.9	1.3	0.1	3.3
Disposals	—	(0.8)	(0.2)	(0.2)	(1.2)
Derecognised on disposal of subsidiary	—	(0.4)	(4.4)	(0.1)	(4.9)
Net foreign exchange differences	—	0.1	0.2	—	0.3
At 30 April 2013	0.1	8.5	79.0	6.1	93.7
Depreciation for the year	—	1.6	9.3	1.2	12.1
Disposals	—	—	(0.9)	(0.1)	(1.0)
Net foreign exchange differences	—	(0.1)	(0.6)	(0.4)	(1.1)
At 30 April 2014	0.1	10.0	86.8	6.8	103.7
Net book value					
At 30 April 2013	0.7	5.5	11.3	3.1	20.6
At 30 April 2014	0.7	4.2	4.8	7.0	16.7

In the year ended 30 April 2013, additions totalling £1.3m and depreciation totalling £0.4m was recognised in respect of discontinued operations (see note 27). Except for £1.8m of leasehold improvements, the impairment relates solely to the assets of the discontinued operation.

11 Goodwill and other intangible assets

	Goodwill	Computer software	Licences	Development expenditure	Brand	Customer lists	Broadcasting and wagering technologies	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
At 1 May 2012	54.0	31.0	1.6	110.5	2.0	3.9	0.9	203.9
Other acquisitions—internally developed	—	—	—	18.9	—	—	—	18.9
Other acquisitions—externally purchased	—	3.5	—	3.2	—	5.3	—	12.0
Disposals	—	(0.1)	—	—	—	—	—	(0.1)
Derecognised on disposal of subsidiary	—	—	—	(13.9)	—	—	—	(13.9)
Net foreign exchange differences	1.8	0.1	—	0.1	0.1	0.2	—	2.3
At 30 April 2013	55.8	34.5	1.6	118.8	2.1	9.4	0.9	223.1
Other acquisitions—internally developed	—	—	—	7.4	—	—	—	7.4
Other acquisitions—externally purchased	—	1.0	0.6	4.9	—	—	—	6.5
Net foreign exchange differences	(2.8)	—	(0.1)	(0.3)	(0.2)	(0.3)	(0.1)	(3.8)
At 30 April 2014	53.0	35.5	2.1	130.8	1.9	9.1	0.8	233.2
Amortisation								
At 1 May 2012	—	15.2	1.3	49.1	2.0	3.2	0.7	71.5
Amortisation for the year	—	6.4	0.1	15.6	—	1.0	—	23.1
Impairment	34.6	5.1	—	47.0	—	—	0.1	86.8
Disposals	—	(0.1)	—	—	—	—	—	(0.1)
Derecognised on disposal of subsidiary	—	—	—	(13.9)	—	—	—	(13.9)
Net foreign exchange differences	0.7	—	0.1	—	0.1	0.2	—	1.1
At 30 April 2013	35.3	26.6	1.5	97.8	2.1	4.4	0.8	168.5
Amortisation for the year	—	3.7	0.7	10.2	—	2.7	0.1	17.4
Net foreign exchange differences	(1.2)	—	(0.1)	—	(0.2)	(0.4)	(0.1)	(2.0)
At 30 April 2014	34.1	30.3	2.1	108.0	1.9	6.7	0.8	183.9
Net book value								
At 30 April 2013	20.5	7.9	0.1	21.0	—	5.0	0.1	54.6
At 30 April 2014	18.9	5.2	—	22.8	—	2.4	—	49.3

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) and the customer database purchased as part of the Blue Square Bet acquisition in March 2013. 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.

11 Goodwill and other intangible assets (Continued)

In the year ended 30 April 2013, the Group capitalised development expenditure amounting to £1.5m, incurred amortisation of £1.9m and impaired assets amounting to £6.2m in respect of the discontinued operations.

Goodwill

At 30 April 2014, the carrying amount of goodwill, after the impairment review, was £18.9m (2013: £20.5m) allocated across one (2013: one) CGU as follows:

	2014	2013
	£m	£m
CGU		
TVG	18.9	20.5
Total goodwill net book value at 30 April	18.9	20.5

All goodwill is recorded in local currency. Additions 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

Goodwill

Goodwill is tested annually for impairment at each reporting date by comparing the carrying amounts of these assets with their recoverable amounts. Where the recoverable amount exceeds the carrying amount of the assets, the assets are considered as not impaired.

No impairment charges were incurred in the year ended 30 April 2014 (2013: £34.6m). The TVG CGU is the assets and operations of the TVG Network, which is included in the Group's Betfair US operating segment as disclosed in note 2.

Testing is carried out by allocating the carrying value of these assets to CGUs and determining the recoverable amounts of those CGUs through value in use calculations. 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, which are subject to Board approval, form the basis of the cash flow projections for each CGU. Cash flow projections for the next four financial years reflect management's 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, where relevant. Growth rates used do not exceed expectations of long-term growth in the local market.

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 discount rate is estimated by the Group using a range of equity costs for similar companies and external market data, with samples chosen where applicable from the same markets or territories as the CGU.

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 as the calculation of the recoverable amount of TVG goodwill is sensitive to future developments in US horseracing. The 2015 revenue figures for the CGU are based on the budget for the next financial year. For the years 2016 to 2019, the likely organic growth rates were assessed for each region in the CGU, taking account of past experience, growth prospects in regions and historic player patterns. The terminal growth rate used was nil% (2013: 2.0%). The management consider the assumed growth rate to be very conservative.

11 Goodwill and other intangible assets (Continued)

(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 TVG CGU, a pre-tax discount rate of 12.5% (2013: 12.5%) has been used in discounting the projected cash flows for that CGU.

As discussed on page 23, the TVG business performed positively during the financial year. As a result, there are no reasonable changes in the key assumptions that would cause the carrying amount of the CGU to exceed the recoverable amount.

Impairment charges in respect of the year ended 30 April 2013

Goodwill

Impairment charges of £34.6m were recognised in the year ended 30 April 2013 in relation to goodwill. These charges arose as a result of changes to the strategic direction of the business following the appointment of new management.

In prior periods, goodwill was allocated to the following CGUs in line with Group's previous segmental reporting:

- Sports
- Games
- Poker
- TVG.

As a result of the changes in the strategic direction, it was considered necessary to monitor goodwill at a more granular level and therefore the carrying value of goodwill was assessed with reference to the original business that was acquired.

The table below sets out each relevant acquisition, the CGU to which the goodwill was previously assigned, the impairment charge recorded and the new reportable segment following the new organisational structure to which the impairment relates:

Historical acquisition	CGU	Impairment charge 30 April 2013	Reportable segment
		£m	
Timeform	Sports	6.1	Exchange
Betfair TV	Sports	2.6	Exchange
TSE Development Romania	Games	2.3	Gaming
Poker Champs	Poker	10.0	Gaming
TVG	TVG	13.6	Betfair US

The change in strategic direction of the Group meant that zero or negative cash flows were anticipated in respect of Timeform, Betfair TV, TSE Development Romania and Poker Champs. No discount rate was applied to these cash flows as the impact of any discount rate would be immaterial as the value in use was deemed £nil.

Following regulatory developments in the US, management also undertook a strategic review of the US market and TVG's position within that market. As a result of this review, the TVG CGU was impaired by £13.6m. The key changes to assumptions since the previous impairment test related to an anticipated reduction in operating margins and future growth rates. A pre-tax discount rate of 12.5% was used.

Development expenditure and software

As part of the strategic review conducted in the year ended 30 April 2013, management also performed a detailed review of the carrying value of capitalised development costs. Those projects which were no longer

11 Goodwill and other intangible assets (Continued)

in use as part of the change in the strategic direction were impaired resulting in a charge of £47.0m. This charge included the impairment of the development costs incurred in building the US Exchange (£10.4m) and the LMAX Exchange (£6.2m). The charge in respect of LMAX was included within the loss from discontinued operations as a result of the LMAX sale (see note 27). The remaining £30.4m impairment charge related to specific projects where the anticipated returns no longer supported the carrying value as a result of the change in strategic focus of the business.

Following a review of the carrying value of the Group's software assets, an impairment charge of £5.1m was also recorded in the year ended 30 April 2013 as a result of the change in strategic direction.

12 Investments in subsidiaries, associates and jointly controlled entities

The interest in the Group's joint venture, Betfair Australasia Pty Limited, is as follows:

	2014	2013
	£m	£m
Share of net liabilities		
At the beginning of the year	**(0.3)**	**(1.7)**
Share of operating (loss)/profit	**(1.4)**	**1.1**
Share of interest receivable	**0.2**	**0.3**
Foreign exchange differences	**0.3**	**—**
At the end of the year	**(1.2)**	**(0.3)**
Goodwill		
At the beginning of the year	**0.4**	**0.4**
At the end of the year	**0.4**	**0.4**
Loan		
At the beginning of the year	**7.8**	**7.5**
Foreign exchange differences	**(1.5)**	**0.3**
At the end of the year	**6.3**	**7.8**
Net book value		
At the beginning of the year	**7.9**	**6.2**
At the end of the year	**5.5**	**7.9**

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

	2014	2013
	£m	£m
Current assets	10.5	16.6
Non-current assets	5.3	4.7
Total liabilities	(9.8)	(13.3)
Revenue	30.9	36.0
Expenses	(31.4)	(34.0)

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

	Country of origin	Principal activity	Classification	Ordinary shares held %
The Sporting Exchange Limited	England	Holding company	Subsidiary	100
Betfair Limited	England	Support services	Subsidiary	100
The Sporting Exchange (Clients) Limited	England	Trust operator	Subsidiary	100
Timeform Limited	England	Publisher	Subsidiary	100

12 Investments in subsidiaries, associates and jointly controlled entities (Continued)

	Country of origin	Principal activity	Classification	Ordinary shares held %
TSE Global Limited	England	Support services	Subsidiary	100
TSE Development Limited	England	Intellectual property licensor	Subsidiary	100
TSE Holdings Limited	England	Holding company	Subsidiary	100
TSE International Ltd	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	Investment and holding company	Subsidiary	100
Winslow Four	Cayman Islands	Investment and holding company	Subsidiary	100
TSE (Gibraltar) LP	Gibraltar	Online sports betting	Subsidiary	100
TSE Data Processing Limited	Ireland	Data centre and support services	Subsidiary	100
Polco Limited	Malta	Intellectual property licensor and online sports betting	Subsidiary	100
Betfair Games Limited	Malta	Online gaming	Subsidiary	100
Betfair Casino Limited	Malta	Online gaming	Subsidiary	100
Betfair Counterparty Services Limited	Malta	Online sports betting	Subsidiary	100
Betfair Entertainment Limited	Malta	Online gaming	Subsidiary	100
Betfair International Plc	Malta	Online sports betting and gaming	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 Italia S.R.L.	Italy	Online sports betting and gaming	Subsidiary	100
TSE Development Romania S.R.L.	Romania	R&D activities	Subsidiary	100
TSE Services Limited	Gibraltar	Support services	Subsidiary	100
TSE Marketing España	Spain	Marketing activities	Subsidiary	100
The Rebate Company LLC	USA	Online gaming	Subsidiary	100
TSE US Holdings LLC	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	Online gaming	Subsidiary	100

12 Investments in subsidiaries, associates and jointly controlled entities (Continued)

	Country of origin	Principal activity	Classification	Ordinary shares held %
Trackside Live Productions LLC	USA	Online gaming	Subsidiary	100
ODS Properties Inc	USA	Property holding company	Subsidiary	100
Betfair Interactive US LLC	USA	Online gaming	Subsidiary	100
TSED Unipessoal LDA	Portugal	R&D activities	Subsidiary	100
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
LMAX Limited	England	Trading	Investment	31.4

* Non-controlling interest of 0.25% exists in relation to Tradefair Spreads Limited and London Multi Asset Exchange (Holdings) Limited. The value of this non-controlling interest was less than £0.1m at 30 April 2014 and 30 April 2013.

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.

13 Available-for-sale financial assets

At 30 April 2014 and 2013, the available-for-sale financial assets comprised the Group's 9.9% (fully diluted holdings of 8.9%) non-controlling interest in Featurespace Limited (£0.1m) and non-controlling interest in LMAX Limited of 31.4% (£1.2m). The Group does not have significant influence over the operations and decision making of LMAX Limited and does not have any representation on the board. The Group's holding in LMAX Limited decreased from 33% to 31.4% on 5 March 2014 as a result of new share issues by LMAX Limited.

On 20 November 2012 the Group sold its shares held in Kabam for $30m (£18.8m).

	2014	2013
	£m	£m
At 1 May	1.3	2.1
Disposals	—	(2.0)
Reclassification of remaining shares held in LMAX	—	1.2
At 30 April	1.3	1.3

14 Deferred tax assets and liabilities

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

	Assets		Liabilities		Total	
	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	5.8	6.3	—	—	5.8	6.3
Intangible assets	—	—	(4.1)	(4.3)	(4.1)	(4.3)
Equity-settled share-based payments and associated costs	1.0	1.2	—	—	1.0	1.2
Other	1.2	1.9	—	—	1.2	1.9
Deferred tax assets/(liabilities)	8.0	9.4	(4.1)	(4.3)	3.9	5.1

The Group has unrecognised deferred tax assets in respect of losses of £8.9m (2013: £12.3m), unrecognised deferred tax assets in respect of depreciation in excess of capital allowances of £0.8m (2013: £1.0m), unrecognised deferred tax assets in respect of share-based payments of £0.6m (2013: £1.9m) and unrecognised deferred tax liabilities in respect of intangible assets of £nil (2013: £0.5m). 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	Intangible assets	Share-based payments	Tax value of loss carry-forwards	Other	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 May 2012	4.1	(12.4)	3.6	1.3	1.4	(2.0)
Adjustment in respect of disposal of discontinued operations	(0.3)	(0.1)	—	—	—	(0.4)
Recognised in income statement	2.5	8.2	(1.5)	(1.3)	0.5	8.4
Recognised in equity	—	—	(0.9)	—	—	(0.9)
Balance at 30 April 2013	**6.3**	**(4.3)**	**1.2**	—	**1.9**	**5.1**
Recognised in income statement	(0.5)	0.2	(0.1)	—	(0.7)	(1.1)
Recognised in equity	—	—	(0.1)	—	—	(0.1)
Balance at 30 April 2014	5.8	(4.1)	1.0	—	1.2	3.9

15 Trade and other receivables

	2014	2013
	£m	£m
Trade receivables	2.2	2.2
Other receivables	5.4	3.9
Prepayments	15.4	12.6
Total	23.0	18.7

16 Cash and cash equivalents

	2014	2013
	£m	£m
Cash and cash equivalents	209.8	168.1

The above cash and cash equivalents include £9.0m (2013: £8.9m) of customer funds that are not held on trust in The Sporting Exchange (Clients) Limited in accordance with local regulations. These customer funds that are not held on trust are matched by liabilities of an equal value as disclosed in note 17. The cash and cash equivalent also includes an additional £0.9m of restricted cash relating to the Group's financial guarantees (2013: £5.1m).

16 Cash and cash equivalents (Continued)

As at 30 April 2014, £269.0m (2013: £284.1m) was held on trust in The Sporting Exchange (Clients) Limited, on behalf of the Group's customers and is equal to the amounts deposited into customer accounts.

17 Trade and other payables

	2014	2013
	£m	£m
Trade payables	8.1	5.5
Other payables	21.2	22.7
Amounts owed to joint ventures	2.1	3.2
Other taxation and social security	4.3	7.3
Accruals	76.1	70.9
Total	111.8	109.6

Included in other payables at 30 April 2014 is an amount of £9.0m (2013: £8.9m) in respect of amounts due to customers, representing deposits received and customer winnings which are not held on trust. This is offset by an equivalent amount of customer funds held, which is included in cash and cash equivalents as disclosed in note 16.

18 Provisions

	Redundancy provision	Onerous contracts	Total
	£m	£m	£m
Balance at 1 May 2012	—	—	—
Provision accounted for in the year	9.7	1.9	11.6
Current provisions 30 April 2013	9.7	1.9	11.6
Utilised in the period	(9.7)	(1.6)	(11.3)
Reclassification from non-current*	—	0.9	0.9
Current provisions 30 April 2014	—	1.2	1.2
Balance at 1 May 2012	—	—	—
Provision accounted for in the year	—	1.6	1.6
Non-current provisions 30 April 2013	—	1.6	1.6
Reclassification to current*	—	(0.9)	(0.9)
Non-current provisions 30 April 2014	—	0.7	0.7

* Non-current provisions reflect contractual obligations that will be settled more than 12 months after the reporting date. During the period, £0.9m has been reclassified from non-current provisions to current provisions.

The redundancy provision held at 30 April 2013 related to costs incurred as part of restructuring and cost optimisation initiatives. All affected employees have now departed the Group.

Onerous contracts relate to provisions made in relation to operating leases for premises that were vacated during the year ended 30 April 2013 as part of the restructuring.

19 Equity

Share capital

	Ordinary shares	
	2014	2013
	No.	No.
As at 1 May	104,221,610	102,328,826
Issued by the Group in relation to:		
Exercised share options and restricted shares	704,426	1,864,890
Exercised SAYE options	62,294	27,894
Total fully paid, ordinary shares of £0.001 each as at 30 April	104,988,330	104,221,610

	2014	2013
	£m	£m
Allotted, called up and fully paid		
104,988,330 ordinary shares of £0.001 each (30 April 2013: 104,221,610)	0.1	0.1

During the year, the Group received consideration of £2.2m (30 April 2013: £7.3m) for the exercise of 704,426 (30 April 2013: 1,864,890) share options and restricted shares and £0.3m (30 April 2013: £0.1m) for the exercise of 62,294 (30 April 2013: 27,894) SAYE options, resulting in total consideration from the issue of shares of £2.5m (30 April 2013: £7.4m).

Exercise prices ranged from £0.001 to £10.00.

The Employee Benefit Trust held 1,515,096 ordinary shares in the Company as at 30 April 2014 (30 April 2013: 2,640,497).

The total fully diluted shares as at 30 April 2014 was 107,077,765 (30 April 2013: 107,500,314).

Other reserves

Other reserves mainly comprise 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.

20 Share-based payments

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

(a) Share option plans

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

(c) Restricted share scheme

(d) Long Term Incentive Plan, Deferred Share Incentive Plan, Short Term Incentive Plan and Management Incentive Plan

(e) Senior Executives' Incentive Plan

(f) Stakeholder shares scheme.

As at 30 April 2014, 2,089,435 share options and restricted shares (2013: 3,278,704) in the capital of the Group remain outstanding and are exercisable up to 30 April 2024.

In accordance with IFRS 2, the Group has recognised an expense in respect of all share-based awards granted after 7 November 2002 that had not vested as at 30 April 2006. The total expense recognised in respect of these schemes was £6.5m (excluding Employers' National Insurance costs) for the year ended 30 April 2014 (30 April 2013: £8.5m). Employers' National Insurance costs amount to £0.8m (30 April 2013: £0.8m).

20 Share-based payments (Continued)

The fair value of the options (Share option plans and SAYE share option schemes) is determined using the Black-Scholes option pricing model. 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.

(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 2013	Granted during the year	Lapsed/ Cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise Price £	Exercisable before
2004	5,000	—	(5,000)	—	—	0.25–2.25	2014
2005	231,545	—	—	(161,242)	70,303	2.17–4.50	2015
2006	377,469	—	(3,571)	(198,837)	175,061	4.50	2016
2007	601,538	—	—	(67,050)	534,488	0.001–10.00	2017
2008	36,275	—	—	—	36,275	0.001–10.00	2018
2009	6,313	—	(1,313)	—	5,000	0.001–10.00	2019
2010	13,000	—	—	(3,000)	10,000	0.001–10.00	2020
2011	13,062	—	(3,708)	(3,225)	6,129	0.001–10.00	2021
2012	61,157	—	(3,107)	(33,855)	24,195	0.001–8.71	2022
	1,345,359	—	(16,699)	(467,209)	861,451		

855,014 options were exercisable under this scheme as at 30 April 2014 (2013: 1,293,384).

The weighted average exercise price for share options exercised during the year is £4.77 (2013: £4.35) at a weighted average share price at the date of exercise of £9.51 (2013: £7.58).

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	2004–2013
Share price at date of grant	£0.40–£10.00
Exercise price	£0.001–£10.00
Expected volatility	32.51%–62.71%
Expected term until exercised	1–5 years
Expected dividend yield	Nil–0.8%
Risk-free interest rate	0.35%–5.79%

There were no options granted under the share option plan during the year ended 30 April 2014 (2013: 10,036). The weighted average fair value of the awards granted during the year ended 30 April 2013 under the share option plan at the date of grant was £5.05.

The expense recognised in the income statement (excluding Employers' National Insurance costs) was a charge of £nil (2013: credit of £0.1m).

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

20 Share-based payments (Continued)

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 an 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% 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.

Financial year granted	Outstanding at 1 May 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2010	22,720	—	(16,053)	(6,667)	—	8.00	2013
2012	462,544	—	(135,522)	(55,627)	271,395	5.68	2015
2014	—	231,173	(20,823)	—	210,350	8.17	2017
	485,264	231,173	(172,398)	(62,294)	481,745		

The weighted average exercise price for share options exercised during the year is £5.96 (2013: £6.13) at a weighted average share price at the date of exercise of £9.93 (2013: £7.38).

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	2014	2010–2013
Share price at date of grant	£10.13	£2.71–£10.00
Exercise price	£8.17	£2.17–£8.00
Expected volatility	33.36%	40.07%–54.40%
Expected term until exercised	3.25 years	3.25 years
Expected dividend yield	1.29%	Nil–0.69%
Risk-free interest rate	0.94%	0.84%–5.08%

There were 231,173 SAYE options granted during the year ended 30 April 2014 (30 April 2013: nil). The weighted average fair value of the options granted in the year ended 30 April 2014 was £3.40.

The expense recognised in the income statement (excluding Employers' National Insurance costs) was £0.4m (2013: £0.9m).

(c) Restricted shares schemes

The Group provided a restricted shares scheme as part of its bonus plan until 2010. In 2011, the bonus plan was revised with the introduction of the Long Term Incentive Plan, Deferred Share Incentive Plan, Short Term Incentive Plan and Management Incentive Plan. Refer to note 20(d).

Awards made under the terms of the restricted shares scheme plan prior to 2010 have vested.

In January 2012, the Group modified certain outstanding share options and replaced them with restricted shares on a 3:1 basis. These were expensed over the remaining vesting period of the originally granted share options.

20 Share-based payments (Continued)

A number of individuals were granted restricted shares in the current and prior periods. These have a range of vesting periods of up to three years from the first day of the award to which they relate and one-third of the shares will vest each year for three years.

Scheme year	Outstanding at 1 May 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2008	56,449	—	—	(56,449)	—	0.001	2013
2009	77,561	—	—	(61,658)	15,903	0.001	2014
2012	202,613	—	(917)	(171,146)	30,550	0.001	2017
2013	405,053	—	—	(157,194)	247,859	0.001	2018
2014	—	64,727	—	(833)	63,894	0.001	2019
	741,676	64,727	(917)	(447,280)	358,206		

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 (2013: £0.001) at a weighted average share price at the date of exercise of £9.94 (2013: £7.87).

The total expense recognised in the income statement related to the restricted shares (excluding Employers' National Insurance costs) was £1.4m (2013: £2.8m).

The Employers' National Insurance costs amounted to £0.2m (2013: £0.3m).

d) Long Term Incentive Plan, Deferred Share Incentive Plan, Short Term Incentive Plan and Management Incentive Plan

The following shares were introduced to incentivise and reward for the successful delivery of the short-term and long-term business strategy:

- 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; and
- Deferred Share Incentive Plan ('DSIP') 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 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2010	3,746	—	(788)	(1,388)	1,570	0.001	2020
2011	4,184	—	(586)	(1,375)	2,223	0.001	2021
2013	143,042	—	(39,762)	(47,532)	55,748	0.001	2023
2014	—	210,857	(21,615)	(22,487)	166,755	0.001	2024
	150,972	210,857	(62,751)	(72,782)	226,296		

The weighted average exercise price for share options exercised during the year was £0.001 (2013: £0.001) at a weighted average share price at the date of exercise of £9.71 (2013: £7.38).

The fair value of the share options in the LTIP scheme is expensed over the three year period that the options vest. No grants were awarded in the current year which included option elements. The following

20 Share-based payments (Continued)

assumptions were used in the Black-Scholes pricing model for options conditionally granted in the year ended 30 April 2012:

Financial year options granted	2012
Share price at date of grant	£8.56
Exercise price	£8.56
Expected volatility	43.91%
Expected term until exercised	4 years
Expected dividend yield	Nil
Risk-free interest rate	1.97%

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 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' 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, DSIP, 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, MIP and DSIP restricted shares vest over the second and third year of the scheme.

An expense of £4.7m for the options and restricted shares has been recognised (excluding Employers' National Insurance costs) which is management's best estimate of the charge in respect of these awards for the current year (2013: £4.3m). The cash element of the scheme has been included in the bonus cash pool for the performance year ended 30 April 2014.

The Employers' National Insurance costs amounted to £0.6m (2013: £0.5m).

(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 being 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, and 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 £nil (2013: £0.6m). The Employers' National Insurance costs amounted to £nil (2013: £0.1m).

Scheme year	Outstanding at 1 May 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2011	462,122	—	—	(335,606)	126,516	0.001	2021

The weighted average exercise price for share options exercised during the year was £0.001 (2013: £0.001) at a weighted average share price at the date of exercise of £9.30 (2013: £7.44).

(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.

20 Share-based payments (Continued)

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).

No expense was incurred in the year ended 30 April 2014 (2013: £nil).

