ANNUAL REPORT AND ACCOUNTS 2014

betfair

Betfair revolutionised the sports betting industry by pioneering the Betting Exchange, a unique product that has enabled us to generate and sustain a market leading position in online sports betting for over a decade.

Today we provide a full range of sports betting and gaming products, including a Sportsbook that was launched in 2013.

We are now focused on redefining the boundaries of how customers can bet on sport by integrating our Exchange and Sportsbook to create market leading products.

We are promoting these with dynamic marketing activity that is resulting in strong growth in our UK customer base.

For further information about the Group visit:
http://corporate.betfair.com

BUSINESS AND FINANCIAL HIGHLIGHTS

Revenue (£million)

£393.6m

+2%

2013: £387.0m

Sustainable Revenue[1] (£million)

£306.1m

+9%

2013: £280.0m

Active customers in sustainable markets[1,2]

854,000

+27%

2013: 674,000

Underlying EBITDA[3] (£million)

£91.1m

+24%

2013: £73.3m

Dividend (pence per share)

20p

+54%

2013: 13p

1 Sustainable markets are defined as the UK, Ireland, Denmark, Malta, Gibraltar and US.
2 An active customer is a customer that has had a bet settled in the period and has funded their account at any point.
3 EBITDA is defined as Group operating profit before finance income, tax, impairment, depreciation and amortisation. Underlying EBITDA is defined as EBITDA before separately disclosed items.

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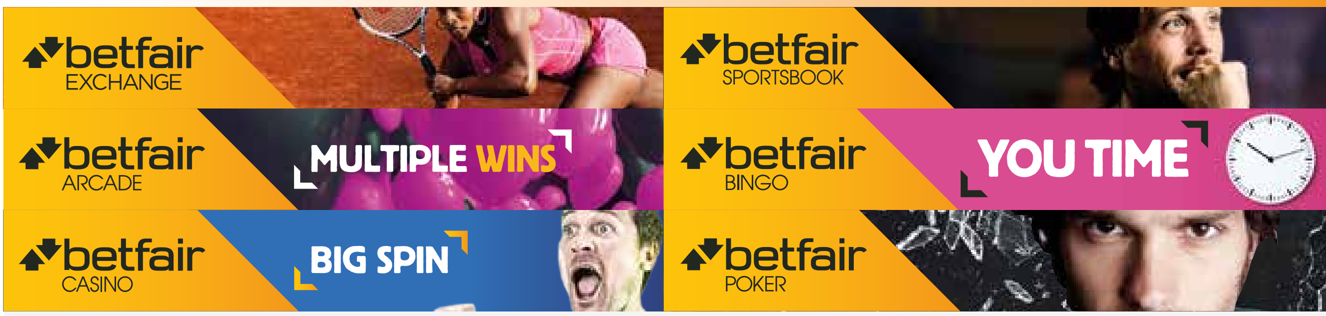
Financial Statements 72–119

BETFAIR AT A GLANCE

BRANDS



betfair EXCHANGE
www.betfair.com/exchange

betfair SPORTSBOOK
www.betfair.com/sport

betfair ARCADE
https://arcade.betfair.com

betfair BINGO
https://bingo.betfair.com

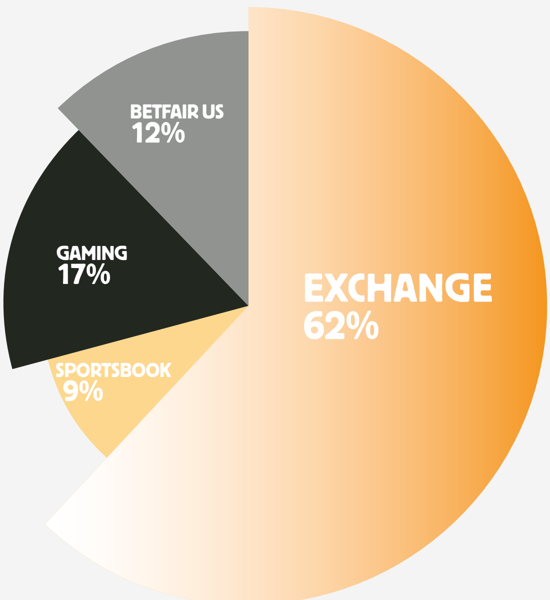
betfair CASINO
https://casino.betfair.com

betfair POKER
https://poker.betfair.com

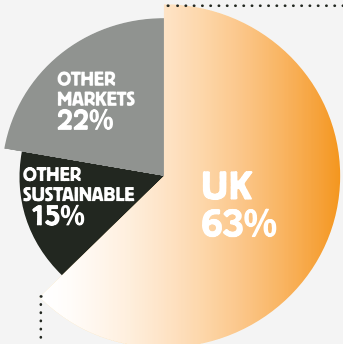
TVG
www.tvg.com

REVENUES

BY BUSINESS UNIT



BY TERRITORY



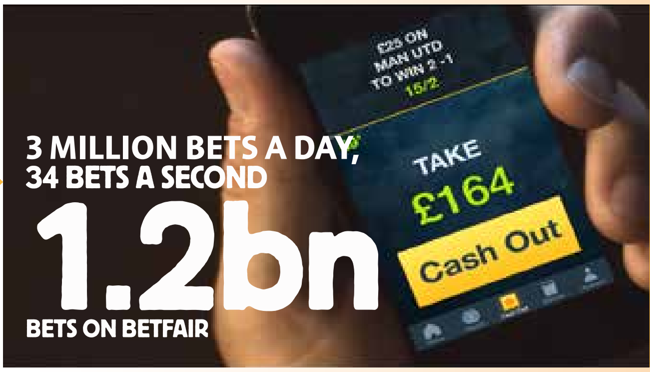
UK market overview[1]	
Sports	£0.8bn
Gaming	£1.3bn
Total UK	**£2.1bn**
Betfair share	**12%**

[1] Gross Gaming Revenue: Gambling Data 2012

CUSTOMERS

- 76% OF CUSTOMERS FROM SUSTAINABLE MARKETS
- ACTIVE CUSTOMERS UP 35% IN UK AND IRELAND IN FY14

SPORTS



- £53BN MATCHED VOLUME ON EXCHANGE
- 60% OF CUSTOMERS USE MOBILE
- £61M HIGHEST VOLUME EXCHANGE MARKET IN FY14 (ENGLAND V AUSTRALIA, ASHES TEST TRENT BRIDGE JULY 2013)

GLOBAL OPERATOR

- 15 OFFICE LOCATIONS
- 1,800 EMPLOYEES

PIONEERING SPORTS RELATIONSHIPS

- 58 MEMORANDA OF UNDERSTANDING WITH SPORTING BODIES

CHAIRMAN'S STATEMENT

'BETFAIR HAS ALWAYS BEEN A UNIQUE BETTING COMPANY AND IT REMAINS SO.'

Gerald Corbett, Chairman

To read more about Governance **see page 36**

DEAR SHAREHOLDER

This has been an important year for Betfair, with the Company showing great momentum and entering a phase of exciting innovation in both its product and brand. This is the first full year of our new and energetic management team. There is real purpose in the business and we are executing a strategy that is focused on delivering sustainable growth.

It is over a year since discussions with the private equity group CVC were terminated and in that time we have been able to see the value that the new team and strategy will be able to produce. There is much to be done, and many challenges ahead, but a good start has been made.

Strategy

Betfair's strategy has been to refocus the business on regulated jurisdictions whilst refreshing our unique product and brand so we have greater appeal to a wider range of customers.

We have continued to see signs of success on both fronts. Betfair has always been a unique betting company and it remains so. Following recent product innovations, we are now steadily building a highly exciting sports betting platform and have increased our marketing spend to take it to a wider audience.

We now concentrate investment in markets with regulatory visibility and have subsequently been able to focus our resources on growing our active customer base in key territories. Sustainable revenues now make up far more of our total revenue base, lending the business stability and significantly improving our quality of earnings.

We have started to use our strong cash position to make selected investments in some promising international opportunities, with exciting developments in New Jersey and Italy coming within the year.

Financial performance

The financial performance in the year has been encouraging, with double-digit growth in sustainable revenues in the last three quarters. Overall revenue was up 2% to £393.6m, with growth diluted by the reduction in revenue from other markets, in line with our strategy. The cost savings we announced last year have been delivered and this contributed to underlying EBITDA growth of 24% to £91.1m.

Cash flow remains strong and we ended the year debt free and with £209.8m of cash.

Regulation

As with all businesses in our industry, the constantly evolving regulatory landscape provides both opportunities and challenges. This year, as a result of positive regulatory change, we have been able to launch an online casino in New Jersey and an Exchange in Italy, the latter the culmination of several years of hard work. The industry is likely to see significant disruption in the coming year as the effect of the incoming Point of Consumption tax in the UK plays out. We expect operators with scale, like Betfair, to be best placed to adapt to this change. In unregulated markets, visibility remains low, validating our strategy of focusing on regulated jurisdictions.

Board

There have been a number of changes to Betfair's Board over the year, with the addition of significant experience from major PLC and digital consumer businesses.

Mike McTighe, Fru Hazlitt and Josh Hannah have all stepped down from the Board. They all served as Non-Executive Directors of Betfair with distinction for a long period of time, and we thank them again for their invaluable contribution over the years. We have welcomed to the Board Zillah Byng-Maddick, CEO of Future plc; Leo Quinn, CEO of QinetiQ Group plc; and Peter Rigby, former CEO of Informa plc as Non-Executive Directors. All three are already proving to be valuable additions to the Company.

Dividend

The Board targets a progressive and sustainable dividend and continues to consider the appropriate payout ratio to be approximately 40% of profit after tax in the medium term. This dividend policy reflects the strong cash flow characteristics and long-term earnings potential of the Betfair Group, whilst allowing it to retain sufficient capital to fund ongoing operating requirements and investment. The Board is recommending a final dividend of 14.0 pence per share, taking the full year dividend to 20.0 pence per share, a 54% increase on last year.

Finally, the Board and I would like to thank all Betfair's employees for their hard work and commitment over the past year. Betfair is a vibrant place to work, full of enthusiasm, and I am delighted that their efforts are starting to be recognised in improved business performance.

Gerald Corbett
Chairman
11 June 2014

CHIEF EXECUTIVE'S REVIEW

'WE BELIEVE THAT THE KEY TO WINNING IN OUR TARGET MARKET IS TO CREATE DIFFERENTIATED PRODUCTS THAT GIVE BETFAIR CUSTOMERS UNIQUE ADVANTAGES OVER THOSE USING OTHER BRANDS.'

Breon Corcoran, Chief Executive Officer

To read more about Strategy **see pages 7 to 13**

In December 2012 we announced a strategy to turnaround Betfair's performance: moving the business onto a more sustainable revenue base; investing in our product and brand so that we could address the wider recreational market; and using our strong balance sheet to access growth opportunities as and when they emerge.

1 Page 8	2 Page 10	3 Page 12
FOCUS ON SUSTAINABLE REVENUES	INVEST IN OUR PRODUCT AND BRAND	ACCELERATE GROWTH THROUGH INTERNATIONAL OPPORTUNITIES

LEAN, DYNAMIC, INNOVATION DRIVEN

Our belief was that Betfair had significant potential but that its product and brand needed adapting to appeal more to the mass market, and the business itself needed to operate more efficiently to fund the investment required to grow our customer base and revenues in sustainable markets.

Following the encouraging early developments announced in FY13, we are pleased that Betfair has this year been able to switch gears and start making significant progress towards our strategic objectives.

Overview of results

Revenue of £393.6m (FY13: £387.0m) reflected strong growth in Sportsbook and Betfair US, partly offset by a weak Gaming performance. This result included significant adverse impacts from market exits (£13.3m) and the absence of a major international football tournament (£7.8m from Euro 2012).

Underlying EBITDA was up 24% to £91.1m (FY13: £73.3m). The improvement in profitability was driven primarily by cost savings, which were in excess of our £30m target. This, along with lower depreciation and amortisation, resulted in underlying basic earnings per share increasing by 57% to 49.0 pence (FY13: 31.2 pence).

The Group ended the year with a cash balance of £209.8m (FY13: £168.1m) and no debt.

Strategy update

Betfair's objective is to achieve profitable scale in sustainable markets and during FY14 we have continued to focus Betfair's marketing activities towards licensed operations. As a result the business faces substantially less regulatory risk. Sustainable markets (defined as the UK, Ireland, Denmark, Malta, Gibraltar and US) now contribute 78% of Group revenues (FY13: 72%).

Sustainable revenues were up 9% over the year, with growth across all products. This contrasts markedly with revenue from other markets, which was down 18%.

We believe that the key to winning in our target markets is to create differentiated products that give Betfair customers unique advantages over those using other brands. Betfair is now in a position to do this through integrating its Exchange and Sportsbook, both of which possess functionality that, when put together, can create a truly unique sports betting platform. We are now making significant investment to develop products that enable every customer to access the full range of both platforms. To this end, this year has seen us launch new products that are rapidly changing the traditional Sportsbook model:

- The ability to Cash Out both singles and accumulator Sportsbook bets brings a concept historically only available on the Exchange to new customer segments and is redefining the boundaries of how customers bet on live sport.
- Our recent launch of Price Rush, a simple product feature that boosts the odds offered to Sportsbook customers by matching their bets seamlessly on the Exchange.

Through integrating our products we believe we can restore Betfair to its position as a disruptive frontrunner within a market where differentiation between operators is otherwise almost non-existent. Integration provides inherent benefits to our ongoing business. Recreational customers who might not always take the time to learn the functionality of the Exchange can now access it, and in doing so, they increase liquidity on the Exchange.

The ongoing integration of these two products means we will report a combined Sports revenue number in FY15.

The product successes mean we will continue to invest over £100m in sales and marketing this year, including entering high profile partnerships with Channel 4 Racing, Sky Sports and ITV Sport, accompanied by investment in social channels. Our brand messaging seeks to place Betfair at the heart of the excitement generated around live sport and we are a Gold partner of ITV's World Cup football coverage, enabling us to target a significant recreational audience at the world's most watched sporting event.

The early results of our product and brand investment have been encouraging. We have seen sustained increases in our customer acquisition numbers in UK and Ireland (up 54% year on year). This has driven strong growth in Betfair's active customer base, with UK and Ireland active customer numbers up 35% in FY14. The increase in customer numbers has in turn driven double-digit growth in sustainable revenues in each of the last three quarters. Mobile continues to be a key channel and revenue was up 70% following a 50% increase in active mobile customers.

We are focused on achieving sustainable international expansion and have therefore been encouraged by the launches of both our online casino in New Jersey and our Exchange in Italy, two markets which we believe possess attractive long-term characteristics. Whilst it is very early days for both products, we believe our 8% share of the New Jersey casino market to date represents a fair start and that our Italian Exchange, which is the first into the new market, offers a compelling experience for sports bettors in Italy.

