29 June 2011

Betfair Group plc

Preliminary results for the 12 months ended 30 April 2011

'Year of significant change and progress brings record revenue and strong profitability'

Betfair Group plc (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 2011.

	Underlying[1]			**Reported**		
	FY11 £m	**FY10 £m**	***% change***	**FY11 £m**	**FY10 £m**	***% change***
Group revenue	368.6	340.9	*8.1%*	393.3	340.9	*15.4%*
Adjusted EBITDA [2]	73.2	53.5	*36.9%*	79.7	53.5	*49.0%*
Profit after tax	35.1	22.7	*54.4%*	23.0	15.1	*52.2%*
Basic earnings per share	33.9p	21.7p	*56.2%*	22.6p	14.4p	*49.1%*

- Core Betfair revenue growth of 7.8% to £330m
- Core Betfair adjusted EBITDA up 29% to £80.2m
- Underlying earnings per share up 56% to 33.9p[1]
- Maiden final dividend of 5.9 pence per share declared
- Cash position at 30 April 2011 of £155.0m with no debt (FY10: £150.9m)
- Customer funds held on deposit at 30 April 2011 of £305.6m (FY10: £284.0m)

Key developments

- Record year for site activity with the number of bets matched increasing 20% to 916 million
- Strong performance in Sports driven by growth of 24% in football revenues
- Transfer of licence for UK Sports Exchange to Gibraltar
- Legislation passed for exchange wagering in California and New Jersey
- Listing on the London Stock Exchange
- Announced intention to repurchase up to £50m of shares

Commenting on the results, David Yu, Betfair's Chief Executive Officer, said:

"The past 12 months have seen significant change at Betfair as the business continued to grow and made the transition to being a public company. A huge amount has been achieved during the period and I'm delighted that we have more customers than ever resulting in a record number of bets placed and that we've reported record revenue and profitability.

"Despite these successes, revenue growth during FY11 could have been stronger but we have delivered a significant improvement in margin resulting in profitability for the year above expectations.

"We look to next year with confidence as we execute a strategy that we believe will cement our position as the leading online sports betting operator. Betfair is a great business with many opportunities for growth. We are focused on delivering long-term shareholder value through a combination of accelerating our revenue growth, driving further margin improvement and returning excess cash to shareholders."

With regard to current trading and outlook, David Yu commented:

"We are pleased with trading for the first eight weeks of FY12 for non-risk Sports, Games and Poker which is in-line with our expectations. Revenue in the more volatile area of risk Sports, however, is currently below expectations due to an adverse margin performance during May. As anticipated, Core Betfair revenue in this period is lower than the prior year comparative period which was significantly inflated by the World Cup and was the last quarter prior to the migration of our Poker product.

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

1 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; and the associated tax effect of these adjustments. A reconciliation of reported figures to underlying figures is set out in Appendix 1

2 Excluding exceptional items and equity settled share-based payments

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Analyst results webcast

There will be a live webcast of the results presentation at 9.30 a.m. GMT. 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 2011, Betfair had more than 3 million registered customers worldwide and processed, on average, more than 7 million transactions per day on the Betting Exchange, more than all European Stock Exchanges combined during the preceding 12 month period.

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

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

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Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority), Betfair is not under any obligation and Betfair expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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%.

CHIEF EXECUTIVE OFFICER'S REVIEW

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

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

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

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

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

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

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

Our strategy for delivering shareholder value

Accelerate revenue growth

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

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

Sports

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

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

Portfolio products

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

Channels

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

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

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

Geographic expansion

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

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

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

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

New markets and new verticals

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

Drive margin improvement

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

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

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

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

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

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

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

Returning excess cash to shareholders

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

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

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

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

Review of operations

Core Betfair

Sports

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

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

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

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

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

Portfolio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management team

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

Other Investments

Betfair US

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

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

LMAX

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

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

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

Betfair Australia

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

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

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

Kabam

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

Regulation

UK

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

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

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

Europe – market developments

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

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

Europe – developments specific to Betfair

- **Italy**

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

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

- **Netherlands**

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

Current Trading

We are pleased with trading for the first eight weeks of FY12 for non-risk Sports, Games and Poker which are in-line with our expectations. . Revenue in the more volatile area of risk Sports, however, is currently below expectations due to an adverse margin performance during May. As anticipated, Core Betfair revenue in the year to date is lower than the prior year comparative period as this was significantly inflated by the World Cup and was the last quarter prior to the migration of our Poker product.