Scheme year	Outstanding at 1 May 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2011	93,311	—	(8,561)	(49,529)	35,221	0.001	2020

The weighted average exercise price for share options exercised during the year was £0.001 (2013: £0.001) at a weighted average share price at the date of exercise of £9.39 (2013: £7.42).

21 Employee benefits

Defined contribution plans

In August 2008, the Group introduced a defined contribution pension plan available to certain employees. The total expense shown within pension costs disclosed in note 4 relating to this plan in the current year was £1.9m (2013: £2.4m).

22 Financial instruments

The carrying value of the Group's financial instruments by category, together with their fair values, is analysed as follows:

	Carrying value 2014	Fair value 2014	Carrying value 2013	Fair value 2013
	£m	£m	£m	£m
Financial assets				
Available-for-sale financial assets				
Available-for-sale financial assets (note 13)	1.3	1.3	1.3	1.3
Loans and receivables				
Trade and other receivables (note 15)	7.6	7.6	6.1	6.1
Cash and cash equivalents (note 16)				
Financial liabilities				
Fair value through the income statement	209.8	209.8	168.1	168.1
Derivative financial liability (note 22(b))				
Liabilities at amortised cost	(0.1)	(0.1)	(0.1)	(0.1)
Trade and other payables (note 17)	(29.3)	(29.3)	(28.2)	(28.2)
Amounts owed to joint ventures (note 17)	(2.1)	(2.1)	(3.2)	(3.2)
Net financial assets	187.2	187.2	144.0	144.0

a) Fair values of financial instruments

Available-for-sale financial assets

The fair value of available-for-sale financial assets is valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1.

22 Financial instruments (Continued)

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 if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents approximates to book value due to its short-term maturity.

Trade and other payables and amounts owed to joint ventures

The fair value of trade and other payables and amounts owed to joint ventures 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 Group's own markets on relevant sporting events. The fair value calculation also includes the impact of any exchange hedging activities in relation to these open positions.

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy:

	Total 2014	Level 1 2014	Level 2 2014	Level 3 2014
	£m	£m	£m	£m
Available-for-sale financial asset (note 13)	1.3	—	1.3	—
Fair value of open bets	(0.1)	—	(0.1)	—
Net position	1.2	—	1.2	—

	Total 2013	Level 1 2013	Level 2 2013	Level 3 2013
	£m	£m	£m	£m
Available-for-sale financial asset (note 13)	1.3	—	1.3	—
Fair value of open bets	(0.1)	—	(0.1)	—
Net position	1.2	—	1.2	—

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.

The fair value of open bet liabilities are classified as level 2 in the hierarchy using observable inputs other than quoted prices. The principal assumptions relate to anticipated gross win margins on unsettled bets with the fair value determined by future sporting results.

22 Financial instruments (Continued)

(b) 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.

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 2014.

	Carrying amount	
	2014	**2013**
	£m	**£m**
Non-derivative financial liabilities		
Trade and other payables (note 17)	29.3	28.2
Amounts owed to joint ventures (note 17)	2.1	3.2
Derivative financial liabilities		
Open bet liability (within Accruals)	0.1	0.1
Total	31.5	31.5

The maturity analysis of the financial liabilities is as follows:

30 April 2014

	0–30 days	**31–60 days**	**61–90 days**	**> 91 days**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Trade and other payables	28.0	0.7	0.1	0.5	29.3
Derivative financial liability	0.1	—	—	—	0.1
Amounts owed to joint ventures	2.1	—	—	—	2.1

22 Financial instruments (Continued)

30 April 2013

	0–30 days	31–60 days	61–90 days	> 91 days	Total
	£m	£m	£m	£m	£m
Trade and other payables	26.7	0.7	0.3	0.5	28.2
Derivative financial liability	0.1	—	—	—	0.1
Amounts owed to joint ventures	3.2	—	—	—	3.2

Market risk

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.

Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than Pounds Sterling (GBP). The currencies in which these transactions primarily are denominated are US Dollars (USD), Euros (EUR) and Australian Dollars (AUD).

The Group does not normally hedge against these sales and purchases. However, the Group monitors all foreign currency exposures and where appropriate may undertake currency hedging 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 2014

	GBP	EUR	USD	AUD	Other	Total
	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	180.9	14.1	11.9	2.0	0.9	209.8
Trade payables	(6.7)	(1.2)	(0.1)	—	(0.1)	(8.1)
Balance sheet exposure	174.2	12.9	11.8	2.0	(0.8)	201.7

30 April 2013

	GBP	EUR	USD	AUD	Other	Total
	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	138.8	15.3	12.1	0.9	1.0	168.1
Trade payables	(4.0)	(1.4)	(0.1)	—	—	(5.5)
Balance sheet exposure	134.8	13.9	12.0	0.9	1.0	162.6

Sensitivity analysis

A 15.0% weakening of Pounds Sterling against the following currencies 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.

22 Financial instruments (Continued)

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	Equity		Income statement	
	2014	2013	2014	2013
	£m	£m	£m	£m
Foreign currency				
EUR	1.2	(0.2)	0.9	2.7
USD	1.9	—	0.2	2.1
AUD	—	—	0.4	0.2

A 15.0% strengthening of Pounds Sterling against the following currencies at 30 April 2014 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.

Interest rate risk

The Group has no bank loans and therefore is not exposed to interest rate risk on its liabilities. At the balance sheet date the Group's interest-bearing financial assets were as follows:

	2014	2013
	£m	£m
Variable rate instruments		
Financial assets—cash and cash equivalents	209.8	168.1

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.

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. The analysis is performed on the same basis for 2013.

	2014	2013
	£m	£m
Profit or loss		
Increase	3.8	3.5
Decrease	(1.1)	(1.1)

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.

22 Financial instruments (Continued)

As of 30 April 2014, the trade receivables balance was £2.2m (2013: £2.2m) of which £1.3m is current and £0.9m is past due. An amount of £0.3m (2013: £0.7m) of the gross trade receivable balance has been provided for.

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 £217.4m (2013: £174.2m) being the total of the carrying amount of the financial assets excluding equity investments, shown in note 22(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 19.

The Group regularly monitors capital on the basis of gross cash (defined as cash and cash equivalents) which was £209.8m at 30 April 2014 (30 April 2013: £168.1m). 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 finances its operations through retained earnings and the management of working capital and has sufficient capital for its needs. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As discussed in the Chairman's Statement on page 4, the Board targets a progressive and sustainable dividend and continues to consider the appropriate payout ratio to be approximately 40% of profit after tax in the medium term.

23 Operating leases

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

	2014	2013
	£m	£m
Not later than one year	5.6	6.3
Later than one year and not later than five years	12.9	14.6
Later than five years	2.3	3.5
Total	20.8	24.4

Operating lease payments represent rents payable by the Group for office properties. These leases have varying terms, escalation charges and renewal rights.

During the year £5.7m was recognised as an expense in the income statement in respect of operating leases (2013: £8.7m).

24 Capital commitments

Contracted but not provided for in the financial statements:

	2014	2013
	£m	£m
Capital	0.6	0.2
Marketing	14.1	3.3
Total	14.7	3.5

25 Related parties

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Betfair Pty Limited

During the year the Group recharged the Australian joint venture, Betfair Pty Limited, the following costs:

- operational costs amounting to £4.6m (2013: £1.5m).

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

- salary and related costs amounting to £nil (2013: £0.3m); and
- operational costs amounting to £2.9m (2013: £2.7m).

The outstanding balance as at 30 April 2014 of loans receivable from the Australian joint venture is £6.3m (2013: £7.8m). 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 2014, the Group owed £2.1m (2013: £3.2m) to the Australian joint venture.

Featurespace Limited

During the year the Group was charged £0.1m (2013: £0.2m) for consultancy services by Featurespace Limited in which the Group has a non-controlling interest.

LMAX Limited

The Group utilised tax losses amounting to £1.1m that were transferred from LMAX limited, for consideration of £0.3m (2013: the Group recharged LMAX Limited costs amounting to £0.4m and were recharged costs amounting to £0.2m prior to the disposal). This consideration remained payable to LMAX Limited as at 30 April 2014 (2013: £nil) and is included within Other payables.

Transactions with key management personnel

Key management personnel compensation, including the Group's Directors and Non-Executive Directors, is shown in the table below:

	2014	2013
	£m	£m
Short-term benefits	5.4	6.1
Share-based payment expense	4.6	5.6
Total	10.0	11.7

26 Dividends

	2014	2013
	£m	£m
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 30 April 2013 of 9.0p per qualifying ordinary share (2012: 7.0p)	9.3	7.1
Interim dividend for the year ended 30 April 2014 of 6.0p per qualifying ordinary share (2013: 4.0p)	6.3	4.1
Total	15.6	11.2

26 Dividends (Continued)

The proposed final dividend for the year ended 30 April 2014 is 14.0 pence per share (2013: 9.0 pence).

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. The estimated dividend to be paid amounts to £14.6m.

Returns to shareholders in respect of the financial years ended 30 April 2011, 2012 and 2013

The Company has paid a final dividend for the year ended 30 April 2011 and interim and final dividends for the years ended 30 April 2012 and 2013 (the 'Dividends'). The Company has recently been advised that, as a result of certain changes to the technical guidance issued by the Institute of Chartered Accounts in England and Wales (the 'ICAEW') in October 2010, the Company did not have sufficient distributable reserves to make those distributions and so they should not have been paid by the Company to its shareholders.

In addition, certain purchases of ordinary shares made by the Company in the year ended 30 April 2012 (the 'Purchases of Ordinary Shares') were not effectively carried out because, although the purchases had been approved by shareholders, the Company did not have sufficient distributable reserves for the reasons stated above. These purchases of 6,506,009 ordinary shares of £0.001 each were made at prices of between £5.76 and £9.00 per share.

At all relevant times, sufficient distributable reserves would have been available in the Company had its subsidiary undertakings passed up distributable profits to the Company through distributions from those subsidiary undertakings' own distributable reserves.

The Directors consider that it is in the best interests of the Company to take the necessary steps to regularise this position, since shareholders received the dividends they were intended to receive, the Company purchased the shares it intended to purchase and the Company clearly would not wish to take any action it could technically take against the relevant shareholders to recover any amounts in connection with the Dividends and Purchases of Ordinary Shares.

The Company has therefore entered into deed polls to discharge any current or former shareholder of the Company that received a Dividend or tendered shares under the Company's programme of market purchases from any obligation to repay any amount to the Company in connection with the Dividends and Purchases of Ordinary Shares.

Furthermore, a special resolution is proposed, numbered 18 and set out in the notice of the Annual General Meeting, to cancel and extinguish the ordinary shares concerned. Subject to obtaining the requisite consent at the Annual General Meeting, the Company intends to seek the confirmation of the Court for the cancellation and reduction described above, as required by the Companies Act 2006. Shareholders will not need to take any further action in this respect.

An appropriation has already been made from the distributable reserve position of the Company for the total purchase cost in respect of the ordinary shares concerned. This is similar to the accounting treatment had the purported purchases been made on the appropriate basis and such a transfer has been reflected in the Company's financial statements with no recognition of the sums recoverable. The Directors believe the legal position will be rectified promptly following the Annual General Meeting.

27 Disposals and discontinued operations

On 18 December 2012 the Group entered into a sale and purchase agreement for the sale of 67% of the shares of LMAX Limited for £2.4m. The transaction was finalised in January 2013, on which date control of LMAX Limited passed to the acquirer.

27 Disposals and discontinued operations (Continued)

The net assets of LMAX Limited at the date of disposal were:

	2013
	£m
Trade and other receivables	12.9
Cash and cash equivalents*	26.9
Trade and other payables*	(31.4)
Net assets disposed of	8.4
Consideration received	2.4
Cash and cash equivalents disposed of	(26.9)
Net cash outflow	(24.5)

* Cash and cash equivalents includes £22.7m of client's funds held matched by liabilities of an equal value in trade and other payables.

The results of the discontinued operations, which were included in the consolidated income statement for the year ended 30 April 2013, were as follows:

	Period ended 18 January 2013
	£m
Revenue	4.1
Cost of sales	(2.2)
Gross profit	1.9
Administrative expenses	(17.4)
Operating loss	(15.5)
EBITDA	(5.5)
Impairment loss recognised	(7.7)
Depreciation and amortisation	(2.3)
Operating loss	(15.5)
Net finance income	0.1
Loss before tax	(15.4)
Loss on disposal of discontinued operations	(5.3)
Tax	(0.4)
Net loss attributable to discontinued operations	(21.1)

The Group incurred no profit or loss from discontinued operations in the year ended 30 April 2014.

During the year ended 30 April 2013, LMAX Limited contributed £5.2m to the Group's net operating cash flows and paid £2.8m in respect of investing activities.

28 Contingent liabilities

In obtaining a licence to operate in New Jersey, the Group has paid and committed to prepay a revenue share to a third party which is contingent on that third party meeting specific requirements. As at 30 April 2014, the Group deems the fulfilment of these criteria as uncertain. In the event that the payment was to crystallise, there would be no significant impact on the profitability of the Group.

COMPANY BALANCE SHEET
AS AT 30 APRIL 2014

	Note	2014	2013
		£m	£m
Fixed assets			
Investments	*2*	160.2	153.7
Current assets			
Debtors	3	201.3	6.4
Cash at bank and in hand		0.2	1.6
		201.5	8.0
Creditors: Amounts falling due within one year	4	(6.5)	(12.0)
Net current assets/(liabilities)		195.0	(4.0)
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year	5	—	(52.7)
Net assets		355.2	97.0
Capital and reserves			
Share capital	6	0.1	0.1
Share premium	6	21.9	19.4
Profit and loss account	6	333.2	77.5
Shareholders' funds		355.2	97.0

These financial statements were approved by the Board of Directors on 11 June 2014 and were signed on its behalf by:

Breon Corcoran
Chief Executive Officer

Alexander Gersh
Chief Financial Officer

NOTES
(FORMING PART OF THE FINANCIAL STATEMENTS)

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 408 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 profit for the financial year ended 30 April 2014 of £264.8m (2013: £0.9m loss).

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.

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 FRS 20 Share-based payment charge.

1 Company accounting policies (Continued)

Director and employee remuneration

The Company had no employees other than the Directors during the current or prior year.

The remuneration paid to Directors for services to the Company during the year was paid and accounted for by another entity within the Group. Details of the Directors' remuneration is discussed in the Directors' Remuneration Report on pages 50 to 67.

2 Investments

	Shares in Group undertakings
	£m
Cost	
As at 1 May 2013	153.7
Increase in the cost of investment for share-based payments under FRS 20	6.5
At 30 April 2014	160.2

3 Debtors

	2014	2013
	£m	£m
Amounts owed by fellow Group undertakings	201.3	6.4

4 Creditors: amounts falling due within one year

	2014	2013
	£m	£m
Amounts owed to fellow Group undertakings	6.5	12.0

5 Creditors: amounts falling due after more than one year

	2014	2013
	£m	£m
Loans owed to fellow Group undertakings	—	52.7

The balance as at 30 April 2013 was fully repaid in the year ended 30 April 2014.

6 Reconciliation of movement in capital and reserves

	Share capital	Share premium	Profit and loss account	Total Parent equity
	£m	£m	£m	£m
Balance at 1 May 2012	0.1	12.0	82.1	94.2
Total loss for the year	—	—	(0.9)	(0.9)
Issue of shares	—	7.4	—	7.4
Dividends paid	—	—	(11.2)	(11.2)
Equity-settled share-based payment transactions	—	—	7.5	7.5
Balance at 30 April 2013	0.1	19.4	77.5	97.0
Balance at 1 May 2013	0.1	19.4	77.5	97.0
Total profit for the year	—	—	264.8	264.8
Issue of shares	—	2.5	—	2.5
Dividends paid	—	—	(15.6)	(15.6)
Equity-settled share-based payment transactions	—	—	6.5	6.5
Balance at 30 April 2014	0.1	21.9	333.2	355.2

FIVE YEAR SUMMARY

£m	2014	2013	2012	2011*	2010*
Revenue	393.6	387.0	388.5	393.3	340.9
EBITDA before separately disclosed items	91.1	73.3	86.0	73.3	49.3
Separately disclosed items—restructuring and other	—	(22.1)	(2.5)	(17.0)	(4.6)
EBITDA	91.1	51.2	83.5	56.3	44.7
Profit/(loss) before tax	61.1	(49.4)	54.2	26.6	17.8
Profit/(loss) for the year	51.0	(66.3)	34.0	23.0	15.1

* As reported in previous Annual Reports and not restated for discontinued operation of LMAX.

SECTION C

HISTORICAL FINANCIAL INFORMATION RELATING TO THE BETFAIR GROUP FOR THE YEAR ENDED 30 APRIL 2013

INDEPENDENT AUDITOR'S REPORT 2013 OF BETFAIR GROUP PLC

We have audited the financial statements of Betfair Group plc for the year ended 30 April 2013 set out on pages 59 to 102. 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 34, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2013 and of the Group's loss 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 44 to 47 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 33, 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.

Michael Harper
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc, Statutory Auditor.
Chartered Accountants
15 Canada Square
London, E14 5GL
27 June 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April 2013

	Note	2013	2012
		£m	£m
Continuing operations			
Revenue	2	**387.0**	388.5
Cost of sales		**(49.8)**	(48.1)
Gross profit		**337.2**	340.4
Administrative expenses		**(406.2)**	(294.1)
Group operating (loss)/profit		**(69.0)**	46.3
Analysed as:			
Underlying EBITDA* (excluding separately disclosed items)	2	**73.3**	86.0
Separately disclosed items	5	**(22.1)**	(2.5)
EBITDA*	2	**51.2**	83.5
Impairment of goodwill and other assets		**(82.4)**	—
Depreciation and amortisation		**(37.8)**	(37.2)
Group operating (loss)/profit		**(69.0)**	46.3
Profit on disposal of available-for-sale financial asset	6	**16.8**	—
Finance income	7	**1.4**	3.6
Finance expense	7	**—**	—
Net finance income		**1.4**	3.6
Share of profit of equity accounted investments	12	**1.4**	4.3
(Loss)/profit before tax		**(49.4)**	54.2
TAX	8	**4.2**	(7.6)
(Loss)/profit for the year from continuing operations		**(45.2)**	46.6
Discontinued operations			
Loss for the period/year from discontinued operations, net of tax	27	**(21.1)**	(12.6)
(Loss)/profit for the year		**(66.3)**	34.0
Attributable to:			
Equity holders of the Company		**(66.3)**	34.7
Non-controlling interest		**—**	(0.7)
(Loss)/profit for the year		**(66.3)**	34.0
(Loss)/earnings per share from continuing operations			
Basic		**(44.4)p**	45.4p
Diluted**		**—**	44.5p
(Loss)/earnings per share from continuing and discontinued operations			
Basic	9	**(65.1)p**	33.1p
Diluted**	9	**—**	32.5p

* EBITDA is defined as Group operating profit before finance income, tax, impairment, 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.

Underlying EBITDA has historically been presented as Adjusted EBITDA and defined as EBITDA before separately disclosed items and charges relating to equity-settled share-based payments. For the year ended 30 April 2013, Adjusted EBITDA has been renamed Underlying EBITDA and includes charges relating to equity-settled share-based payments but excludes separately disclosed items. Comparative periods have been amended accordingly. Separately disclosed items in the prior year include results from High Rollers (2013: £nil, 2012: £3.9m profit).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2013

	2013	2012
	£m	£m
(Loss)/profit for the year		
Other comprehensive income/(expense)	(66.3)	34.0
Foreign exchange differences arising on consolidation	1.8	(2.9)
Other comprehensive income/(expense) for the year, net of income tax	1.8	(2.9)
Total comprehensive (expense)/income for the year	(64.5)	31.1
Attributable to:		
Equity holders of the Company	(64.5)	31.8
Non-controlling interest	—	(0.7)
Total comprehensive (expense)/income for the year	(64.5)	31.1

CONSOLIDATED BALANCE SHEET

As at 30 April 2013

	Note	2013	2012
		£m	£m
Assets			
Non-current assets			
Property, plant and equipment	10	20.6	33.7
Goodwill and other intangible assets	11	54.6	132.4
Investments	12	7.9	6.2
Available-for-sale financial assets	13	1.3	2.1
Deferred tax assets	14	5.1	—
		89.5	174.4
Current assets			
Trade and other receivables	15	18.7	29.6
Cash and cash equivalents	16	168.1	135.4
		186.8	165.0
Total assets		276.3	339.4
Liabilities			
Current liabilities			
Trade and other payables	17	109.6	118.4
Tax payable		21.5	22.9
Provisions	18	11.6	—
		142.7	141.3
Non-current liabilities			
Deferred tax liabilities	14	—	2.0
Provisions	18	1.6	—
Total liabilities		144.3	143.3
Net assets		132.0	196.1
Equity			
Share capital	19	0.1	0.1
Share premium		19.4	12.0
Other reserves		(7.6)	(9.3)
Retained earnings		120.1	193.3
Equity attributable to equity holders of the Company		132.0	196.1
Non-controlling interest		—	—
Total equity	19	132.0	196.1

These financial statements were approved by the Board of Directors on 27 June 2013 and were signed on its behalf by:

Breon Corcoran	**Alexander Gersh**
Chief Executive Officer	*Chief Financial Officer*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2013

Attributable to equity holders of the Company

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained earnings	Total parent equity	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 May 2011	0.1	10.7	1.6	(7.5)	207.0	211.9	3.7	215.6
Comprehensive income for the year								
Profit for the year		—		—	34.7	34.7	(0.7)	34.0
Other comprehensive expense		—		(2.8)	(0.1)	(2.9)	—	(2.9)
Total comprehensive income/(expense) for the year		—		(2.8)	34.6	31.8	(0.7)	31.1
Transactions with owners, recorded directly in equity								
Issue of shares		1.3		—	—	1.3	—	1.3
Dividend paid		—		—	(9.6)	(9.6)	—	(9.6)
Equity-settled share-based payments		—		—	7.6	7.6	—	7.6
Purchase of own shares		—		—	(50.2)	(50.2)	—	(50.2)
Purchase of own shares by the EBT*		—		—	(0.1)	(0.1)	—	(0.1)
Sale of own shares by the EBT*		—		—	1.0	1.0	—	1.0
Deferred tax on equity-settled share-based payments			(0.6)	—	—	(0.6)	—	(0.6)
Total transactions with owners	—	1.3	(0.6)	—	(51.3)	(50.6)	—	(50.6)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interest		—		—	3.0	3.0	(3.0)	—
Total changes in ownership interests in subsidiaries								
Balance at 30 April 2012	0.1	12.0	1.0	(10.3)	193.3	196.1	—	196.1
Balance at 1 May 2012	0.1	12.0	1.0	(10.3)	193.3	196.1	—	196.1
Comprehensive (expense)/income for the year								
Loss for the year		—		—	(66.3)	(66.3)	—	(66.3)
Other comprehensive income		—		1.8	—	1.8	—	1.8
Total comprehensive (expense)/income for the year		—		1.8	(66.3)	(64.5)	—	(64.5)
Transactions with owners, recorded directly in equity								
Issue of shares		7.4		—	—	7.4	—	7.4
Dividend paid		—		—	(11.2)	(11.2)	—	(11.2)
Equity-settled share-based payments		—		—	7.5	7.5	—	7.5
Purchase of own shares by the EBT*		—		—	(3.2)	(3.2)	—	(3.2)
Deferred tax on equity-settled share-based payments			(0.1)	—	—	(0.1)	—	(0.1)
Total transactions with owners	—	7.4	(0.1)	—	(6.9)	0.4	—	0.4
Balance at 30 April 2013	0.1	19.4	0.9	(8.5)	120.1	132.0	—	132.0

* Employee Benefit Trust is defined as EBT.

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 30 April 2013

	Note	2013	2012
		£m	£m
Cash flows from operating activities			
(Loss)/profit for the year		(66.3)	34.0
Adjustments for:			
Depreciation and amortisation	10, 11	40.1	41.2
Equity-settled share-based payments and associated costs	20	9.3	8.1
Profit on disposal of available-for-sale financial asset	6	(16.8)	—
Loss on disposal of subsidiary undertakings	27	5.3	—
Impairment loss in respect of goodwill and other assets	10,11	90.1	—
Share of profit of equity accounted investments	12	(1.4)	(4.3)
Finance income	7	(1.5)	(3.4)
Tax	8, 27	(3.8)	7.6
Increase in trade and other receivables		(1.1)	(8.4)
Increase in trade and other payables		20.7	26.1
Increase in provisions	18	13.2	—
Cash generated from operations		87.8	100.9
Tax paid		(4.7)	(4.5)
Net cash flows generated from operating activities		83.1	96.4
Cash flows from investing activities			
Acquisition of property, plant and equipment		(7.2)	(14.3)
Acquisition of other intangible assets		(12.0)	(15.3)
Capitalised internal development expenditure		(18.9)	(29.4)
Disposal of discontinued operation, net of cash disposed	27	(24.5)	—
Cash injection in jointly controlled entities	12	—	(0.1)
Disposal of available-for-sale financial assets	13	18.8	—
Finance income received		0.9	1.3
Net cash flows used in investing activities		(42.9)	(57.8)
Cash flows from financing activities			
Proceeds from the issue of share capital	19	7.4	1.3
Dividends paid	19	(11.2)	(9.6)
Purchase and cancellation of own shares	19	—	(50.2)
Purchase of own shares by the EBT	19	(3.2)	(0.1)
Sale of own shares by the EBT	19	—	1.0
Net cash flows used in financing activities		(7.0)	(57.6)
Net increase/(decrease) in cash and cash equivalents		33.2	(19.0)
Cash and cash equivalents at the beginning of the year	16	135.4	155.0
Effect of exchange rate fluctuations on cash held		(0.5)	(0.6)
Cash and cash equivalents at year end	16	168.1	135.4

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)

1 Accounting policies

Reporting entity

Betfair Group pic (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 2013 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 2013 were authorised for issue in accordance with a resolution of the Directors on 27 June 2013.