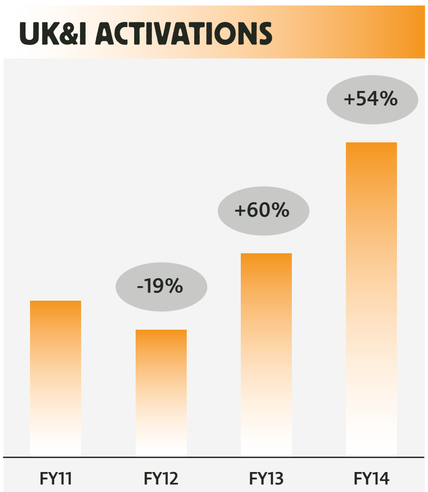
Betfair's strategic objectives are supported by our ongoing drive to become a leaner, more dynamic organisation. In FY13, we undertook a thorough review of our cost base and identified a number of areas where the business could become leaner and we delivered £33m of cost savings in FY14. This has led to improved margins and is enabling us to make further investments in product and marketing to drive future revenue growth.

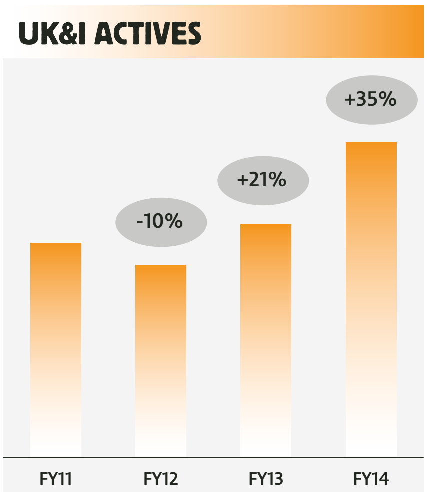
Outlook
Betfair operates in an uncertain marketplace where many governments, including in the UK, are either introducing or contemplating new regulatory or fiscal arrangements. Whilst this makes any future predictions on financial performance difficult, our strategy is working and the business is seeing good momentum.

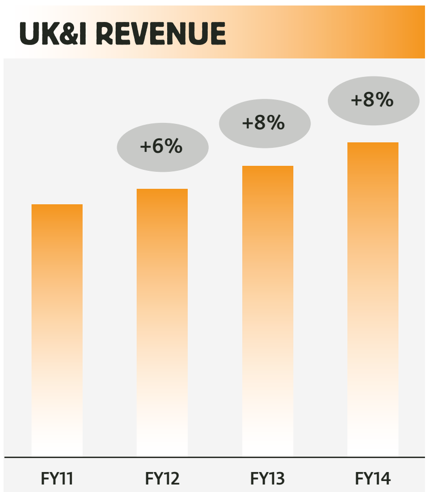
Outside of our sustainable jurisdictions, we continue to expect regulatory uncertainty and declining revenue as a result of lack of investment and market exits. Our best estimate is that revenues in other markets will reduce by between 15% and 25% per annum. However, we remain confident that we can grow sustainable revenues in line with the online market growth rate.

The Strategic Report on pages 1 to 35 is approved by the Board and signed on its behalf by:

Breon Corcoran
Chief Executive Officer
11 June 2014







Betfair has momentum in UK and Ireland

BUSINESS MODEL

Our objective is to leverage our unique technology to drive shareholder value by focusing on sustainable markets, investing to increase our scale and entering into new international markets.

WHAT WE DO

1.1m CUSTOMERS

EXCHANGE

CUSTOMER v CUSTOMER

Betfair's pioneering Exchange matches customers to bet against each other. This eliminates the financial risk borne by bookmakers generally resulting in better odds. Betfair earns a small commission on each bet regardless of sporting outcome.

INTEGRATION

SPORTSBOOK

CUSTOMER v BETFAIR

Betfair's Sportsbook is a traditional fixed odds bookmaking product where customers bet directly against Betfair on sporting outcomes. Betfair builds a margin into these odds and over time, we expect these margins to allow us to generate revenue.

GAMING

CUSTOMER v CUSTOMER & CUSTOMER v BETFAIR

Betfair's Gaming product has varied models - some, such as Casino see customers bet against Betfair while others, such as Poker, see customers bet against each other with Betfair taking a share of the winnings.

HOW WE MAKE MONEY

COMMISSION

MARGIN

COMMISSION AND MARGIN

betfair

GENERATING VALUE FOR SHAREHOLDERS

INVEST IN PRODUCT AND BRAND

DIVIDENDS TO SHAREHOLDERS

HOW WE DO IT

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FOCUS ON SUSTAINABLE REVENUES
Page 8

2
INVEST IN OUR PRODUCT AND BRAND
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3
ACCELERATE GROWTH THROUGH INTERNATIONAL OPPORTUNITIES
Page 12

FOR THE RISKS ASSOCIATED WITH THIS STRATEGY, REFER TO PAGE 25–27.

1 FOCUS ON SUSTAINABLE REVENUES

OBJECTIVE:

To reduce Betfair's regulatory risk and improve quality of earnings by increasing the proportion of revenues that come from regulated jurisdictions

WHAT WE ARE DOING:

We have ceased acquisition marketing and other investment in countries where we are not confident there is sufficient near-term regulatory visibility.

We have subsequently applied greater focus on markets that are regulated or are in the process of regulating in the near term.

BETFAIR CHASE
Jumps lined up before the "Betfair Chase" at Haydock – one of our flagship UK Racing Sponsorships

OUR PROGRESS:
SUSTAINABLE REVENUE % OF TOTAL REVENUES

FY12	68%
FY13	72%
FY14	78%

FY14 SUSTAINABLE REVENUE % OF TOTAL REVENUES

78%

2 INVEST IN OUR PRODUCT AND BRAND

WHAT WE ARE DOING:

We have focused on improving our Sportsbook and then differentiating it through a range of product innovations that integrate it with the Exchange. We have market leading features: Cash Out and Price Rush.

We have stepped up our marketing, investing over £100m in sales and marketing in FY14: entered advertising partnerships with Sky Sports, Channel 4 Racing and ITV; and are making significant investments into enhancing our PR and social media activities.

WORLD CUP
Betfair's marketing campaign for its headline World Cup offer

OBJECTIVE:

To accelerate sustainable revenue growth by simplifying and improving Betfair's product set and addressing the wider recreational audience

OUR PROGRESS:

SUSTAINABLE REVENUE (£M)

FY12	263.3m	
FY13	280.0m	+6%
FY14	306.1m	+9%

SUSTAINABLE ACTIVE CUSTOMER BASE

FY12	562,000	
FY13	674,000	+20%
FY14	854,000	+27%

FY14 SUSTAINABLE REVENUE INCREASE YEAR ON YEAR

9%

FY14 SUSTAINABLE ACTIVE CUSTOMER BASE INCREASE YEAR ON YEAR

27%

BETFAIR NEW JERSEY
Part of the initial advertising for Betfair New Jersey in 2013

OBJECTIVE:
To achieve sustainable international expansion

WHAT WE ARE DOING:

We are seeking licences in territories proposing constructive online gambling regulation.

We continue to monitor developments in other territories and engage wherever appropriate.

We are focusing on improving the performance of our international businesses and aligning their profitability levels with those of the wider group.

3 ACCELERATE GROWTH THROUGH INTERNATIONAL OPPORTUNITIES

OUR PROGRESS:

- We have launched an online casino site in New Jersey.
- We have recently launched Exchanges in Italy and Bulgaria.
- We have significantly improved the performance of TVG, our Advanced Deposit Wagering (ADW) horserace betting business in the US.

SPORTS

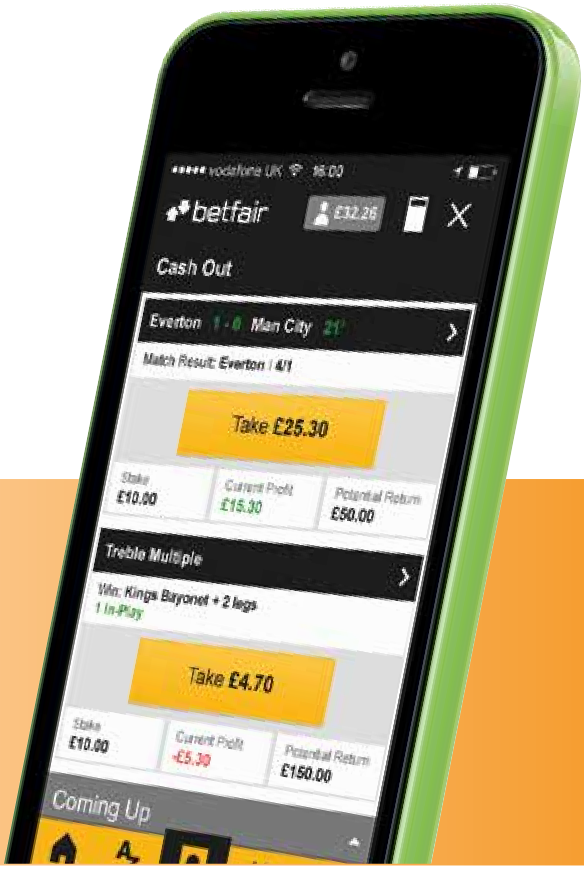
Betfair is developing the most exciting, innovative sports betting products in the marketplace by bringing its two core platforms closer together. This is offering all our customers better value, more choice and increasingly exciting interaction with sport.

TOTAL SPORTS REVENUES (£m)

FY12	268.2m
FY13	271.6m
FY14	280.5m

GOLD CUP – LORD WINDERMERE

At Cheltenham, many customers who took 29/1 on Gold Cup winner Lord Windermere got a Price Rush to 34/1, so for each £20 staked, they received an extra £100 in winnings.



BETFAIR IS EVOLVING:

STEP 1 COMPLETING OUR PRODUCT SET

Betfair's Exchange revolutionised the sports betting industry when it was launched in 2000; providing better value by eliminating the bookmaker, and empowering customers by offering trading opportunities, both before an event and in-play.

However successful the Exchange has been, it does not suit all customers all of the time. It can often be perceived to be complicated, and liquidity is not always available in all markets. To close market gaps and increase the recreational appeal of our brand, Betfair launched a Sportsbook in early 2013. The theory was that a fixed odds product would allow us to access a greater share of the recreational market, by providing an attractive, simple product with broader market coverage.

Since launch, we have seen evidence that this theory is correct. The Sportsbook has enabled more effective marketing and has increased customer acquisition in sustainable regions.

STEP 2 INTEGRATION

Whilst our two products work well as standalone platforms, the real potential lies in bringing them together into an integrated sports offering that provides the best of both to all customers.

Betfair is now focused on presenting the customer with products that offer the twin advantages of both platforms; harnessing the simplicity and market range of the Sportsbook to the superior value and trading functionality available on an Exchange. By doing this, we believe we can truly stand out in a crowded market.

This concept has so far been illustrated by our pioneering 'Cash Out' feature, which we have brought from the Exchange to the Sportsbook and placed at the centre of our marketing.

STEP 3 RE-SETTING THE AGENDA

The most recent stage of our integration process is 'Price Rush' – a feature that uses sophisticated technology to do something relatively simple, boosting the odds offered to certain Sportsbook customers by matching them seamlessly into the Exchange.

The product allows customers who do not know how to use the Exchange to receive the inherent pricing benefits, and feed liquidity back into those who do. The initial results have been encouraging with 36% of eligible singles bets being 'Rushed' and customers on average receiving 24% better odds on those bets. The product has already proved a hit with customers who have shared a whole range of early anecdotal examples of the tool in action on Twitter.

SPORTS

For further information about exchange visit:
www.betfair.com/exchange

EXCHANGE

Betfair was built around its Exchange and the superior value provided by this product remains central to maintaining our competitive advantage in the marketplace.

The Exchange provides inherently strong value within a wide range of sports markets and subsequently enjoys excellent brand affinity with its users. It forms the foundation of the integrated products we are now taking to both the sophisticated and recreational sports betting markets.

Overview of results

Exchange revenue was down 1% to £244.3m (FY13: £247.5m). The first half of the year saw a decline of 7%, largely due to the absence of a major international football tournament (Euro 2012) and the adverse impact of market exits. In sustainable markets Exchange revenue was up 2%.

Operational developments

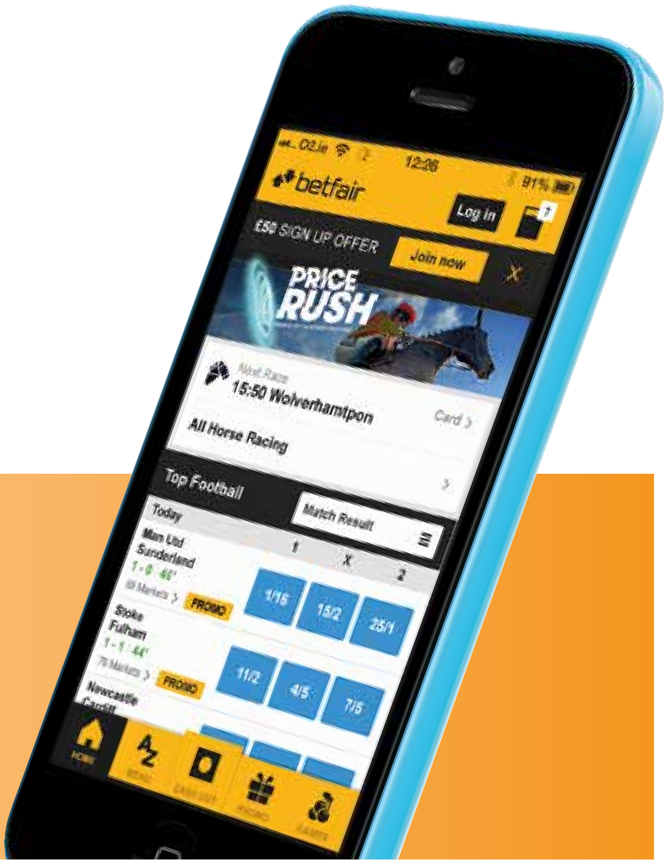
We continue to focus on increasing liquidity on the Exchange, recognising that this is the key factor behind attracting and retaining customers and the ultimate driver of better value. Price Rush is one high profile way we are boosting liquidity and we continue to work on initiatives to increase activity in less liquid markets.

The Exchange remains a natural home of in-play sports betting and this year has seen strong revenue performance in sports that have trading dimensions such as tennis and cricket. The 2014 World T20 cricket tournament saw close to £1bn matched between customers in total. The 2013 home Ashes series was also popular with the dramatic First Test at Trent Bridge becoming the second highest single event traded ever on the Exchange at £61m. The historic 2013 Wimbledon final between Andy Murray and Novak Djokovic saw £48m traded across all markets.