Outlook

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

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

FINANCIAL REVIEW

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

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

Core Betfair

Revenues and KPIs

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

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

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

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

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

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

Sports KPIs

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

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

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

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

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

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

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

Games KPIs

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

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

Poker KPIs

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

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

Geographic KPIs

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

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

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

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

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

Gross margin

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

Administrative expenses

Twelve months ended 30 April	**FY11 £m**	**FY10 £m**	***Change %***
Commercial and marketing	79.3	87.3	*-9.2%*
Technology and product	62.4	55.2	*+13.1%*
Operations	19.0	17.4	*+9.2%*
Corporate	42.0	36.5	*+15.0%*
Administrative expenses	**202.7**	**196.4**	***+3.2%***
Commercial and marketing as % of Core Betfair revenue	*24.0%*	*28.5%*	
Technology and product as % of Core Betfair revenue	*18.9%*	*18.0%*	
Operations as % of Core Betfair revenue	*5.7%*	*5.7%*	
Corporate as % of Core Betfair revenue	*12.7%*	*11.9%*	

Administrative expenses as % of Core Betfair revenue	***61.4%***	***64.2%***

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

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

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

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

EBITDA

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

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

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

Other Investments

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

Betfair US

Betfair US revenues are generated exclusively by our TVG wagering and broadcasting business. TVG had a strong year and while the overall handle in the US market fell 7.2% to $11.1bn in the period, TVG increased its handle by 18% to

$627m and also increased its market share of the US advance deposit wagering (ADW) market. The revenue from this handle increased by 7% to $55m with actives up 12% in the year.

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

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

LMAX

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

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

High rollers

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

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

Other elements of the group income statement

Group adjusted EBITDA and EBITDA

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

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

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

Depreciation and amortisation

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

Depreciation and amortisation	**31.4**	**26.2**	***+19.5%***

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

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

Exceptional items

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

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

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

Equity-settled share-based payments

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

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

Profit on disposal of available-for-sale financial asset

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

Finance income and expenses

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

Equity accounted investments

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

Taxation

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

Cash and cash flow

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

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

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

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

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

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

Dividend

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

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

Q4 FY11 – CORE BETFAIR

Revenues

Period	Q4 FY11 £m	Q4 FY10 £m
Revenue		
- Sports	65.7	60.9
- Games	13.9	14.9
- Poker	5.3	6.8
Net Gaming Revenue	84.9	82.7
Revenue from management of customer funds	0.9	0.7
Revenue	**85.9**	**83.4**
Change		
- Sports	*+8.0%*	
- Games	*-6.9%*	
- Poker	*-22.5%*	
Net Gaming Revenue	*+2.8%*	
Revenue from management of customer funds	*+23.7%*	
Revenue	*+3.0%*	

Overall revenues increased by 3.0% to £85.9m. The quarter was negatively affected by a series of outages in February and March, a below normal margin performance in Games and a comparison with a pre-migration period a year ago in Poker. Overall ARPU increased 9.4% to £173 (FY10: £158) due to an improved customer mix following more targeted customer acquisition in the quarter (with fewer casual customers being recruited, particularly leading up to the Grand National), and improved customer retention rates after a greater focus on servicing existing higher value customers. Actives across all products fell 6.1% in the quarter to 490,000 (FY10: 522,000), reflecting the more targeted customer acquisition.

Q4 Sports revenue increased by 8.0%, driven by continued strong growth in football which offset lower horse racing revenues. In the quarter we launched a "Cash Out" feature for football betting which has proven popular with newer customers and each-way multiples for horse racing. Sports revenues were also aided by an improved margin in risk-taking products during the quarter.

As indicated in our Q3 Interim Management Statement higher than average customer wins in casino products in the first month of Q4 affected margin and this did not fully reverse during the quarter. At the end of March we released a Live Dealer Casino offering. Close to 50% of casino players tried the product in the first four weeks of operation. In addition to Live Dealer Casino, towards the end of April we also launched Backgammon, our first multi-player game.

Poker revenue declined by 22.5% compared with the prior year, a period prior to the migration to the Ongame network. Revenues and actives have remained stable sequentially in the last three quarters as we have made incremental enhancements to our marketing, promotions and product to reflect the nature of operating on a network.

From a geographical perspective, while UK Actives saw a 12.7% drop in the quarter, the ARPU increased by 15.0% resulting in broadly flat revenue year-on-year. Europe saw an increase in both Actives and ARPU during the period with Net Gaming Revenues increasing 5.8% to £36.8m primarily driven by growth in football and Games.