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 99 to 101.

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 33.

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 million, except otherwise stated.

Changes in accounting policy

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 2013 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

1 Accounting policies (Continued)

- 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.

(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

1 Accounting policies (Continued)

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, Pounds 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	1.18	1.22
US Dollar	1.55	1.58
Australian Dollar	1.50	1.53
Romanian Lei	5.12	5.47

Discontinued operations

Results in relation to discontinued operations are disclosed as a single amount on the face of the consolidated income statement comprising the total post-tax loss of the subsidiary disposed of. The comparative periods in the income statement are stated in the same way.

Restructuring costs

A restructuring cost is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation to those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a restructuring cost includes only the direct expenditure arising from the restructuring, which are those amounts that are both necessarily incurred by the restructuring and not associated with the ongoing activities of the entity.

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.

1 Accounting policies (Continued)

On an annual basis the available-for-sale financial assets are reviewed and re-measured 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.

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 the income statement 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.

1 Accounting policies (Continued)

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 or 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.

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.

1 Accounting policies (Continued)

(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.

1 Accounting policies (Continued)

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—2 to 4 years

Development expenditure—3 years

Brand—2 years

Broadcasting technologies—2 years

Impairment

(i) Financial assets

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

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

All impairment losses are recognised in the income statement.

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

1 Accounting policies (Continued)

(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.

1 Accounting policies (Continued)

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.

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

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

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

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

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

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

The Long-term Senior Executives' Incentive Plan (SEIP) was approved by the Board on 16 October 2007. The plan provides for certain senior management and Directors 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 vested 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

1 Accounting policies (Continued)

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.

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.

Finance income and expense

Finance income comprises interest earned on corporate 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.

1 Accounting policies (Continued)

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 CO DM 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 2013 and 2012, all premises leases qualify as operating leases.

Separately disclosed items

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

1 Accounting policies (Continued)

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

Accounting estimates and judgements

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

Actual results may differ from these estimates.

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

Estimates

Note 11—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 20—Measurement of share-based payments

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

1 Accounting policies (Continued)

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—Separately disclosed 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 22—Valuation of derivative financial instruments

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

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 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 1 Government Loans
- amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- IFRS 9 Financial Instruments
- amendments to IFRS 7 Financial Instruments: Disclosures—Offsetting of financial assets and financial liabilities.

1 Accounting policies (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.

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

Reclassification of equity-settled shared-based payments

Underlying EBITDA in the Consolidated Income Statement has historically been presented as EBITDA excluding separately disclosed items and equity-settled share-based payments. For the year ended 30 April 2013 charges relating to equity-settled share-based payments have been included within Underlying EBITDA and comparative periods have been amended accordingly.

If no reclassification was made, the Underlying EBITDA would be £82.6m for the year ended 30 April 2013 and £94.1m for the year ended 30 April 2012, respectively.

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
- Exchange
- Sports
- Gaming
- Management of customer funds
- Other investments
- Betfair US

High Rollers

As stated in the interim release for the six months ended 31 October 2012, it was the intention of the CODM to operate a new organisational structure based on the Exchange, Sports and Gaming business units. The Group has realigned operations from the previous structure to provide reportable business performance under these units. To meet the requirements of IFRS 8, the operating segments disclosure has been revised to reflect the new reportable business segments. Comparative periods have been amended accordingly.

Exchange consists of the Exchange sports betting product, which offers markets on Racing, Football, Sports and Specials (SAS) and Timeform. Sports consists of the Sportsbook, Multiples and our Betfair Select product. Gaming consists of various casino products and bespoke exchange games products. Tradefair Spreads and Poker are also classified within Gaming. All of these gaming activities are played by customers in a number of geographical areas.

Exchange and Gaming meet the quantitative thresholds required by IFRS 8 as reportable segment. While Sports and revenue from the management of customer funds do not meet these requirements, these segments are separately disclosed as they are closely monitored by the CODM.

The Group's US operations (including the TVG Network) meet the quantitative threshold to be disclosed separately.

Following the decision to dispose of the Group's subsidiary LMAX Limited in October 2012 (which was completed in January 2013) and treatment of these operations as discontinued, the segmental information disclosed previously has been amended (see note 27).

2 Operating segments (Continued)

Tradefair Spreads Limited, which was previously reported under the LMAX segment, is part of the Group's continuing operations and is now reported as part of the Core reporting segment.

Similarly, High Rollers was also assessed by the Board as being a reportable segment in 2011.

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 £18.0m (30 April 2011: £16.0m) and increased EBITDA by £2.1m (30 April 2012: increase by £4.9m).

The revenue from Exchange, Sports, Gaming 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, 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.

Revenue unallocated to a geographical segment represents amounts from the management of customer funds and High Rollers.

2 Operating segments (Continued)

Segmental information for the years ended 30 April 2013 and 30 April 2012 is as follows:

Year ended 30 April 2013

	Exchange	Sports	Gaming**	Management of customer funds	Core Betfair	Betfair US	Other investments	High Rollers	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	247.5	24.1	75.9	1.5	**349.0**	38.0	**38.0**	—	**387.0**
Underlying EBITDA*					**70.4**	2.9	**2.9**	—	**73.3**
Separately disclosed items					**(21.9)**	(0.2)	**(0.2)**	—	**(22.1)**
EBITDA					**48.5**	2.7	**2.7**	—	**51.2**
Depreciation and amortization									**(37.8)**
Impairment									**(82.4)**
Profit on disposal of available-for-sale financial asset									**16.8**
Net finance income									**1.4**
Share of profit of equity accounted investments									**1.4**
Profit before tax									**(49.4)**
Tax									**4.2**
Loss for the period from discontinued operations									**(21.1)**
Loss after tax and discontinued operations									**(66.3)**
Total assets									**276.3**
Total liabilities									**144.3**

* Underlying EBITDA has historically been presented as Adjusted EBITDA and defined as EBITDA before separately disclosed items and charges relating to equity-settled share-based payments. For the year ended 30 April 2013, Adjusted EBTIDA has been renamed Underlying EBITDA and includes charges relating to equity-settled share-based payments but excludes separately disclosed items. Comparative periods have been amended accordingly. Separately disclosed items in the prior year include results from High Rollers (2013: £nil, 2012: £3.9m profit)

** Includes results from Tradefair Spreads Limited that was previously disclosed as LMAX and classified as other investments.

2 Operating segments (Continued)

Year ended 30 April 2012

	Exchange	Sports	Gaming**	Management of customer funds	Core Betfair	Betfair US	Other investments	High Rollers	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue***	250.1	18.1	81.1	3.0	**352.3**	36.2	**36.2**	**—**	**388.5**
Underlying EBITDA*					**86.9**	(0.9)	**(0.9)**	**3.9**	**86.0**
Separately disclosed items					**(6.4)**				**(2.5)**
EBITDA					**80.5**	(0.9)	**(0.9)**	**3.9**	**83.5**
Depreciation and amortisation									**(37.2)**
Net finance income									**3.6**
Share of profit of equity accounted investments									**4.3**
Profit before tax									**54.2**
Tax									**(7.6)**
Loss for the year from discontinued operations									**(12.6)**
Profit after tax and discontinued operations									**34.0**
Total assets									**339.4**
Total liabilities									**(143.3)**

* Underlying EBITDA has historically been presented as Adjusted EBITDA and defined as EBITDA before separately disclosed items and charges relating to equity-settled share-based payments. For the year ended 30 April 2013, Adjusted EBITDA has been renamed Underlying EBITA and includes charges relating to equity-settled share-based payments but excludes separately disclosed items. Comparative periods have been amended accordingly. Separately disclosed items in the prior year include results from High Rollers (2013: £nil, 2012: £3.9m profit).

** The results relating to Tradefair Spreads Limited's operation which was previously reported under the LMAX segment and which is still part of the Group's continuing operations is shown within Gaming.

*** The amount previously disclosed has been amended to reflect the new organisational structure of reportable segments.

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

Year ended 30 April 2013

	UK**	Europe	Rest of World	Unallocated	Group
	£m	£m	£m	£m	£m
Core Betfair	214.3	110.8	22.4	1.5	349.0
Other investments	—	—	38.0	—	38.0
Total Group revenue	**214.3**	**110.8**	**60.4**	**1.5**	**387.0**

Year ended 30 April 2012

	UK**	Europe	Rest of World	Unallocated	Group
	£m	£m	£m	£m	£m
Core Betfair	196.9	133.7	18.7	3.0	352.3
Other investments	—	—	36.2	—	36.2
Total Group revenue	**196.9**	**133.7**	**54.9**	**3.0**	**388.5**

3 (Loss)/profit before tax

(Loss)/profit before tax is stated after charging:

	2013	2012
	£m	£m
Equity-settled share-based payments and associated costs	**9.3**	8.1
Depreciation of property, plant and equipment	**17.0**	16.2
Amortisation of capitalised development costs	**15.6**	16.9
Amortisation of other intangibles	**7.5**	8.1
Rentals payable under operating leases	**8.7**	8.4
Research and non-capitalised development costs	**51.0**	49.5

Auditors' remuneration:

	2013	2012
	£m	£m
Fees payable to the Company's auditor for the audit of these financial statements	**0.1**	0.1
Fees payable to the Company's auditor and its associates for other services:		
Audit of financial statements of subsidiaries pursuant to legislation	**0.5**	0.6
Other services pursuant to legislation—review of interim financial statements	**0.1**	0.1
Other services pursuant to legislation—profit estimate listing procedures	**0.1**	—
Tax services	**0.1**	0.5
Transaction advisory	**0.1**	0.1
Total	**1.0**	1.4

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.

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:

	2013	2012
	No.	No.
Technology	**924**	994
Sales and marketing	**272**	281
Operations	**545**	656
G&A	**325**	333
Total	**2,066**	2,264

The above numbers include the average numbers of persons of 71 (2012: 78) employed by Group's discontinued operation LMAX.

The number of persons employed by the Group (including Directors) as at 30 April 2013 was 1,773 (2012: 2,302).

4 Employee numbers and costs (Continued)

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£m	£m
Wages and salaries	**104.7**	110.6
Social security costs	**10.8**	11.3
Redundancy costs	**—**	1.5
Equity-settled share-based payments and associated costs (note 20)	**9.3**	8.1
Pension costs	**2.4**	2.7
Total	**127.2**	134.2

The above numbers include the aggregate payroll costs of £5.5m (2012: £6.7m) in relation to the Group's discontinued operation LMAX.

Details on the remuneration of Directors are set out in the Directors' Remuneration Report on pages 48 to 56.

5 Separately disclosed items

Separately disclosed 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.

	2013	2012
	£m	£m
Regulatory developments	**—**	6.4
Results from High Rollers	**—**	(3.9)
Restructuring costs	**19.4**	—
Costs incurred on corporate projects	**2.7**	—
Total	**22.1**	2.5

During the year ended 30 April 2013, the Group has incurred costs of £19.4m, which relate to its restructuring and cost optimisation initiatives (see note 18), and £2.7m in relation to professional fees resulting from the rejected takeover approach by CVC and partners. During the year ended 30 April 2012, regulatory developments comprise a one-off expense relating to Spanish gaming tax and other costs relating to the Group's Spanish operations in prior periods. During the year ended 30 April 2013, separately disclosed items have been recorded within administrative expenses (2012: separately disclosed items were recorded within cost of sales).

Impairment of goodwill and other intangible assets

	2013	2012
	£m	£m
Impairment recognised of goodwill and other intangible assets	**82.4**	—

As at 30 April 2013, following the announcement of the Group's strategic priorities during the first six months of the financial year, management has undertaken a review of the carrying value of all intangible assets, including goodwill and capitalised development expenditure. As a result of this review, an impairment charge of £82.4m has been recorded in the income statement (see note 11).

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

	2013	2012
	£m	£m
Profit on sale of investment	**16.8**	—

On 20 November 2012 the Group sold its shares held in Kabam for $30m (£18.8m) (see note 13).

7 Finance income and expense

Recognised in income statement

	2013 £m	2012 £m
Finance income		
Bank interest receivable	**1.1**	1.2
Foreign exchange gain	**0.3**	2.4
Total	**1.4**	3.6

The Group has no finance expense in the current year (2012: £nil).

8 Tax

Recognised in the income statement

	2013 £m	2012 £m
Current tax		
UK—current year	**4.1**	4.8
UK—adjustments in respect of prior periods	**(0.6)**	(3.5)
Overseas—current year	**0.9**	2.6
Overseas—adjustments in respect of prior periods	**(0.2)**	(0.5)
Current tax expense	**4.2**	3.4
Deferred tax		
Origination and reversal of temporary differences	**(8.2)**	4.4
Tax rate reduction	**(0.2)**	(0.2)
Deferred tax	**(8.4)**	4.2
Total tax (credit)/expense	**(4.2)**	7.6

Reconciliation of effective tax rate

	2013 £m	2012 £m
(Loss)/profit before tax	**(49.4)**	54.2
Total tax credit/(expense)	**4.2**	(7.6)
(Loss)/profit for the year	**(45.2)**	46.6
Tax using the UK corporation tax rate of 23.9% (2012: 25.8%)	**(11.8)**	14.0
Effect of tax rates in foreign jurisdictions	**(0.9)**	(2.1)
Non-deductible expenses	**15.5**	1.1
Tax rate reduction	**0.2**	(0.1)
Current year losses for which no deferred tax asset was recognised	**1.0**	2.1
Adjustments in respect of prior periods	**(0.6)**	(4.7)
Group relief claimed for no payment	**(3.6)**	(2.7)
Tax exempt revenues	**(4.0)**	—
Total tax (credit)/expense	**(4.2)**	7.6

Tax recognised directly in equity

	2013 £m	2012 £m
Other deferred tax in relation to equity-settled share-based payments	**(0.9)**	(1.4)
Deferred tax	**(0.9)**	(1.4)
Current tax in relation to equity-settled share-based payments	**0.8**	0.8
Total tax	**(0.1)**	(0.6)

8 Tax (Continued)

The Group's consolidated effective tax rate for the year was 8.5% (30 April 2012: 14.0% restated for LMAX discontinued operations).

The tax effect of exceptional and impairment items in the current year amounted to a tax credit of £10.4m (2012: £0.2m).

The 2013 Budget on 25 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 26% to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012, and a further reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012.

This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 30 April 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax liability accordingly.

9 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 30 April 2013 was based on the loss attributable to ordinary shareholders of £66.3m (30 April 2012: profit of £34.7m) and a weighted average number of ordinary shares outstanding of 101,854,246 (30 April 2012:104,569,704).

	2013	2012
(Loss)/profit for the year (£m)	**(66.3)**	34.7
Weighted average number of shares	**101,854,246**	104,569,704
Basic (loss)/earnings per share*	**(65.1)p**	33.1p
Diluted earnings per share*		32.5p

* The (loss)/earnings per share calculations include the results of the discontinued operations.

Please see page 59 for the separately disclosed basic and diluted earnings per share for the continuing operations of the Group.

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 April 2013 was based on the loss attributable to ordinary shareholders of £66.3m (30 April 2012: profit of £34.7m) and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 103,378,698 (30 April 2012: 106,780,109).

As any potential ordinary shares would have the effect of decreasing the loss per share for the year ended 30 April 2013, they have not been treated as dilutive; hence diluted earnings per share have not been disclosed.

Profit used to determine diluted earnings per share

	2013	2012
(Loss)/profit used to determine diluted earnings per share	**(66.3)**	34.7

As any potential ordinary shares would have the effect of decreasing the loss per share for the year ended 30 April 2013, they have not been treated as dilutive; hence diluted earnings per share have not been disclosed.

9 Earnings per share (Continued)

Weighted average number of shares (diluted)

	2013	2012
Weighted average number of ordinary shares (basic)	**101,854,246**	104,569,704
Effect of share options on issue	**1,524,452**	2,210,405
Weighted average number of ordinary shares (diluted)	**103,378,698**	106,780,109

The average market value of the Company's shares of £7.33 (2012: £7.76) 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	Leasehold improvements	Computer equipment	Fixtures and fittings	Vehicles, plant and equipment	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 May 2011	0.8	13.7	80.4	6.9	0.7	102.5
Additions	—	4.2	10.7	1.7	0.3	16.9
Disposals	—	(4.9)	(1.0)	(0.4)	(0.3)	(6.6)
Net foreign exchange differences	—	—	—	0.1	—	0.1
At 30 April 2012	0.8	13.0	90.1	8.3	0.7	112.9
Additions	—	2.2	4.2	0.8	—	7.2
Disposals	—	(0.9)	(0.2)	(0.1)	(0.5)	(1.7)
Derecognised on disposal of subsidiary	—	(0.4)	(4.4)	(0.1)	—	(4.9)
Net foreign exchange differences	—	0.1	0.6	0.1	—	0.8
At 30 April 2013	**0.8**	**14.0**	**90.3**	**9.0**	**0.2**	**114.3**
Depreciation						
At 1 May 2011	0.1	8.1	57.8	3.1	0.4	69.5
Depreciation for the year	—	2.0	12.6	1.4	0.2	16.2
Disposals	—	(4.9)	(1.0)	(0.4)	(0.3)	(6.6)
Net foreign exchange differences	—	—	—	0.1	—	0.1
At 30 April 2012	0.1	5.2	69.4	4.2	0.3	79.2
Depreciation for the year	—	2.5	12.7	1.7	0.1	17.0
Impairment	—	1.9	1.3	0.1	—	3.3
Disposals	—	(0.8)	(0.2)	—	(0.2)	(1.2)
Derecognised on disposal of subsidiary	—	(0.4)	(4.4)	(0.1)	—	(4.9)
Net foreign exchange differences	—	0.1	0.2	—	—	0.3
At 30 April 2013	**0.1**	**8.5**	**79.0**	**5.9**	**0.2**	**93.7**
Net book value						
At 30 April 2012	0.7	7.8	20.7	4.1	0.4	33.7
At 30 April 2013	**0.7**	**5.5**	**11.3**	**3.1**	**—**	**20.6**

In the year ended 30 April 2013, additions totaling £1.3m and depreciation totaling £0.4m was recognised in respect of discontinued operations (see note 27). Except for £1.8m of leasehold improvements, the impairment relates solely to the assets of the discontinued operation

11 Goodwill and other intangible assets

	Goodwill	Computer Software	Licences	Development expenditure	Brand	Customer lists	Broadcasting and wagering	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
At 1 May 2011	53.5	21.7	1.7	74.1	1.9	3.8	0.9	157.6
Acquisitions through business combinations	0.2	—	—	—	—	—	—	0.2
Other acquisitions internally developed	—	—	—	29.4	—	—	—	29.4
Other acquisitions externally purchased	—	9.5	—	7.0	—	—	—	16.5
Disposals	—	(0.2)	—	—	—	—	—	(0.2)
Net foreign exchange differences	0.3	—	(0.1)	—	0.1	0.1	—	0.4
At 30 April 2012	54.0	31.0	1.6	110.5	2.0	3.9	0.9	203.9
Other acquisitions internally developed	—	—	—	18.9	—	—	—	18.9
Other acquisitions externally purchased	—	3.5	—	3.2	—	5.3	—	12.0
Disposals	—	(0.1)	—	—	—	—	—	(0.1)
Derecognised on disposal of subsidiary	—	—	—	(13.9)	—	—	—	(13.9)
Net foreign exchange differences	1.8	0.1	—	0.1	0.1	0.2	—	2.3
At 30 April 2013	**55.8**	**34.5**	**1.6**	**118.8**	**2.1**	**9.4**	**0.9**	**223.1**
Amortisation								
At 1 May 2011	—	8.5	1.3	32.2	1.9	2.1	0.6	46.6
Amortisation for the year	—	6.9	0.1	16.9	—	1.0	0.1	25.0
Disposals	—	(0.2)	—	—	—	—	—	(0.2)
Net foreign exchange differences	—	—	(0.1)	—	0.1	0.1	—	0.1
At 30 April 2012	—	15.2	1.3	49.1	2.0	3.2	0.7	71.5
Amortisation for the year	—	6.4	0.1	15.6	—	1.0	—	23.1
Impairment	34.6	5.1	—	47.0	—	—	0.1	86.8
Disposals	—	(0.1)	—	—	—	—	—	(0.1)
Derecognised on disposal of subsidiary	—	—	—	(13.9)	—	—	—	(13.9)
Net foreign exchange differences	0.7	—	0.1	—	0.1	0.2	—	1.1
At 30 April 2013	**35.3**	**26.6**	**1.5**	**97.8**	**2.1**	**4.4**	**0.8**	**168.5**
Net book value								
At 30 April 2012	54.0	15.8	0.3	61.4	—	0.7	0.2	132.4
At 30 April 2013	20.5	7.9	0.1	21.0	—	5.0	0.1	54.6

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) and the customer database purchased as part of the Blue Square Bet acquisition in March 2013. These are amortised over their estimated useful economic lives which fall between two to six years.

11 Goodwill and other intangible assets (Continued)

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

In the year ended 30 April 2013, the Group capitalised development expenditure amounting to £1.5m, incurred amortisation of £1.9m and impaired assets amounting to £6.2m in respect of the discontinued operations.

Goodwill

At 30 April 2013, the carrying amount of goodwill, after the impairment review, was £20.5m (2012: £54.0m) allocated across one (2012: four) cash generating units (CGUs) as follows:

	2013	2012
	£m	£m
CGU		
Sports	—	8.7
Games	—	2.5
Poker	—	10.0
TVG	**20.5**	32.8
Total goodwill net book value at 30 April	**20.5**	54.0

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

Goodwill

Impairment charges of £34.6m were recognised in the year ended 30 April 2013. In the prior periods, goodwill has been allocated to the following CGU's in line with Group's segmental reporting:

- Sports

it is considered appropriate to monitor the business at a more granular level and goodwill has been allocated to CGU's on this basis.

In line with this approach, subsequent impairments of £21.0m have been recognised in respect of past acquisitions.

Following recent regulatory developments in the US, management undertook a strategic review of the US market and TVG's position within that market. As a result of this review, the TVG CGU has been impaired by £13.6m. The key changes to assumptions since the previous impairment test relate to an anticipated reduction in operating margins and future growth rates.

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 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, where relevant. 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'.

11 Goodwill and other intangible assets (Continued)

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 2014 revenue figures for each CGU are based on the budget for the next financial year. For the years 2015 to 2018, the likely organic growth rates were assessed for each region in the CGU, taking account of past experience, growth prospects in regions and historic player patterns. For TVG CGU, the terminal growth rate used was 2.0% (2012: 2.0%). The management consider the assumed growth rate 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 TVG CGU, a pre-tax discount rate of 12.5% (2012: 12.5%) has been used in discounting the projected cash flows for that CGU.

The calculation of recoverable amount of TVG goodwill is primarily sensitive to forecast future earnings, the discount rates applied as well as future developments in US horseracing. 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 2018 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 TVG CGUs to exceed the recoverable amount.

Development expenditure and software

As part of the strategic review, management has also performed a detailed review of the carrying value of capitalised development costs. Those projects which are no longer in use as part of the sustainable revenues strategy (as referred in the Strategic Review section) have been impaired resulting in a charge of £47.0m. This charge includes the impairment of the development costs incurred in building the US Exchange (£10.4m) and the LMAX Exchange (£6.2m). The charge in respect of LMAX has been included within the loss from discontinued operations as a result of the LMAX sale (see note 27). The remaining £30.4m impairment charge relates to specific projects where the anticipated returns no longer support the carrying value as a result of the change in strategic focus of the business.

Following a review of the carrying value of the Group's software assets, an impairment charge of £5.1m has also been recorded.

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 origin	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
The Sporting Exchange (Clients) Limited	England	Gambling and betting	Subsidiary	100
Timeform Limited	England	Publisher	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 Pic.	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 Italia S.R.L.	Italy	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 Marketing Espana	Spain	Marketing activities	Subsidiary	100
The Rebate Company LLC	USA	Online gaming	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	Online gaming	Subsidiary	100
Betfair US LLC	USA	Online gaming	Subsidiary	100
Tradefair Spreads Limited	England	Spread Betting services	Subsidiary	99.98

12 Investments in subsidiaries, associates and jointly controlled entities (Continued)

	Country of origin	Principal activity	Classification	Ordinary shares held %
London Multi Asset Exchange (Holdings) Limited	England	Holding company	Subsidiary	99.98
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.

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

	2013 £m	2012 £m
Share of net liabilities		
At the beginning of the year	**(1.7)**	(6.1)
Share of operating profit*	**1.1**	4.2
Share of interest receivable	**0.3**	0.1
Contribution of cash into joint venture	—	0.1
Share of change in equity	—	(0.1)
Foreign exchange differences	—	0.1
At the end of the year	**(0.3)**	(1.7)
Goodwill		
At the beginning of the year	**0.4**	0.4
At the end of the year	**0.4**	0.4
Loan		
At the beginning of the year	**7.5**	7.7
Foreign exchange differences	**0.3**	(0.2)
At the end of the year	**7.8**	7.5
Net book value		
At the beginning of the year	**6.2**	2.0
At the end of the year	**7.9**	6.2

* £1.9m of the share of the operating profit of Betfair Australasia Pty Limited in the year ended 30 April 2012 comprises a one-off gain of £2.9m 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 £1.0m accrued to cover fees relating to an ongoing legal case.