Mobile is an extremely important channel, with around 52% of active Exchange customers placing a bet via mobile in the year. We have also continued to improve our products for our high end Exchange customers, with a number of improvements to our Application Programming Interface (API), which allows customers to bet directly into our Exchange without using our own website or mobile channels, launched over the year.

The hugely popular Cash Out product started on the Exchange. We have recently taken the concept further through Cash Out+, which allows customers to partially cash out their bets, further differentiating the product from competitors' offerings.

The Exchange continues to provide inherent value on popular sports such as Football and Horse Racing



For further information about our Sportsbook visit:
www.betfair.com/sport

SPORTSBOOK

This has been a transformational year for Betfair's Sportsbook. The team began this financial year with a focus on closing competitive market coverage gaps, before making significant improvements to the user experience.

The focus in FY14 was on creating a competitive Sportsbook and we are now entering an exciting development phase where innovative products are making our product stand out from a crowded marketplace.

Overview of results

Sportsbook revenue grew by 50% to £36.2m (FY13: £24.1m) following a 50% rise in the number of active customers.

Operational developments

For a new product in a competitive marketplace, the underlying performance of the Sportsbook has been highly encouraging. Volume more than doubled over the year, with particularly high levels of activity on football. We now offer fixed odds betting on 30 sports and have continued to broaden our market coverage in order to build a fully competitive product. In April 2014 our Sportsbook ran 4,100 football matches, 1,200 tennis matches and 300 other sports events, which is three times the number of events offered at the start of the year. The number of 'in-play' markets within these events also more than doubled over the year.

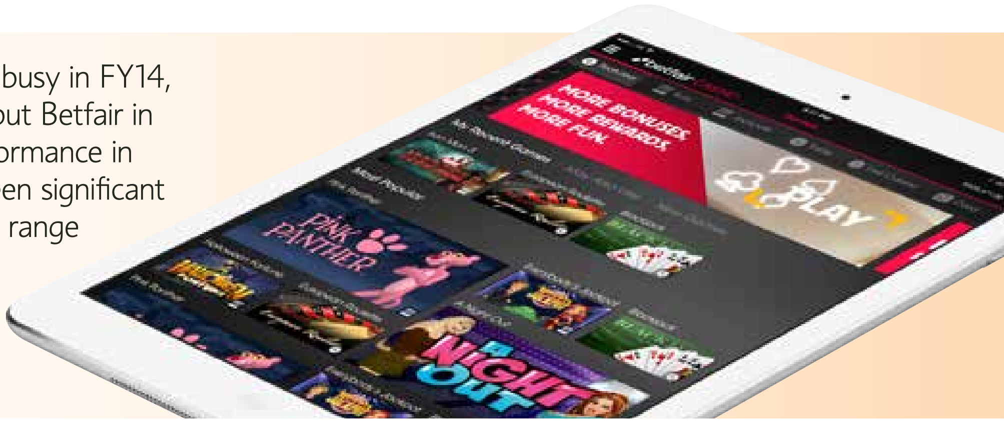
The Sportsbook has been placed at the centre of Betfair's marketing and customer acquisition, with several of Betfair's television advertising campaigns this year focusing on market leading functions it possesses, such as the aforementioned 'Cash Out', and more recently its ability to 'Price Rush' bets to better odds through the Exchange. This has come alongside more traditional promotional activity, with some of these offers now benefiting from Betfair's technology capability, such as Cash Back Extra, which allows customers to select their own trigger for returning stakes on losing bets. The interactive nature of these products has meant they have become an organic source of social media and PR activity between Betfair and customers.

Mobile delivered 56% of all Sportsbook revenues in the year, rising to 64% in the fourth quarter.

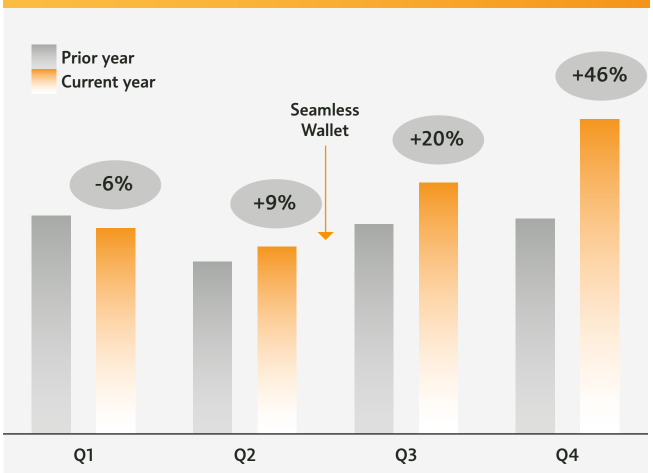
THE SPORTSBOOK
We have increased our television advertising, including this ad during ITV's World Cup coverage

GAMING

Betfair's Gaming division has been busy in FY14, with a new team working hard to put Betfair in a position to deliver improved performance in FY15 and beyond. This year has seen significant improvements to both our product range and customer experience.



CROSS-SELL FROM SPORTS INTO GAMING



Overview of results

Gaming revenue decreased by 13% to £66.2m (FY13: £75.9m). The reduction was primarily due to the continued decline in Poker and the adverse impact on other markets following the decision to focus on sustainable revenues, partly offset by UK Casino growth. In sustainable markets, Gaming revenue was up 2% in the year.

Operational developments

We have taken significant steps to address two issues that have affected Betfair's ability to compete in Gaming: by closing product gaps and improving cross-sell from recreational sports customers.

The work undertaken falls broadly into two areas. Firstly, we have made product upgrades to our Casino so that it now hosts the top level of content offered by Playtech, introducing popular features such as Live Dealer and more recently a tailored site for VIPs, a key way of serving and driving revenues from this important customer group.

Accompanying this has been structural work designed to make our site easier for customers to use. Customers now get a more intuitive welcome experience, meaning a higher percentage of new sign ups now fund their accounts. We have launched a 'seamless wallet' between sports and gaming products, meaning it is now easier for customers to use funds between Sports and Gaming. This, alongside more effective promotional activity, is increasing our cross-sell from Sports into Gaming.

We have recognised the need to make a greater impact across all channels, and have subsequently made significant investment in mobile gaming, recently launching new Bingo and Casino mobile apps. The number of active customers using mobile rose 155% year on year.

BETFAIR US

Betfair US has expanded this year with our existing TVG horseracing business being joined by a New Jersey online casino site which launched in November.

For further information about Betfair US visit: **www.tvg.com** and **www.betfaircasino.com**

Betfair US now consists of two operations:

(i) TVG – an advanced deposit horserace wagering business, which operates primarily in both California and New Jersey; and

(ii) Betfair New Jersey, a new online Casino site which was launched in November 2013 following the regulation of online gaming in the state.

TVG performed well in FY14, against a weak economic backdrop in the US Racing industry. Revenues increased 19% (constant currency) to £44.5m as handle, which is the volume of wagers placed, increased by 33% (constant currency), against a wider industry handle that was flat in the period. This was helped by the launch of advanced deposit wagering in New Jersey following our exclusive agreement to operate the 4NJbets platform on behalf of the State of New Jersey and the racing industry. Since taking over the responsibility for the platform, TVG has modernised the product offering, helping to drive a 57% increase in wagering volumes. The revenue growth and management of costs have resulted in substantial margin expansion.

The business has continued to make significant strides, recently investing to upgrade the TVG cable channel to High Definition, which we believe will consolidate our viewing share in the future. The attractiveness of the TVG brand worldwide was recently illustrated by the signing of a strategic partnership with the world famous Hong Kong Jockey Club, which will link pari-mutuel wagering from both the US and Hong Kong for the first time.

Betfair New Jersey was launched in November 2013. Whilst the overall market size is smaller than originally expected, Betfair New Jersey's total gross gaming revenue (GGR) was £1.8m, representing a 6% share of the nascent market. Our share of the casino market to date is 8%.

Further detail on the financial performance of Betfair US is provided in the Financial Review on pages 21 to 24.

REGULATION

Betfair continues to operate within an evolving regulatory environment and there have been a number of significant developments in the past year.

UK and Ireland

The Government has recently introduced legislation that will change the basis of licensing and taxation to a Point of Consumption basis from December 2014. This will require all operators selling into the UK market, whether based domestically or overseas, to hold a UK Gambling Commission licence to transact and advertise within the UK and to pay betting duty at a rate of 15% of revenue generated from UK persons.

Betfair continues to engage with the Government to emphasise the importance of effective enforcement of any new rules to ensure player protection and fair competition in the marketplace.

We expect a system of taxation for online sports betting to be in place in Ireland before the end of FY15, although exact timings remain uncertain. The Irish government is considering introducing a new licensing system for operators although the timeline for its introduction is also uncertain.

International

Betfair continues to engage within international markets where there is the prospect of fair and workable regulation.

We have seen significant developments in the US this year, with New Jersey opening its market for online gaming to sites run by partnerships between online operators and local casinos. Betfair partnered with the Trump Plaza Casino and in November 2013 was one of several operators to be awarded a 'Transactional Waiver', which allowed us to launch our new site www.betfaircasino.com in New Jersey.

In Italy, we have recently launched our Exchange with national liquidity, having worked with the regulator for a significant period of time to achieve this. Over the past year we have been building our brand presence in the Italian market, launching a new Italian Sportsbook in November 2013 which featured a major update to the site's design and functionality. The Exchange launch supports our strategy to grow sustainable revenues and to find new overseas markets.

We have recently been awarded a licence in Bulgaria, and launched an Exchange in April 2014 which now operates in line with the country's newly adopted online gaming regulation, taxing operators at 20% of gross gaming revenue.

We continue to monitor developments elsewhere and participate where appropriate. Whilst we cannot predict with any degree of certainty, we continue to expect further market exits from territories where the future of online gaming regulation is unclear. We are particularly monitoring current developments in Eastern European territories. Our objective remains to mitigate any loss of revenue from other markets through the ongoing growth of sustainable revenues.

Gaming taxes

If both the proposed UK and Irish taxation changes had been in place for the whole of FY14 along with the gaming taxes we are now incurring in Italy, we estimate that the cost would have been approximately £36m.

FINANCIAL REVIEW

Alex Gersh, Chief Financial Officer

Year ended 30 April	FY14 £m	FY13 £m	Change %
Revenue	393.6	387.0	+2%
EBITDA	91.1	51.2	+78%
Underlying EBITDA[1]	91.1	73.3	+24%
Operating profit/(loss)	61.6	(69.0)	n/a
Underlying operating profit[1]	61.6	35.5	+74%
Profit/(loss) before tax	61.1	(49.4)	n/a
Underlying profit before tax[1]	61.1	38.0	+61%
Profit/(loss) for the year	51.0	(45.2)	n/a
Underlying profit for the year[1]	51.0	31.8	+60%
Earnings/(loss) per share	49.0p	(44.4p)	n/a
Underlying earnings per share[1]	49.0p	31.2p	+57%

1 Underlying figures in FY13 are stated after making a number of adjustments in order to aid comparability between periods. A reconciliation of reported figures to underlying figures is set out on page 24.

Summary

Revenue increased by 2% to £393.6m (FY13: £387.0m), with strong growth in Sportsbook and Betfair US partly offset by a weak Gaming performance. Revenue included significant adverse impacts from market exits (£13.3m revenue impact from Greece, Germany, Cyprus and Spain) and the absence of a major international football tournament (FY13: £7.8m revenue from Euro 2012).

Reported profit before tax for the year was £61.1m (FY13 loss: £49.4m). In the prior year £104.5m of expenses and charges were separately disclosed due to their exceptional nature. These items included non-cash charges relating to impairment of the carrying values of goodwill and other intangible assets as well as restructuring costs. The prior year also included £16.8m profits arising on disposal of Kabam.

Management believes that underlying results, which exclude these separately disclosed items, provide additional guidance to statutory measures to help understand the underlying performance of the business during the financial year. Underlying EBITDA was up 24% to £91.1m (FY13: £73.3m) and underlying profit before tax was up 61% to £61.1m (FY13: £38.0m), with the improvement driven primarily by the cost savings announced in FY13. This, along with lower depreciation and amortisation, resulted in underlying basic earnings per share increasing by 57% to 49.0 pence (FY13: 31.2 pence).

The Group ended the year with a cash balance of £209.8m (FY13: £168.1m) and no debt.

Revenue Year ended 30 April	FY14 £m	FY13 £m	Change %
Exchange	244.3	247.5	–1%
Sportsbook[2]	36.2	24.1	+50%
Gaming	66.2	75.9	–13%
Management of customer funds	1.2	1.5	–20%
Betfair US	45.7	38.0	+20%
Total revenue	**393.6**	**387.0**	**+2%**

[2] Sportsbook represents the segment previously described as Sports.

Exchange revenue was down 1% to £244.3m (FY13: £247.5m). The first half of the year saw a decline of 7%, largely due to the adverse impact of market exits and the absence of a major international football tournament.

Sportsbook revenue was up 50% to £36.2m (FY13: £24.1m), driven by a 137% increase in the amount staked following a 50% rise in the number of active customers.

Gaming revenue decreased by 13% to £66.2m (FY13: £75.9m). This was primarily due to the continued decline in poker and lower revenues in other markets following the decision to focus on sustainable jurisdictions, partly offset by UK Casino growth.

US Revenue increased by 20% to £45.7m (FY13: £38.0m), mainly driven by TVG where handle (which is the volume of wagers placed) and revenue increased by 33% and 19% respectively (both constant currency). Revenue was also boosted by the launch of New Jersey Casino in H2 (£1.2m).

Revenue (£m)	Q1	Q2	Q3	Q4	FY14	Q1	Q2	Q3	Q4	FY13
Sustainable markets	69.9	75.4	73.2	87.6	306.1	75.5	67.7	65.3	71.5	280.0
Growth	*–7%*	*11%*	*12%*	*23%*	*9%*					
Other markets	20.5	22.2	22.2	22.6	87.5	28.3	29.0	25.2	24.5	107.0
Growth	*–28%*	*–23%*	*–12%*	*–8%*	*–18%*					
Total revenue	**90.4**	**97.6**	**95.4**	**110.2**	**393.6**	**103.8**	**96.7**	**90.5**	**96.0**	**387.0**
Growth	***–13%***	***1%***	***5%***	***15%***	***2%***					

Revenue from sustainable markets (UK, Ireland, Denmark, Malta, Gibraltar and US) in FY14 was up 9% driven by the UK, following the launch of the new Sportsbook, and the US. Revenue from other markets was down 18%, driven by regulatory changes in Greece, Germany, Cyprus and Spain, as well as the decision to focus investment on sustainable markets. The remaining £87.5m revenue in other markets comprises over 100 countries, with only five contributing more than 1% of Group revenue and none contributing more than 3%.