Period	Q4 FY11	Q4 FY10	*Change %*
Sports KPIs			
- Actives ('000)	437	468	*-6.5%*
- ARPU (£)	150	130	*+15.5%*
- Net Gaming Revenue (£m)	65.7	60.9	*+8.0%*
Games KPIs			
- Actives	90	106	*-15.6%*
- ARPU	155	141	*+10.4%*
- Net Gaming Revenue	13.9	14.9	*-6.9%*
Poker KPIs			

- Actives	69	72	*-3.8%*
- ARPU	76	95	*-19.4%*
- Net Gaming Revenue	5.3	6.8	*-22.5%*

KPIs by geography

Period	**Q4 FY11**	**Q4 FY10**	***Change %***
UK			
- Actives ('000)	277	317	*-12.7%*
- ARPU (£)	160	139	*+15.0%*
- Net Gaming Revenue (£m)	44.3	44.1	*+0.4%*
Europe			
- Actives	203	197	*+3.1%*
- ARPU	181	176	*+2.6%*
- Net Gaming Revenue	36.8	34.8	*+5.8%*
Rest of World			
- Actives	10	8	*+32.6%*
- ARPU	369	489	*-22.9%*
- Net Gaming Revenue	3.8	3.8	*+2.2%*

CONSOLIDATED INCOME STATEMENT
For the year ended 30 April 2011

	Note	**30 April 2011 £'000**	30 April 2010 £'000
Continuing operations			
Revenue	1	**393,311**	340,915
Cost of sales		**(74,572)**	(55,894)
Gross profit		**318,739**	285,021
Administrative expenses		**(293,900)**	(266,575)
Group operating profit		**24,839**	18,446
Analysed as:			
Adjusted EBITDA*		**79,684**	53,484
Exceptional items	2	**(16,995)**	(4,600)
Equity settled share-based payments and associated costs		**(6,413)**	(4,192)
EBITDA**		**56,276**	44,692
Depreciation and amortisation		**(31,437)**	(26,246)
Group operating profit		**24,839**	18,446
Profit on disposal of available-for-sale financial asset		**1,158**	-
Finance income		**1,546**	2,389
Finance expense		**(15)**	(16)
Net finance income		**1,531**	2,373
Share of loss of equity accounted investments		**(911)**	(3,041)
Profit before tax		**26,617**	17,778
Taxation	3	**(3,611)**	(2,659)
Profit for the year		**23,006**	15,119
Attributable to:			
Equity holders of the Company		**24,157**	15,119
Non-controlling interest		**(1,151)**	-
Profit for the year		**23,006**	15,119
Earnings per share			
Basic	4	**22.6p**	14.4p
Diluted	4	**22.0p**	13.8p

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 April 2011

	30 April 2011 £'000	30 April 2010 £'000
Profit for the year	**23,006**	15,119
Other comprehensive income		
Foreign exchange differences arising on consolidation	**(2,853)**	(2,910)
Change in fair value of convertible loan notes	**-**	(23)
Change in fair value of hedging derivative	**-**	(1,261)
Disposal of hedging derivative	**-**	(993)
Taxation directly recognised in other comprehensive income	**-**	928
Other comprehensive expense for the year, net of income tax	**(2,853)**	(4,259)
Total comprehensive income for the year	**20,153**	10,860
Attributable to:		
Equity holders of the Company	**21,304**	10,860
Non-controlling interest	**(1,151)**	-
Total comprehensive income for the year	**20,153**	10,860

CONSOLIDATED BALANCE SHEET
At 30 April 2011

	30 April 2011 £'000	30 April 2010 £'000
Assets		
Non-current assets		
Property, plant and equipment	**32,857**	24,463
Goodwill and other intangible assets	**110,868**	88,980
Investments	**1,959**	152
Available-for-sale financial assets	**2,115**	4,385
Deferred tax asset	**3,623**	5,460
	151,422	123,440
Current assets		
Trade and other receivables	**21,239**	22,212
Cash and cash equivalents	**155,038**	150,947
	176,277	173,159
Total assets	**327,699**	296,599
Liabilities		
Current liabilities		
Trade and other payables	**87,437**	88,857
Tax payable	**24,698**	25,930
Total liabilities	**112,135**	114,787
Net assets	**215,564**	181,812
Equity		
Share capital	**108**	105
Share premium	**10,694**	4,078
Other reserves	**(5,974)**	(2,263)
Retained earnings	**207,058**	179,892
Equity attributable to equity holders of the Company	**211,886**	181,812
Non-controlling interest	**3,678**	-
Total equity	**215,564**	181,812