12 Investments in subsidiaries, associates and jointly controlled entities (Continued)

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

	2013	2012
	£m	£m
Current assets	**19.5**	13.9
Non-current assets	**6.6**	9.2
Current liabilities	**(2.7)**	(22.0)
Revenue	**36.0**	31.9
Expenses	**(36.8)**	(26.2)

13 Available-for-sale financial asset

At 30 April 2013, the available-for-sale financial assets comprised the Group's 8.9% (fully diluted holdings of 9.9%) non-controlling interest in Featurespace Limited (£0.1m) and non-controlling interest in LMAX Limited of 33% (£1.2m). On 20 November 2012 the Group sold its shares held in Kabam for $30m (£18.8m).

	2013	2012
	£m	£m
At 1 May	**2.1**	2.1
Disposals	**(2.0)**	—
Reclassification of remaining shares held in LMAX	**1.2**	—
At 30 April	**1.3**	2.1

14 Deferred tax assets and liabilities

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

	Assets		Liabilities		Total	
	2013	2012	2013	2012	2013	2012
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	**6.3**	4.2	—	—	**6.3**	4.2
Intangible assets	—	1.6	**(4.3)**	(14.0)	**(4.3)**	(12.4)
Equity-settled share-based payments and associated costs	**1.2**	3.6	—	—	**1.2**	3.6
Value of tax loss carry-forwards	—	1.3	—	—	—	1.3
Other	**1.9**	1.3	—	—	**1.9**	1.3
Deferred tax assets/(liabilities)	**9.4**	12.0	**(4.3)**	(14.0)	**5.1**	(2.0)

The Group has unrecognised deferred tax assets in respect of losses of £12.3m (2012: £11.7m), unrecognised deferred tax assets in respect of depreciation in excess of capital allowances of £1.0m (2012: £0.9m), unrecognised deferred tax assets in respect of share-based payments of £1.9m (2012: £nil) and unrecognised deferred tax liabilities in respect of intangible assets of £0.5m (2012: £nil).

These have not been recognised on the basis that there is insufficient certainty of there being future taxable profits in those jurisdictions.

14 Deferred tax assets and liabilities (Continued)

Movements in deferred tax are as follows:

	Property, plant and Equipment	Intangible Assets	Share-based payments	Tax value of loss carry-forwards	Other	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 May 2011	3.6	(8.9)	5.4	1.4	2.1	3.6
Recognised in income statement	0.5	(3.5)	(0.4)	(0.1)	(0.7)	(4.2)
Foreign exchange differences	—	—	—	—	—	—
Recognised in equity	—	—	(1.4)	—	—	(1.4)
Balance at 30 April 2012	4.1	(12.4)	3.6	1.3	1.4	(2.0)
Adjustment in respect of disposal of discontinued operations	(0.3)	(0.1)	—	—	—	(0.4)
Recognised in income statement	2.5	8.2	(1.5)	(1.3)	0.5	8.4
Foreign exchange differences	—	—	—	—	—	—
Recognised in equity	—	—	(0.9)	—	—	(0.9)
Balance at 30 April 2013	**6.3**	**(4.3)**	**1.2**	**—**	**1.9**	**5.1**

15 Trade and other receivables

	2013	2012
	£m	£m
Trade receivables	**2.2**	1.9
Other receivables	**3.9**	12.5
Prepayments and accrued income	**12.6**	15.2
Total	**18.7**	29.6

16 Cash and cash equivalents

	2013	2012
	£m	£m
Cash and cash equivalents	168.1	135.4

As at 30 April 2013, £284.1m (30 April 2012: £288.3m) was held on trust in The Sporting Exchange (Clients) Limited, on behalf of the Group's customers and is equal to the amounts deposited into customer accounts.

The above cash and cash equivalent includes £8.9m (2012: £15.1m; £9.3m of which is related to LMAX Limited) of client funds, that are not held on trust in The Sporting Exchange (Clients) Limited in accordance with local regulations. These client funds that are not held on trust are matched by liabilities of an equal value as disclosed in note 17. The cash and cash equivalent also includes an additional £5.1m of restricted cash relating to the Group's financial guarantees (2012: £8.0m).

17 Trade and other payables

	2013	2012
	£m	£m
Trade payables	**5.5**	15.6
Other payables	**22.7**	25.0
Amounts owed to joint ventures	**3.2**	3.0
Other taxation and social security	**7.3**	3.9
Non-trade payables and accrued expenses	**70.9**	70.9
Total	**109.6**	118.4

17 Trade and other payables (Continued)

Included in other payables at 30 April 2013 is an amount of £8.9m (2012: £15.1m) in deposits received and customer winnings which are not held on trust. This is offset by included in cash and cash equivalents as disclosed in note 16 respect of amounts due to customers, representing an equivalent amount of client funds held, which is included in cash and cash equivalents as disclosed in note 16.

18 Provisions

	Redundancy provision	Onerous contracts	Total
	£m	£m	£m
Balance at 1 May 2012 Provision accounted for in the year	9.7	1.9	11.6
Current provisions 30 April 2013	**9.7**	**1.9**	**11.6**
Balance at 1 May 2012 Provision accounted for in the year	—	1.6	1.6
Non-current provisions 30 April 2013	—	**1.6**	**1.6**

The redundancy provision relates to costs incurred as part of restructuring and cost optimisation initiatives. All affected employees will depart the Group within one year of the balance sheet date.

Onerous contracts relate to provisions made in relation to operating leases for premises that have been vacated during the course of the year as part of the restructuring.

19 Equity

Share capital

	Ordinary Shares	
	2013	2012
	No.	No.
As at 1 May	**102,328,826**	107,904,239
Issued by the Group in relation to:		
Exercised share options and restricted shares	**1,864,890**	921,983
Exercised SAYE options	**27,894**	8,613
Shares cancelled	**—**	(6,506,009)
New shares issued for cash	**—**	—
Total fully paid, ordinary shares of £0.001 each	**104,221,610**	102,328,826

	2013	2012
	£m	£m
Allotted, called up and fully paid	**0.1**	0.1
104,221,610 ordinary shares of £0.001 each (30 April 2012: 102,328,826)		

During the year, the Group received consideration of £7.3m (30 April 2012: £1.2m) for the exercise of 1,864,890 (30 April 2012: 921,983) share options and restricted shares and £0.1m (30 April 2012: £0.1m) for the exercise of 27,894 (30 April 2012: 8,613) SAYE options, resulting in total consideration from the issue of shares of £7.4m (30 April 2012: £1.3m).

Exercise prices ranged from £0.001 to £8.00.

The Employee Benefit Trust held 2,640,497 ordinary shares in the Company as at 30 April 2013 (30 April 2012: 2,458,771).

As part of the Share Buyback Programme, the Group purchased 6,506,009 shares at a total cost of £50.2m (including the cost of the transaction of £0.2m) during the year ended 30 April 2012.

The total fully diluted shares as at 30 April 2013 was 107,500,314 (30 April 2012: 107,773,076).

19 Equity (Continued)

Other Reserves

Other reserves mainly comprise 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.

Reconciliation of movement in equity

	2013	2012
	£m	£m
Balance at 1 May	**196.1**	215.6
Total comprehensive income for the year		
(Loss)/profit for the year	**(66.3)**	34.0
Other comprehensive income/(expense)		
Foreign exchange differences arising on consolidation	**1.8**	(2.9)
Other comprehensive income/(expense)	**1.8**	(2.9)
Total comprehensive (expense)/income for the year	**(64.5)**	31.1
Transactions with owners, recorded directly in equity		
Issue of shares	**7.4**	1.3
Purchase of own shares	—	(50.2)
Purchase of own shares by the EBT	**(3.2)**	(0.1)
Sale of own shares by the EBT	—	1.0
Equity-settled share-based payment transactions	**7.5**	7.6
Dividends paid	**(11.2)**	(9.6)
Tax directly recognised in equity	**(0.1)**	(0.6)
Total transactions with owners	**0.4**	(50.6)
Balance at 30 April	**132.0**	196.1

20 Share-based payments

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

(a) Share option plans

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

(c) Restricted share scheme

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

(e) Senior Executives' Incentive Plan

(f) Stakeholder shares scheme.

As at 30 April 2013, 3,278,704 share options and restricted shares (2012: 5,444,250) in the capital of the Group remain outstanding and are exercisable up to 30 April 2023.

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 £8.5m (excluding Employers' National Insurance costs) for the year ended 30 April 2013 (30 April 2012: £7.6m). Employers' National Insurance costs amount to £0.8m (30 April 2012: £0.5m).

20 Share-based payments (Continued)

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.

(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 as at 1 May 2012	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding as at 30 April 2013	Exercise price £	Exercisable before
2004	**30,893**	**—**	**—**	**(25,893)**	**5,000**	0.25–2.25	2014
2005	**340,773**	**—**	**—**	**(109,228)**	**231,545**	2.17–4.50	2015
2006	**1,908,946**	**—**	**—**	**(1,531,477)**	**377,469**	4.50	2016
2007	**601,538**	**—**	**—**	**—**	**601,538**	0.001–10.00	2017
2008	**36,275**	**—**	**—**	**—**	**36,275**	0.001–10.00	2018
2009	**8,313**	**—**	**(2,000)**	**—**	**6,313**	0.001–10.00	2019
2010	**16,187**	**—**	**(3,187)**	**—**	**13,000**	0.001–10.00	2020
2011	**80,200**	**—**	**(67,138)**	**—**	**13,062**	0.001–10.00	2021
2012	**340,111**	**—**	**(264,738)**	**(14,216)**	**61,157**	0.001–8.71	2022
2013	**—**	**10,036**	**(6,252)**	**(3,784)**	**—**	0.001–8.76	2023
	3,363,236	**10,036**	**(343,315)**	**(1,684,598)**	**1,345,359**		

1,293,384 options were exercisable under this scheme as at 30 April 2013 (2012: 2,943,808).

The weighted average exercise price for share options exercised during the year is £4.35 (2012: £2.18).

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 granted	2013	2003–2012
Share price at date of grant	**£8.06**	£0.40–£10.00
Exercise price	**£0.001–£8.76**	£0.001–£10.00
Expected volatility	**40.35%**	32.51%–62.71%
Expected term until exercised	**1–4 years**	1–5 years
Expected dividend yield	**0.8%**	Nil–0.8%
Risk-free interest rate	**0.41%–0.97%**	0.35%–5.79%

The weighted average fair value of the awards granted during the year ended 30 April 2013 under the share option plan at the date of grant was £5.05 (2012: £4.12).

The expense recognised in the income statement (excluding Employers' National Insurance costs) was a credit of £0.1m (2012: charge of £1.0m).

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

20 Share-based payments (Continued)

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% 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.

Financial year granted	Outstanding at 1 May 2012	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2013	Exercise price £	Exercisable before
2009	**41,768**	—	(38,568)	(3,200)	**—**	8.00	2012
2010	**57,150**	—	(34,430)	—	**22,720**	8.00	2013
2012	**633,677**	—	(146,439)	(24,694)	**462,544**	5.68	2014
	732,595	—	(219,437)	(27,894)	**485,264**		

The weighted average exercise price for share options exercised during the year is £6.13 (2012: £8.00). 2003–2012

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

Financial year options granted	2003-2012
Share price at date of grant	£2.71–£10.00
Exercise price	£2.17–£8.00
Expected volatility	40.07%–54.40%
Expected term until exercised	3.25 years
Expected dividend yield	Nil–0.69%
Risk-free interest rate	0.84%–5.08%

There were no SAYE share options granted during the year ended 30 April 2013 (30 April 2012: 661,201). The weighted average fair value of the options granted in the year ended 30 April 2012 was £3.21.

The expense recognised in the income statement (excluding Employers' National Insurance costs) was £0.9m (2012: £0.7m).

(c) Restricted shares schemes

The Group provided a restricted shares scheme as part of its bonus plan until 2010. In 2010, the bonus plan was revised with the introduction of the Long-term incentive plan, Short-term incentive plan and Management incentive plan. Refer to note 20 (d).

Awards made under the terms of the restricted share scheme plan prior to 2010 have vested.

In January 2012, the Group modified certain outstanding share options and replaced them with restricted shares on a 3:1 basis. These were expensed over the remaining vesting period of the originally granted share options.

20 Share-based payments (Continued)

A number of individuals were granted restricted shares in the period. These have a range of vesting periods of up to three years from the first day of the award to which they relate and one third of the shares will vest each year for three years.

Scheme year	Outstanding at 1 May 2012	Granted during the year	Lapsed/cancelled during the year	Exercised during the year	Outstanding at 30 April 2013	Exercisable Price £	Exercisable before
2007	**49,542**	—	—	(49,542)	**—**	0.001	2012
2008	**83,919**	—	—	(27,470)	**56,449**	0.001	2013
2009	**128,680**	—	—	(51,119)	**77,561**	0.001	2014
2012	**327,652**	—	(23,970)	(101,069)	**202,613**	0.001	2017
2013	**—**	405,053	—	—	**405,053**	0.001	2018
	589,793	405,053	(23,970)	(229,200)	**741,676**		

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 (2012: £0.001).

The total expense recognised in the income statement related to the restricted shares (excluding Employers' National Insurance costs) was £2.8m (2012: £0.6m).

(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; and
- 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 2012	Granted during the year	Cancelled during the year	Exercised during the year	Outstanding at 30 April 2013	Exercise Price £	Exercisable before
2010	**4,794**	—	—	(1,048)	**3,746**	0.001	2020
2011	**4,689**	—	—	(505)	**4,184**	0.001	2021
2013	**—**	181,954	(38,912)	—	**143,042**	0.001	2023
	9,483	181,954	(38,912)	(1,553)	**150,972**		

The fair value of the share options in the LTIP scheme is expensed over the three year period that the options vest. No grants were awarded in the current year which included option elements. The following assumptions were used in the Black-Scholes pricing model for options in the previous year:

Financial year options granted	2012
Share price at date of grant	£8.56
Exercise price	£8.56
Expected volatility	43.91%
Expected term until exercised	4 years
Expected dividend yield	Nil
Risk-free interest rate	1.97%

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

20 Share-based payments (Continued)

option given 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' 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 £4.3m for the options and restricted shares has been recognised (excluding Employers' National Insurance costs) which is management's best estimate of the charge in respect of these awards for the current year (2012: £0.6m). The cash element of the scheme has been included in the bonus cash pool for the performance year ended 30 April 2013.

The Employers' National Insurance costs amounted to £0.5m (2012: £0.1m).

(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, and 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 £0.6m (2012: £4.6m). The Employers' National Insurance costs amounted to £0.1m (2012: £0.3m).

Scheme year	Outstanding at 1 May 2012	Granted during the year	Lapsed / Cancelled during the year	Exercised during the year	Outstanding at 30 April 2013	Exercisable Price £	Exercisable before
2011	**600,486**	—	(7,576)	(130,788)	**462,122**	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).

No expense was incurred in the year ended 30 April 2013 (2012: Nil).

Scheme year	Outstanding at 1 May 2012	Granted during the year	Lapsed/ Cancelled during the year	Exercised during the year	Outstanding at 30 April 2013	Exercisable Price £	Exercisable before
2011	**148,657**	—	(11,224)	(44,122)	**93,311**	0.001	2020

21 Employee benefits

Defined contribution plans

In August 2008, the Group introduced a defined contribution pension plan available to certain employees. The total expense shown within pension costs disclosed in note 4 relating to this plan in the current year was £2.4m (2012: £2.7m).

22 Financial instruments

The carrying value of the Group's financial instruments by category together, with their fair values is analysed as follows:

	Carrying value 2013	Fair value 2013	Carrying value 2012	Fair value 2012
	£m	£m	£m	£m
Trade and other receivables (note 15)	**6.1**	**6.1**	14.4	14.4
Cash and cash equivalents (note 16)	**168.1**	**168.1**	135.4	135.4
Derivative financial liability (note 22(b))	**(0.1)**	**(0.1)**	(0.1)	(0.1)
Trade and other payables (note 17)	**(28.2)**	**(28.2)**	(40.6)	(40.6)
Net financial assets	**145.9**	**145.9**	109.1	109.1

(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 if the effect is material.

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 Group's own markets on relevant sporting events. The fair value calculation also includes the impact of any exchange hedging activities in relation to these open positions.

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.

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

	Total 2013	Level 1 2013	Level 2 2013	Level 3 2013
	£m	£m	£m	£m
Available-for-sale financial asset (note 13)	**1.3**	—	**1.3**	—
Fair value of open bets	**(0.1)**	—	**(0.1)**	—
Net position	**1.2**	—	**1.2**	—

22 Financial instruments (Continued)

	Total 2013	Level 1 2013	Level 2 2013	Level 3 2013
	£m	£m	£m	£m
Available-for-sale financial asset (note 13)	2.1	—	2.1	—
Fair value of open bets	(0.1)	—	(0.1)	—
Net position	2.0	—	2.0	—

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) 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; and
- 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

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.

22 Financial instruments (Continued)

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 2013.

	Carrying amount	
	2013	**2012**
	£m	**£m**
Non-derivative financial liabilities	**28.2**	40.6
Trade and other payables (note 17)		
Derivative financial liabilities	**0.1**	0.1
Open bet liability (within non-trade payables and accrued expenses)		
Total	**28.3**	40.7

The maturity analysis of the trade and other payables is as follows:

30 April 2013

	0–30 days	31–60 days	61–90 days	> 91 days	Total
	£m	£m	£m	£m	£m
Trade and other payables	**26.7**	**0.7**	**0.3**	**0.5**	**28.2**

30 April 2012

	0–30 days	31–60 days	61–90 days	> 91 days	Total
	£m	£m	£m	£m	£m
Trade and other payables	38.2	2.0	0.2	0.2	40.6

Market risk

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.

Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than Pounds Sterling (GBP). The currencies in which these transactions primarily are denominated are US Dollars (USD), Euros (EUR) and Australian Dollars (AUD).

The Group does not normally hedge against these sales and purchases. However, the Group monitors all foreign currency exposures and where appropriate may undertake currency hedging to mitigate the risk of unfavourable foreign exchange movements on specific commitments the Group enters into.

22 Financial instruments (Continued)

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 2013

	GBP	EUR	USD	AUD	Other	Total
	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	138.8	15.3	12.1	0.9	1.0	168.1
Trade payables	(4.0)	(1.4)	(0.1)	—	—	(5.5)
Balance sheet exposure	**134.8**	**13.9**	**12.0**	**0.9**	**1.0**	**162.6**

30 April 2012

	GBP	EUR	USD	AUD	Other	Total
	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	98.0	16.4	18.1	2.0	0.9	135.4
Trade payables	(9.8)	(5.5)	(0.2)	—	(0.1)	(15.6)
Balance sheet exposure	**88.2**	**10.9**	**17.9**	**2.0**	**0.8**	**119.8**

A 15.0% weakening of the following currencies against the Pounds Sterling at 30 April 2013 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	
	2013	2012	2013	2012
	£m	£m	£m	£m
Foreign Currency				
EUR	**(0.2)**	(1.0)	2.7	2.9
USD	**—**	—	2.1	3.2
AUD	**—**	—	0.2	0.3

A 15.0% strengthening of the above currencies against Pounds 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.

Interest rate risk

The Group has no bank loans and therefore is not exposed to interest rate risk on its liabilities. At the balance sheet date the Group's interest- bearing financial assets were as follows:

	2013	2012
	£m	£m
Variable rate instruments		
Financial assets—cash and cash equivalents	168.1	135.4

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

22 Financial instruments (Continued)

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.

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. The analysis is performed on the same basis for 2012.

	2013	2012
	£m	£m
Profit or loss		
Increase	3.5	3.3
Decrease	(1.1)	(1.2)

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 2013, the trade receivables balance was £2.2m (2012: £1.9m) of which £1.4m is current and £0.8m is past due.

An amount of £0.7m (2012: £0.5m) of the trade receivable balance has been provided for.

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 £174.2m (2012: £149.8m) being the total of the carrying amount of the financial assets excluding equity investments, shown in note 22(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 19.

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group currently has sufficient capital for its needs.

23 Operating leases

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

	2013	2012
	£m	£m
Not later than one year	**6.3**	6.9
Later than one year and not later than five years	**14.6**	19.4
Later than five years	**3.5**	5.1
Total	**24.4**	31.4

Operating lease payments represent rents payable by the Group for office properties. These leases have varying terms, escalation charges and renewal rights.

During the year £8.7m was recognised as an expense in the income statement in respect of operating leases (2012: £8.4m).

24 Capital commitments

Contracted but not provided for in the financial statements:

	2013	2012
	£m	£m
Capital	**0.2**	0.9
Marketing	**3.3**	6.1
Total	**3.5**	7.0

25 Related parties

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Betfair Pty Limited

During the year the Group recharged the Australian joint venture, Betfair Pty Limited, the following costs:

- salary and related costs amounting to £nil (2012: £0.1m); and
- operational costs amounting to £1.5m (2012: £0.9m).

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

- salary and related costs amounting to £0.3m (2012: £0.5m); and
- operational costs amounting to £2.7m (2012: £2.0m).

The outstanding balance as at 30 April 2013 of loans receivable from the Australian joint venture is £7.8m (2012: £7.5m).

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 2013, the Group owed £3.2m (2012: £3.0m) to the Australian joint venture.

Featurespace Limited

During the year the Group was charged £0.2m (2012: £0.5m) for consultancy services by Featurespace Limited in which the Group have a non-controlling interest.

25 Related parties (Continued)

Transactions with key management personnel

Key management personnel compensation, excluding the Group's Directors, is shown in the table below:

	2013	2012
	£m	£m
Short-term benefits	**3.5**	2.5
Share-based payment expense	**2.7**	2.2
Total	**6.2**	4.7

26 Dividends

	2013	2012
	£m	£m
Amounts recognized as distributions to equity holders in period		
Final dividend for the year ended 30 April 2012 of 7.0p per qualifying ordinary share (2011: 5.9p)	**7.4**	6.2
Interim dividend for the year ended 30 April 2013 of 4.0p per qualifying ordinary share (2012: 3.2p)	**4.1**	3.4
Total	**11.2**	9.6

Proposed final dividend for the year ended 30 April 2013 of 9.0p per share (2012: 7.0p).

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.

27 Disposals during the year and discontinued operations

On 18 December 2012 the Group entered into a sale and purchase agreement for the sale of 67% of the shares of LMAX Limited for £2.4m. The transaction was finalised in January 2013, on which date control of LMAX Limited passed to the acquirer.

The net assets of LMAX Limited at the date of disposal were:

	2013
	£m
Trade and other receivables	**12.9**
Cash and cash equivalents*	**26.9**
Trade and other payables*	**(31.4)**
Net assets disposed of	**8.4**
Consideration received	**2.4**
Cash and cash equivalents disposed of	**(26.9)**
Net cash outflow	**(24.5)**

* Cash and cash equivalents includes £22.7m of clients funds held matched by liabilities of an equal value in trade and other payables.

27 Disposals during the year and discontinued operations (Continued)

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	Period ended 18 January 2013	Year ended 30 April 2012
	£m	£m
Revenue	**4.1**	1.2
Cost of sales	**(2.2)**	(0.6)
Gross profit	**1.9**	0.6
Administrative expenses	**(17.4)**	(13.0)
Operating Loss	**(15.5)**	(12.4)
EBTIDA	**(5.5)**	(8.3)
Impairment loss recognised	**(7.7)**	—
Depreciation and amortisation	**(2.3)**	(4.1)
Operating loss	**(15.5)**	**(12.4)**
Net income/(expense)	**0.1**	(0.2)
Loss before tax	**(15.4)**	(12.6)
Loss on disposal of discontinued operations	**(5.3)**	—
Tax	**(0.4)**	—
Net loss attributable to discontinued operations	**(21.1)**	(12.6)

During the year, LMAX Limited contributed £5.2m (2012: £2.3m) to the Group's net operating cash flows and paid £2.8m (2012: £2.9m)

COMPANY BALANCE SHEET

As at 30 April 2013

	Note	2013 £m	2012 £m
Fixed assets			
Investments	2	**153.7**	146.2
Current assets			
Debtors	3	**6.4**	0.7
Cash at bank and in hand		**1.6**	0.8
		8.0	1.5
Creditors: Amounts falling due within one year	4	**(12.0)**	(3.0)
Net current liabilities		**(4.0)**	(1.5)
Total assets less current liabilities	5		
Creditors: Amounts falling due after more than one year		**(52.7)**	(50.5)
Net assets		**97.0**	94.2
Capital and reserves			
Share capital	6	**0.1**	0.1
Share premium	6	**19.4**	12.0
Profit and loss account	6	**77.5**	82.1
Shareholders' funds		**97.0**	94.2

These financial statements were approved by the Board of Directors on 27 June 2013 and were signed on its behalf by:

Breon Corcoran
Chief Executive Officer

Alexander Gersh
Chief Financial Officer

NOTES

Forming part of the Financial Statements

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 2013 of £0.9m (2012: £0.5m).

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.

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 FRS 20 Share-based payment charge.