Actives (k)	Q1	Q2	Q3	Q4	FY14	Q1	Q2	Q3	Q4	FY13
Sustainable markets	396	393	424	571	854	359	307	336	437	674
Growth	*10%*	*28%*	*26%*	*31%*	*27%*					
Other markets	134	147	137	143	275	195	181	177	145	372
Growth	*–31%*	*–19%*	*–23%*	*–1%*	*–26%*					
Total actives	**530**	**540**	**561**	**714**	**1,129**	**554**	**488**	**513**	**582**	**1,046**
Growth	***–4%***	***11%***	***9%***	***23%***	***8%***					

The number of active customers in FY14 increased by 8% to 1,129,000 (FY13: 1,046,000). The number of active customers in sustainable markets increased significantly, up 27% to 854,000, while the number of actives in other markets was down 26% to 275,000.

Administrative expenses[3,4] Year ended 30 April	FY14 £m	FY13 £m	Change %
Sales and marketing	124.2	113.0	+10%
Technology	60.1	63.0	–5%
Operations	35.1	41.9	–16%
G&A	32.2	46.0	–30%
Operating expenses	**251.6**	**263.9**	**–5%**
Separately disclosed items – restructuring and other	–	22.1	–100%
Separately disclosed items – impairment	–	82.4	–100%
Depreciation and amortisation	29.5	37.8	–22%
Total administrative expenses	**281.1**	**406.2**	**–31%**

3 Facilities costs have been reclassified from G&A to Operations (£10.1m in FY13).
4 Betfair US costs are now reported within Sales and marketing, Technology, Operations and G&A (£36.2m in FY14, £27.2m in FY13).

Average headcount during the period of 1,739 was significantly lower than the prior year (FY13: 2,066), with headcount reductions across most areas of the business.

Sales and marketing spend increased by 10%, reflecting additional TV advertising on Sky Sports, ITV Football and Channel 4 Racing, as well as investment in our New Jersey online casino. As a proportion of total revenue, sales and marketing spend increased to 32% (29% in FY13)[4].

Technology costs before capitalisation of internal development expenditure were down 16% on the prior year following headcount reductions, a shift of development activity to Romania and Portugal and savings from external suppliers. In FY14, £7.4m of internal development expenditure was capitalised compared with £17.4m in FY13. Technology costs after this capitalisation were down 5% on the prior year.

Operations spend was down 16% in the period with savings in office costs partly offset by increased investment in customer services resources to support the growing customer base.

General & administrative (G&A) costs were down 30%, primarily driven by lower headcount.

Depreciation and amortisation of £29.5m was 22% lower than prior year (FY13: £37.8m) as a result of lower capital expenditure and the impairment of intangible assets in FY13.

EBITDA Year ended 30 April	FY14 £m	FY13 £m	Change %
EBITDA	91.1	51.2	+78%
Betfair excl. US	89.1	70.4	+27%
Betfair US	2.0	2.9	–31%
Underlying EBITDA[1]	**91.1**	**73.3**	**+24%**

EBITDA increased by 78% to £91.1m, partly due to separately disclosed items (restructuring and other) in the prior year (FY13: £22.1m). Excluding these, Underlying EBITDA increased by 24% to £91.1m.

Underlying EBITDA excluding US increased by 27% to £89.1m (FY13: £70.4m), with the improvement driven primarily by the cost savings announced in FY13.

Betfair US Underlying EBITDA decreased by 31% to £2.0m (FY13: £2.9m). A positive performance in TVG, driven by a combination of increased operating leverage and cost savings, was offset by significant start-up costs incurred as part of our multi-year investment in New Jersey Casino. In addition to the start-up costs already incurred, the Group has committed to prepay a revenue share to a third party which is contingent on that third party meeting specific requirements. As at 30 April 2014, the Group deems the fulfilment of these criteria as uncertain. In the event that the payment was to crystallise, there would be no significant impact on the profitability of the Group.

Finance income and expenses

Net interest income from corporate funds was £0.7m (FY13: income of £1.4m). Total finance income and expenses include a net foreign exchange loss of £0.4m (FY13: gain of £0.3m). Excluding the foreign exchange impact, finance income of £1.1m was unchanged from the prior year.

Share of profit from equity accounted investments – Betfair Australia

Our share of operating losses in Betfair Australia was £1.2m (FY13: profit of £1.4m), driven by a combination of increased marketing spend and higher variable costs reflecting additional race fields fees (charges for betting operators set by state racing authorities).

Taxation

The Group had a tax charge of £10.1m in the period (FY13: credit of £4.2m). The Group's effective and underlying tax rate was 16.5% (FY13 underlying: 16.4%) and we continue to expect the long-term sustainable tax rate to remain around this level.

Dividend

The Board is recommending the payment of a final dividend of 14.0 pence per share. Together with the interim dividend of 6.0 pence per share, the proposed full year dividend is 20.0 pence per share (FY13: 13.0 pence). The full year dividend represents 41% of profit after tax, in line with the Company's dividend policy. The ex-dividend date will be 3 September 2014, the record date will be 5 September 2014 and payment will be on 3 October 2014.

Capital expenditure

Year ended 30 April	FY14 £m	FY13 £m	Change %
External capex	15.0	17.9	–16%
Internal devex	7.4	17.4	–57%
Total	**22.4**	**35.3**	**–37%**

Capital expenditure (capex) reduced to £22.4m (FY13: £35.3m), mostly due to lower capitalisation of internal development spend (devex) as a higher proportion of this spend was expensed in the period. External capex of £15.0m included investment in product innovation, technology infrastructure, TVG conversion to High Definition and New Jersey Casino.

Balance sheet

The Group ended the year in a strong financial position, with net assets of £171.4m (FY13: £132.0m). Total assets were £309.5m (FY13: £276.3m) of which 75% were current assets (FY13: 68%). Current assets increased primarily as a result of the positive cash generated from operations in the year, while an increase in trade and other receivables was predominantly due to additional prepaid marketing expenses.

Current liabilities reduced from £142.7m to £137.4m as a result of a reduction in provisions, including utilisation of the redundancy provision that was established in the prior year (FY13: £9.7m). This was offset by increases in trade and other payables due to additional marketing activity.

Cash and cash flow

Year ended 30 April[5]	FY14 £m	FY13 £m
Underlying free cash flow	70.4	50.2
Cash flow from separately disclosed items	(12.4)	(12.3)
Free cash flow	**58.0**	**37.9**
Dividends paid	(15.6)	(11.2)
Disposal of Kabam	–	18.8
Other[6]	1.3	4.3
Net increase in cash and cash equivalents[7]	**43.7**	**49.8**

5 Continuing operations.
6 Other is comprised of the net purchase of own shares and proceeds from the issue of share capital.
7 Excludes the effect of exchange rate fluctuations on cash held.

Year ended 30 April	FY14 £m	FY13 £m
Cash and cash equivalents as at 30 April	**209.8**	**168.1**

Free cash flow was £58.0m in the period (FY13: £37.9m). This included £12.4m relating to separately disclosed items recognised in the prior year. Excluding these items, underlying free cash flow increased by 40% to £70.4m (FY13: £50.2m).

Cash at 30 April 2014 was £209.8m (30 April 2013: £168.1m).

Reconciliation of Reported to Underlying

Year ended 30 April 2013	Revenue £m	EBITDA £m	Operating profit/ (loss) £m	Profit/ (loss) for the year £m	EPS p
FY13 reported – continuing and discontinued	**391.1**	**45.7**	**(84.5)**	**(66.3)**	**(65.1)**
Discontinued operations	(4.1)	5.5	15.5	21.1	(20.7)
FY13 reported – continuing	**387.0**	**51.2**	**(69.0)**	**(45.2)**	**(44.4)**
Separately disclosed items – restructuring and other		22.1	22.1	22.1	21.7
Separately disclosed items – impairment			82.4	82.4	80.9
Disposal of Kabam				(16.8)	(16.5)
Net foreign exchange gains				(0.3)	(0.3)
Tax effect of adjustment				(10.4)	(10.2)
FY13 underlying	**387.0**	**73.3**	**35.5**	**31.8**	**31.2**

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for the Group's system of internal controls and risk management framework which is designed to identify, manage and mitigate risks and exploit opportunities. It is based on the 'three lines of defence' model below.

During the year a comprehensive review of risks has been undertaken throughout the Group, principally through facilitated risk workshops, to ensure that all potentially material risks have been identified, owners agreed and management/mitigation plans established accordingly. The material risks were reviewed at an Executive level workshop plus subsequent Executive meetings and at both Audit Committee and Corporate Risk Committee meetings.

Risk governance and responsibilities

The Board has overall responsibility for the framework and the Audit Committee for assessing the scope and effectiveness of the systems established by management to identify, assess, monitor, manage and mitigate the risks and exploit opportunities.

The Corporate Risk Committee is responsible for ensuring that the various levels of management and lines of defence are performing their roles in risk management, that the risk register is properly maintained, material risks are being properly addressed and emerging risks identified and monitored.

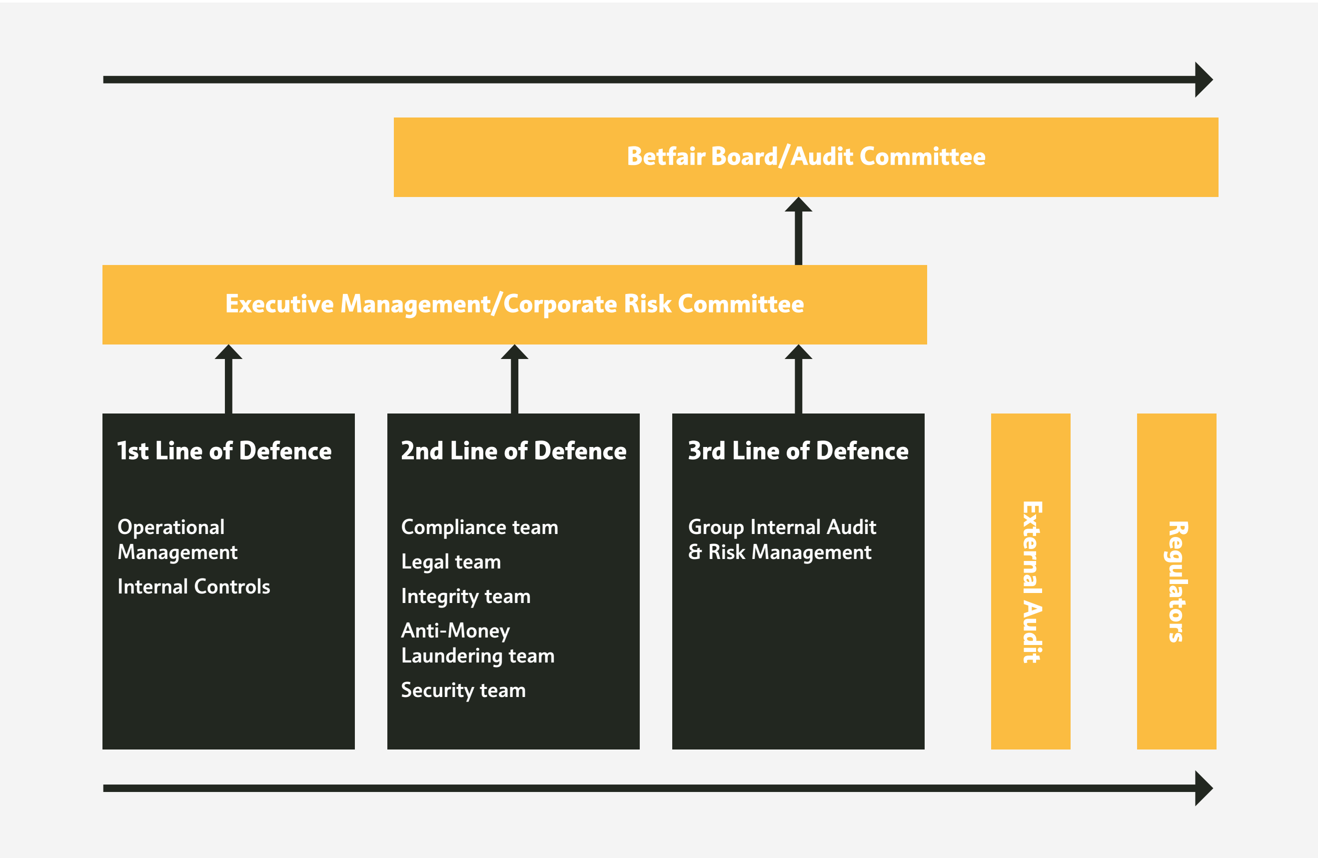
Executive Management are responsible for ensuring that risk management is an integral part of business as usual, that appropriate internal controls are in place and that all key risks are identified, assessed, monitored, managed and mitigated.

Operational Management as the first line of defence has primary responsibility to embed and manage internal controls and risk management on a day to day business as usual basis.

The second line oversight and assurance functions set appropriate policies, provide guidance, advice and direction on implementation of those policies and monitor the first line of defence.

The third line and external audit provide independent challenge and assurance on the above and advice on improvements. Regulators periodically check our compliance with legislation and licence requirements.

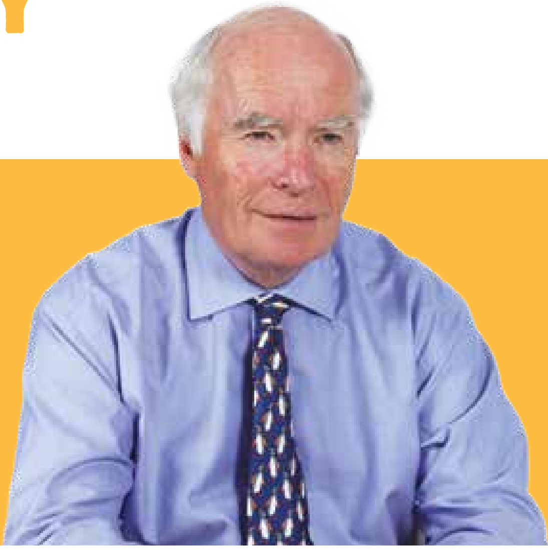
The principal risks and uncertainties which are considered to have a potentially material impact on the Group's long-term performance and achievement of strategy are set out on the following pages, in no particular order, but grouped by type of risk. External and internal risk factors are considered. This is not intended to be an exhaustive and extensive analysis of all risks which may affect the Group. Additional risks and uncertainties not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business. Further details of how our risk management framework and policies are embedded can be found on pages 46 to 49.



