29 June 2012

Betfair Group plc

("Betfair")

Preliminary results for the 12 months ended 30 April 2012

'A year of building momentum leaves us well placed for future growth'

Betfair (LSE:BET), the world's biggest betting community and one of the world's leading online betting and gaming operators, today announces its audited results for the 12 months ended 30 April 2012.

Group summary

	Underlying[2]			Reported		
	FY12 £m	**FY11 £m**	***% change***	**FY12 £m**	**FY11 £m**	***% change***
Revenue	389.7	368.6	*+6%*	389.7	393.3	*-1%*
Adjusted EBITDA [1]	85.7	73.2	*+17%*	89.6	79.7	*+12%*
Basic earnings per share	41.1p	33.9p	*+21%*	33.1p	22.6p	*+46%*

Financial highlights

- Core Betfair[3] revenue growth of 10% in H2 results in full year revenue up 6% to £349.5 million
- Core Betfair adjusted EBITDA up 15% to £92.1 million
- Core Betfair adjusted EBITDA margin up 2.1ppts to 26.4%
- Group underlying earnings per share up 21% to 41.1 pence per share [2]
- Final dividend up 19% to 7.0 pence per share to give a full year dividend of 10.2 pence per share
- Completed £50 million share buyback in the year

Operational highlights

- Good exchange performance: Non-risk sports revenue up 11% in FY12
- Mobile driving growth: 44 million bets (up 122%) and £22.7 million of revenue (up 97%)
- Technology re-architecture and data centre consolidation completed allowing focus on new products
- Next generation sports products launched, including 'fixed odds' bets, which will drive future growth
- Strong current trading: Core Betfair revenue up 18% in the last 8 weeks

Commenting on the results, Stephen Morana, Betfair's Interim Chief Executive Officer, said:

"We have delivered double-digit net gaming revenue growth in Core Betfair in each of the last three quarters and a healthy increase in profits. We have also started to deliver on our strategic objectives, including the launch of important new products that will drive future growth.

"Our unique Betting Exchange has continued to be the main driver of growth this year, with contributions from all major sports. Betfair has achieved many new highs, with records set in most of the major sporting events including the Champions League final, Cheltenham festival, Wimbledon, US Masters and Indian Premier League. The Exchange has continued to deliver market leading odds and this has been the focus of our marketing message in recent months.

"Mobile betting has been a key feature of the year for the industry and our substantial investment in the channel has given us a clear product advantage. The increasing penetration of smartphones and the convenience of the channel for customers have led to strong growth in mobile usage and revenues. In April alone, customers placed over 6 million mobile bets and almost 50% of UK & Ireland actives used the channel. We are making further enhancements to our mobile exchange betting product and have recently broadened our offering to include sports multiples and casino games on mobile.

"We have now completed the major re-architecture of our technology platform, which allows the introduction of new customer facing products and has enabled substantial improvements to our website. Most recently, we have commenced the rollout of our next generation sports products, which integrate our risk product with the Exchange to create a one-stop shop for sports betting.

"FY13 has started well, with Core Betfair revenue up 18% in the first 8 weeks against the prior year, driven by the European Championships and a return to historical margin levels in risk products, as well as the continued success of our value led marketing campaign and further mobile growth. New products and the opening up of new geographies leave us well placed for future growth. I am pleased to have had the opportunity to lead the business in this interim period and would like to thank all employees for their support. We look forward to Breon joining us on 1 August."

[1] Excluding exceptional items and equity settled share-based payments

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

[3] Core Betfair excludes Betfair US, LMAX and Betfair Australia

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Webcast

There will be a live webcast of the results presentation at 9.30 a.m. BST. Please pre-register for access to the webcast by visiting the group website (http://corporate.betfair.com). A copy of the webcast and slide presentation given at the meeting will be available on the Group's website later today.

About Betfair

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

Betfair additionally offers a range of other sports betting products, casino games and poker. As at 30 April 2012, Betfair had over 4 million registered customers worldwide and processed, on average, more than 7 million transactions per day on the Betting Exchange.

Betfair also owns Betfair US, which comprises TVG (a licensed US horseracing wagering and television broadcasting business) and LMAX, which operates a financial trading platform which has evolved from Betfair's exchange platform technology. In addition, Betfair has a 50% holding in Betfair Australia, a joint venture which operates a licensed betting exchange business in Australia.