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 April 2011

Attributable to equity holders of the Company

	Share capital £'000	Share premium £'000	Tax reserves £'000	Hedging reserves £'000	Translation reserve £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 May 2009	104	2,128	1,343	1,623	(991)	160,602	164,809	-	164,809
Comprehensive income for the year									
Profit for the year	-	-	-	-	-	15,119	15,119	-	15,119
Other comprehensive income	-	-	297	(1,623)	(2,912)	(21)	(4,259)	-	(4,259)
Total comprehensive income for the year	-	-	297	(1,623)	(2,912)	15,098	10,860	-	10,860
Transactions with owners, recorded directly in equity									
Distributions to owners									
Issue of shares	1	1,950	-	-	-	-	1,951	-	1,951
Equity settled share-based payments	-	-	-	-	-	4,192	4,192	-	4,192
Total distributions to owners	1	1,950	-	-	-	4,192	6,143	-	6,143
Balance at 30 April 2010	105	4,078	1,640	-	(3,903)	179,892	181,812	-	181,812
Balance at 1 May 2010	105	4,078	1,640	-	(3,903)	179,892	181,812	-	**181,812**
Comprehensive income for the year									
Profit / (loss) 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 / (from) 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
Taxation on equity settled share-based payments	-	-	(71)	-	-	-	(71)	-	(71)
Total distributions to / (from) 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									
Recognition of non-controlling interest in LMAX	-	-	-	-	-	-	-	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**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 April 2011

	30 April 2011 £'000	30 April 2010 £'000
Cash flows from operating activities		
Profit for the year	**23,006**	15,119
Adjustments for:		
Depreciation and amortisation	**31,437**	26,246
Loss on disposal of property, plant and equipment	**43**	19
Equity settled share-based payments and associated costs	**6,413**	4,192
Profit on disposal of available-for-sale financial asset	**(1,158)**	-
Share of loss of equity accounted investments	**911**	3,041
Net finance income	**(1,531)**	(2,373)
Tax	**3,611**	2,659
Increase in trade and other receivables	**(1,102)**	(6,758)
(Decrease) / increase in trade and other payables	**(989)**	13,783
Cash generated from operations	**60,641**	55,928
Taxation paid	**(2,958)**	(2,879)
Net cash from operating activities	**57,683**	53,049
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(21,552)**	(12,472)
Proceeds from sale of property, plant and equipment	**386**	52
Acquisition of other intangible assets	**(12,616)**	(5,460)
Capitalised development expenditure	**(27,895)**	(14,659)
Acquisition of interest in subsidiary, net of cash acquired	**(192)**	(3,261)
Cash injection in jointly controlled entities	**(230)**	(225)
Disposal / (acquisition) of available-for-sale financial assets	**3,428**	(1,965)
Finance income received	**976**	779
Net cash used in investing activities	**(57,695)**	(37,211)
Cash flows from financing activities		
Proceeds from the issue of share capital	**6,619**	1,855
Proceeds from the sale of shares in LMAX	**4,829**	-
Purchase of own shares by the EBT	**(7,225)**	-
Sale of own shares by the EBT	**117**	-
Net cash from financing activities	**4,340**	1,855
Net increase in cash and cash equivalents	**4,328**	17,693
Cash and cash equivalents at the beginning of the year	**150,947**	133,367
Foreign exchange differences	**(237)**	(113)
Cash and cash equivalents at year end	**155,038**	150,947

NOTES TO THE FINANCIAL INFORMATION

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 for which financial information is regularly reviewed in making decisions about operating matters. These segments are:

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

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

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

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

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

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

The revenues 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

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

Operating Segments (continued)

Segmental information for the year ended 30 April 2011 and 30 April 2010 are as follows:

Year ended 30 April 2011

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

Year ended 30 April 2010

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

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

Operating Segments (continued)

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

Year ended 30 April 2011	UK £'000	Europe £'000	Rest of World £'000	Unallocated* £'000	**Group £'000**
Core Betfair	174,028	136,232	16,387	3,343	**329,990**
Other Investments	3,461	-	35,156	-	**38,617**
High rollers	-	-	-	24,704	**24,704**
Total Group	**177,489**	**136,232**	**51,543**	**28,047**	**393,311**

Year ended 30 April 2010	UK £'000	Europe £'000	Rest of World £'000	Unallocated* £'000	Group £'000
Core Betfair	163,637	124,996	14,857	2,553	306,043
Other Investments	2,858	-	32,014	-	34,872
High rollers	-	-	-	-	-
Total Group	166,495	124,996	46,871	2,553	340,915

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

NOTES TO THE FINANCIAL INFORMATION

2. Exceptional items

	30 April 2011 £'000	30 April 2010 £'000
Costs incurred on corporate projects	**19,103**	4,600
Release of surplus provisions	**(2,108)**	-
	16,995	4,600

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

3. Tax

The Group's consolidated effective tax rate for the year was 13.6% (30 April 2010: 15%).