KEY RISK/UNCERTAINTY	DESCRIPTION AND IMPACT	HOW WE MANAGE/MITIGATE
Online gambling regulation and licensing (EU/non-EU) – Strategic/External		
Many jurisdictions are in the process of regulating their online gambling market by introducing regulation and licensing. While opportunities exist, they are not without risks – such as commercial viability, delays in licensing of betting exchanges compared with other products, how our products are taxed and licensing one section of the online market, such as sports betting, but not another, such as casinos or poker. Our strategy is to focus on sustainable regulated jurisdictions.	Any new licensing regime, adverse regulatory decisions or tax base that makes it commercially unviable for Betfair to operate its Exchange, Sportsbook and Gaming products could restrict our ability to grow the business, gain access to new customers and, ultimately, increase revenues. Consequently this could impact our strategic objectives to focus on sustainable revenues and accelerate growth through international opportunities.	We work closely with regulators and governments involved in the regulation of online gambling throughout the EU and elsewhere to ensure that we secure favourable regulation for our products. External third parties help us to substantiate evidence to support using a gross profits tax model. We have dedicated internal and external legal, tax, compliance and public affairs resources with responsibility for advising business units in these matters. Overall taking into account these factors and the focus on regulated jurisdictions there has been a substantial reduction in the potential impact on our licensed operations during the year.
Our products/competition – Strategic/External		
Online gambling is a very competitive industry. Our competitors are constantly looking to gain advantage through aggressive marketing campaigns, pricing, promotional behaviour and new product features which could impact revenue or margins. Product and delivery to market is vital to gain competitive edge over other operators. We rely on a number of third parties in particular to support our Sportsbook and some of our Gaming products.	Our product offering could become less attractive in relation to competitors' offers. Disproportionate growth in risk products such as multiples and fixed odds could result in a volatile earnings pattern. We could fail to maximise the revenues earned from products offered. We could have to find alternative suppliers in the event of their failure to provide the services contracted. Consequently this could impact our strategic objectives to focus on sustainable revenues and to invest in product and brand.	Our product delivery activity includes an approval process whereby appropriate products are assessed for suitability and priority to bring to market. Our experienced Trading Team and Sportsbook Risk Team constantly monitor client activity and betting patterns relating to those risk products. We monitor competitor promotional activities, pricing and products and continue to invest in brand, technology and product development. We have strong relationships with key suppliers and continue to assess their resilience and to review options in the event of a need for change. We have increased our investment in product, brand and marketing in regulated jurisdictions. Overall taking into account the above, although the risk is being addressed there has not been any material change in potential impact.
Infrastructure and systems – Operational		
We rely on IT infrastructure and systems for our core operations and their overall management. Potential risks include: site outages and/or loss of customer connectivity; software error; reliance on third parties; unauthorised access to customer or other sensitive data by employees, third party providers or through cyber-attack; and as we increase our reliance on third parties, the potential to maliciously access data and for data compromise could increase.	We rely on our customers being able to access markets via the internet and any extended loss of connectivity could have a material effect on revenues. Any failure of the Group's and/or third party infrastructure could lead to significant costs and disruptions that could reduce revenue and harm our business reputation. Breach or loss of customer or other sensitive data could lead to significant costs and disruptions that could impact revenue and harm our business reputation. Consequently this could impact all of our strategic objectives, to focus on sustainable revenues, to invest in product and brand and to accelerate growth through international opportunities.	We regularly review our business continuity and IT disaster recovery plans and have service level agreements in place with third parties. Our Group Security Team regularly reviews and assesses our systems in terms of potential threat and vulnerability. We carry out targeted infrastructure testing and have implemented our own Secure Coding Standard for use within the business. We use a variety of systems and applications testing tools for critical customer facing applications. Overall taking into account these factors there has not been any material change in potential impact during the year.

KEY RISK/UNCERTAINTY	DESCRIPTION AND IMPACT	HOW WE MANAGE/MITIGATE
Customers – Strategic/Operational		
Our customers are at the heart of the business. Macroeconomic factors such as licensing, regulatory, tax or other developments outside Betfair's control could deter a significant number of customers from using our products.	Reduced activity by a significant number of customers could have a material adverse effect on our operations, financial performance and prospects. Consequently this could impact all of our strategic objectives, to focus on sustainable revenues, to invest in product and brand and to accelerate growth through international opportunities.	We closely monitor the behaviour of customers and have teams focused on their management and retention. We aim to ensure we provide a service and platform which grow value for both the customer and Betfair, and significantly reduce the risk of customers leaving. We have increased our investment in product, brand and marketing in regulated jurisdictions. Overall, taking into account the above, although the risk is being addressed there has not been any material change in potential impact.
Financial		
Certain jurisdictions have put pressure on banks to refuse to process transactions from online gaming companies. There are tax risks around the governance of tax planning structures which could result in unexpected liabilities. Due to the international nature of the business, the Group is exposed to the impact of foreign exchange fluctuations on deposits as well as cash flows. Whilst the future of some member countries of the Eurozone remains uncertain this could expose the Group to a wide range of issues, such as currency payment methods and loss of business in certain jurisdictions. Under the terms of a Trust Deed, Betfair generally holds all customer monies in separately managed bank accounts which are safeguarded independently of Betfair's corporate funds. We hold the majority of Client and Corporate funds with separate counterparties.	Reduced ability to transact with customers. Various taxes could materialise. Adverse foreign exchange exposures could impact on Group revenues. A break-up of the Eurozone, or defaults within it, could have a wide range of negative impacts. Actual or perceived mismanagement of customer funds could have severe financial and reputational impacts. There is a possibility of loss arising in the event of failure of counterparties. Consequently this could impact all of our strategic objectives, to focus on sustainable revenues, to invest in product and brand and to accelerate growth through international opportunities.	We have strong relationships with key suppliers and continue to assess both their resilience and to review options in the event of a need for change. We monitor our adherence to tax planning through regular reviews of the governance structures. We monitor exposure to foreign exchange risk and where appropriate use financial instruments to mitigate any associated risk. Incident management plans are in place to address the unpredictable nature of events which could lead to the potential default or break-up of the Eurozone. Daily and monthly reconciliations of the customer funds balance take place to ensure timely detection, in the event of fraud or error. Client and Corporate funds are subject to the group treasury policy which is reviewed annually by the Board. Funds are spread across a number of highly rated or systemically important counterparties in short-term liquid instruments. In certain jurisdictions we hold short-term operational balances with strong local banks. Exposures to counterparties are regularly reviewed by Chief Financial Officer and adjusted accordingly. At 30 April 2014 the majority of the Group's Client and Corporate funds were held with major systemically important counterparties or pooled AAA rated money market funds. Overall taking into account these factors there has not been any material change in potential impact during the year.
People/key employees – Operational		
Our success and anticipated future growth is in part dependent on the continued services and performance of certain Directors, managers and key staff. Our ability to continue to attract, retain and motivate highly skilled employees in an intensely competitive environment means that competitive packages and development opportunities must be available.	If we are unable to remain competitive in our compensation packages and career development, this would reduce our ability to: retain Executives, managers and key staff; attract, retain and motivate highly skilled employees; and engage staff with their jobs and the Group's objectives. Consequently this could impair our operations, financial performance and ultimately impact our strategic objectives, to focus on sustainable revenues, to invest in product and brand and to accelerate growth through international opportunities.	Group HR actively manage succession planning and processes which are in place throughout the business to identify key roles, conduct regular succession and talent reviews, and to provide competitive package and career development opportunities. Our employees participate in engagement surveys which help us to link improvements to achieving our corporate goals while reducing employee turnover and improving productivity and wellbeing. Overall taking into account these factors and completion of the group restructure, there has been a reduction in potential impact during the year.

CORPORATE RESPONSIBILITY REPORT



Gerald Corbett, Betfair's Chairman and Chair of Corporate Responsibility Committee

To read more about Governance **see page 36**

'BETFAIR IS PROUD TO SAY IT CONTINUES TO LEAD THE WAY ON CORPORATE RESPONSIBILITY WITHIN THE GAMBLING SECTOR. WE SEEK TO BE A GOOD CORPORATE CITIZEN WHEREVER WE DO BUSINESS AND CONTINUE TO INNOVATE WITHIN KEY INDUSTRY AREAS INCLUDING INTEGRITY AND CONSUMER PROTECTION.'

OUR FOUR CORE VALUES:

1. BEING TRUSTED BY OUR CUSTOMERS
2. ACTING WITH INTEGRITY
3. ENSURING OUR PEOPLE ARE INSPIRED, ENGAGED AND DEVELOPED
4. TAKING PRIDE IN THE COMMUNITIES WHERE WE LIVE AND WORK

Introduction: Committed to Corporate Responsibility
Betfair continues to be willing to do things differently for the benefit of our customers. Innovation, transparency and fairness for the customer are the core values that continue to underpin the business. In recent years we have started to focus more on Corporate Responsibility (CR) and will continue to do so in the future.

There is no one area of CR which is more important than any other. However, Betfair remains particularly proud of its track record in the areas of integrity and customer protection. With regard to integrity, in the last year Betfair has been one of the first operators to sign a permanent Memorandum of Understanding (MoU) with the International Olympic Committee (IOC), as well as continuing to strengthen its partnerships with the Professional Players Federation (PPF) and British Athletes Commission (BAC). The past year has also seen pioneering developments in the field of consumer protection with new Time Out options added for all products allowing customers to take even greater control of their gambling behaviour.

In this section we set out in full Betfair's ongoing commitment to all areas of CR.

Corporate Responsibility Committee
The CR Committee is responsible for ensuring the company fulfils its four core values. The Committee meets at least four times a year and reviews Betfair's policies and advises the Board on all aspects of CR, including social, ethical and environmental matters. Members of the CR Committee include:

- Gerald Corbett (Chair of Committee from March 2014)
- Ian Chuter – Group Operations Director
- Lisa Hillier – Group HR Director
- Ross Lane – Group Financial Controller
- Fiona Russell – Chief Legal Officer.

Fru Hazlitt chaired the Committee until March 2014.

1. BEING TRUSTED BY OUR CUSTOMERS

Betfair wants to ensure all customers have an enjoyable and safe gambling experience. Where this becomes difficult, we seek to do all we can to help and support.

Betfair has established responsible gambling policies and strategies to ensure that we listen and respond to customers and help them when needed.

Our responsible gambling policy sets out our commitment to promote responsible gambling practices. You can read it at http://responsiblegambling.betfair.com. All customers can click through to this site directly from every page on Betfair's website by clicking the link 'Responsible Gambling'.

Betfair seeks to go above and beyond licensing conditions and operate innovative, industry leading best practice. We offer our customers the following methods to help them control their gambling activity:

Game session timers

Betfair allows customers to limit their session times for games or events that have no natural end, giving customers greater control over their gambling. On Betfair's games, session timer technology gives customers an on-screen reminder 60 minutes (or a shorter period if selected) after the customers have placed their first bet, and will give the option to continue playing or to exit the gaming application.

Customer-driven deposit and loss limits

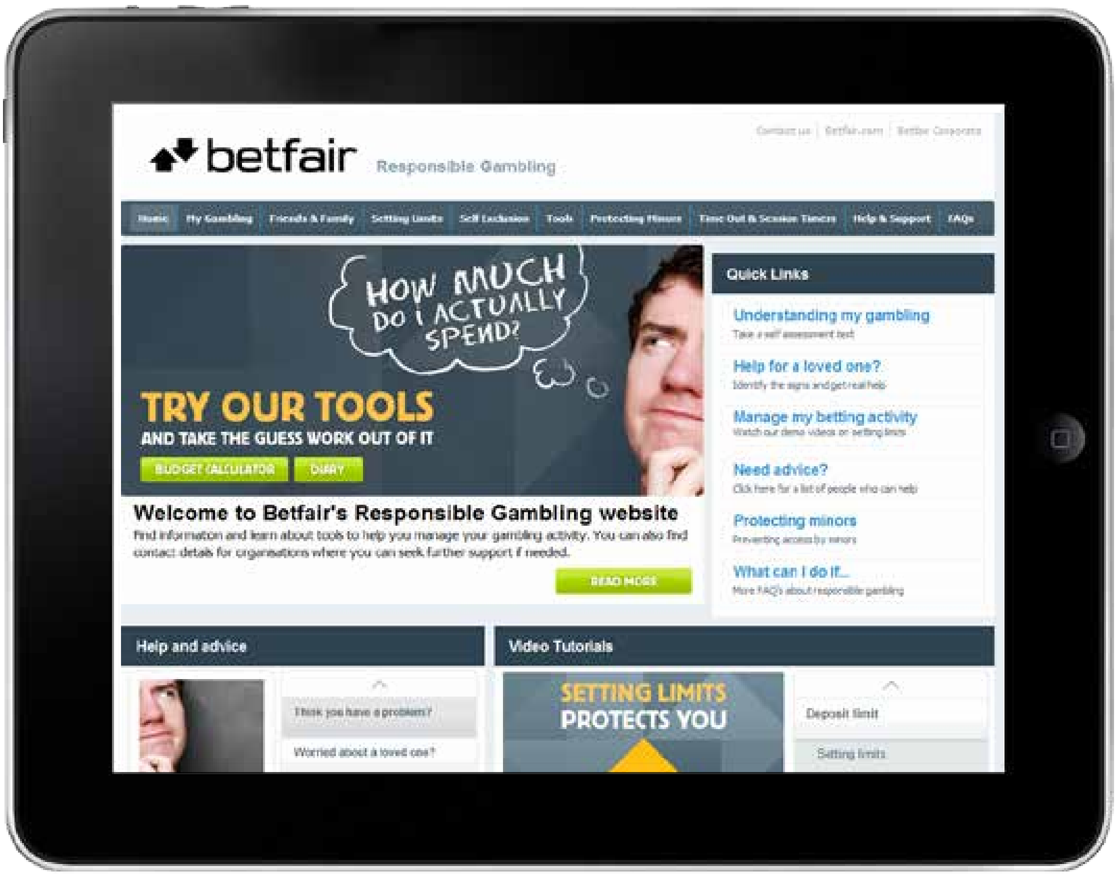
Customers can limit the amount they can deposit into their Betfair account on a daily, weekly or monthly basis, and the amount that they are able to lose over a given period of a week, month or year. If a customer chooses to make their deposit or loss limit more restrictive, the settings on their account are changed with immediate effect. If a customer sets a deposit or loss limit which is less restrictive than their previous limit, there is a 'cooling-off' period of at least seven days before the settings come into effect.

Time Out options

Since January 2014 customers have also been able to elect to use a 'Time Out' option which sees their Betfair accounts closed for a period of their choosing (24 hours, 48 hours, 7 days or 30 days) which allows them to take a short-term break from gambling with Betfair.

Self-exclusion options

Customers who elect to self-exclude will have their Betfair accounts closed for a minimum of six months from the date of self-exclusion. After this date, the customer can apply by email or letter to have their account re-opened with a deposit limit compulsorily applied. Each application is considered on an individual basis by our dedicated Responsible Gambling team. Customers are always free to choose that their Betfair account be closed permanently.



Preventing under-18s and the vulnerable from gambling
Betfair is particularly concerned about preventing under-18s and vulnerable groups from gambling. In accordance with the law, children are prohibited from betting on the Betfair site. Betfair has a strict underage policy and a rigorously applied age verification process. Betfair's specialist Verification Team has developed a number of Know-Your-Customer checks in order to age verify customers and prevent under-18s from betting on the site. We are registered as a 'gambling content' site with the Internet Content Rating Association (ICRA), part of the Family Online Safety Institute, which provides general information and advice about internet safety. We also encourage customers to use parental filtering solutions.