The Betfair Group employs more than 2,000 people and has twice been named the UK's 'Company of the Year' by the Confederation of British Industry and has won two Queen's Awards for Enterprise, being recognised for Innovation in 2003 and most recently for International Trade in 2008.

Disclaimer

This announcement has been prepared solely to provide information to meet the relevant requirements of the UK Listing Authority's Disclosure and Transparency Rules.

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Certain statements, beliefs and opinions contained in this announcement, particularly those regarding the possible or assumed future financial or other performance of Betfair, industry growth or other trend projections are or may be forward looking statements. Forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their *negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond Betfair's ability to control or predict. Forward-looking statements are not guarantees of future performance. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved.*

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No statement in this announcement is intended as a profit forecast or a profit estimate and no statement in this announcement should be interpreted to mean that earnings per Betfair share for the current or future financial years would necessarily match or exceed the historical published earnings per Betfair share.
Certain data in this announcement, including financial, statistical and operating information, has been rounded. As a result of such rounding, the totals of data presented in this announcement may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

OPERATING REVIEW

Core Betfair

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

Customers

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

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

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

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

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

Product – Sports

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

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

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

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

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

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

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

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

Product – Gaming and Poker

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

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

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

Channels – Mobile

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

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

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

Channels – API

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

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

Regulation – UK

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

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

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

Regulation – Europe

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

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

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

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

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

Other Investments

Betfair Australia

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

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

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

Betfair US

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

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

LMAX

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

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

Board

During the year, there have been changes to the composition of the Board. Edward Wray and David Yu have stepped down from the Board, with Gerald Corbett joining as Chairman in January 2012 and the incoming CEO, Breon Corcoran to join in August. Josh Hannah has indicated that he intends to step down as a non-executive director during the first quarter of 2013, having served 10 years with Betfair.

Current trading and outlook

FY13 has started well, with Core Betfair revenue up 18% year-on-year in the first 8 weeks, driven by the European Championships and a return to historical margin levels in risk products. We believe the introduction of recently launched and upcoming products will increase our share of customer's gambling spend as we widen our product portfolio. While regulatory uncertainty remains an inevitable feature in some of our markets and the payment of incremental gaming taxes will reduce our gross margin percentage in coming years, we welcome the opening up of new geographies and the opportunity that licensing brings to reduce risk and build share in priority international markets. These factors leave us well placed to drive profitable, reliable revenue growth.

FINANCIAL REVIEW

Group summary

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

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

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

Twelve months ended 30 April	**FY12 £m**	**FY11 £m**	***Change %***
Revenue			
Core Betfair revenue	349.5	330.0	*+6%*
Other investments revenue	40.1	38.6	*+4%*
Underlying Group revenue [2]	**389.7**	**368.6**	***+6%***
High rollers revenue	-	24.7	*-100%*
Group revenue	**389.7**	**393.3**	***-1%***
Adjusted EBITDA [1]			
Core Betfair	92.1	80.2	*+15%*
Other investments	(6.4)	(7.0)	*+9%*
Underlying Group Adjusted EBITDA [2]	**85.7**	**73.2**	***+17%***
High rollers	3.9	6.5	*-40%*
Group Adjusted EBITDA	**89.6**	**79.7**	***+12%***
EBITDA			
Core Betfair	78.1	55.0	*+42%*
Other investments	(6.9)	(5.2)	*-33%*
Group EBITDA (excluding High rollers)	**71.2**	**49.8**	***+43%***
High rollers	3.9	6.5	*-40%*
Group EBITDA	**75.1**	**56.3**	***+33%***
Underlying basic earnings per share [2]			
Core Betfair	51.6p	44.6p	*+16%*
Other investments	(10.5p)	(10.7p)	*+2%*
Group Underlying basic earnings per share	41.1p	33.9p	*+21%*

1 Excluding exceptional items and equity settled share-based payments

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

Core Betfair

Revenues and KPIs

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

Twelve months ended 30 April	FY12 £m	FY11 £m	*Change %*
Core Betfair revenue			
- Non-risk Sports	250.1	225.2	*+11%*
- Risk Sports	18.1	20.6	*-12%*
- Sports (total)	268.2	245.9	*+9%*
- Games	56.0	58.9	*-5%*
- Poker	22.3	21.9	*+2%*
Core Betfair Net Gaming Revenue	346.5	326.6	*+6%*
Revenue from management of customer funds	3.0	3.3	*-10%*
Core Betfair revenue	**349.5**	**330.0**	***+6%***