The tax effect on exceptional items in the current year amounted to a tax credit of £2.7 million (2010: £nil).

With effect from 1 April 2011, the UK Statutory rate of Corporation tax will be reduced to 27%. This will result in a blended standard statutory rate of 27.9% in the year ended 30 April 2011, and has been incorporated into the effective tax rate calculation.

The income tax expense for the year is £3.6 million (30 April 2010: £2.7 million).

4. Earnings per share

Basic earnings per share

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

	30 April 2011 £'000	30 April 2010 £'000
Profit for the year (£'000)	**24,157**	15,119
Weighted average number of shares	**106,811,660**	104,926,368
Basic earnings per share	**22.6p**	14.4p
Diluted earnings per share	**22.0p**	13.8p

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 April 2011 was based on the profit attributable to ordinary shareholders of £23.0 million (30 April 2010: £15.1 million) and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 109,653,974 (30 April 2010: 109,769,384), calculated as follows:

Profit used to determine diluted earnings per share

	30 April 2011 £'000	30 April 2010 £'000
Profit for the year	**24,157**	15,119
Interest expense on convertible loan notes (net of tax)	**-**	11
Profit used to determine diluted earnings per share	**24,157**	15,130

Weighted average number of shares (diluted)

	30 April 2011	30 April 2010
Weighted average number of ordinary shares (basic)	**106,811,660**	104,926,368
Effect of share options on issue	**2,842,314**	4,843,016
Weighted average number of ordinary shares (diluted)	**109,653,974**	109,769,384

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

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 April 2011 or 2010 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the registrar of companies, and those for 2011 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: Reconciliation of adjustments

Year ended 30 April 2011	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
Basic earnings per share (underlying)					33.9 p
Diluted earnings per share (underlying)					33.0 p

Year ended 30 April 2010	Revenue £m	EBITDA £m	Operating profit £m	Profit before tax £m	Profit after tax £m
Reported	340.9	44.7	18.4	17.8	15.1
Adjustments for:					
- High rollers	-	-	-	-	-
- Exceptional items	-	4.6	4.6	4.6	4.6
- Equity settled share-based payments	-	4.2	4.2	4.2	4.2
- Profit on disposal of financial asset	-	-	-	-	-
- Tax effect of adjustments	-	-	-	-	(1.2)
Underlying	340.9	53.5	27.2	26.6	22.7
Basic earnings per share (underlying)					21.7 p
Diluted earnings per share (underlying)					20.7 p

Earnings per share are based on a weighted average number of shares in issue during the year of 106, 811,660 (FY10: 104,926,368) (basic) and 109,653,974 (FY10: 109,769,384) (diluted).

Appendix 2: Principal risks and uncertainties

The principal risks facing the Group are as follows:

Legal and Regulatory Risks

- Increased regulation in Europe / Non-European jurisdictions restricting market entry or access
- Adverse legal and regulatory decisions may restrict the ability to grow
- Entry in to new geographies may cause significant distraction to senior management and result in unforeseen costs and negative publicity
- Impact of potential action by UK authorities in response to gaming companies operating in the UK based on non-UK licences
- Betting and gaming licence compliance, renewal and revocation
- Material litigation in Australia

Financial Risks

- Impact of foreign exchange exposure
- Significant revenue is generated from Betfair's largest customers
- The level of liquidity in the Betting Exchange

Operational Risks

- Failure to adequately protect customer account information could have a material adverse effect on Betfair
- Negative publicity arising from underage and problem betting and gaming
- Betfair products being used by criminals for money laundering or other criminal purposes
- Fraud and corruption in sport resulting in negative publicity for sports betting and Betfair
- Products on development pipeline are not appropriate or are not effectively prioritised
- The scheduling and live broadcasting of major sporting events
- Lack of ability to retain executives, managers and key staff
- Recruitment of high quality staff in some overseas locations may become more difficult
- Site outages and loss of customer connectivity
- Competitive environment / competitor behaviour
- Data from the Betfair site being used by competitors
- Reliance on third parties