Responsible advertising
Given our focus on the protection of minors and vulnerable people we endeavour not to direct our advertising at these two groups. Our advertising and marketing comply with UK Committee of Advertising Codes ('CAP Codes': www.cap.org.uk/Advertising-Codes.aspx) which seek to ensure that advertising and sales promotion activities do not give gamblers misleading information, such as a false impression of the odds on winning.

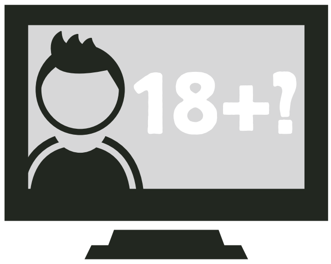
Self-help and awareness information to help prevent problem gambling
Early identification of a problem can help combat its development into something more serious. By clicking on the link entitled 'Responsible Gambling', customers are linked through to information to make them aware of the relevant issues. If a customer identifies that they may have a problem by answering a series of questions, they are advised to use Betfair's tools to limit their behaviour and seek help and support.

Details of professional organisations that can help
Betfair also provides information on its website on organisations that can help people work through their concerns, including the National Problem Gambling Clinic, GamCare, Gambling Therapy and Gamblers Anonymous.

Funding the research, education and treatment of problem gambling
In the UK Betfair makes annual voluntary contributions to the Responsible Gambling Trust. Since April 2009, the gambling industry has voluntarily contributed over £24 million. Major operators, like Betfair, donate on the understanding that a minimum target, currently set at £6 million, will be reached each year.

Responsible gambling training for employees
All Betfair employees receive responsible gambling awareness training within their first three months of employment, and this training is refreshed annually. Customer facing employees receive additional in-depth training which is refreshed regularly. Training includes identifying the triggers and causes of problem gambling; the risks specific to remote gambling; knowledge of available support agencies; self-exclusion and other player protection functionalities; and policies, processes and regulatory requirements.

CHILD PROTECTION:



A SPECIALIST VERIFICATION TEAM IS RESPONSIBLE FOR IDENTIFYING AND AGE VERIFYING EVERY BETFAIR CUSTOMER

TOOLS FOR RESPONSIBLE GAMBLING:

- DEPOSIT LIMIT
- SELF-EXCLUSION
- TIME OUT AND SESSION TIMERS
- LOSS LIMIT

BUILDING ON OUR RELATIONSHIP WITH BRITISH RACING

2. ACTING WITH INTEGRITY

Safeguarding the integrity of sport

Information sharing agreements with sports

We are committed to assisting sports governing bodies (SGBs) in helping to maintain the integrity within their sports. Betfair has always been on the front foot in sharing information with sports. We have a team of dedicated experts making use of cutting edge technological capabilities to ensure that Betfair remains a recognised leader in integrity.

Betfair now has 58 MoUs with SGBs around the world. In 2013 Betfair signed a permanent MoU with the IOC, as well as the Spanish Football League La Liga Nacional de Futbol Profesional (LFP), the Scottish Football Association and the International Association of Athletics Federations (IAAF) covering the 2013 World Championships. MoUs allow Betfair's Integrity Team to share any relevant customer and transactional data, at an account level, with SGBs if a betting integrity related issue is detected.

Educational partnerships with sports

Betfair continues to strengthen its educational partnerships with the PPF and the BAC.

In July 2013 Betfair committed to extending its partnership with the PPF for a further three years. This was announced in the House of Commons by the Sports Minister Hugh Robertson MP, who praised the partnership and highlighted the common interests between sports and betting operators in this important area. The funding will ensure ongoing education on sports betting integrity for at least 7,500 sports men and women in the UK.

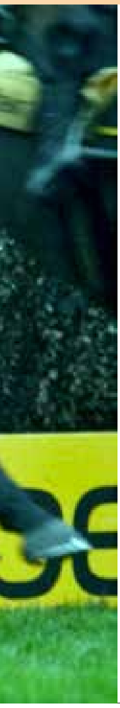
As part of our partnership with the BAC Betfair has co-authored a guide on the rules to betting for all Olympic and World Class Athletes. Given the wide variety of sports covered, some of which do not have specific rules on betting, this straightforward guide aims to increase awareness of the issues and provide some basic rules for athletes. The guide is available on the BAC's website at www.britishathletes.org.

Continuing a pioneering partnership with British Racing

Betfair's relationship with British Racing continues to grow stronger, underpinned by the unique five-year commercial deal signed in July 2012. Under the terms on the deal Betfair has now made direct payments of over £16 million to British Racing.

Betfair's commitment to British Racing extends beyond direct payments under the terms of the deal. Over the past year Betfair has invested a significant six-figure sum supporting a wide range of organisations, charities and initiatives including (but not limited to):

- continuing as Racing Welfare's biggest corporate sponsor and supporter of the fifth Pride of Racing Awards at Haydock Park in September 2013;
- supporting the Injured Jockeys Fund and sponsoring the Betfair Wing at Oaksey House in Lambourn;
- funding 50% of 'the jockeys' doctor', Anna Louise Mackinnon, in partnership with the Professional Jockeys Association;
- sponsoring the Animal Health Trust's annual raceday at Newmarket in June 2013;
- sponsoring the World Horse Welfare's Annual Conference for the third year running;
- sponsoring the Betfair Scottish Flat Racing Series 2013;
- sponsoring the Betfair Novice Flat Amateur Series 2013; and
- being title sponsor of Open Days at Lambourn, Newmarket, Middleham and Malton.



INVESTING IN BRITISH RACING

Betfair has continued to build on its relationship with British Racing since being the first ever betting operator to establish a landmark five-year commercial agreement in July 2012 worth at least £40 million to the sport. Under the terms of the deal Betfair has regular meetings with key organisations within British Racing, including the British Horseracing Authority, the Racecourse Association, the Horsemen's Group and Horserace Betting Levy Board. The deal ensures Betfair is fully integrated in supporting British Racing on key issues to help ensure the sport is as attractive a betting product as possible and can maintain its share of the betting market.

The deal has the full support of the British Government.

'The five-year commercial deal agreed between British Racing and Betfair was a move welcomed by the Government… there is a common interest between racing and the betting industry to make sure the sport has a healthy future and we want to see further such deals in place.'

Rt Hon. Hugh Robertson MP
Then Minister for Sport, in July 2013 on the one-year anniversary of the deal

WORKING WITH THE IOC BEYOND LONDON 2012

PERMANENT MOU WITH THE INTERNATIONAL OLYMPIC COMMITTEE (IOC)

In December 2013 Betfair was one of the first betting operators to sign a permanent MoU with the IOC which enables Betfair to share customer information and betting patterns in the rare event of an integrity issue emerging within a relevant market. This replaces previous MoUs Betfair signed with the IOC to cover each Games since the Beijing Games in 2008. Under a permanent MoU Betfair is fully integrated into the IOC's new Integrity Betting Intelligence System (IBIS) and can share information with the IOC as and when required during and between Games.

'The MoUs between the IOC and various betting operators and regulators, including Betfair, are part of our concerted strategy to support clean sport and protect major competitions from any form of manipulation, particularly those linked to betting. We are very pleased with these agreements, which build on our successful collaboration during London 2012.'

Mark Adams, IOC Communications Director

3. ENSURING OUR PEOPLE ARE INSPIRED, ENGAGED AND DEVELOPED

Communicating with employees

We employ 1,800 employees globally, with major sites in the UK, Ireland, Malta, Gibraltar, Romania, Portugal and the US. We embrace cultural diversity across the organisation; we value and respect local practices across all of our locations whilst maintaining a consistent company culture which aligns us all to our core values and our relentless appetite to attract, grow, develop, retain and reward our key talent.

Performance management, reward and engagement

We have continued to drive reward being based on a meritocratic basis for FY14. Bonuses are an incentive to drive high performance and business delivery within Betfair. During FY14, we launched a new approach to performance management measuring individual performance every 90 days, providing greater alignment to our business performance which is also measured on a quarterly basis and increased transparency for individuals in terms of progress against objectives, achievement and priorities going forward.

We also value non-financial incentives; we care what our employees think and ask them for their opinion through engagement surveys. As advocates of enhanced performance through employee engagement we believe that there are a number of factors which drive higher engagement and performance, which in turn makes the organisation more effective. One of these factors is that people want to see meaning in their work, not only in terms of how they fit into the organisation but also in terms of the organisation's wider purpose and our corporate social responsibility agenda.

Employee welfare

We have adopted a number of policies relating to CR on aspects of people management.

We are focused on ensuring our HR policies and practices have a clear ethical component and are effectively and fairly applied, and that Betfair is an employer of choice for our existing and potential employees.

We offer a variety of employee benefits to enhance the wellbeing of our employees, which include a core package incorporating private medical insurance, life assurance, income protection and critical illness insurance and a voluntary benefits package offering a choice of benefits including health assessments, a health cash plan, dental insurance and discounted gym membership.

We operate a Save-As-You-Earn ('SAYE') share option scheme, which encourages employees' participation in Betfair's performance and alignment with shareholder values. An offer was made to employees during FY14 and further details of this are included in the Directors' Remuneration Report on page 55 and in note 20 to the Financial Statements.

During the year, regulations came into force requiring employers to automatically enrol certain employees (based on certain income and age levels) into a workplace pension scheme with contributions that meet new standards. At Betfair, we believe that all UK employees should be eligible to receive an employer pension contribution and save for their retirement, so our policy is to enrol all UK employees into the Betfair Group Pension scheme irrespective of their earnings or age.

Human rights

Betfair is committed to the human rights of all its employees and the communities in which we operate. Our operations are entirely in developed countries and we comply fully with all appropriate legislation in these countries. The Board does not consider that it is necessary to develop a specific policy in relation to human rights.

Equal opportunities

While our industry continues to be male dominated, this year has seen two women being appointed to the Executive Committee. We continue to work hard to attract and retain a diverse, inclusive and representative workforce where everyone is treated with dignity and respect. The following table is a breakdown by gender of our Board, senior managers and all employees as at 30 April 2014.

DIVERSITY

Board

Female 1 Male 7

12.5% of total

Directors of subsidiary companies[1]

Female 5 Male 25

16.6% of total

Senior managers[1]

Female 2 Male 4

33.3% of total

All employees

Female 391 Male 1,442

21.3% of total

1 Senior managers as defined in legislation includes persons responsible for planning, directing or controlling the activities of the Company (or a strategically significant part of the Company) and any other Directors of undertakings included in the consolidated accounts. However, the Board considers that this definition does not reflect the way that Betfair operates, and so has also presented a more appropriate measure, comprising the members of the Executive Committee (excluding Executive Directors).

Health and safety

Alongside our commitment to providing a vibrant working environment that values wellbeing and diversity, we recognise our wider legal and moral obligation to provide a safe and healthy working environment for our people, visitors and members of the public who may be affected by our activities. This commitment underpins our approach to health and safety (H&S), with Board level responsibility being apportioned to the Director of Operations, supported by specialist technical advisers in safety and occupational health, employed across all our global locations.

Our operations are fully compliant with all aspects of the current H&S law, codes of practice and approved industry standards. Our H&S policy statement, management system, practices and procedures reflect Betfair's commitment to managing health, safety and welfare across our international portfolio through selected senior representatives and H&S professionals who form the National Health and Safety Forum. In addition, all of our facilities managers have Institution of Occupational Safety and Health (IOSH) accreditation and two employees are accredited at National Examination Board in Occupational Safety and Health (NEBOSH) level.

Betfair provides an occupational health helpline through the Employee Assistance Programme (EAP), providing independent and confidential support for all employees. EAP is an expert provider of employee support services and is completely independent from the Company. The EAP is designed to help employees in times of need, whether due to stress, anxiety, managing money, relationships or work.

We regularly review and audit the quality and effectiveness of our risk assessment and incident investigation processes and the completeness of our H&S management system. In addition we continue to develop our procedures for measuring and supporting a proactive approach to meeting our commitments to the safety and wellbeing of all our people, clients and suppliers.

Health and safety activity

During FY14, priority was focused on fully implementing the revised H&S management system at Betfair. In doing so Betfair carried out the following actions:

- H&S management system implemented at all European locations;
- roles and responsibilities updated and formal appointments made at all levels;
- practices and procedures, including all risk assessment activities, carried out in line with current legislation and good practice;
- chaired by the Executive representative, regular meetings of the National H&S Forum; and
- H&S training provided to all relevant people.

It is a statutory requirement to keep a record of all accidents, incidents and near misses that occur at work. Our H&S record in FY14 was good. There were no RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) reportable fatalities or major injuries across our business. A health, safety and environment inspection visit in the UK resulted in no enforcement notices or prosecutions for health, safety or environmental offences.

4. TAKING PRIDE IN THE COMMUNITIES WHERE WE LIVE AND WORK

Engagement with local communities and charities

Betfair believes in being a good corporate citizen. We seek to support and be part of the local community wherever we have an office. We also support community working offering every employee up to two days' paid leave per year for volunteer work and we offer employees the opportunity to make charitable donations direct from their salary through payroll.

As part of this commitment each of our offices around the world makes a CR investment with employees actively engaged in deciding what organisations and charities Betfair should support at each location.

Case studies:

- **Maggie's Cancer Care Centre** is located at Charing Cross Hospital only a few hundred metres from Betfair's Hammersmith HQ. It offers emotional, practical and social support for those suffering from cancer and relies entirely on donations. In FY14 Betfair made a financial donation and a group of employees also volunteered to help tidy up the grounds and keep the centre looking its best.
- **Square Chapel Trust**, a thriving arts centre for the local community, is supported by Betfair's Halifax office which continued to be a 'Corporate Friend'.
- **Inspire Foundation** provides a range of services to people with disabilities, championing their equal inclusion in society. Betfair's office in Malta supported Inspire with a financial donation and by providing staff volunteers to assist with cleaning up the Foundation's Animal Park following an incident of vandalism.
- **Christmas Shoebox Appeal** is one of the charities that employees in Betfair's Cluj office in Romania choose to support.
- **SportsAid** is a charity that Betfair has supported for a number of years. For the last two years Betfair staff have used their volunteering days to shoot, produce and edit the films for their most prestigious award, 'The One to Watch' which is presented at their annual SportsBall for the most up and coming young athlete.

More information in relation to Betfair's charitable activities can be found on our website.

Supporting grassroots sport: Cash4Clubs

Sport in its numerous different forms is an exciting part of so many of our lives and an important leisure pastime for individuals and communities. Recognising the importance of sport, we set up Cash4Clubs in 2008 in partnership with SportsAid to offer sports clubs in the UK the chance to be awarded grants ranging from £250 to £1,000. To date in the UK we have supported 327 clubs with grants totalling over £261,000. Cash4Clubs continues to have a real impact on local communities.