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

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

Sports KPIs

Twelve months ended 30 April	FY12	FY11	Change %
Sports KPIs			
- Actives ('000)	744	810	-8%
- ARPU (£)	360	304	+18%
- Net Gaming Revenue (£m)	268.2	245.9	+9%

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

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

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

Horseracing revenue increased by 11% in the year and represented 42.5% of sports revenue. The growth was mainly driven by the National Hunt season, which captured punters' interest with the exceptional quality of racing on offer. We had a record Cheltenham Festival with active customers up 10% and revenue up 18%.
Across most regions, with the exception of the UK and Ireland, football is the biggest sport by far. Football revenue increased by 6% in the year as a whole, with a 14% revenue increase in the 2011/12 season contained within the financial year. Football contributed 41.3% of revenue in the year.

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

Games KPIs

Twelve months ended 30 April	FY12	FY11	*Change %*
Games KPIs			
- Actives ('000)	213	258	*-17%*
- ARPU (£)	264	228	*+16%*
- Net Gaming Revenue (£m)	56.0	58.9	*-5%*

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

Poker KPIs

Twelve months ended 30 April	FY12	FY11	*Change %*
Poker KPIs			
- Actives ('000)	147	161	*-9%*
- ARPU (£)	152	136	*+12%*
- Net Gaming Revenue (£m)	22.3	21.9	*+2%*

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

Geographic KPIs

Twelve months ended 30 April	FY12	FY11	*Change %*
UK			
- Actives ('000)	426	487	*-13%*
- ARPU (£)	429	358	*+20%*
- Net Gaming Revenue (£m)	182.9	174.0	*+5%*
Europe			
- Actives ('000)	401	441	*-9%*
- ARPU (£)	361	309	*+17%*
- Net Gaming Revenue (£m)	144.8	136.2	*+6%*
Rest of World			
- Actives ('000)	25	21	*+19%*
- ARPU (£)	749	787	*-5%*
- Net Gaming Revenue (£m)	18.8	16.4	*+15%*

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

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

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

Gross margin

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

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

Administrative expenses

Twelve months ended 30 April	**FY12 £m**	**FY11 £m**	***Change %***
Commercial and marketing	87.5	79.3	*+10%*
Technology and product	67.2	62.4	*+8%*
Operations	20.2	19.0	*+6%*
Corporate	46.9	42.0	*+12%*
Administrative expenses	**221.8**	**202.7**	***+9%***
Commercial and marketing as % of Core Betfair revenue	*25.0%*	*24.0%*	
Technology and product as % of Core Betfair revenue	*19.2%*	*18.9%*	
Operations as % of Core Betfair revenue	*5.8%*	*5.7%*	
Corporate as % of Core Betfair revenue	*13.4%*	*12.7%*	
Administrative expenses as % of Core Betfair revenue	***63.5%***	***61.4%***	

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

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

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

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

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

EBITDA

Twelve months ended 30 April	**FY12 £m**	**FY11 £m**	***Change %***
Adjusted Core Betfair EBITDA	**92.1**	**80.2**	***+15%***
Exceptional items	(6.4)	(19.1)	
Equity-settled share-based payments	(7.6)	(6.1)	
Core Betfair EBITDA	**78.1**	**55.0**	***+42%***

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

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

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

Other Investments

Twelve months ended 30 April	FY12 £m	FY11 £m	*Change %*
Revenue			
Betfair US	36.1	35.2	*+3%*
LMAX	4.0	3.5	*+14%*
Other Investments revenue	**40.1**	**38.6**	***+4%***
Adjusted EBITDA			
Betfair US	(0.4)	(1.2)	*+67%*
LMAX	(6.0)	(5.8)	*-3%*
Other Investments adjusted EBITDA	**(6.4)**	**(7.0)**	***+9%***
EBITDA			
Betfair US	(0.9)	0.6	*n/a*
LMAX	(6.0)	(5.8)	*-3%*
Other Investments EBITDA	**(6.9)**	**(5.2)**	*-33%*

Betfair US

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

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

LMAX

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

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

Depreciation and amortisation

Twelve months ended 30 April	FY12 £m	FY11 £m	*Change %*
Core Betfair	34.4	25.0	*+38%*
Other Investments	6.8	6.4	*+6%*
Group depreciation and amortisation	**41.2**	**31.4**	***+31%***

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

Equity-settled share-based payments

Twelve months ended 30 April	FY12 £m	FY11 £m	*Change %*
Core Betfair	7.6	6.1	*+25%*
Other Investments	0.5	0.4	*+25%*
Group equity settled share-based payments	**8.1**	**6.4**	***+27%***