2 Investments

	Shares in Group undertakings
	£m
Cost	
As at 1 May 2012	146.2
Increase in the cost of investment for share-based payments under FRS 20	7.5
At 30 April 2013	**153.7**

3 Debtors

	2013	2012
	£m	£m
Amounts owed by fellow Group undertakings	**6.4**	0.7

4 Creditors: amounts falling due within one year

	2013	2012
	£m	£m
Amounts owed to fellow Group undertakings	**12.0**	3.0

5 Creditors: amounts falling due more than one year

	2013	2012
	£m	£m
Loans owed to fellow Group undertakings	**52.7**	50.5

6 Reconciliation of movement in capital and reserves

	Share capital	Share premium	Profit and loss account	Total Parent equity
	£m	£m	£m	£m
Balance as at 1 May 2011	0.1	10.7	134.8	145.6
Total loss for the year	—	—	(0.5)	(0.5)
Issue of shares	—	1.3	—	1.3
Share buyback	—	—	(50.2)	(50.2)
Dividends paid	—	—	(9.6)	(9.6)
Equity-settled share-based payment transactions	—	—	7.6	7.6
Balance at 30 April 2012	0.1	12.0	82.1	94.2
Balance at 1 May 2012	0.1	12.0	82.1	94.2
Total loss for the year	—	—	(0.9)	(0.9)
Issue of shares	—	7.4	—	7.4
Dividends paid	—	—	(11.2)	(11.2)
Equity-settled share-based payment transactions	—	—	7.5	7.5
Balance at 30 April 2013	**0.1**	**19.4**	**77.5**	**97.0**

6 Reconciliation of movement in capital and reserves (Continued)

FIVE YEAR SUMMARY

£m	2013	2012	2011*	2010*	2009*
Revenue	**387.0**	388.5	393.3	340.9	301.2
Underlying EBITDA excluding equity-settled share-based payments and associated costs	**82.6**	94.1	79.7	53.5	70.3
Equity-settled share-based payments and associated costs	**(9.3)**	(8.1)	(6.4)	(4.2)	(4.3)
EBITDA before separately disclosed items	**73.3**	86.0	73.3	49.3	66.0
Separately disclosed items	**(22.1)**	(2.5)	(17.0)	(4.6)	(0.9)
EBITDA	**51.2**	83.5	56.3	44.7	65.1
(Loss)/profit before tax	**(49.4)**	54.2	26.6	17.8	47.5
(Loss)/profit for the year	**(66.3)**	34.0	23.0	15.1	38.8

* As reported in previous Annual Reports and not restated for discontinued operation of LMAX.

SECTION D

BETFAIR UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2015

Betfair Unaudited Financial Statements for the six months ended 31 October 2015

Condensed Consolidated Income Statement

	Six months ended 31 October 2015 (Unaudited)	Six months ended 31 October 2014 (Unaudited)	Year ended 30 April 2015 (Audited)
	£m	£m	£m
Continuing operations			
Revenue	**274.4**	237.6	476.5
Cost of sales	**(60.4)**	(37.2)	(90.6)
Gross profit	**214.0**	200.4	385.9
Administrative expenses	**(146.8)**	(140.5)	(291.6)
Group operating profit	**67.2**	59.9	94.3
Analysed as:			
EBITDA*	**80.5**	73.9	120.2
Depreciation and amortisation	**(13.3)**	(14.0)	(25.9)
Group operating profit	**67.2**	59.9	94.3
Net finance (expense)/income	**(0.9)**	0.9	0.4
Share of profit of equity accounted investments	**—**	0.1	0.1
Profit on disposal of joint venture	**—**	6.4	6.4
Profit before tax	**66.3**	67.3	101.2
Tax	**(10.3)**	(9.7)	(14.8)
Profit for the period/year	**56.0**	57.6	86.4
Attributable to:			
Equity holders of the Parent	**56.0**	57.6	86.4
Non-controlling interest	**—**	—	—
Profit for the period/year	**56.0**	57.6	86.4
Earnings per share			
Basic	**60.3p**	55.0p	85.9p
Diluted	**58.8p**	53.7p	83.7p

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

Condensed Consolidated Balance Sheet

	31 October 2015 (Unaudited)	31 October 2014 (Unaudited)	30 April 2015 (Audited)
	£m	£m	£m
Non-current assets			
Property, plant and equipment	**18.2**	14.0	14.8
Goodwill and other intangible assets	**78.7**	46.1	83.2
Investments	**0.1**	0.1	0.1
Available-for-sale financial assets	**1.3**	1.3	1.3
Deferred tax assets	**9.2**	5.0	4.2
	107.5	66.5	103.6
Current assets			
Trade and other receivables	**28.9**	24.2	23.3
Cash and cash equivalents	**139.4**	271.4	105.1
	168.3	295.6	128.4
Total assets	**275.8**	362.1	232.0
Current liabilities			
Trade and other payables	**124.2**	110.9	128.1
Tax payable	**32.3**	32.9	29.5
Provisions	**4.1**	1.1	5.1
	160.6	144.9	162.7
Non-current liabilities			
Trade and other payables	**20.0**	—	19.5
Provisions	**—**	0.5	0.4
Total liabilities	**180.6**	145.4	182.6
Net assets	**95.2**	216.7	49.4
Share capital	**0.1**	0.1	0.1
Share premium	**5.5**	0.9	5.3
Other reserves	**(2.6)**	(11.8)	(9.0)
Retained earnings	**92.2**	227.5	53.0
Equity attributable to equity holders of the Parent	**95.2**	216.7	49.4
Non-controlling interest	**—**	—	—
Total equity	**95.2**	216.7	49.4

Condensed Consolidated Statement of Cash Flow

	Six months ended 31 October 2015 (Unaudited)	Six months ended 31 October 2014 (Unaudited)	Year ended 30 April 2015 (Audited)
	£m	£m	£m
Cash flows from operating activities			
Profit for the period/year	**56.0**	57.6	86.4
Adjustments for:			
Depreciation and amortisation	**13.3**	14.0	25.9
Equity-settled share-based payments and associated costs	**6.9**	5.7	10.4
Profit on disposal of joint venture	**—**	(6.4)	(6.4)
Share of profit of equity accounted investments	**—**	(0.1)	(0.1)
Net finance expense/(income)	**0.9**	(0.9)	(0.4)
Tax	**10.3**	9.7	14.8
Increase in trade and other receivables	**(5.8)**	(1.4)	(0.7)
(Decrease)/increase in trade and other payables	**(6.0)**	(1.9)	13.6
(Decrease)/increase in provisions	**(1.4)**	(0.2)	3.6
Cash generated from operations	**74.2**	76.1	147.1
Tax paid	**(5.9)**	(2.2)	(8.0)
Net cash from operating activities	**68.3**	73.9	139.1
Cash flows from investing activities			
Acquisition of business combination, net of cash received	**—**	—	(16.6)
Acquisition of property, plant and equipment	**(5.3)**	(2.3)	(6.3)
Acquisition of other intangible assets	**(2.3)**	(2.0)	(6.9)
Capitalised internal development expenditure	**(2.9)**	(3.1)	(6.6)
Payment of deferred consideration	**(0.7)**	—	—
Cash received on disposal of joint venture	**—**	5.5	5.5
Cash received from repayment of joint venture loan	**—**	6.5	6.5
Finance income received	**0.3**	0.7	1.1
Net cash (used in)/from investing activities	**(10.9)**	5.3	(23.3)
Cash flows from financing activities			
Proceeds from the issue of share capital	**0.2**	1.2	5.6
Dividends paid	**(23.1)**	(14.6)	(24.1)
Return of capital to shareholders, including fees and duty	**—**	—	(200.7)
Purchase of own shares by the EBT	**—**	(5.2)	(5.2)
Sale of own shares by the EBT	**—**	1.8	4.4
Net cash used in financing activities	**(22.9)**	(16.8)	(220.0)
Net increase/(decrease) in cash and cash equivalents	**34.5**	62.4	(104.2)
Cash and cash equivalents at the beginning of the period/year	**105.1**	209.8	209.8
Effect of exchange rate fluctuations on cash held	**(0.2)**	(0.8)	(0.5)
Cash and cash equivalents at period/year end	**139.4**	271.4	105.1

INDEPENDENT REVIEW REPORT TO BETFAIR GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2015 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, and condensed consolidated statement of cash flow for the six month period then ended, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Michael Harper
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
25 November 2015

PART V

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

SECTION A

Unaudited pro forma financial information relating to the Combined Group

Set out below is the consolidated pro forma income statement of the Combined Group for the year ended 31 December 2014 and the consolidated pro forma statement of net assets of the Combined Group as at 31 December 2014 (the "**pro forma financial information**").

The unaudited pro forma income statement of the Combined Group has been prepared to illustrate the effect of the Merger on the earnings of the Paddy Power Group as if the Merger had taken place on 1 January 2014.

The unaudited pro forma statement of net assets of the Combined Group has been prepared to illustrate the effect of the Merger of Paddy Power and Betfair and payment of the Special Dividend by Paddy Power on the consolidated net assets of the Paddy Power Group as at 31 December 2014 as if the Merger and the Special Dividend payment had taken place on that date.

The pro forma financial information has been prepared on the basis set out in the notes below and is based on the audited income statement and balance sheet of Paddy Power for the year ended 31 December 2014 and the audited income statement and balance sheet of Betfair for the year ended 30 April 2015.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Paddy Power Group's actual financial position or results.

The pro forma financial information has been prepared in accordance with the requirements of items 1 to 6 of Annex as applied by the Irish Listing Rule 10.3.3 and UK Listing Rule 13.3.3R and has been prepared in a manner consistent with the accounting policies of the Paddy Power Group for the financial period ended 31 December 2014.

Shareholders should read the whole of this document and not rely solely on the pro forma financial information contained in this Part V of this Circular.

KPMG's report on the unaudited pro forma financial information is set out in Section B of this Part V of this Circular.

Unaudited pro forma statement of net assets of the Combined Group as at 31 December 2014

	Paddy Power as at 31 December 2014	Paddy Power as at 31 December 2014	Betfair as at 30 April 2015	Pro forma adjustments		Pro Forma statement of net assets of Paddy Power Betfair
				Cost of transaction	Special dividend	
	€m	£m	£m	£m	£m	£m
	Note 1	Note 1	Note 2	Note 3	Note 4	
Assets						
Non-current assets						
Property plant and equipment	126.7	93.6	14.8			108.4
Intangible assets	76.4	56.4	58.1			114.5
Goodwill	102.8	75.9	25.1			101.0
Deferred tax assets	8.3	6.1	4.2			10.3
Trade and other receivable	2.0	1.5	—			1.5
Investments	—	—	0.1			0.1
Available-for-sale	—	—	1.3			1.3
Total non-current assets	316.2	233.5	103.6	—	—	337.1
Current assets						
Trade and other receivables	32.4	23.9	23.3			47.2
Financial assets—restricted cash	39.2	29.0	—			29.0
Financial assets—deposits	19.3	14.3	—			14.3
Cash and cash equivalents	226.5	167.3	105.1	(45.4)	(59.1)	167.9
Total current assets	317.4	234.5	128.4	(45.4)	(59.1)	258.4
Total assets	**633.6**	**468.0**	**232.0**	**(45.4)**	**(59.1)**	**595.5**
Current liabilities						
Trade and other payables	201.4	148.8	128.1			276.9
Derivative financial liabilities	17.0	12.5	—			12.5
Provisions	0.5	0.4	5.1			5.5
Current tax payable	17.4	12.8	29.5			42.3
Borrowings	—	—	—			—
Total current liabilities	236.3	174.5	162.7	—	—	337.2
Non-current liabilities						
Trade and other payables	5.8	4.3	19.5			23.8
Provisions	1.2	0.9	0.4			1.3
Deferred tax liabilities	3.2	2.3	—			2.3
Borrowings	—	—	—			—
Derivative financial liabilities	0.1	0.1	—			0.1
Total non-current liabilities	**10.3**	**7.6**	**19.9**	**—**	**—**	**27.5**
Total liabilities	**246.6**	**182.1**	**182.6**	**—**	**—**	**364.7**
Net assets/(liabilities)	**387.0**	**285.9**	**49.4**	**(45.4)**	**(59.1)**	**230.8**

Notes to the unaudited pro forma statement of net assets of the Combined Group:

1. The net assets of the Paddy Power Group have been extracted without adjustment from the audited balance sheet as at 31 December 2014 as published in the Paddy Power Group's annual report dated 2 March 2015 and as converted to pounds sterling at €1.35382:£1.

2. The Betfair Group net assets have been extracted without adjustment from the audited balance sheet as at 30 April 2015 as published in the Betfair Group's annual report dated 17 June 2015. For comparative purposes Goodwill has been set out separately from Intangible assets.

3. Estimated costs associated with the Merger are £29.7 million (euro costs converted at €1.35382:£1). In addition stamp duty of £15.7 million (€21.3 million converted at €1.35382:£1) is estimated to be payable by Paddy Power Group on issue of shares.

4. As part of the Merger it is proposed that a special dividend of €80 million (£59.1 million converted at €1.35382:£1) will be paid to the Paddy Power Shareholders who are on the register of members of Paddy Power on the business day prior to Completion.

Unaudited pro forma income statement for the year ended 31 December 2014

	Income statement of Paddy Power for the year ended 31 December 2014	Income statement of Paddy Power for the year ended 31 December 2014	Pro forma adjustments Income statement of Betfair for the year ended 30 April 2015	Pro forma adjustments Cost of transaction	Pro forma income statement for Paddy Power Betfair
	€m	£m	£m	£m	£m
	Note 5	Note 5	Note 6	Note 7	Note 8
Income	881.6	651.2	476.5		1,127.7
Direct betting costs	(167.7)	(123.9)	(90.6)		(214.5)
Gross profit	713.9	527.3	385.9		913.2
Employee expenses	(257.3)	(190.1)	—	—	(190.1)
Property expenses	(58.4)	(43.1)	—	—	(43.1)
Marketing expenses	(100.9)	(74.5)	—	—	(74.5)
Technology and communications expenses	(48.6)	(35.9)	—	—	(35.9)
Depreciation and amortisation	(48.0)	(35.4)	—	—	(35.4)
Other expenses, net	(36.9)	(27.3)	—	(29.7)	(57.0)
Administrative expenses	—	—	(291.6)	—	(291.6)
Total operating expenses	(550.1)	(406.3)	(291.6)	(29.7)	(727.6)
Operating profit	163.8	121.0	94.3	(29.7)	185.6
Finance income	2.9	2.1	1.1		3.2
Finance expense	(0.2)	(0.1)	(0.7)		(0.8)
Profit on disposal of joint venture	—	—	6.4		6.4
Share of profit/(loss) of equity accounted investments	—	—	0.1		0.1
Profit before tax	166.5	123.0	101.2	(29.7)	194.5
Income tax expense	(21.7)	(16.0)	(14.8)		(30.8)
Profit for year	**144.8**	**107.0**	**86.4**	**(29.7)**	**163.7**

Notes to the unaudited pro forma statement of comprehensive income

5. The Paddy Power Group income statement has been extracted, without material adjustment, from the audited financial statements of the Paddy Power Group for the year ended 31 December 2014 and converted to pounds sterling at €1.35382:£1.

6. The Betfair Group income statement has been extracted, without material adjustment, from the audited financial statements of the Betfair Group for the year ended 30 April 2015.

7. Estimated costs associated with the Merger are £29.7 million (euro costs converted at €1.35382:£1).

8. No adjustment has been made to the unaudited pro forma income statement to reflect trading results of Paddy Power since 31 December 2014 or Betfair since 30 April 2015. Neither has any adjustment been made for any synergies, or related costs (which will be incurred post merger) to achieve, which are anticipated to result from the Merger.

SECTION B

ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

The Directors
Paddy Power plc
Power Tower
Belfield Office Park
Beech Hill Road
Clonskeagh
Dublin 4

27 November 2015

Dear Sirs

Paddy Power plc (the "Company")

We report on the pro forma financial information (the "**Pro forma financial information**") set out in Part V of the Company's circular dated 27 November 2015 which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the proposed merger of the Company with Betfair Group plc might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2014. This report is required by paragraph 10.3.3 of the Listing Rules of the Irish Stock Exchange and paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and is given for the purpose of complying with those items and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with item 10.3.3 of the Listing Rules of the Irish Stock Exchange and 13.3.3R of the Listing Rules of the Financial Conduct Authority.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders of the Company as a result of the inclusion of this report in the Class 1 Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Irish Listing Rule 10.4.1(6) of the Irish Stock Exchange and Listing Rule 13.4.1R (6) of the Financial Conduct Authority, consenting to its inclusion in the Class 1 Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and Ireland. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

a) the Pro forma financial information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

KPMG
Chartered Accountants
Dublin, Ireland

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

2.1 The Directors are as follows:

Gary McGann* *(Chairman)*
Andy McCue (*Chief Executive Officer)*
Cormac McCarthy (*Chief Financial Officer*)
Tom Grace* (*Senior Independent Director*)
Michael Cawley*
Danuta Gray*
Ulric Jerome*
Stewart Kenny*
Pádraig Ó Ríordáin*

* denotes Non-Executive Director

3. Directors' interests and service contracts

3.1 As at 25 November, being the latest practicable date prior to the publication of this Circular, the interests of the Directors, and of their connected persons in the issued ordinary share capital of the Company are set out below:

(a) Interests in Ordinary Shares (beneficial unless otherwise indicated) as at 25 November:

Name	Number of shares
Gary McGann	610
Andy McCue	21,938
Cormac McCarthy	16,443
Tom Grace	—
Michael Cawley	3,600
Danuta Gray	—
Ulric Jerome	—
Stewart Kenny	357,432
Pádraig Ó Ríordáin	7,200

(b) Directors' Share Options as at 25 November under Paddy Power Share Schemes:

Director	Name of Scheme	Number of Options	Exercise Price	Exercise Period
Cormac McCarthy	Share Save Scheme 2014	676	€45.52	4 December 2018– 3 June 2019
Andy McCue	Share Save Scheme 2013	778	€39.60	4 December 2019– 3 June 2020

(c) Directors' share options as at 25 November under the Paddy Power Long Term Incentive Plan:

Director	Grants Outstanding	Grant Price at date of Grant	Date Shares Granted	Vesting Date
Andy McCue	6,136	€45.41	5 March 2013	5 March 2016
	18,396	€67.95	14 May 2013	14 May 2016
	18,835	€59.73	4 March 2014	4 March 2017
	30,257	€72.71	3 March 2015	3 March 2018
Cormac McCarthy	18,396	€67.95	14 May 2013	14 May 2016
	18,835	€59.73	4 March 2014	4 March 2017
	13,753	€72.71	3 March 2015	3 March 2018

3.2 Details of service contracts and letters of appointment in place for current Directors:

Name	Date of first appointment	Expiry date of current appointment
Gary McGann	24 November 2014	2016 AGM
Andy McCue	4 September 2014	2016 AGM
Cormac McCarthy	1 September 2011	2016 AGM
Tom Grace	3 January 2006	2016 AGM
Michael Cawley	17 July 2013	2016 AGM
Danuta Gray	17 January 2013	2016 AGM
Ulric Jerome	13 December 2012	2016 AGM
Stewart Kenny	1 June 1988	2016 AGM
Pádraig Ó Ríordáin	8 July 2008	2016 AGM

Non-executive Directors

The non-executive Directors do not have service contracts but have letters of appointment. The standard terms of the letters of appointment are available for inspection at the Company's registered office. Non-executive Directors are currently appointed for an initial three-year term subject to satisfactory performance and annual re-election by Paddy Power Shareholders at Annual General Meetings. They are expected to give three months' notice of resignation but this is without prejudice to their right to resign immediately if they feel it appropriate. A non-executive Director's term of office is subject to his annual re-election by shareholders and their letter of appointment does not provide for any compensation for loss of office.

Executive Directors

The notice period for Cormac McCarthy is six months. The notice period for Andy McCue is 12 months. Both incumbent executive directors are employed on contracts with a normal retirement age of 65. Neither incumbent executive director is entitled to any contractual termination payment other than for payment in lieu of notice, which includes salary and benefits only.

The Board considers the ongoing contribution of Andy McCue to be of core importance to the success of the Combined Group and the delivery of the envisaged synergies. To provide for Mr. McCue's transition from Group Chief Executive to Group Chief Operating Officer and to provide him with clarity of role and tenure, the Company will enter into a new service agreement with him, effective on Completion. This service agreement will provide that Mr. McCue's salary, pension and bonus potential will not be less beneficial than those currently in place and that his employment is subject to a twelve month notice period by either Mr. McCue or the Company. Should Mr. McCue's employment be ended without cause, or if, after 12 months in his new role, he has reasonable grounds to believe that there has been an unacceptable diminution of his duties and responsibilities since the commencement of his role as Group Chief Operating Officer, he will be paid a severance payment of 2.5 years remuneration and treated as a good leaver under the Company's share schemes.

It has been agreed that Cormac McCarthy will cease to be Group Financial Officer of the Company from Completion. His six month notice period will commence on that date, at the expiry of which he will leave the Company. In addition to his contractual terms, Mr. McCarthy will be treated as a good leaver under the Company's share schemes and will receive a combined bonus and ex-gratia payment of €252,493, based on an exit date of 1 July 2016 which will increase proportionally if the exit date is later than this, payment

of which shall be conditional upon the approval of the Paddy Power Shareholders at the Extraordinary General Meeting (notice of which is included at the end of this Circular).

4. Major Shareholders

So far as is known to the Company, the names of any persons other than a Director who, directly or indirectly, are interested in 3% or more of the Company's issued ordinary share capital as at 25 November (being the latest practicable date prior to the publication of this Circular) are as follows:

Name	Number of Ordinary Shares at date of Notification	Reported Holding as a percentage of current issued share capital
The Capital Group Companies Inc.	4,210,994	9.56%
BlackRock	3,855,514	8.75%
David Power	3,472,822	7.88%
Parvus Asset Management	3,057,530	6.94%
MFS Investment Management	2,820,919	6.40%
Marathon Asset Management LLP	1,742,983	3.96%
RBC Global Asset Management Inc.	1,409,180	3.20%

Save as set out above, the Company is not aware of any person other than a Director who is directly or indirectly interested in 3% or more of the issued ordinary share capital of the Company.

5. Consents

Morgan Stanley has given and has not withdrawn its written consent to the inclusion in this Circular of its name and references thereto in the form and context in which it appears.

IBI Corporate Finance has given and has not withdrawn its written consent to the inclusion in this Circular of its name and references thereto in the form and context in which it appears.

KPMG has given and not withdrawn its written consent to the inclusion in this Circular of its reports set out in Part IV (*Historical Financial Information*) and report set out in Part V (*Unaudited Pro Forma Financial Information*) and references to its name in the form and context in which it appears.

6. Material contracts

6.1 Material contracts to which Paddy Power is a party

Set out below is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which Paddy Power or any member of the Paddy Power Group is a party, for the two years immediately preceding the date of this Circular as well as a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Paddy Power Group which contains any provision under which any member of the Paddy Power Group has any obligation or entitlement which is material to the group as at the date of this Circular:

(a) the Co-operation Agreement, the terms of which are summarised in Part II (*Principal Terms and Conditions of the Merger*) of this Circular;

(b) the Confidentiality Agreement, the terms of which are summarised in Part II (*Principal Terms and Conditions of the Merger*) of this Circular; and

(c) the revolving credit facility agreement dated 18 May 2015 between Paddy Power and its subsidiaries identified therein as borrowers and/or guarantors, Barclays Bank PLC as co-ordinating arranger, Barclays Bank PLC and Lloyds Bank PLC as mandated lead arrangers, Lloyds Bank plc as Agent and the financial institutions specified therein as original lenders (the "**Facility Agreement**"), a summary of which is set out below.

Revolving Credit Facility Agreement

Paddy Power and certain of its subsidiaries entered into a €300 million revolving credit facility agreement dated 18 May 2015 with Barclays Bank PLC as co-ordinating arranger, Barclays Bank PLC and Lloyds Bank PLC as mandated lead arrangers, Lloyds Bank plc as agent and the financial institutions specified therein as original lenders (the "**Facility Agreement**"). The revolving credit facility was made available for a term of five years to fund general corporate purposes of the Paddy Power Group.

The Facility Agreement contains customary representations, undertakings, events of default and prepayment events. Financial covenants apply and are tested twice yearly. Interest is payable at the end of each interest period in respect of the amounts then drawn under the Facility Agreement and is calculated as the aggregate of a margin plus EURIBOR (in the case of a loan in euro), LIBOR (in the case of a loan in pounds sterling) or BBSY Bid (in the case of a loan in Australian dollars). The margin is subject to a margin ratchet based on the ratio of consolidated net borrowings of the Paddy Power Group to consolidated EBITDA of the Paddy Power Group. Commitment fees are chargeable in respect of undrawn commitments and the fee is based on a percentage of the applicable margin. Default interest is chargeable in respect of amounts due but unpaid, as is customary.

6.2 Material contracts to which Betfair is a party

Set out below is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which Betfair or any member of the Betfair Group is a party, for the two years immediately preceding the date of this Circular as well as a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Betfair Group which contains any provision under which any member of the Betfair Group has any obligation or entitlement which is material to the group as at the date of this Circular:

(a) the Co-operation Agreement, the terms of which are summarised in Part II (*Principal Terms and Conditions of the Merger*) of this Circular;

(b) the Confidentiality Agreement, the terms of which are summarised in Part II (*Principal Terms and Conditions of the Merger*) of this Circular;

(c) the guarantee agreement dated 18 November 2014 between The Sporting Exchange Limited ("**TSEL**") and National Westminster Bank plc (acting through The Royal Bank of Scotland plc) (the "**Bank**"), a summary of which is set out below; and

(d) the acquisition agreement dated 17 February 2015 between TSE US Holdings LLC and the Stronach Group, a summary of which is set out below.

Guarantee Agreement

Under the terms of the guarantee agreement ("**Bank Guarantee Agreement**") TSEL may request the Bank to issue guarantees on behalf of itself or any of its subsidiaries as listed in Schedule 1 of the Bank Guarantee Agreement for general business purposes, up to a limit of £20 million.

Acquisition agreement to relation to acquisition of HRTV (now known as TVG2)

TSE US Holdings LLC entered into an acquisition agreement dated 17 February 2015 pursuant to which it acquired the HRTV horseracing television network from the Stronach Group. The television operations of HRTV have been combined with Betfair's TVG network. TSE US Holdings LLC owns 100% of the equity in the unified television platform. As part of the acquisition, TVG acquired broadcast rights to all races from Santa Anita, Gulfstream Park, Pimlico, Golden Gate Fields and Laurel Park for a term of seven years.