CASH4 CLUBS UK

ENVIRONMENTAL MATTERS

Betfair is committed to continuous improvement in reducing our carbon footprint through developing and implementing initiatives, practices and procedures which will enable us to manage and control the impact our business has on the environment. In adopting a continuous improvement methodology we are pleased to report progress in all areas of our KPI initiatives, including the following:

WASTE KPIs

Betfair aims for 100% waste recycling, with no waste going to landfill, including:

- all offices, as a minimum, separate waste at source;
- mixed waste is sorted and recycled, wet waste is composted, glass is sorted and recycled, and cooking oil is collected and recycled, where internal catering facilities are provided;
- we currently recycle 100% of our waste from our largest office and HQ in London; and
- multi-functional secure network printing devices at all locations, reducing paper waste.

ENERGY KPIs

We continue to review our energy use, and implement new ways to manage our consumption, including:

- data collection of environmental indices across all Betfair offices;
- 'one switch' desktop power modules as standard, to switch off all power to their desk from a single switch;
- air conditioning settings programmed geographically to match our working patterns;
- capital improvement projects including equipment qualifying for enhanced capital allowances in line with the Carbon Trust's energy technology;
- retiring end of serviceable life equipment allowing for the purchase of modern efficient replacements; and
- recycling surplus equipment and furniture through sale and reuse.

SUPPLIER KPIs

Betfair's procurement process ensures that our environmental responsibility is a key factor in any purchasing decisions, including:

- consideration of location of manufacture;
- giving preference to items that are manufactured with a high recycled content;
- considering the 'whole life' costs and energy usage when assessing equipment for purchase; and
- carrying out environmental assessment of suppliers, and favouring suppliers that are committed to environmental improvement.

TRANSPORT AND TRAVEL KPIs

Betfair has a strict travel reduction policy. Our initiatives include:

- Cycle to Work scheme, and provision of showers and locker facilities for cyclists and runners;
- global video-conferencing (VC) facilities and further adaptation of desktop VC options;
- use of public transport in city hubs;
- robust travel policy with monitoring and control to reduce unnecessary journeys; and
- monitoring total carbon emissions as a result of business travel.

CAPITAL IMPROVEMENT KPIs

Betfair is committed to transferring its operations to more energy efficient data centres. In addition:

- a data centre management tool is used to track power usage and improve planning for the efficient utilisation of the data centre facility;
- an ongoing program of consolidation, including cloud computing solutions, enabling us to switch off older inefficient equipment across the whole estate;
- complying with WRAP UK guidelines when carrying out all fit out, dilapidation and construction works and ensuring our contractors work to these same standards; and
- re-using all redundant furniture through resale, charity or school donation, or disposing of it responsibly.

Environmental matters

Betfair has reviewed and updated our environmental policy to include new mandatory reporting requirements and to renew our commitment to considering the environment when conducting our business.

As a minimum, Betfair meets or exceeds all relevant environmental legislation. Where no environmental legislation exists, we will develop and implement our own appropriate standards, practices and procedures. Across all business units, we take all reasonable steps to manage our operations, so as to minimise our environmental impact and to deliver excellence in environmental practice across our business.

Respect for the environment is fundamental to assuring a sustainable future. Betfair recognises that, by managing our day to day activities efficiently, we can have a positive impact on the environment. We aim to minimise harmful effects whenever we can, and will work through a continuous improvement process to achieve this.

Betfair assesses its environmental impact as very low. The business is 100% online with no retail premises and its key servers are housed within modern, state of the art data centre facilities. As a result of our data centre consolidation programme, Betfair has this year decommissioned three large office communications rooms, serving development and corporate systems, which resulted in retiring a number of legacy operations.

We operate in modern office environments, which have been designed to have minimal impact on the environment. All our office spaces operate with high densities of occupation in the workplace and have features such as perimeter infrared motion detector lighting, low energy lighting, energy efficient air conditioning systems and power factor correction. Following the 2013 restructure, Betfair has continued its office consolidation programme and has closed c.61,000 sq. ft. (20%) of office space during the past 12 months. Plans for further reduction in the coming financial year are already under way.

We operate largely out of leased premises. Accordingly, we work with our landlords to encourage their investment in energy efficient systems, waste recycling and water consumption.

Stakeholders

As a matter of course, we gauge stakeholder views on environmental matters and these views are reported to the CR Committee. This process enables us to increase our responsiveness to matters raised by stakeholders, find new ways to reduce our impacts and maximise opportunities, balance business efficiency with economic success and, ultimately, continue to make the business more competitive, profitable and sustainable. The environmental management forum is chaired by the Group Operations Director, being a member of the CR Committee.

Betfair's greenhouse gas emissions

The mandatory requirement to report our greenhouse gas (GHG) emissions has supported a greater emphasis on data collection, interrogation and comparatives across all offices, helping to further develop best practice across the business.

We have reported on all of the GHG emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We have adopted an Operational Control approach to define our organisational boundary for the reporting of emissions data. The reported figures therefore exclude our joint venture, Betfair Australia, as this is activity not subject to operational control by the Group. Our reporting year is the same as our financial year, being 1 May 2013 to 30 April 2014.

Our emissions data is reported through a system which meets industry standards for data collection. The methodology used is based on voluntary and mandatory GHG reporting guidance issued by Defra. We have also utilised Defra's 2013 conversion factors within our reporting methodology.

We have used revenue as our intensity ratio as this provides the best comparative measure over time and is the most relevant indication of our growth.

Betfair's total emissions for Scope 1 and Scope 2 reporting were 7,494 tonnes of carbon dioxide equivalent (tCO_2e) for the period. The majority of our emissions are stated within Scope 2, including utilities consumption for leased premises and/or proportional landlord charges, and contract operations for data centres.

	tCO_2e
Scope 1: Direct GHG emissions including own fuel combustion and refrigerant losses[1]	135
Scope 2: Indirect GHG emissions including utilities, gas, heating and electricity purchased for own use[2]	7,359
Total emissions ($tC0_2e$)	**7,494**
Company's chosen intensity measurement:	
Emissions reported above normalised to tCO_2e per total £m of revenue	19.0

1 Includes back-up generator fuel, company car business use and refrigerant losses of owned units measured by Defra guidance for operational losses. Refrigerant losses are excluded for landlord systems and data centre services provided to Betfair under lease and service provision.

2 Includes electricity, gas and heating purchased by direct use or proportional charge by landlord. Emissions calculated using UK Government and international GHG conversion factors. Our facility in New Jersey has been included by assessment, due to the required information not being available from the serviced office lease provider.

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

'WE, AS A BOARD, ARE COMMITTED TO THE PRINCIPLES OF CORPORATE GOVERNANCE. THE BOARD IS THE GUARDIAN OF BETFAIR, ITS REPUTATION AND ITS RELATIONSHIPS.'

Gerald Corbett, Chairman

Chairman's introduction

We believe that a robust corporate governance structure helps us to continue to maintain Betfair's reputation and relationships, and to deliver sustainable value.

I am pleased to introduce our Corporate Governance Report which incorporates reports from the Chairmen of each of our Board committees. These reports explain our governance policies and procedures in detail and describe how we have applied the principles of corporate governance contained in the UK Corporate Governance Code (the Code), which was enhanced in 2012; the changes apply to Betfair for the first time this year.

New regulations also came into force this year around the disclosure and approval of Directors' remuneration. There had already been a significant amount of work carried out by the Remuneration Committee in 2013 to develop a remuneration policy that aligns reward with delivery of shareholder value, and in this year, considerable time and effort has been taken to ensure that the Remuneration Report provides the disclosure required.

As already mentioned in the Chairman's Statement on page 4, there have been some changes to the membership of the Board. We have appointed three new independent Non-Executive Directors, who bring with them significant commercial and financial expertise and are well placed to support the Executive Team in implementing Betfair's strategy. We have also refreshed the membership of our committees. We continue to review the composition of the Board to ensure that it has the skills and balance required for the proper stewardship of the business.

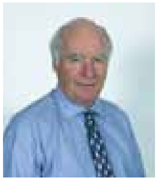
As well as ensuring that the mix of skills, experience and expertise on the Board is appropriate, we are committed to the need to remain effective as a Board. As most of the Directors on the Board were newly appointed during 2013-2014, we decided to carry out an internal Board evaluation process this year and will carry out an external review in 2014-2015. A description of this year's process is set out in this report. All Directors will be submitted for re-election (or, in the case of the newly appointed Directors, election) by the shareholders at our AGM.

The AGM provides a useful interface with private shareholders, many of whom are also customers. All Directors will be in attendance at our AGM on 4 September 2014, and we hope to see many of our shareholders there.

Gerald Corbett
Chairman

BOARD OF DIRECTORS

Please see
corporate.betfair.com/about-us/governance/board-of-directors.aspx
for full Board biographies.








Gerald Corbett Non-Executive Chairman (b – Chair) (e – Chair)

Director of Betfair since January 2012

Gerald Corbett is the Company's Chairman, a position he assumed in March 2012 having joined the Betfair Group as Deputy Chairman on 3 January 2012.

External appointments: Chairman of Britvic plc and Numis Corporation plc.

Previous experience: Over a long business career, Gerald has been a Director of 12 public companies, six of which he has chaired. His most recent roles were as Chairman of Moneysupermarket.com Group plc between 2007 and 2014 and SSL International plc between 2005 and 2010. His executive career included Group Finance Director roles with Redland plc and Grand Metropolitan plc, and he was Chief Executive of Railtrack between 1997 and 2000.

Breon Corcoran Chief Executive Officer

Director of Betfair since August 2012

Breon Corcoran is the Company's Chief Executive Officer, a position he assumed on 1 August 2012.

Previous experience: Chief Operating Officer of Paddy Power plc. Prior to this he was Managing Director, Non Retail and Development. He joined Paddy Power in 2001 having previously worked with J P Morgan and Bankers Trust. Breon has an MBA (INSEAD) and is a graduate of Trinity College, Dublin.

Alex Gersh Chief Financial Officer (d – Chair)

Director of Betfair since December 2012

Alexander Gersh is the Company's Chief Financial Officer, a position he assumed on 3 December 2012.

Previous experience: Chief Financial Officer of NDS Group, Chief Financial Officer of Flag Telecom and Chief Financial Officer of BT Cellnet. His early career was spent with Ernst & Young. He is a qualified Certified Public Accountant.

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

Director of Betfair since February 2010

External appointments: Non-Executive Director of Punch Taverns plc, Intercontinental Hotels Group plc, ASOS plc and SSP Group Limited.

Previous experience: CEO of Punch Taverns plc, Group Finance & Operations Director at Marks and Spencer Group plc and Finance Director of The Rank Group plc. Prior to this he was Group Financial Controller of Hilton Group plc. He joined Hilton from Le Meridien, a division of Forte plc, where he had been Finance Director. His early career was spent with Arthur Andersen, where he qualified as a Chartered Accountant in 1986 and was promoted to be a Partner of the firm in 1994. Ian was a Non-Executive Director of Misys plc until September 2005.

Peter Jackson Independent Non-Executive Director (a) (c)

Director of Betfair since April 2013

External appointments: Chief Executive of Travelex Limited.

Previous experience: Managing Director, Consumer Banking at Lloyds Banking Group plc. Before that he held a number of roles at HBOS plc in retail. Peter started his career with McKinsey & Company. He holds an MEng from the University of Cambridge.

Zillah Byng-Maddick Independent Non-Executive Director (a)

Director of Betfair since September 2013

External appointments: Chief Executive Officer of Future plc; Non-Executive Director of Mecom Group plc.

Previous experience: Chief Executive Officer of Trader Media Group from 2012 until July 2013, previously CFO from 2009; CFO of Fitness First Group from 2006 to 2009; CFO of Thresher Group from 2002 to 2005. Zillah has also previously held senior finance positions with GE Capital and HMV Media Group and qualified as an accountant with Nestlé UK Ltd.

Leo Quinn Independent Non-Executive Director (b) (c – Chair)

Director of Betfair since March 2014

External appointments: Chief Executive Officer of FTSE 250 QinetiQ Group plc from November 2009.

Previous experience: Chief Executive Officer of De La Rue plc for five years and Divisional COO with Invensys plc from 2001 to 2004. In his earlier career he held a number of general management roles around the world with Honeywell International Inc., ending as Global President, Home and Building Control Enterprise Solutions.

Peter Rigby Independent Non-Executive Director (c)

Director of Betfair since April 2014

External appointments: Non-Executive Director of learndirect.

Previous experience: Chief Executive Officer of Informa plc from 1988 to 2013; Finance Director at Informa plc from 1983 to 1988; Non-Executive Chairman of Electric Word plc from 2004 to 2013.

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

CORPORATE GOVERNANCE STATEMENT

Statement of compliance

The Financial Reporting Council ('FRC') issued a revised version of the UK Corporate Governance Code (the 'Code') in September 2012, which is available on www.frc.org.uk. The Board has reviewed its governance arrangements against the revised Code, and considers that the Group complied with the main principles of the Code for the whole of the year ended 30 April 2014. In addition, the Company complied with the main principles of the UK Corporate Governance Code 2010, as required by the Listing Rules 9.8.6. More detail is provided throughout this statement which incorporates the Directors' Report, Strategic Report and the Directors' Remuneration Report by reference.

Provision B.6.2 of the Code requires the evaluation of the board of FTSE 350 companies to be externally facilitated every three years. Due to the changes in the Board this year, the Board decided to delay this external review until FY15. An internal evaluation of Board effectiveness was completed instead.

The role of the Board

The Board is responsible for the strategic direction, development and control of the Group. It sets strategic aims and approves strategic plans and annual budgets, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives. It reviews significant investment proposals and the performance of past investments.

It maintains an overview of the Group's operating and financial performance and monitors the Group's overall system of internal controls, governance and compliance.

The Board has adopted a formal schedule of matters which are reserved for its decision. This is published on the Group's corporate website at: corporate.betfair.com/about-us/governance/committees.aspx, and includes:

- determining the overall business and commercial strategy;
- identifying long-term objectives;
- determining the Group's risk appetite;
- reviewing the annual operating plan and budget;
- considering all matters relating to major Group policy and regulatory policy;
- determining the basis of allocation of capital;
- approving the appointment and removal of any Board member and the Company Secretary;
- undertaking an annual review of Board, Committee and individual Director's performance; and
- reviewing and approving the terms of reference for Board Committees and receiving reports on their activities.

Authority is delegated by the Board in certain circumstances including the approval of delegated authorities for the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and other senior management to approve expenditure, investments and other matters as the Board may determine, and in granting powers of attorney.

Division of responsibilities

In accordance with main principle A.2 of the Code, there is a clear division of responsibilities at the head of the Group between the Board and executive responsibility for the running of the Group's business. No one individual has unfettered powers of decision.