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

Finance income and expenses

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

Share of income from joint venture - Betfair Australia

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

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

Taxation

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

Dividend

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

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

Capitalised expenditure

Twelve months ended 30 April £m	FY12 Core	FY12 Other	FY12 Total	FY11 Core	FY11 Other	FY11 Total
External capex /devex	31.3	2.2	33.5	39.1	1.8	40.9
Internal devex	20.1	9.3	29.4	17.5	7.4	25.0
Total capex	**51.4**	**11.5**	**62.9**	**56.6**	**9.2**	**65.9**

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

Cash and cash flow

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

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

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

Twelve months ended 30 April	**FY12 £m**	**FY11 £m**
Core Betfair		
Cash flow from operating activities and interest	102.6	74.8
Capital expenditure	(47.7)	(52.8)
Tax paid	(4.4)	(2.7)
Core Betfair free cash flow	50.5	19.3
Other Investments		
Cash flow from operating activities	(0.5)	(7.0)
Capital expenditure	(11.4)	(9.3)
Other investments free cash flow	(11.9)	(16.3)
Share buyback	(50.2)	-
Dividends paid	(9.6)	-
Other	2.3	1.3
Net cash flow	**(19.0)**	**4.3**
Effect of exchange rate fluctuations on cash held	(0.6)	(0.2)
Net (decrease) / increase in cash and cash equivalents	**(19.6)**	**4.1**

Balance as at 30 April	**FY12 £m**	**FY11 £m**
Cash and cash equivalents	135.4	155.0
Customer funds held off balance sheet on deposit in separate ring fenced accounts	288.3	305.6

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Consolidated Income Statement

For the year ended 30 April 2012

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

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

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

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Consolidated Statement of Comprehensive Income
For the year ended 30 April 2012

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

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Consolidated Balance Sheet
At 30 April 2012

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

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

	Share capital £'000	Share premium £'000	Other reserves £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 May 2010	105	4,078	1,640	(3,903)	179,892	181,812	–	181,812
Comprehensive income for the year								
Profit for the year	–	–	–	–	24,157	24,157	(1,151)	23,006
Other comprehensive income	–	–	–	(3,640)	787	(2,853)	–	(2,853)
Total comprehensive income for the year	–	–	–	(3,640)	24,944	21,304	(1,151)	20,153
Transactions with owners, recorded directly in equity								
Distributions to owners								
Issue of shares	3	6,616	–	–	–	6,619	–	6,619
Equity-settled share-based payments	–	–	–	–	6,324	6,324	–	6,324
Share-based payment liabilities settled by the issue of equity instruments	–	–	–	–	3,006	3,006	–	3,006
Purchase of own shares by the EBT*	–	–	–	–	(7,225)	(7,225)	–	(7,225)
Sale of own shares by the EBT*	–	–	–	–	117	117	–	117
Deferred tax on equity-settled share-based payments	–	–	(71)	–	–	(71)	–	(71)
Total distributions to owners	3	6,616	(71)	–	2,222	8,770	–	8,770
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Issue of shares by subsidiary to non-controlling interest	–	–	–	–	–	–	4,829	4,829
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	4,829	4,829
Balance at 30 April 2011	**108**	**10,694**	**1,569**	**(7,543)**	**207,058**	**211,886**	**3,678**	**215,564**
Balance at 1 May 2011	108	10,694	1,569	(7,543)	207,058	211,886	3,678	215,564
Comprehensive income for the year								
Profit for the year	–	–	–	–	34,661	34,661	(712)	33,949
Other comprehensive expense	–	–	–	(2,757)	(118)	(2,875)	–	(2,875)
Total comprehensive income for the year	–	–	–	(2,757)	34,543	31,786	(712)	31,074
Transactions with owners, recorded directly in equity								
Issue of shares	1	1,302	–	–	–	1,303	–	1,303
Cancellation of shares	(7)	–	7	–	–	–	–	–
Dividend paid	–	–	–	–	(9,561)	(9,561)	–	(9,561)
Equity-settled share-based payments	–	–	–	–	7,613	7,613	–	7,613
Purchase of own shares	–	–	–	–	(50,216)	(50,216)	–	(50,216)
Purchase of own shares by the EBT*	–	–	–	–	(120)	(120)	–	(120)
Sale of own shares by the EBT*	–	–	–	–	1,010	1,010	–	1,010
Deferred tax on equity-settled share-based payments	–	–	(600)	–	–	(600)	–	(600)
Total transactions with owners	(6)	1,302	(593)	–	(51,274)	(50,571)	–	(50,571)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Acquisition of non-controlling interest without a change in control	–	–	–	–	2,966	2,966	(2,966)	–
Total changes in ownership interests in subsidiaries	–	–	–	–	2,966	2,966	(2,966)	–
Balance at 30 April 2012	**102**	**11,996**	**976**	**(10,300)**	**193,293**	**196,067**	**–**	**196,067**

* Employee Benefit Trust is defined as EBT.