TSE US Holdings LLC made an initial payment of $25.6 million and estimates that it will pay further consideration with a fair value totalling $30.9 million over the seven-year period, although the total consideration is dependent upon TVG's future performance.

7. Litigation

7.1 Litigation in respect of the Paddy Power Group

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the 12 months preceding the date of this Circular which may have or have had a significant effect on the financial position or profitability of the Paddy Power Group.

7.2 Litigation in respect of the Betfair Group

Other than as set out in the paragraph below, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is

aware), during the 12 months preceding the date of this Circular which may have or have had a significant effect on the financial position or profitability of the Betfair Group.

Following the rejection of an appeal in September 2015 against a one-off tax assessment of sports betting tax by the German Tax Authorities in relation to the operation of its Betting Exchange in Germany in the period from July to November 2012, Betfair has recently issued appeal proceedings in the German Courts. The basis for this challenge was the decision by the Tax Authorities in Germany to apply the same principles and methods of calculation of taxation to Betfair's Betting Exchange as are applied to other more traditional online betting companies, the effect of which leads to an effective taxation rate on the operation of Betfair's Betting Exchange of many times the profit derived from such activity. The outcome of this challenge is not yet known, and may not be known for some time. Whilst the maximum potential tax liability could be greater, Betfair has a provision of approximately €2.9 million in its accounts in relation to this claim which the directors believe is sufficient at the current time.

8. **Working capital**

Paddy Power is of the opinion that, taking into account the Combined Group's cash resources and available bank facilities, the Combined Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of this Circular.

9. **Profit Forecast**

9.1 **Profit Forecast for Paddy Power**

On 26 August 2015, as part of its results announcement for the period ended 30 June 2015, Paddy Power made the following profit forecast:

"*We now expect full year 2015 reported operating profit to be a mid to high single digit percentage above 2014 and the consensus market forecast"* (the "***August Profit Forecast***").

As at the date of the August Profit Forecast, the mean consensus for operating profit for the financial year ending 2015 was very similar to the actual operating profit for the financial year ending 31 December 2014. As a result of the August Profit Forecast, the mean consensus forecast has increased, exceeding the previous consensus forecast for operating profit for the financial year ending 31 December 2015. As a result, the statement *"and the consensus market forecast",* which was outside of the control or influence of the Directors, is no longer valid.

Accordingly, on 17 November 2015, as part of its interim management statement for the trading period ended 15 November 2015, Paddy Power made the following profit forecast:

"*The Board continues to expect full year 2015 reported operating profit to be a mid to high single digit percentage increase above 2014".*

Save for the amendments to the August Profit Forecast set out above, for the purposes of Rule 28 of the Code, the Directors confirm that the profit forecast referred to in the Announcement, remains valid, was properly compiled on the basis of the assumptions stated below and that the basis of accounting is consistent with the accounting policies of the Paddy Power Group. Each of KPMG and Morgan Stanley have indicated that they have no objection to their reports set out in Part B and Part C of Appendix V of the Announcement continuing to apply to the profit forecast.

9.2 **Basis of preparation**

The Profit Forecast is unaudited and has been prepared on a basis consistent with the accounting policies adopted by Paddy Power which are in accordance with IFRS and those which Paddy Power anticipates will be applicable for the year ended 31 December 2015. The Directors have prepared the profit forecast based on the unaudited management accounts for the seven month period from 1 January to 31 July 2015 and a forecast of the results for the five month period ended 31 December 2015.

9.3 **Assumptions**

The Profit Forecast has been prepared on the basis of the following assumptions, all of which are outside the control or influence of the Directors:

- there will be no material change in the ownership and control of the Paddy Power Group;

- there will be no material change to the Paddy Power Group's customer base or their ability or willingness to meet their obligations to the Paddy Power Group from that currently anticipated by the Directors;
- there will be no material change to foreign exchange rates currently prevailing;
- there will be no material change in current trading conditions or performance;
- there will be no disruption to the sporting calendar or broadcasting of major sporting events due to weather or other factors;
- there will no material change in legislation or regulatory requirements impacting the Paddy Power Group's operations or accounting policies;
- there will not be any changes in general trading and economic conditions in the countries in which the Paddy Power Group operates or trades which would materially affect the Paddy Power Group's business;
- there will be no business interruptions that materially affect the Paddy Power Group, its major suppliers or its customers by reason of technological faults, natural disasters, industrial disruption, civil disturbance or government action; and
- there will be no material change to the competitive environment leading to an adverse impact on consumer preferences or the capacity of the business to penetrate new markets.

10. **Significant changes**

10.1 **Significant changes in respect of the Paddy Power Group**

There has been no significant change in the trading or financial position of the Paddy Power Group since 30 June 2015 (being the date to which the latest published financial information of Paddy Power was prepared).

10.2 **Significant changes in respect of the Betfair Group**

There has been no significant change in the trading or financial position of the Betfair Group since 31 October 2015 (being the date to which the latest published financial information of Betfair was prepared).

11. **Related party transactions**

There have been no related party transactions that the Paddy Power Group has entered into during the period between 31 December 2014, being the date to which the latest audited financial statements were published, and the date of this Circular save for continuing arrangements with directors and key management personnel of the nature disclosed in Note 7 of the Paddy Power 2014 Annual Report and Accounts.

12. **Incorporation by reference**

Your attention is drawn to the documents on page 229 which and are incorporated by reference into this Circular.

Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) at the registered office of the Company, at the offices of Arthur Cox, Earlsfort Centre, Earlsfort Terrace, Dublin 2 and at the offices of 12 Gough Square, London EC4A 3DW, United Kingdom from the date of this Circular up to and including the date of the Extraordinary General Meeting:

(a) the Memorandum and Articles of the Company;

(b) the proposed Paddy Power Betfair Articles of Association;

(c) the annual report and accounts of the Company for the financial year ended 31 December 2014;

(d) the report from KPMG set out in Part V (*Unaudited Pro Forma Financial Information*);

(e) the documents which are incorporated by reference in this Circular as set forth on page 229 (*Documents Incorporated by Reference*)

(f) this Circular;

(g) the Prospectus;

(h) the written consents referred to in Section 5 of this Part VI;

(i) the Co-operation Agreement;

(j) 2015 Long Term Incentive Plan;

(k) 2015 Medium Term Incentive Plan;

(l) 2015 Deferred Share Incentive Plan; and

(m) Paddy Power Sharesave Scheme.

APPENDIX

SECTION A

Summary of Proposed Share Based Incentive Plans

Set out below is a summary of the proposed share based incentive plans which, if adopted, will be used by the Company to incentivise employees following completion of the Merger. If approved, these plans will operate in substitution for the existing 2013 Long Term Incentive Plan.

Resolution 12 and Proposed 2015 Long Term Incentive Plan ("2015 LTIP")

Resolution 12 seeks Shareholder approval for the adoption of a new long term incentive plan (the "**2015 Long Term Incentive Plan"** or "**2015 LTIP**") which is a key element of the Company's strategy to grow the combined businesses of Paddy Power and Betfair and maximise synergies from the merger of both groups.

Features specific to the 2015 LTIP

The 2015 LTIP will be an important driver of the Combined Group's growth by making available to senior executives (including executive directors of the Company) share awards ("**Awards**") and nil cost Options ("**Options**") which will vest if performance conditions are met over a performance period of at least three financial years, with vesting after a minimum of three years after the date of grant. The performance conditions will be challenging and will be determined by the Remuneration Committee at the time of grant. For incentives granted in 2016, vesting is likely to be conditional upon a combination of growth in revenue and EPS over the three year period to end in 2018. Participation in the 2015 LTIP will be at the discretion of the Remuneration Committee with no executive having any guarantee of participation.

Limits have been placed on the participation levels of each executive in the 2015 LTIP so that an executive may not be granted Awards or Options under the 2015 LTIP in any calendar year over Shares with a market value at the date of grant at target level, 250-300% of total salary for Executive Directors and in very exceptional circumstances no more than 400% of total salary (for example, in the case of critical recruitment).

Features applicable to 2015 LTIP, 2015 MTIP and 2015 DSIP

In addition to initial 42 day period following the adoption of the 2015 LTIP, Awards and Options may be granted in the period of 42 days commencing on the dealing day after the day on which the Company makes an announcement of its results for any period. An Award or Option may be issued at any other time when the Remuneration Committee considers that circumstances are sufficiently exceptional to justify it being made.

Shares may be sourced from Shares purchased in the market by the Combined Group's employee benefit trust, and/or from treasury shares and/or newly issued Shares from the authorised but unissued share capital of the Company. The granting of share incentives under the 2015 LTIP will expire in 2025.

In addition, the Company is precluded from issuing more Awards or Options which might result in the issue of new Shares if it would have the effect of increasing the total number of Shares that may be issued pursuant to awards and options granted under the 2015 LTIP and any other employee share based scheme of the Company in the ten year period preceding the proposed date of grant so as to exceed 10% of the share capital of the Company at that date. Also, no Awards or Options may be issued under the 2015 LTIP if these would have the effect of increasing the total number of Shares that may be issued pursuant to awards and options granted under the 2015 LTIP and any other discretionary executive share plan of the Company in the ten year period preceding the date of grant so as to exceed 5% of the issued share capital at that date. Treasury shares will be treated as newly issued for the purpose of these limits until such time as guidelines published by institutional investor representative bodies recommend otherwise. Any Shares that may be issued by the Company to holders of awards under any share based incentive scheme of Betfair or its subsidiaries pursuant to; (i) awards and options which are granted by the Company in connection with the Merger of the Company and Betfair in replacement for such awards and options at the time of and in connection with the Merger of the Company and Betfair; or (ii) the articles of association of Betfair as amended in connection with the Merger of the Company and Betfair, will not be taken into account in calculating these limits.

Awards or Options may be clawed back (in whole or in part) in the period prior to vesting and for a two year period after vesting in circumstances which include (i) where there is a material restatement of the

financial statements of the Company or any of its Subsidiaries for any of the financial years ending after the grant of such Award, (ii) where there has been an error in calculating any part of the performance conditions, (iii) where the relevant participant is found guilty of or pleads guilty to a crime that is related to or damages the business or reputation of the Company or any of its Subsidiaries, and (iv) where the relevant participant is guilty of serious misconduct or gross negligence, which causes loss or reputational damage to the Company or any of its Subsidiaries.

Save in the case of a special dividend, where the Remuneration Committee shall determine if there is any increase, a participant's Awards or Options shall increase to take account of some or all of the dividends which would have been paid on vested Shares from the grant date until the date of vesting. The Remuneration Committee has the capacity to procure that the vesting of an Award or Option can be satisfied through the delivery of a cash payment and also the discretion to impose on any participant the requirement to retain Shares or cash for a certain retention period after vesting. Awards and Options are not transferable (other than on death). No payment will be required for the grant of an Award or Option. Awards and Options will not form part of pensionable earnings.

In general no benefit can be earned if the participant leaves the Company before the expiry of the vesting period. However, if departure occurs due to death, retirement (with agreement of the Company), ill health, redundancy, disability or for any other reason at the Remuneration Committee's discretion, the Remuneration Committee may determine that the Award or Option shall vest either on the date of cessation of employment or the date of normal vesting by reference to the extent to which the performance conditions have been achieved and, pro rata to the time elapsed between the date of grant and the date of cessation of employment.

If an employee (who is not an executive director of the Company) is relocated to another country and would as a result suffer less favourable tax treatment or would be subject to a restriction affecting his ability to receive, hold or sell shares, the Remuneration Committee may permit an Award or Option to vest or be exercised at such times and on such terms as it may determine or otherwise be adjusted to address the situation.

If a takeover of the Company occurs (whether by way of general offer or scheme of arrangement or compromise), the Remuneration Committee has the discretion to determine whether and to what extent Awards or Options may vest taking into account, among other things, the period that has elapsed since the incentives were granted and the extent to which it considers that the performance conditions would have been satisfied at the end of the relevant performance period. Options will be exercisable for a limited period as specified in the rules. Alternatively, the Remuneration Committee may permit participants to exchange Awards or Options for equivalent awards or options which relate to shares in the acquiring company or a member of its group. The Remuneration Committee may, in appropriate circumstances (including an internal reorganisation of the Group) require Awards or Options to be exchanged automatically, rather than vest.

If other events occur such as a winding-up of the Company, a demerger, delisting, special dividend or other event which, in the opinion of the Remuneration Committee may affect the current or future value of Shares, the Remuneration Committee may determine that Awards will vest taking into account the satisfaction of any relevant performance condition and, unless the Remuneration Committee determines otherwise, pro-rating to reflect the period from the grant date to the date of the relevant event (or if the event occurs during an applicable post-vesting retention period, to the beginning of the post-vesting retention period). The Remuneration Committee will determine in these circumstances the length of time during which Options can then be exercised.

In the event of a variation of the Company's share capital or merger with another company or a demerger, delisting, special dividend, rights issue or other event, which may, in the Remuneration Committee's opinion, affect the current or future value of Shares, the number of Shares subject to an Award or Option and/or any performance condition attached to Awards or Options, may be adjusted in such manner as the Remuneration Committee determines.

The Remuneration Committee may amend the 2015 LTIP or the terms of any Award at any time, provided that the provisions of the 2015 LTIP relating to:

(a) the persons to whom, or for whom, securities, cash or other benefits are provided under the 2015 LTIP;

(b) limitations on the number or amount of the securities, cash or other benefits subject to the 2015 LTIP;

(c) the maximum entitlement of any one participant; and

(d) the basis for determining a participant's entitlement to, and the terms of, securities, cash or other benefits to be provided and for the adjustment thereof if there is a capitalisation issue, rights issue, or open offer, subdivision or consolidation of shares or reduction of capital or any other variation of capital,

cannot be altered to the advantage of participants without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the 2015 LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the 2015 LTIP or for the Company or for members of its group). If the Remuneration Committee considers that any performance condition is no longer appropriate or fair to participants, it may adjust the performance condition calculations or substitute, vary or waive the condition in such manner as is reasonable in the circumstances and is neither materially more nor less difficult to satisfy than was intended at the time the condition was first imposed.

No amendments may be made to the material disadvantage of participants in the 2015 LTIP (except in respect of the performance condition) unless consent is sought from the affected participants and the consent is given by participants who hold Awards and/or Option which represent a majority of the Shares which are the subject of all outstanding Awards and/or Options.

Additional schedules to the rules of the 2015 LTIP can be adopted to operate the 2015 LTIP in any jurisdictions in which employees are based. These schedules may vary the rules of the 2015 LTIP or establish country specific sub-plans to take account of any applicable tax, exchange control, securities laws or other regulation. The Shares issued pursuant to any Awards or Options granted under any additional schedule will count towards the overall limits on the number of Shares that may be issued under the 2015 LTIP.

Participation in the 2015 LTIP does not form part of the terms of a participant's contract of employment and participants have no rights in respect of benefits under the plan.

The 2015 LTIP will be governed in accordance with Irish law and the parties submit to the jurisdiction of the Irish courts.

Resolution 13 and Proposed 2015 Medium Term Incentive Plan ("2015 MTIP")

Resolution 13 seeks Shareholder approval for the adoption of a new medium term incentive plan (the "**2015 Medium Term Incentive Plan**" or "**2015 MTIP**"). The purpose of the 2015 MTIP is to incentivise the delivery of strong profit and revenue performance at a divisional or group level (for better line-of-sight) and to attract, motivate and retain top performers (and high potential employees) in the digital space.

Features specific to the 2015 MTIP

The 2015 MTIP will be aimed at incentivising employees (excluding Executive Directors) who would not normally participate in the 2015 LTIP. Participation in the 2015 MTIP will be at the discretion of the Remuneration Committee with no employee having any guarantee of participation.

The 2015 MTIP will allow for the issue of share awards ("**Awards**") and nil cost Options ("**Options**") which will vest if performance conditions are met over a performance period of at least two financial years with vesting after a minimum of two years after the date of grant, with management discretion to flex the vesting periods.

The performance conditions will be challenging and will be determined by management and/or the Remuneration Committee at the time of grant. Performance conditions may include (but are not limited to): Divisional/regional profit, growth in (new) customers/revenue of product, new customer activations and number of active customers. Management and/or the Remuneration Committee will have the discretion to adjust the formulaic vesting outcome (up or down) to ensure it accurately reflects the Company's underlying performance.

Limits have been placed on the participation levels of each employee in the 2015 MTIP so that an employee may not be granted Awards or Options under the 2015 MTIP in any calendar year over Shares with a market value at the date of grant in excess of four times his base salary.

Features applicable to the 2015 LTIP, 2015 MTIP and 2015 DSIP

The 2015 MTIP will also incorporate all of the features which are described in the summary of the 2015 LTIP as being features applicable to the 2015 LTIP, 2015 MTIP and 2015 DSIP.

Resolution 14 and Proposed 2015 Deferred Share Incentive Plan ("2015 DSIP")

The Company would like to encourage share ownership amongst employees and therefore proposes the adoption of the 2015 DSIP which will allow for the mandatory deferral of employee bonuses into Shares where appropriate. Under the terms of the 2015 DSIP, the Remuneration Committee will have the discretion to determine the percentage of any bonus that must be deferred into Shares as well as the length of the deferral periods.

Resolution 14 seeks Shareholder approval for the adoption of the 2015 DSIP as Shares may be sourced from treasury shares and/or newly issued Shares in addition to sourcing Shares from Shares purchased in the market by the Group's employee benefit trust.

The 2015 DSIP will also incorporate the features which are described in the summary of the 2015 LTIP as being features applicable to the 2015 LTIP, 2015 MTIP and 2015 DSIP except that if the participant leaves the Company before the expiry of the deferral period, their awards will not lapse unless they are deemed to be bad leavers. In the case of good leavers, awards or options will vest in full on the later of (a) the date of cessation and (b) the end of post-cessation restrictive covenants (if any) or such other date as the Remuneration Committee feels is appropriate in the circumstances. In addition, in the event of a takeover, awards or options will vest in full unless the Remuneration Committee requires them to be exchanged for awards in the acquiring company.

Resolution 17 and Extension of Sharesave Scheme to other jurisdictions

The Company has operated the Sharesave Scheme for many years for employees in Ireland and the UK where it has favourable tax treatment. As a similar plan has existed in Betfair for many years, the Company's Sharesave Scheme will continue to operate after the Merger and the Company is proposing to extend it to employees located in other jurisdictions. In order to do this, Resolution 14 seeks Shareholder approval to amend the Sharesave Scheme so as to allow for the establishment of sub-plans of such scheme in jurisdictions outside of Ireland on the basis that such sub-plans shall be similar in substance to the Sharesave Scheme but modified to take account of local tax, exchange control or security laws in such jurisdictions. Any Shares made available under any such further sub-plans will be treated as counting towards any limits on individual or overall participation under the Sharesave Scheme.

In making these amendments the opportunity is also being used to make some minor changes to update the plan rules in order to reflect current practice. The rules of the Paddy Power plc Sharesave Scheme containing the relevant amendments are available on the Company's website.

SECTION B

DIRECTORS REMUNERATION POLICY REPORT

As an Irish incorporated company, Paddy Power Betfair plc is not required to comply with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which requires UK companies to submit their Remuneration Policies to a binding shareholder vote. However, Paddy Power Betfair plc recognises the need for our remuneration policies, practices and reporting to reflect best corporate governance practice for a listed company and will therefore submit the Remuneration Policy to an advisory, non-binding shareholder vote at the 2015 EGM, where shareholders will also be asked to approve the merger between Paddy Power and Betfair. The Remuneration Policy will be conditional on completion of the transaction, and will take effect from the date of completion.

REMUNERATION POLICY

The Remuneration Committee (the "Committee") determines the Group's policy on remuneration for Executive Directors and senior executives. The objectives of the Remuneration Policy are to:

- Attract, motivate, and retain employees of the highest calibre;
- Ensure remuneration arrangements support the corporate strategy, align with shareholder value creation, and drive performance as measured by the Company's key performance indicators;
- Provide market competitive fixed remuneration, and the opportunity to earn upper quartile pay for exceptional performance;
- Provide a clear link between performance and reward, motivating employees to achieve superior performance in line with a risk appetite appropriate for the Company;
- Promote the long-term success of the Company; and
- Provide a remuneration package that is simple, transparent and easy to understand.

In line with shareholder preference, the remuneration package is weighted towards performance-related pay. In setting the policy for Executive Directors' remuneration, the Committee has taken into account developments in best practice and the pay and employment conditions within the wider Group. The Committee believes the Company's remuneration structure appropriately links pay to strategy and supports shareholder value creation.

The Remuneration Policy for Executive Directors is described in the table below:

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Total salary	To attract and retain high-calibre talent in the labour market in which the Executive Director is employed.	Generally reviewed annually but exceptionally at other times of the year. Total salaries (inclusive of any Director fees) are set with reference to individual skills, experience, responsibilities, Company performance and performance in role. Independent benchmarking is conducted on a periodic basis against companies of a similar size, complexity and operating in the same or similar sectors, although this information is used only as part of a broader review.	No maximum applies. However, increases (as a percentage of salary) will generally be in line with inflation and consistent with those offered to the wider workforce. Higher increases may be appropriate where an individual changes role, there is a material change in the responsibilities of the role, where an individual is appointed on a below-market salary with the expectation that this salary will increase with experience and performance where there is a need to retain key individuals, or where salaries, in the opinion of the Committee, have fallen materially below the relevant market rates.

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Benefits	To provide market-competitive but cost-effective benefits.	Employment-related benefits typically include (but are not limited to) private medical insurance, life assurance, income protection, critical illness cover, car allowance, relocation, tax equalisation, and/or other related expenses as required.	The value of benefits may vary from year to year in line with variances in third-party supplier costs which are outside of the Company's control.
Pension	To provide retirement benefits that are appropriately competitive within the relevant labour market.	Paid as a defined contribution and/or cash supplement.	Contribution of up to 20% of total salary (or an equivalent cash payment in lieu).
Annual bonus and Deferred Share Incentive Plan ('DSIP')	To incentivise and reward the successful delivery of annual performance targets.	The Committee reviews the annual bonus prior to the start of each financial year to ensure that the bonus opportunity, performance measures, targets and weightings are appropriate and in line with the business strategy at the time. Performance is determined by the Committee on an annual basis by reference to Group financial measures. The Committee may also introduce an element of performance against personal/strategic objectives; this element will not be weighted more than 25% of the total in any year. Two-thirds of any annual bonus is paid in cash, with the remaining one-third deferred into shares (under the DSIP). Any deferred element vests 50% after one year and 50% after two years from the date of grant. Malus and clawback provisions apply to the annual bonus and DSIP both prior to vesting and for a period of two years post-vesting. Dividends (or equivalent) accrue and are paid on DSIP awards that vest.	For target performance, the bonus earned is up to 120% of total salary. Maximum annual opportunity of total 180% of salary.
Long-Term Incentive Plan ('LTIP')	To attract, retain and incentivise Executive Directors to	Annual grant of shares or nil-cost options, vesting after a minimum of three years subject to continued service and the	Typically 250% to 300% of total salary, and up to 400% of total salary only in very exceptional circumstances (for

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
	deliver the Group's long-term strategy whilst providing strong alignment with shareholders.	achievement of performance conditions. The Committee reviews the performance measures, targets and weightings prior to the start of each cycle to ensure they are appropriate. For 2016, the performance conditions are growth in Earnings Per Share ('EPS') (75% of the award) and growth in revenue (25%). Specific targets will be set post-merger and will be no less stretching than targets for outstanding cycles. The performance measures and respective weightings may vary year-on-year to reflect strategic priorities. Malus and clawback provisions apply to the LTIP, which allow the Company to reduce or claw back awards within two years of an award vesting for reasons of a miscalculation resulting in higher vesting than should have occurred, material misstatement, or gross misconduct resulting in cessation of employment. Dividends (or equivalent) accrue and are paid on LTIP awards that vest.	example, in the case of critical recruitment). Threshold performance will result in no more than 25% vesting.
Save-As-You-Earn ('SAYE')	To facilitate share ownership and provide further alignment with shareholders.	The Committee operates Save-As-You-Earn share plans for all employees (in the UK, this is an HMRC-approved and in Ireland this is an Irish Revenue-approved scheme); the Executive Directors may participate in the plan on the same basis as other employees. Participants are invited from time to time to save up to the monthly limit over a three-year period and use these savings to buy shares in the Company at up to the maximum discount allowable in the relevant jurisdiction.	Maximum opportunity is in line with HMRC and Irish Revenue limits (currently £500 and €500 per month, respectively) for UK and Irish employees, respectively. Maximum opportunity for employees in other European countries is €500 per month.

The Committee is satisfied that the above Remuneration Policy is in the best interests of shareholders and does not promote excessive risk-taking.

NOTES TO THE REMUNERATION POLICY TABLE

DISCRETIONS FOR ADJUSTMENTS

In relation to the incentive plans, the Committee has discretion to amend a performance condition that it no longer deems appropriate, provided that it is reasonable in the circumstances and is neither materially more nor less difficult to satisfy than was originally intended. Such discretion is important to ensure that outcomes are fair to both shareholders and participants. In particular, the Committee has discretion to adjust the performance conditions to take account of significant changes to the regulatory environment in which the Group operates, e.g. material new and increased taxes and product fees specific to the betting industry. The Committee also has discretion to make adjustments in other special circumstances, including but not limited to rights issues, corporate restructuring, and special dividends.

SELECTION OF PERFORMANCE MEASURES

The performance measures used in the annual bonus and LTIP are selected annually to reflect the Group's main strategic objectives and key performance indicators.

Annual bonus measures for 2016 include profit and revenue. The use of revenue aligns with the Company's strategic objectives of widening the range of products and services offered, attracting new customers, increasing the activity of existing customers, and building market share in all regions in which the Company operates. The use of profit alongside revenue helps ensure a balance between growth and profitability.