Financial statements

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

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

Financial statements
Notes
(forming part of the financial statements)

1 Operating segments

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

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

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

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

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

Similarly, High rollers was also assessed by the Board as being a reportable segment in 2011. Due to the volatility of returns from such customers, at 31 July 2010, the Directors decided not to continue with this product offering.

The results of the Australian joint venture are consolidated in the Group accounts on an equity accounting basis. As such only the net assets and the share of profits/losses are presented in the operating segment note below. If proportional consolidation was applied the Group's share of the Australian joint venture would have increased revenue by £16.0 million (30 April 2011: £12.3 million) and increased EBITDA by £4.9 million (30 April 2011: decrease by £0.1 million).

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

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

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

- UK
- Europe
- Rest of World
- Unallocated.

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

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

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

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

Year ended 30 April 2012

	Sports £'000	Games £'000	Poker £'000	Management of customer funds £'000	**Core Betfair £'000**	Betfair US £'000	LMAX £'000	**Other investments £'000**	**High rollers £'000**	**Group £'000**
Revenue	268,208	56,009	22,286	3,014	**349,517**	36,131	4,004	**40,135**	**–**	**389,652**
Adjusted EBITDA					**92,064**	(431)	(5,951)	**(6,382)**	**3,902**	**89,584**
Exceptional items					**(6,395)**	–	–	**–**	**–**	**(6,395)**
Equity-settled share-based payments and associated costs					**(7,563)**	(488)	–	**(488)**	**–**	**(8,051)**
EBITDA					**78,106**	(919)	(5,951)	**(6,870)**	**3,902**	**75,138**
Depreciation and amortisation										**(41,206)**
Net finance income										**3,344**
Share of profit of equity accounted investments										**4,292**
Profit before tax										**41,568**
Total assets										**339,354**
Total liabilities										**(143,287)**

Year ended 30 April 2011

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

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

Year ended 30 April 2012

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

Year ended 30 April 2011

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

2 Exceptional items

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

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

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

3 Tax

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

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

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

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

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

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

4 Earnings per share

Basic earnings per share

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

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

Diluted earnings per share

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

Profit used to determine diluted earnings per share

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

Weighted average number of shares (diluted)

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

The average market value of the Company's shares of £7.76 (2011: Director's valuation of £10.32 due to the Group not being listing on the London Stock Exchange for the full financial year) was used to calculate the dilutive effect of share options based on the market value for the year that the options were outstanding.

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 April 2012 or 2011 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Appendix 1

Year ended 30 April 2012 Unaudited	**Revenue** £m	**EBITDA** £m	**Operating profit** £m	**Profit before tax** £m	**Profit after tax** £m
Reported	389.7	75.1	33.9	41.6	33.9
Adjustments for:					
- High rollers	-	(3.9)	(3.9)	(3.9)	(3.9)
- Exceptional items	-	6.4	6.4	4.5	4.5
- Equity settled share-based payments	-	8.1	8.1	8.1	8.1
- Net foreign exchange gain	-	-	-	(2.1)	(2.1)
- Tax effect of adjustments	-	-	-	-	1.6
Underlying	389.7	85.7	44.5	48.2	42.1

Year ended 30 April 2011 Unaudited	**Revenue** £m	**EBITDA** £m	**Operating profit** £m	**Profit before tax** £m	**Profit after tax** £m
Reported	393.3	56.3	24.8	26.6	23.0
Adjustments for:	-	-	-	-	
- High rollers	(24.7)	(6.5)	(6.5)	(6.5)	(6.5)
- Exceptional items	-	17.0	17.0	17.0	17.0
- Equity settled share-based payments	-	6.4	6.4	6.4	6.4
- Profit on disposal of financial asset	-	-	-	(1.2)	(1.2)
- Tax effect of adjustments	-	-	-	-	(3.7)
Underlying	368.6	73.2	41.8	42.4	35.1