The 2016 LTIP performance measures are growth in EPS and revenue. EPS captures the long-term growth in earnings, which is aligned to the overall financial performance expected by shareholders, and revenue helps ensure focus on top line growth is maintained.

Performance targets are set to be stretching and yet achievable, and maximum outcomes are available only for truly outstanding performance. Targets are set taking into account a range of reference points including the internal budgets and broker forecasts for both the Company and its peers, as well as the Group's strategic priorities and the economic environment in which the Company operates.

REMUNERATION POLICY FOR OTHER EMPLOYEES

Our approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, salary levels in comparable companies and the Company's ability to pay. Remuneration surveys are referenced, where appropriate, to establish market rates.

Below the Board level, employees receive a remuneration package that is reflective of their role and responsibilities, set by reference to internal relativities and external market data where applicable. Employees at the executive level will typically have a greater emphasis on performance-related and long-term pay compared to those below this level.

Employees below the Board are also eligible to participate in the annual bonus, though performance measures are tailored to be suitable to the nature and responsibility of the role. The Executive Directors and other senior managers are eligible to participate in the LTIP; performance conditions are consistent for all participants, while award sizes vary by level. Employees below Board-level are eligible to participate in a Medium-Term Incentive Plan ('MTIP'); performance is linked to measures including Divisional profit and revenue, and measured over two years. Employees are also eligible to participate in the SAYE; the basis of participation varies depending on geography.

Pension and benefits arrangements are tailored to local market conditions.

RECRUITMENT REMUNERATION

The Committee's policy is to set pay for new Executive Directors within the existing Remuneration Policy in order to provide internal consistency. The Committee aims to ensure that the Company pays no more than is necessary to appoint individuals of an appropriate calibre.

Element	Approach	Maximum opportunity
Total salary	The total salary (inclusive of any Directors fees) will be set taking into account the skills and experience of the individual, internal relativities and the market rate for the role as identified by any relevant benchmarking of companies of a comparable size and complexity. If it is considered appropriate to set the salary for a new Executive Director at a level which is below market (for example, to reflect their experience in the role) their salary may be increased to achieve the desired market positioning by way of a series of phased above-inflation increases. Any increases will be subject to the individual's continued development in the role.	n/a
Benefits	New appointees will be eligible to receive benefits on the same terms as other Executive Directors. Additionally in the case of any Executive Director being recruited overseas, or being recruited by the Company to relocate overseas to perform his duties, the Committee may offer expatriate benefits on an ongoing basis. The Committee may also approve the payment of one-off relocation-related expenses and legal fees incurred by the individual in connection with the appointment.	n/a
Pension	New appointees will be eligible to receive pension benefits.	Typically 15% of total salary, and up to a maximum of 20% of total salary
Annual bonus and DSIP	The plan as described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year employed. The Committee retains flexibility to use different performance measures and targets in the first year, depending on the timing and nature of the appointment.	180% of total salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as the Executive Directors.	Typically 250-300% of total salary, and up to 400% of total salary only in very exceptional circumstances (for example in the case of critical recruitment)
SAYE	New appointees will be eligible to participate in the SAYE on the same terms as other employees.	n/a

The Committee may also make an award in respect of a new appointment to 'buy out' remuneration forfeited on leaving a previous employer and may exercise the discretion available under the relevant Listing Rule to facilitate this, i.e. in the event that a different structure to those included above would be required. In doing so, the Committee will ensure that buyout awards have a fair value no higher than that of the awards or remuneration forfeited and would consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met, the delivery mechanism, and the remaining vesting period of these awards.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its original terms stipulated on grant or adjusted as considered desirable to reflect the new role, even if it is not consistent with the Remuneration Policy for Executive Directors. Incentive opportunities for below-Board employees are typically no higher than for Executive Directors, but incentive measures will vary to more closely reflect the position and responsibilities of the individual.

SHARE OWNERSHIP GUIDELINES

To ensure alignment between Executive Director interests and those of shareholders, the Company requires Executive Directors to build up and maintain a beneficial holding of shares in the Company equivalent to a minimum of 200% of total salary. Until share ownership guidelines have been met, executives will be required to retain half of post-tax vested LTIP awards.

SERVICE AGREEMENTS, LEAVER/CHANGE-OF-CONTROL PROVISIONS AND LOSS OF OFFICE

Each of the Executive Director's service agreements will take effect on and from the completion of the transaction and is conditional on completion of the transaction occurring.

Andy McCue's agreement will be terminable on 12 months' notice given by either party. A summary of the termination provisions in Andy McCue's service agreement is set out in the table below:

	Timing of Termination	Outcome
1	Resigns in less than 12 months	Andy McCue to give 12 months' notice
2	Resigns after 12 months by reason of reduced role or employment is terminated by the Company for reasons other than gross misconduct	Andy McCue to receive cash sum in lieu of notice equal to 2.5 years remuneration (comprising of total salary, employers pension contribution and annual bonus) and will be treated as a good leaver for the purposes of the LTIP
3	Resigns after 12 months for reasons other than those set out at 2 above	Andy McCue to give 12 months' notice

Breon Corcoran's agreement will be terminable on 12 months' notice given by either party. His service agreement contains a provision entitling the employer to terminate his employment by payment of a cash sum in lieu of notice equal to the total base salary, contractual benefits and pension contributions that would have been payable during the notice period. He may also be entitled to a pro rata bonus for the year in which termination occurs at the discretion of the Company's Remuneration Committee. The payment in lieu of notice can be paid, at the employer's discretion, as a lump sum or in monthly instalments over the notice period. There is a mechanism to reduce the payment in lieu of notice if he commences alternative employment while any instalments remain payable from which he receives an annual salary of at least £50,000.

Alex Gersh's agreement will be terminable on 12 months' notice given by either party. His service agreement contains a provision entitling the employer to terminate his employment by payment of a cash sum in lieu of notice equal to the total base salary, contractual benefits and pension contributions that would have been payable during the notice period. He may also be entitled to a pro rata bonus for the year in which termination occurs at the discretion of the Company's Remuneration Committee. The payment in lieu of notice can be paid, at the employer's discretion, as a lump sum or in monthly instalments over the notice period. There is a mechanism to reduce the payment in lieu of notice if he commences alternative employment while any instalments remain payable from which he receives an annual salary of at least £50,000.

In addition, all of the share option and incentive schemes which will be operated by the Company will contain provisions relating to termination of employment and any share awards held by an Executive Director on termination will be governed by the rules of the relevant plan.

Each of the Executive Directors will be subject to a confidentiality undertaking without limitation in time and to non-competition, non-solicitation and non-hiring restrictive covenants for a period of 12 months after the termination of his employment. Each of the Executive Directors will have separate letters of appointment with the Company in relation to their directorships.

The service contract of any new appointment would be based on similar terms.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, outplacement services, restrictive covenants and/or consultancy arrangements. These will be used sparingly and entered into only where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

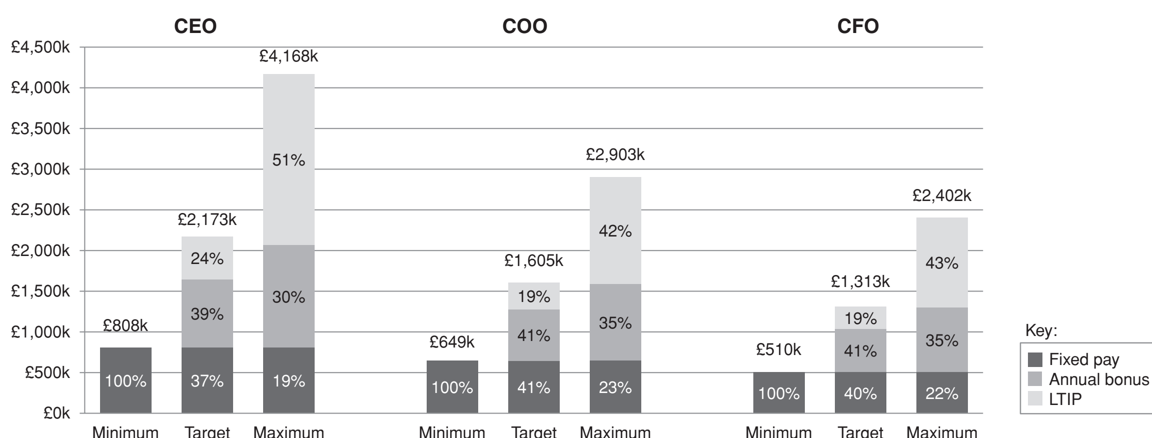
When considering termination payments under incentive plans, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus, the DSIP and the LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion.

Plan	Scenario	Timing of payment/ vesting	Calculation of payment/vesting
Annual bonus	Ill health or disability, redundancy, retirement (with agreement from the Company), or any other reason the Committee may determine	Normal payment date, although the Committee has discretion to accelerate payment on a case-by-case basis in its discretion	The Committee will determine the annual bonus outcome based on circumstances and the date of leaving. Performance against targets is typically assessed immediately (in case of death) or at the end of the year in the normal way and any resulting bonus will be pro-rated for time served during the year.
	Death	Immediately	
	Change-of-control	Immediately	Performance against targets will be assessed at the point of change-of-control, and any resulting bonus will be pro-rated for time served up to the point of change-of-control.
	All other reasons	No bonus is paid	n/a
DSIP	Ill health or disability, redundancy, retirement (with agreement from the Company), or any other reason the Committee may determine	The later of the date of cessation and the expiry of any post-restrictive covenants, although the Committee has discretion to accelerate on a case-by-case basis	n/a
	Death	Immediately	n/a
	Change-of-control	Immediately	Awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.
	All other reasons	Awards lapse	n/a
LTIP	Ill health or disability, redundancy, retirement (with agreement from the Company), or any other reason the Committee may determine	The later of the normal vesting date and the expiry of any post-restrictive covenants, although the Committee has discretion to accelerate on a case-by-case basis	Any outstanding awards will normally be pro-rated for time (based on the proportion of vesting period elapsed); performance will be measured at the end of the performance period. The Committee retains discretion to dis-apply pro-rating or accelerate testing of performance conditions in exceptional circumstances.
	Death	Immediately	As above, but with performance being measured (and awards released) at the appropriate date.

Plan	Scenario	Timing of payment/ vesting	Calculation of payment/vesting
	Change-of-control	Immediately	Any outstanding awards will be pro-rated for time (based on the proportion of vesting period elapsed) and performance up to the point of the change-of-control. The Committee retains discretion to dis-apply pro-rating (in whole or in part) in exceptional circumstances. Awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.
	All other reasons	Awards lapse	n/a

PAY-FOR-PERFORMANCE: SCENARIO ANALYSIS

The following charts provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of pay under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'. Potential reward opportunities are based on the current Remuneration Policy, applied to salaries as at commencement of Paddy Power Betfair. Note that the projected values exclude the impact of any share price movements.



Assumptions underlying the scenarios:

- Total salaries for the EDs, effective from commencement of Paddy Power Betfair, are £700k for the CEO, comprising £635k in respect of his employment and €90k in respect of his appointment as a Director of the Group; €730k (equivalent to c. £525k) for the COO, comprising €640k in respect of his employment and €90k in respect of his appointment as a Director; and £440k for the CFO, comprising £375k in respect of his employment and £65k in respect of his appointment as a Director.
- Minimum—comprises fixed pay only which includes, total salary, individual pension allowances (i.e. 15%, 20% and 15% of total salary for the CEO, COO and CFO, respectively) and the value of benefits (using actual values from the last financial year as a proxy).
- On-target—comprises fixed pay plus 67% of the maximum payout under the annual bonus (i.e. 120% of salary for all EDs) and 25% of the LTIP vesting (i.e. 75%, 62.5% and 62.5% of total salary for the CEO, COO and CFO, respectively).
- Maximum—comprises fixed pay plus 100% of the maximum payout under the annual bonus (i.e. 180% of salary for all EDs) and 100% of the LTIP vesting (i.e. 300%, 250% and 250% of total salary for the CEO, COO and CFO respectively).
- SAYE awards have been excluded.
- Exchange rate used: GBP 1 = EUR 1.39.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The services of the Non-Executive Directors, including the Chairman ('NED'), are provided for under the terms of a letter of appointment with the Company, such appointments to take effect from completion. Continuation of the NED appointments is contingent on satisfactory performance and re-election at each AGM of the Company, unless terminated earlier upon written notice by either the NED or the Company. The NEDs' appointments will terminate automatically if they are removed from office by a resolution of the shareholders of the Company or are not re-elected. The appointment letters for the NEDs provide that on termination, only fees accrued and expenses incurred up to the date of termination are payable.

NEDs do not receive benefits from the Company and they are not eligible to join the Company's pension scheme or participate in any bonus or share incentive plan. Any reasonable expenses, including all travel (including to/from Company offices), hotels and other expenses the NEDs reasonably incur in the furtherance of their duties may be reimbursed by the Company and grossed up for any tax payable by the individual.

Details of the policy on NED fees are set out in the table below:

Purpose and link to strategy	Operation and performance measures	Maximum opportunity
To attract and retain NEDs of the highest calibre with experience relevant to the Company.	Remuneration for NEDs, other than the Chairman, is determined by the Board, on the recommendation of the CEO in consultation with the Chairman. The Chairman's fee is determined and recommended to the Board by the Remuneration Committee. Fees are reviewed from time to time. Remuneration for NEDs, other than the Chairman, comprises a base annual fee for acting as NED of the Company and additional fees for the Senior Independent Director, and Chairmanship of the Audit, Remuneration, Risk and Nominations Committees.	Fee increases may be greater than those offered to wider employees (in percentage terms), reflecting that they may only be offered on a periodic basis or reflect additional responsibilities and/or time commitments. The maximum aggregate annual fee for all NEDs, including the Chairman, allowed by the Company's Articles of Association is €2,000,000.

In recruiting a new Chairman or NED, the Committee will use the policy as set out in the table above. A base fee would be payable for Board membership, with additional fees payable for acting as Senior Independent Director and/or as Chairman of a Board Committee as appropriate.

CONSIDERATIONS OF CONDITIONS ELSEWHERE IN THE GROUP

The Committee considers the pay and employment conditions elsewhere in the Group when determining remuneration for Executive Directors, and the Company seeks to promote good relationships with employee representative bodies as part of its employee engagement strategy. However, the Committee does not currently consult specifically with employees on the Executive Director Remuneration Policy.

CONSIDERATIONS OF SHAREHOLDER VIEWS

The Committee maintains an open and transparent dialogue with shareholders and takes an active interest in voting outcomes. Feedback received from shareholders, at the AGM and any other meetings during the year, is considered by the Committee on a timely basis.

EXTERNAL DIRECTORSHIPS

The Board acknowledges that Executive Directors may be invited to become independent Non-Executive Directors of other listed companies which have no business relationship with the Company and that these duties can broaden their experience and knowledge to the benefit of the Company. Executive Directors are permitted to accept a maximum of two such appointments and must seek the prior approval of the Chairman. Fees paid for external appointments may be retained by the individual concerned.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which Paddy Power and Betfair have filed with the Central Bank, are incorporated in and taken to form an integral part of this Circular:

Paddy Power

Paddy Power's Annual Report and Accounts for the financial year ended 31 December 2014 (the "**PP 2014 Annual Report and Accounts**") (accessible at http://www.paddypowerplc.com/investor-relations/results-centre)

Paddy Power's Annual Report and Accounts for the financial year ended 31 December 2013 (the "**PP 2013 Annual Report and Accounts**") (accessible at http://www.paddypowerplc.com/investor-relations/results-centre)

Paddy Power's Annual Report and Accounts for the financial year ended 31 December 2012 (the "**PP 2012 Annual Report and Accounts**") (accessible at http://www.paddypowerplc.com/investor-relations/results-centre)

Paddy Power's Interim Results Announcement for the 6 months ended 30 June 2015 (the "**PP 2015 Interim Results Announcement**") (accessible at http://www.paddypowerplc.com/investor-relations/results-centre)

Rule 2.7 Announcement dated 8 September 2015 (accessible at http://www.paddypowerplc.com/investors/regulatory-news)

Prospectus dated 27 November 2015 (accessible at http://www.paddypowerplc.com/investors/recommended-merger)

The following table indicates where information required pursuant to the Listing Rules to be disclosed in this Circular can be found in the documents incorporated by reference referred to above. The information incorporated by reference that is not referred to in the table below is considered additional information and is not required pursuant to the Listing Rules. Prospective investors should read this Circular and the documents incorporated herein by reference in their entirety before making any investment decision in relation to the exchange offer.

Reference document(s)	Information incorporated by reference into this Circular	Page numbers in reference document
Paddy Power 2014 Annual Report and Accounts	Independent Auditor's Report	62–64
	Consolidated Income Statement	65
	Consolidated Statement of Comprehensive Income	66
	Consolidated Statement of Financial Position	67
	Consolidated Statement of Cash Flows	68
	Consolidated Statement of Changes in Equity	69–70
	Notes to the Consolidated Financial Statements	71–118
	Paddy Power Group Entities	117
	Company Balance Sheet	119
Paddy Power 2013 Annual Report and Accounts	Independent Auditor's Report	57
	Consolidated Income Statement	60
	Consolidated Statement of Comprehensive Income	61
	Consolidated Statement of Financial Position	62
	Consolidated Statement of Cash Flows	63
	Consolidated Statement of Changes in Equity	64
	Notes to the Consolidated Financial Statements	66–107
	Company Balance Sheet	108

Reference document(s)	Information incorporated by reference into this Circular	Page numbers in reference document
Paddy Power 2012 Annual Report and Accounts	Independent Auditor's Report	59–60
	Consolidated Income Statement	61
	Consolidated Statement of Comprehensive Income	62
	Consolidated Statement of Financial Position	63
	Consolidated Statement of Cash Flows	64
	Consolidated Statement of Changes in Equity	65–66
	Notes to the Consolidated Financial Statements	67–117
	Company Balance Sheet	118
Paddy Power 2015 Interim Results Announcement	Condensed Consolidated Interim Income Statement (and comparative against previous year's interim results)	12
	Condensed Consolidated Interim Statement of Comprehensive Income (and comparative against previous year's interim results)	13
	Condensed Consolidated Interim Statement of Financial Position (and comparative against previous year's interim results)	14
	Condensed Consolidated Interim Statement of Cash Flows (and comparative against previous year's interim results)	15
	Condensed Consolidated Interim Statement of Changes in Equity	16–17
Rule 2.7 Announcement	Conditions	32–44
Prospectus	Executive Paddy Power Directors' service agreements	83
	Non-executive Paddy Power Directors' letters of appointment	84
	Executive directors' service agreements for the Combined Group	84–87
	Non-executive directors' letters of appointment for the Combined Group	87–88

Any statement contained in this Circular or in a document incorporated by reference into this Circular will be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained in any subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Circular, except as modified or superseded.

DEFINITIONS

The following definitions apply throughout this Circular and accompanying Form of Proxy, unless the context otherwise requires:

"**£, GBP, Sterling, pence** or **p**"	the lawful currency of the UK
"**Admission**"	the New Paddy Power Betfair Shares being admitted to: (i) listing on the premium listing segment of the Official List of the FCA and to the secondary listing segment of the Official List of the Irish Stock Exchange as an overseas company; and (ii) trading on the London Stock Exchange's main securities market for listed securities and the Irish Stock Exchange's Main Securities Market
"Announcement"	the announcement made on 8 September 2015 pursuant to Rule 2.7 of the City Code
"**Annual Report**"	the annual report and audited financial statements of Betfair
"**Articles**"	the articles of association of the Company for the time being
"**August Profit Forecast**"	means the profit forecast made by Paddy Power on 26 August 2015 as part of its results announcement for the period ended 30 June 2015
"**BBSY Bid**"	means, for the relevant interest period and as at the relevant time for a loan in Australian dollars: (i) the Australian Bank Bill Swap Reference Rate (Bid) administered by the Australian Financial Markets Association (or any other person which takes over the administration of that rate) for the relevant period and displayed on page BBSY of the Thomson Reuters Screen (or any replacement Thomson Reuters page which displays that rate); and (ii) if the rate described in sub-paragraph (i) above is not available, the sum of: (A) the Australian Bank Bill Swap Reference Rate administered by the Australian Financial Markets Association (or any other person which takes over the administration of that rate) for the relevant period and displayed on page BBSW of the Thomson Reuters Screen (or any replacement Thomson Reuters page which displays that rate).; and (B) 0.05% per annum; If such page or service ceases to be available, the Facility Agreement includes customary provisions for other pages and/or rates to be selected
"**B2B**"	business to business
"**B2C**"	business to consumer
"**Betfair**"	Betfair Group plc, incorporated in England and Wales with registered number 064897

Betfair Approved Company Share Option Plan . . .	the approved company share option plan approved by HMRC under reference X102736 and amended by way of resolution of the Betfair Board on 6 October 2010 and subsequently
"**Betfair's Betting Exchange**"	the Betfair betting exchange, which is based on the concepts and systems underpinning an order-based stock exchange model and which enables Betfair customers to bet at odds sought by themselves or offered by other customers instead of against a traditional bookmaker
"Betfair Board"	the board of directors of Betfair at the date of the Circular
"**Betfair Closing Dividend**"	a closing dividend which will be an amount which is equal to the anticipated dividend per Betfair Share (excluding the effects of the Merger) for the financial year ending 30 April 2016 pro-rated for the number of days elapsed in the period from 1 May 2015 to Completion (inclusive) less the 2016 Betfair Interim Dividend
"**Betfair Deferred Share Incentive Plan**"	the deferred share incentive plan adopted on 12 November including the 2010 Equity US Subplan to the Deferred Share Incentive Plan for United States employees
"**Betfair General Meeting**"	the general meeting of Scheme Shareholders to be convened in connection with the Scheme to consider, and if thought fit pass, inter alia, the Betfair Resolutions, including any adjournment thereof
"**Betfair Group**"	Betfair and its subsidiary undertakings and associated undertakings and, where the context permits, each of them
"**Betfair Interim Dividend**"	the interim dividend the Betfair Shareholders will receive for the six month period ending 31 October 2015 of 15 pence per Betfair Share
"**Betfair Irish Sharesave Plan**"	the BETsave Ireland Savings-Related Share Option Scheme approved by the Revenue Commissioner on 17 July 2013 and 15 October 2014
"**Betfair Long Term Incentive Plan**".	means the 2009 long term incentive plan approved by resolution of the Betfair Board on 6 October 2010 and amended on 11 September 2012 and 6 March 2013 including the 2010 Equity US Subplan to the Long Term Incentive Plan for United States employees
"**Betfair Management Incentive Plan**"	the management incentive plan approved by resolution of the Betfair Board on 12 August 2009 and amended by way of resolution of the Betfair Board on 6 October 2010
"**Betfair Option Agreement**"	the option agreement entered into between Betfair and Breon Corcoran dated 9 January 2015

"**Betfair Resolutions**"	the resolutions to be proposed by Betfair at the Betfair General Meeting in connection with, amongst other things, the approval of the Scheme and the amendment of Betfair's articles of association
"**Betfair Restricted Share Awards Plan**"	the Betfair Group 2011 restricted share awards plan
"**Betfair Shareholders**"	holders of Betfair Shares from time to time
"**Betfair Shares**"	fully paid-up ordinary shares of £0.095 each in the share capital of Betfair
"**Betfair Sharesave Plan**"	means the sharesave plan approved by H. M. Revenue & Customs under reference SRS102735, as amended on 8 October 2014 including the schedules relating to option holders in each of Gibraltar, Italy, Malta, Portugal and Romania
"**Betfair Share Schemes**"	the share option and incentive schemes operated by the Betfair Group, further details of which are set out in Part II (*Principal Terms and Conditions of the Merger*) of this Circular
"**Betfair Stakeholder Plan**"	the stakeholder plan approved by the Betfair Board in July 2010
"**Betfair Unapproved Share Option Plan**"	means the unapproved share option plan as amended by way of resolution of the Betfair Board on 6 October 2010, including the 2010 Equity US Subplan to the Betfair Group Limited Unapproved Share Option Plan 2009 for US employees
"**Board of Paddy Power**"	the board of directors of Paddy Power at the date of this Circular
"**Board" or "Directors**"	the directors of the Company, whose names are set out on page 1
"**Business Day**"	a day, not being a public holiday, Saturday or Sunday, on which banks in the City of London are open for normal business
"**CCPC**"	Competition and Consumer Protection Commission, an Irish statutory body established under the Competition and Consumer Protection Act 2014
"**Central Bank**"	the Central Bank of Ireland
"**Circular**"	this document, including the Notice of Extraordinary General Meeting
"**City Code** or **Code**"	the City Code on Takeovers and Mergers in the United Kingdom
"**Class 1 Transaction**"	has the meaning given to it in the Listing Rules
"**CMA**"	Competition and Markets Authority, a UK statutory body established under the Enterprise and Regulatory Reform Act 2013
"**Combined Group**"	the combined Paddy Power Group and Betfair Group following Completion
"**Companies Act**"	the UK Companies Act 2006 (as amended)
"**Company**"	Paddy Power plc

"**Completion**"	the date upon which the Merger becomes Effective
"**Conditions**"	the conditions of the Merger as set out in Part II of the Scheme Document and Appendix I of the Announcement
"**Confidentiality Agreement**"	the mutual confidentiality agreement entered into by Betfair and Paddy Power on 18 August 2015
"**Co-operation Agreement**"	the co-operation agreement entered into by Betfair and Paddy Power on 8 September 2015 in connection with the Merger
"**Court**"	the High Court of Justice in England and Wales
"**Court Hearing**"	the hearing by the Court to sanction the Scheme
"**Court Meeting**"	the meeting or meetings of the Scheme Shareholders as may be convened pursuant to an order of the Court under section 896 of the Companies Act for the purposes of considering and, if thought fit, approving the Scheme (with or without amendment approved or imposed by the Court and agreed to by Betfair and Paddy Power) including any adjournment, postponement or reconvention of any such meeting, notice of which shall be contained in the Scheme Document
"**Court Order**"	the order of the Court sanctioning the Scheme under Part 26 of the Companies Act
"**CREST**"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations in accordance with which securities may be held and transferred in uncertificated form
"**CREST Proxy Instruction**"	the instruction whereby CREST members can send a CREST message appointing a proxy for the meeting and instructing the proxy on how to vote
"**CREST Regulations**"	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (SI 68/1996) of Ireland (as amended) or the Uncertificated Securities Regulations 2001 (SI 2001/3755) as appropriate
"Disclosure and Transparency Rules"	the Disclosure and Transparency Rules of the FCA in its capacity as the UK Listing Authority under FSMA and contained in the UK Listing Authority's publication of the same name
"**Effective**"	the Scheme having become effective pursuant to its terms or, if the Merger is implemented by way of a Merger Offer, the Merger Offer having been declared or having become unconditional in all respects in accordance with the requirements of the City Code
"**Effective Date**"	the date upon which the Merger becomes Effective
"**EU Prospectus Regulation**"	Commission Regulation (EC) No. 809/2004 of 29 April 2004

"**EURIBOR**"	means, for the relevant interest period and as at the relevant time for a loan in euro, the euro interbank offered rate administered by the European Money Markets Institute (or any other person which takes over the administration of that rate) for the relevant period displayed on page EURIBOR01 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate). If such page or service ceases to be available, the Facility Agreement includes customary provisions for other pages and/or rates to be selected
"**Euro**" or "**€**"	the euro currency
"**Exchange Ratio**"	0.4254 New Paddy Power Betfair Shares for each Betfair Share held
"**Extraordinary General Meeting**"	the extraordinary general meeting of the Company convened for 11.15 a.m. on 21 December 2015, or any adjournment thereof, as set out in the notice contained in this Circular
"**Facility Agreement**"	has the meaning given to it in VI, Section 6 of Part VI (*Additional Information*) of this Circular
"**FCA**"	the Financial Conduct Authority or its successor from time to time
"**Form of Proxy**"	the form of proxy accompanying this Circular for use by Shareholders at the Extraordinary General Meeting
"**FSMA**"	the Financial Services and Markets Act 2000, as amended
"**IBI Corporate Finance**"	IBI Corporate Finance Limited
"**IFRS**"	International Financial Reporting Standards as issued by European Union
"**Ireland**"	Ireland excluding Northern Ireland and the word "**Irish**" shall be construed accordingly
"**Irish Stock Exchange**"	the Irish Stock Exchange plc
"**LIBOR**"	means, for the relevant interest period and as at the relevant time, the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate). If such page or service ceases to be available, the Facility Agreement includes customary provisions for other pages and/or rates to be selected.
"**Listing Rules**"	the rules and regulations made by the FCA under Part VI of the FSMA, and contained in the UK Listing Authority's publication of the same name and/or the Listing Rules of the Irish Stock Exchange, as the case may be (in each case, as amended from time to time)
"**London Stock Exchange**"	the London Stock Exchange plc

"**Long Stop Date**"	30 June 2016 or such later date as Betfair and Paddy Power may agree in writing, with the Panel's consent and the Court may approve (if such consent and/or approval is required)
"Market Abuse Rules"	the rules issued by the Central Bank under section 1370 of the Companies Act 2014
"**Merger**"	the proposed acquisition of the entire issued and to be issued share capital of Betfair by Paddy Power to be effected by the Scheme (or by the Merger Offer in accordance with the terms of the Co-operation Agreement)
"**Merger Offer**"	in the event that the Merger is to be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the takeover offer to be made by or on behalf of Paddy Power to acquire the entire issued and to be issued share capital of Betfair and, where the context admits, any subsequent revision, variation, extension or renewal of such offer
"**Morgan Stanley**"	Morgan Stanley & Co. International plc
"**New Paddy Power Betfair Shares**"	the new ordinary shares of €0.09 each in the capital of Paddy Power Betfair to be issued credited as fully paid to Scheme Shareholders pursuant to the Merger
"**Official List**"	the Official List of the FCA or the Official List of the Irish Stock Exchange (as applicable)
"**Ordinary Shares**"	the ordinary shares of €0.09 each in the share capital of the Company
"**Paddy Power 2015 Dividend**"	a dividend in respect of the financial year ending 31 December 2015 the amount of which will be announced in early 2016
"**Paddy Power**" or "**Paddy Power Group**"	Paddy Power plc and/or its subsidiary undertakings and associated undertakings and, where the context permits, each of them
"**Paddy Power Betfair**"	the parent company of the Combined Group from the Effective Date (being Paddy Power plc, proposed to be renamed "**Paddy Power Betfair plc**")
"**Paddy Power Betfair Board**"	the proposed board of directors of Paddy Power Betfair, further details of which are set out in this Circular
"**Paddy Power Betfair Remuneration Committee**"	the proposed remuneration committee of Paddy Power Betfair
"**Paddy Power Closing Dividend**"	the closing dividend which will be an amount which is equal to the anticipated dividend per Paddy Power Share for the financial year ending 31 December 2016 (excluding the effects of the Merger) pro-rated for the number of days elapsed in the period from 1 January 2016 until Completion (inclusive)
"**Paddy Power Shareholders**"	holders of Paddy Power Shares from time to time

"**Paddy Power Shares**"	fully paid-up ordinary shares of €0.09 each in the capital of Paddy Power
"**Paddy Power Sharesave Scheme**"	the share option scheme approved by resolution of the shareholders of Paddy Power on 21 November 2000 and amended by way of resolution of the shareholders of Paddy Power on 22 June 2014
"**Paddy Power Share Schemes**"	the share option and incentive schemes operated by the Paddy Power Group, further details of which are set out in Part II (*Principal Terms and Conditions of the Merger*) of this Circular
"**Panel**"	the UK Panel on Takeovers and Mergers
"**Pound Sterling**" or "**Sterling**"	the lawful currency of the United Kingdom
"**PRA**"	Prudential Regulation Authority
"**Profit Forecast**"	the profit forecast set out in Section 9 of Part VI (*Additional Information*) of this Circular
"**Prospectus**"	the prospectus to be published by Paddy Power in connection with the issue of the New Paddy Power Betfair Shares
"**Prospectus Rules**"	the rules issued by the Central Bank from time to time under section 1363 of the Companies Act 2014
"**Registrar of Companies**"	the Registrar of Companies in England and Wales
"**Regulatory Information Service**"	any of the services set out in Appendix II to the Listing Rules
"**Resolutions**"	the resolutions to be proposed at the Extraordinary General Meeting, the text of which is set out in the notice convening the Extraordinary General Meeting at page 239 of this Circular
"**Scheme**"	the proposed scheme of arrangement under Part 26 of the Companies Act between Betfair and the Scheme Shareholders in connection with the Merger, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Paddy Power and Betfair
"**Scheme Document**"	the document to be sent to Betfair Shareholders containing and setting out, among other things, the full terms and conditions of the Scheme (including the particulars required by section 897 of the Companies Act) and containing the notices convening the Court Meeting and the Betfair General Meeting
"**Scheme Record Time**"	the time and date specified in the Scheme Document, expected to be 6.00 p.m. on the Business Day immediately after the date of the Court Hearing
"**Scheme Shareholders**"	holders of Scheme Shares
"**Scheme Shares**"	(a) Betfair Shares in issue at the date of the Scheme Document; (b) Betfair Shares issued after the date of the Scheme Document and prior to the Scheme Voting Record Time; and

	(c) Betfair Shares issued at or after the Scheme Voting Record Time and before the Scheme Record Time, in any case excluding any Betfair Shares held as Treasury Shares
"**Scheme Voting Record Time**"	the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined, expected to be 6.00 p.m. on the date which is two Business Days prior to the date of the Court Meeting or any adjournment thereof (as the case may be)
"**Shareholder(s)**"	the holder(s) of Paddy Power Shares
"**Special Dividend**"	the €80m dividend conditional upon the Completion, that will be paid to Paddy Power Shareholders on the register of members of Paddy Power at 6.00 p.m. on the Business Day prior to Completion
"**Transparency Regulations**"	the Transparency (Directive 2004/109/EC) Regulations 2007 (SI No. 277 of 2007)
"**Transparency Rules**"	the transparency rules issued by the Central Bank under section 1383 of the Companies Act 2014
"**Treasury**" or "**Treasury Shares**"	shares held as Treasury shares as provided for in section 724 of the Companies Act
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland
"**UKGC**"	the Gambling Commission established under the United Kingdom Gambling Act 2005
"**UK Listing Authority**"	the FCA acting for the purposes of Part VI of the FSMA.

PADDY POWER PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Paddy Power plc (the "**Company**") will be held at 11.15 a.m. on 21 December 2015 at Power Tower, Belfied Office Park, Beech Hill Road, Clonskeagh, DO4 V972, Dublin 4, Ireland for the purpose of considering and, if thought fit, passing the following resolutions:-

Resolutions

1. **As an ordinary resolution**

"That, subject to and conditional on the passing of resolutions 2, 3 and 5, set out in this Notice, the proposed recommended all-share merger between the Company and Betfair Group plc (the "**Merger**"), which constitutes a class 1 transaction for the purpose of the Listing Rules of the Irish Stock Exchange and the Listing Rules of the UK Listing Authority, as described in Part II of the circular of the Company dated 27 November 2015 (the "**Circular**") of which this notice forms part, be and is hereby approved and the directors of the Company (or any duly authorised committee thereof) be and are hereby authorised:

(a) to do or procure to be done all such acts and things on behalf of the Company and any of its subsidiaries as the directors consider necessary, desirable or expedient to implement, or otherwise in connection with, the Merger; and

(b) to agree such modifications, variations, revisions, waivers, extensions, additions or amendments to any of the terms and conditions of the Merger and/or to any documents relating to it, as the directors (or any duly authorised committee thereof) may in their absolute discretion think fit, provided such modifications, variations, revisions, waivers, extensions, additions or amendments are not of a material nature."

2. **As an ordinary resolution**

"That, subject to and conditional on the passing of resolutions 1, 3 and 5, set out in this Notice, the authorised share capital of the Company be increased from 77,777,777 ordinary shares of €0.09 each ("**Ordinary Shares**") to 150,000,000 Ordinary Shares by the creation of 72,222,223 Ordinary Shares, such Ordinary Shares having the rights and being subject to the restrictions set out in the Articles of Association (the "**Articles**") of the Company."

3. **As an ordinary resolution**

"That, subject to and conditional on the passing of resolutions 1, 2, and 5, set out in this Notice and in the case of paragraphs (b) and (c), subject to and conditional also on completion of the Merger, the directors be and are hereby generally and unconditionally authorised in substitution for all existing authorities to exercise all powers of the Company to allot and issue all relevant securities (within the meaning of section 1021 of the Companies Act 2014) and Treasury Shares (as defined in section 1078 of the Companies Act 2014) up to:

(a) an aggregate nominal amount of €3,558,821.04 (39,542,456 Ordinary Shares) (being equivalent to approximately 89.76% of the aggregate nominal value of the issued share capital of the Company at close of business on 25 November 2015), being the shares to be allotted pursuant to the Merger;

(b) an aggregate nominal amount of €2,482,832.47 (27,587,027 Ordinary Shares) being equivalent to approximately 33% of the aggregate nominal value of the expected issued share capital of the Company immediately following Completion; and

(c) in connection with an allotment pursuant to an offer by way of a Rights Issue (as defined in Resolution 4), an aggregate nominal amount of €4,965,664.95 (55,174,055 Ordinary Shares) (after deducting from such limit any relevant securities allotted under paragraph (b) above), being equivalent to approximately 66% of the aggregate nominal value of the expected issued share capital of the Company immediately following Completion.

The authority hereby conferred shall expire at the earlier of the date of the next Annual General Meeting of the Company or 20 December 2016 unless previously renewed, varied or revoked by the Company in general meeting. Provided, however, that the Company may make an offer or agreement before the expiry of this authority, which would or might require any such securities to be allotted or issued after this

authority has expired, and the directors may allot and issue any such securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired."

4. **As a special resolution**

"That, subject to and conditional on completion of the Merger, for the purposes of Article 8(d) of the Articles of Association as in force at the date of this resolution, the directors be and are hereby empowered pursuant to section 1022 of the Companies Act 2014 to allot equity securities (as defined in section 1023 of that Act) and Treasury Shares (as defined in section 1078 of the Companies Act 2014) for cash, pursuant to the authority conferred by resolution 3 as if sub-section (1) of section 1022 did not apply to any such allotment, provided that, pursuant to Article 8(d)(ii) of the Articles this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (including rights to subscribe for, or convert into, ordinary shares) where the equity securities respectively attributable to the interests of such holders are proportional (as nearly as may be) to the respective numbers of ordinary shares held by them (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise, or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, or otherwise) a ("**Rights Issue**"); and

(b) the allotment (otherwise then pursuant to sub-paragraphs (a) above) of equity securities up to a maximum aggregate nominal value of €752,373.48 (8,359,705 Ordinary Shares) being equivalent to approximately 10% of the aggregate nominal value of the expected issued share capital of the Company immediately following Completion.

The authority conferred by this resolution shall expire at the earlier of the date of the next Annual General Meeting of the Company or 20 December 2016, unless previously renewed, varied or revoked; provided that the Company may make an offer or agreement before the expiry of this authority, which would or might require any such securities to be allotted after this authority has expired, and in that case, the directors may allot equity securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired."

5. **As a special resolution**

"That, subject to and conditional on the passing of resolutions 1, 2 and 3 set out in this Notice and the approval of the Registrar of Companies, the registered name of the Company be changed from "Paddy Power plc" to "Paddy Power Betfair plc" and the Memorandum and Articles be amended to reflect this change of name and that the directors be and are hereby authorised to take all such actions as they see fit to give effect to this resolution."

6. **As a special resolution**

"That, subject to and conditional on the passing of resolutions 1, 2, 3 and 5 set out in this Notice, clause 5 (including the accompanying notes) of the Memorandum of Association of the Company be deleted and replaced with the following new clause 5:

"The share capital of the Company is €13,500,000, divided into 150,000,000 Ordinary Shares of €0.09 each." "

7. **As a special resolution**

"That, subject to and conditional on the passing of resolutions 1, 2, 3 and 5 set out in this Notice, Article 2 of the Articles be amended to read as follows:

"The share capital of the Company is €13,500,000, divided into 150,000,000 Ordinary Shares of €0.09 each." "

8. **As an ordinary resolution**

"That, subject to and conditional on completion of the Merger, in accordance with section 251(2) of the Companies Act 2014, the compensatory arrangements proposed to be put in place between the Company and its named executive officer in relation to the Merger, as described in Section 11 of Part I of this Circular, be and are hereby approved and the directors be and hereby authorised to take all such actions as they see fit to give effect to this resolution."

9. **As a special resolution**

"That, subject to and conditional on completion of the Merger, to the extent undenominated share capital is created by the Merger:

(a) the share capital of the Company be reduced by the cancellation of an amount of the undenominated capital standing to the credit of the Company's share premium account arising from the issuance of the New Paddy Power Betfair Shares (as defined in the Circular) as the directors may determine and the reserve resulting from the cancellation of the undenominated capital shall be treated as profits available for distribution as defined by section 117 of the Companies Act 2014; and

(b) the directors be and are hereby authorised to determine, on behalf of the Company the amount of such reduction, provided such amount shall not exceed the amount of undenominated capital created by the issuance of the New Paddy Power Betfair Shares, and proceed to seek the confirmation of the High Court to such reduction of share capital or to determine not to proceed to seek the approval of the High Court at all in pursuance of paragraph (a) above."

10. **As a special resolution**

"That, subject to and conditional on completion of the Merger the Company and/or any subsidiary (as defined by section 7 of the Companies Act 2014) of the Company be and are hereby generally authorised to make market purchases (as defined by section 1072 of the Companies Act 2014) of shares of any class in the Company (the "**Shares**") on such terms and conditions and in such manner as the directors may determine from time to time but subject, however, to the provisions of the Companies Act 2014 and to the following restrictions and provisions:

(a) the maximum number of ordinary shares authorised to be acquired pursuant to this resolution shall not exceed 10% of the issued share capital of the Company immediately following Completion;

(b) the minimum price (excluding expenses), which may be paid for any Share shall be an amount equal to the nominal value thereof;

(c) the maximum price (excluding expenses) which may be paid for any Share in the Company (a "**Relevant Share**") shall be the higher of:

   (i) the higher of 5% above the average of the closing prices of a Relevant Share taken from the Irish Stock Exchange Daily Official List in Dublin, or the average of the closing prices of a Relevant Share taken from the Official List of the London Stock Exchange, for the five business days prior to the day the purchase is made; and

   (ii) the amount stipulated by Article 5(1) of the Market Abuse (Buyback and Stabilisation) Regulation (being the value of a Relevant Share calculated on the basis of the higher of the price quoted for:

      (A) the last independent trade of; and

      (B) the highest current independent bid or offer for,

      (C) any number of Relevant Shares on the trading venue where the purchase pursuant to the authority conferred by this resolution will be carried out).

The authority hereby granted shall expire at the earlier of the next Annual General Meeting of the Company or 20 December 2016, unless previously varied, revoked or renewed by special resolution in accordance with the provisions of section 1074 of the Companies Act, 2014. The Company or any such subsidiary may, before such expiry, enter into a contract for the purchase of Shares which would or might be executed wholly or partly after such expiry and may complete any such contract as if the authority conferred hereby had not expired."

11. **As an ordinary resolution**

"That, subject to and conditional on completion of the Merger, the limit on the ordinary remuneration of the directors in Article 75 of the Articles of the Company be increased from €950,000 to €2,000,000."

12. **As a special resolution**

"That, subject to and conditional on completion of the Merger, the Articles of Association of the Company be and are hereby amended so that the Articles of Association in the form produced to the meeting marked and initialled by the Chairman for the purposes of identification, be adopted in substitution for, and to the exclusion of the existing Articles of the Company."

13. **As an ordinary resolution**

"That, subject to and conditional on completion of the Merger, approval be and is hereby given for the establishment by the Company of the Paddy Power Betfair 2015 Long Term Incentive Plan (the **"LTIP"**), the principal features of which are summarised in the Circular (which plan includes the provision for the grant of awards and nil cost options), the rules of which are contained in the document produced to the meeting and initialled by the Chairman of the Meeting for the purpose of identification; and that the directors be and are hereby authorised to:

(a) take all such action or steps (including the making of amendments to the LTIP and the rules thereof as may be necessary) to implement or give effect to the LTIP; and

(b) establish further plans in other jurisdictions similar in substance to the LTIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under any such further plans will be treated as counting towards any limits on individual or overall participation under the LTIP."

14. **As an ordinary resolution**

"That, subject to and conditional on completion of the Merger, approval be and is hereby given for the establishment by the Company of the Paddy Power Betfair 2015 Medium Term Incentive Plan (the "**MTIP**"), the principal features of which are summarised in the Circular (which plan includes the provision for the grant of awards and nil cost options), the rules of which are contained in the document produced to the Meeting and initialled by the Chairman of the meeting for the purpose of identification; and that the directors be and are hereby authorised to:

(a) take all such action or steps (including the making of amendments to the MTIP and the rules thereof as may be necessary) to implement or give effect to the MTIP; and

(b) establish further plans in other jurisdictions similar in substance to the MTIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under any such further plans will be treated as counting towards any limits on individual or overall participation under the MTIP."

15. **As an ordinary resolution**

"That, subject to and conditional on completion of the Merger, approval be and is hereby given for the establishment by the Company of the Paddy Power Betfair 2015 Deferred Share Incentive Plan (the "**DSIP**"), the principal features of which are summarised in the Circular (which plan includes the provision for the grant of awards and nil cost options), the rules of which are contained in the document produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification; and that the directors be and are hereby authorised to:

(a) take all such action or steps (including the making of amendments to the DSIP and the rules thereof as may be necessary) to implement or give effect to the DSIP; and

(b) establish further plans in other jurisdictions similar in substance to the DSIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under any such further plans will be treated as counting towards any limits on individual or overall participation under the DSIP."

16. **As an ordinary resolution (Advisory non-binding resolution) (Note 1)**

"Subject to and conditional on completion of the Merger, to receive and consider the Directors' Remuneration Policy report which is set out on pages 220-228 of the Circular."

17. **As an ordinary resolution**

"That, subject to and conditional on completion of the Merger, approval be and is hereby given for:-

(a) the amendment of the Paddy Power plc Sharesave Scheme so as to allow for the establishment of sub-plans of such scheme in jurisdictions outside of Ireland on the basis that such sub-plans shall be similar in substance to the Paddy Power plc Sharesave Scheme but modified to take account of local tax, exchange control or security laws in such jurisdictions provided that any shares made available under any such further sub-plans will be treated as counting towards any limits on individual or overall participation under the Paddy Power plc Sharesave Scheme; and

(b) the directors to take all such action or steps (including the making of amendments to the Paddy Power plc Sharesave Scheme and the rules thereof as may be necessary) to implement or allow for the establishment of sub-plans of such scheme.

The rules of the Paddy Power plc Sharesave Scheme containing the relevant amendments are contained in the document produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification."

By order of the Board

Edward Traynor
Company Secretary

Registered Office:
Power Tower
Belfield Office Park
Beech Hill Road
Clonskeagh
Dublin 4
DO4 V972
Ireland

27 November 2015

Notes

(1) The Board, in line with best practice and on the recommendation of the Remuneration Committee, has decided that the Company should seek to apply the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "2013 UK Regulations") which now apply to UK-incorporated companies admitted to listing by the UK Listing Authority to the extent possible under Irish law. Under the 2013 UK Regulations, shareholder votes on remuneration policies are binding. However, as an Irish-incorporated company, Paddy Power cannot rely on the statutory provisions applicable to UK companies under the 2013 UK Regulations which, in certain circumstances, can resolve any inconsistency between a remuneration policy and any contractual or other right of a director. Therefore, the policy is being submitted to shareholders as an advisory non-binding resolution.

(2) Any member entitled to attend, speak and vote at the EGM is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote in his/her place. Completion of a Form of Proxy will not affect the right of a member to attend, speak and vote at the EGM in person. A shareholder may appoint more than one proxy to attend and vote at the EGM provided each proxy is appointed to exercise rights attached to different shares held by that shareholder. Should you wish to appoint more than one proxy, please read carefully the explanatory notes accompanying the Form of Proxy. A member may appoint a proxy or proxies electronically by logging on to the website of the Registrars, Computershare Services (Ireland) Limited: www.eproxyappointment.com. Shareholders will be asked to enter the Shareholder Reference Number, PIN Number and Control Number as printed on your Form of Proxy and agree to certain conditions.

(3) As a shareholder, you have several ways to exercise your right to vote:

(a) by attending the EGM in person; or

(b) by appointing (either electronically or by returning a completed Form of Proxy) the Chairman or another person as a proxy to vote on your behalf; or

(c) by appointing a proxy via the CREST System if you hold your shares in CREST.

(4) If you are appointing someone other than the Chairman as your proxy, then you must fill in the details of your representative at the meeting in the box located underneath the wording "I/We hereby appoint the Chairman of the EGM OR the following person" on the Form of Proxy. If you appoint the Chairman or another

person as a proxy to vote on your behalf, please make sure to indicate how you wish your votes to be cast by ticking the relevant boxes on the Form of Proxy.

(5) In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.

(6) To be valid, Forms of Proxy duly signed together with the power of attorney or such other authority (if any) under which they are signed (or a certified copy of such power or authority) must be lodged with the Company's Registrar, Computershare Services (Ireland) Limited, P.O. Box 954, Sandyford, Dublin 18 by no later than 11.15 a.m. on 19 December 2015. The completion and return of the Form of Proxy will not preclude a member from attending and voting at the meeting in person.

(7) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear (UK and Ireland) Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare Services (Ireland) Limited (ID 3RA50) by 11.15 a.m. on 19 December 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear (UK and Ireland) Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s)), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35 (5)(a) of the CREST Regulations.

(8) Pursuant to section 1105 of the Companies Act 2014 and Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996, the Company hereby specifies that only those shareholders registered in the Register of Members of the Company as at close of business on 19 December 2015 shall be entitled to attend, speak, ask questions and vote at the EGM in respect of the number of shares registered in their name at that time.

(9) Pursuant to section 1104(b) of the Companies Act, 2014 and subject to any contrary provision in company law, shareholders, holding at least 3% of the Company's issued share capital representing at least 3% of the voting rights of all shareholders who have a right to vote at the EGM, have the right to table a draft resolution for an item on the agenda, of the EGM. Further information in relation to shareholders' rights can be obtained from the Paddy Power website, www.paddypowerplc.com.

(10) Pursuant to section 1107 of the Companies Act 2014, shareholders have a right to ask questions related to items on the EGM agenda and to have such questions answered by the Company subject to any reasonable measures the Company may take to ensure the identification of Shareholders. An answer is not required if (a) an answer has already been given on the Company's website in the form of a "Q&A" or (b) it would interfere unduly with preparation for the meeting or the confidentiality or business interests of the Company or (c) it appears to the Chairman that it is undesirable in the interests of good order of the meeting that the question be answered.

(11) A copy of this Notice and copies of documentation relating to the EGM including proxy forms, are available on the Company's website www.paddypowerplc.com. To access these documents select "EGM Information" in the Investors section of the website.

Merrill Corporation Ltd, London
15ZCU72802