The roles of the Chairman, CEO and Non-Executive Directors have been defined in writing.

Role of the Chairman

In accordance with main principle A.3 of the Code, Gerald Corbett as Chairman is responsible for the leadership and effectiveness of the Board, including ensuring that the Board is run smoothly and that appropriate communication is maintained with shareholders. He is available to meet with shareholders at the AGM.

The Chairman ensures that the Board has the right composition and that the debate is effective and at the right level, involving all members, and that appropriate conclusions are drawn. For Betfair, it is vital that the Chairman is accessible and can play an important role in providing support and wise counsel to the CEO and wider management team. The Chairman effectively challenges when required and takes a 'helicopter view' of the business. The Chairman has a key role in instilling behaviours appropriate to a publicly listed company environment and is able to maintain relationships with shareholders and other stakeholders, as necessary. The Chairman has a proven track record as a plc Chairman and currently acts as Chairman to two other publicly quoted companies. Gerald Corbett's biography can be found on page 37.

Role of the CEO

Breon Corcoran as CEO has responsibility for implementing the strategy agreed by the Board and for the executive management of the Group. This includes responsibility for:

- developing and proposing the Group strategy, annual plans and commercial objectives to the Board, having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders;
- managing the Group's risk profile in line with the extent of risk identified as acceptable by the Board and to ensure appropriate internal controls are in place;
- ensuring the development needs of the Executive Directors and senior management are identified and met and ensuring succession planning;
- effective communication with shareholders; and
- appropriate, timely and accurate disclosure of information to the market, with issues escalated promptly to the Market Disclosure Committee.

Role of the Senior Independent Director

Ian Dyson was appointed as Senior Independent Director on 1 April 2014, replacing Mike McTighe who retired from the Board on 31 March 2014. Ian is available to shareholders if they have concerns which are not resolved through the normal channels of Chairman, CEO or CFO. He meets with the other Non-Executive Directors without Executive Directors present and leads the annual evaluation of the Chairman's performance. In addition, Ian is Chairman of the Audit Committee. Ian's biography can be found on page 37.

Non-Executive Directors

The Company has five Non-Executive Directors on its Board, all of whom are considered to be independent in character and judgement and are free from any business or other relationship which could materially influence their judgement. Other than their fees, which are disclosed on page 60, the Non-Executive Directors received no additional remuneration from the Group during the year. The Non-Executive Directors are a strong source of advice and independent challenge.

Josh Hannah, who retired from the Board on 17 January 2014, was not deemed to be independent under the provisions of the Code as he had served as a director for over ten years. Mike McTighe and Fru Hazlitt were considered independent at the date of their retirement from the Board on 31 March 2014.

All of the Directors' biographies can be found on page 37 and all will stand for re-election or election in accordance with the Code.

Company Secretary

Fiona Russell is the Chief Legal Officer and Company Secretary. The Company Secretary's responsibilities include, in accordance with main principle B.5 of the Code, ensuring good information flows to the Board and its Committees and between senior management and the Non-Executive Directors. The appointment and removal of the Company Secretary is a matter reserved for the Board. The Company Secretary is responsible through the Chairman, for advising the Board on all corporate governance matters and for assisting the Directors with their professional development. This includes regular corporate governance and business issues updates, as well as the use of operational site visits and the provision of external courses where required.

Directors

As at 30 April 2014, the Board comprised the Chairman, two Executive Directors and five independent Non-Executive Directors. The biographical details of all Board Directors as at 11 June 2014 are set out on page 37 and these include their main external commitments outside of the Group.

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

The following individuals were Directors of the Company as at 30 April 2014:

Director	Role	Date appointed
Gerald Corbett	Non-Executive Chairman	3 January 2012
Breon Corcoran	Chief Executive Officer	1 August 2012
Alex Gersh	Chief Financial Officer	3 December 2012
Ian Dyson	Senior Independent Non-Executive Director from 1 April 2014	1 February 2010
Peter Jackson	Independent Non-Executive Director	24 April 2013
Zillah Byng-Maddick	Independent Non-Executive Director	5 September 2013
Leo Quinn	Independent Non-Executive Director	5 March 2014
Peter Rigby	Independent Non-Executive Director	1 April 2014

The following were also Directors of the Company for part of the year:

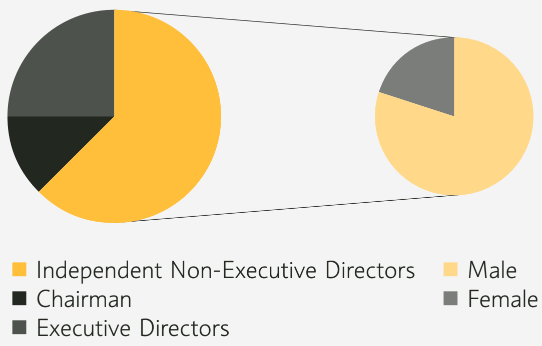
		Date retired
Mike McTighe	Senior Independent Non-Executive Director until 31 March 2014	31 March 2014
Fru Hazlitt	Independent Non-Executive Director	31 March 2014
Josh Hannah	Non-Executive Director	22 January 2014

The composition of the Board

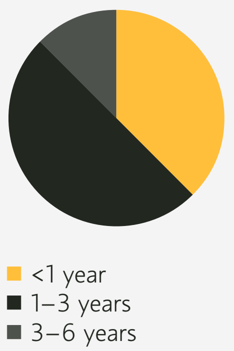
In accordance with main principle B.1 of the Code, the Board and its Committees have an appropriate balance of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively.

The Board considers the quality, performance and likely successors for its Non-Executive Directors, Executive Directors and senior management population on a regular basis. As described in the Nomination Committee report, three new Non-Executive Directors were appointed during the year, and chairmanship and membership of Board Committees has been refreshed.

BALANCE



LENGTH OF TENURE



Appointments to the Board
To ensure a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, a Nomination Committee has been established, comprising independent Non-Executive Directors and chaired by the Chairman. Information on the work of the Nomination committee is described on page 42.

Appointments are made on merit and measured against objective criteria and with due regard for the benefits of diversity on the board. When prospective Non-Executive Directors are considered for appointment, the Nomination Committee will take into account their other responsibilities in assessing whether they can commit sufficient time to their prospective directorship.

Once appointed, all Directors are required to submit themselves for re-election on an annual basis at the Company's AGM, in accordance with the Company's Articles of Association and provision B.7.1 of the Code. Zillah Byng-Maddick, Leo Quinn and Peter Rigby will stand for election at the 2014 AGM. Further information is set out in the Notice of Meeting.

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

	Board scheduled	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Total meetings held	**9**	**4**	**6**	**3**	**1**
Current Directors who served during the year:					
Gerald Corbett*	9 (9)	–	–	3 (3)	1
Breon Corcoran*	9 (9)	–	–	–	1
Alex Gersh*	9 (9)	–	–	–	1
Ian Dyson	9 (9)	4 (4)	6 (6)	–	1
Peter Jackson	9 (9)	4 (4)	1 (1)	–	1
Zillah Byng-Maddick	6 (6)	3 (3)	–	–	1
Leo Quinn	2 (2)	–	1 (1)	–	–
Peter Rigby	1 (1)	–	1 (1)	–	–
Former Directors who served during the year:					
Mike McTighe	8 (8)	1 (1)	5 (5)	2 (3)	1
Fru Hazlitt	7 (8)	–	5 (5)	3 (3)	1
Josh Hannah	4 (6)	–	–	–	1

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

All Directors are briefed by the use of comprehensive papers circulated in advance of Board meetings and by presentations at the meetings in addition to receiving minutes of previous meetings. Their understanding of the Group's business is enhanced by business specific presentations and operational visits to the Group's businesses. Separate strategy meetings and meetings with senior executives are also held throughout the year. Where a Director is unable to attend a meeting, they are provided with all the papers and information relating to that meeting and were able to discuss issues arising directly with the Chairman and CEO. There are nine Board meetings and a two day off-site meeting currently scheduled for the financial year ending 30 April 2015.

Service contracts and letters of appointment
Details of the Executive Directors' service contracts are set out in the Directors' Remuneration Report on page 57. The Chairman and the Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours and at the place of the AGM from at least 15 minutes before and until the end of the meeting.

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

Training and development
In accordance with main principle B.4 of the Code, there is a comprehensive induction for newly appointed Directors and regular updates, tailored to individual requirements and including guidance on requirements of, and Directors' duties in connection with, the Code and the Companies Act 2006 as well as other relevant legislation. The Board as a whole is updated as necessary in light of any governance developments as and when they occur.

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

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

The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. The Board believes that the systems it has in place for reporting and considering conflicts continue to operate effectively.

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

All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated. At the meeting itself, voting on all the proposed resolutions is conducted on a poll rather than a show of hands, in line with recommended best practice. The Chairmen of the Audit, Remuneration and Nomination Committees attend to answer questions.

Board effectiveness evaluation
The Code requires an externally facilitated evaluation of the Board every three years. The external evaluation was due this year, but the Board decided to delay this until 2014/2015 following the various changes in Board composition.

Instead, a formal internal evaluation of the Board, Committees and individual Directors has taken place during the year. The process included the completion of a detailed questionnaire by each of the Board Directors, covering the Board's role in strategic leadership, key Board relationships, Board composition and succession planning, quality of debate and decision making, Board support and information flows, Board Committees, risk management, relations with shareholders and other stakeholders, and the Board's priority tasks. In addition, an assessment of the Chairman's performance was carried out, led by the Senior Independent Director. The results were reviewed by the Chairman and the principal findings were fed back to the Board in May 2014. The recommendations arising will be discussed and addressed by the Board during 2014/2015.

Committees
There are four main Committees of the Board. Each Board Committee has written terms of reference approved by the Board, which are available on the Group's website: corporate.betfair.com/about-us/governance/committees.aspx

- **Audit Committee**

Ian Dyson has been Chairman of the Audit Committee since 17 February 2010. Ian has been identified as having significant recent and relevant financial experience and his biography can be found on page 37. Zillah Byng-Maddick also has significant recent and relevant financial experience and the other member of the Audit Committee, Peter Jackson, has extensive commercial experience. The Chairman of the Board, the CEO and the CFO attend such meetings at the invitation of the Committee's Chairman.

During the year, the Committee met four times.

Further details about the Audit Committee and its activities are included in the Report of the Audit Committee on pages 43 to 45.

- **Nomination Committee**

Gerald Corbett has chaired the Committee since March 2012. Its other members are Ian Dyson and Leo Quinn.

Mike McTighe and Fru Hazlitt were members of the Committee until they retired from the Board on 31 March 2014. All members of the Committee during the year were independent Non-Executive Directors.

The Nomination Committee met three times during the year.

Further details about the work of the Nomination Committee can be found on page 42.

- **Remuneration Committee**

Leo Quinn was appointed as Chairman of the Remuneration Committee with effect from 1 April 2014. Its other members are Ian Dyson, Peter Jackson and Peter Rigby.

Mike McTighe chaired the Committee until he retired from the Board on 31 March 2014 and Fru Hazlitt was a member of the Committee until she retired on the same date. All members of the Committee during the year were independent Non-Executive Directors.

The Remuneration Committee met six times during the year.

Further details about the Remuneration Committee and its activities are included in the Directors' Remuneration Report on pages 50 to 67.

- **Corporate Responsibility Committee**

Gerald Corbett was appointed as Chairman of the Corporate Responsibility Committee on 31 March 2014. The other Committee members include the Group Operations Director, the HR Director, the Company Secretary and the Group Financial Controller.

Fru Hazlitt chaired the Committee until she retired from the Board on 31 March 2014.

The Committee met four times during the year and was established to define, support and monitor the execution of Betfair's corporate responsibility strategy.

Further details of the work of this Committee can be found on pages 28 to 35.

There are also two further relevant committees:

- **Market Disclosure Committee**

This Committee considers and decides upon matters brought to its attention which would be likely to give rise to an obligation to make a market announcement under the FCA Listing Rules. It comprises the CFO (Committee Chairman) and the Company Secretary.

- **Executive Committee**

This Committee is chaired by the CEO and includes the Executive Directors and certain other senior executives. The Committee meets formally every month. It develops the Group's strategy and annual revenue and capital budgets for Board review and approval; reviews and recommends to the Board any significant investment proposals; monitors the financial and operational performance of the Group; allocates resources within the budgets agreed by the Board; considers employment issues; ensures the Group has an appropriate pool of talent and develops senior management succession plans. In addition it also ensures that the Group's policy on regulation is fulfilled.

REPORT OF THE NOMINATION COMMITTEE

'THE COMMITTEE HAS CONDUCTED A THOROUGH AND TRANSPARENT PROCESS TO APPOINT THREE NEW NON-EXECUTIVE DIRECTORS AND TO REFRESH MEMBERSHIP OF THE BOARD'S COMMITTEES.'

Gerald Corbett, Chairman and Chairman of the Nomination Committee

Role of the Committee

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

Activities during the year

The Committee met three times during the year. Matters considered by the Committee included:

- anticipating Josh Hannah's retirement from the Board and implementing a search to identify an independent candidate with appropriate financial experience, resulting in the appointment of Zillah Byng-Maddick as an independent Non-Executive Director;
- considering the composition and balance of the Board and implementing a search to identify independent candidates with relevant commercial experience, resulting in the appointment of Leo Quinn and Peter Rigby as independent Non-Executive Directors; and
- making recommendations to the Board for changes to Committee chairmanship and membership following the departure of Fru Hazlitt and Mike McTighe from the Board, taking into account the relevant skills and experience of each of the Non-Executive Directors.

Policy on appointments to the Board

All appointments are made on merit and measured against objective criteria and with due regard for the benefits of diversity on the board. The Board is committed to ensuring a broad mix of gender, age, nationality, experience and skills throughout the business and that the composition of the Board itself is based on a range and balance of skills, knowledge, experience and merit and remains appropriate for a business of this size. The Board has noted the contents of the Davies Report on Women on Boards in February 2011 and Code revision to strengthen the principle of board diversity. The Board does not believe that setting a target for the number of women on our Board is appropriate as all our appointments are made on merit.

The process of identifying candidates for Board appointment is led by the Committee. Comprehensive candidate search briefs are agreed. An external executive search firm is engaged and a shortlist of candidates is drawn up. A number of shortlisted candidates are invited for meetings with Committee members as appropriate. After these meetings, a review of the candidates takes place and the preferred candidates are recommended for appointment to the Board.

During the year, The Zygos Partnership (which has no other connection with the Company) managed the search process for all three of the Non-Executive Director appointments.

Action plan

In the coming financial year, the Committee's activities will include:

- continuing to support the development of the Executive Team;
- considering the effectiveness of the Non-Executive Directors seeking re-election at the 2014 AGM, taking into account the outcome of the internal board evaluation; and
- continuing to ensure that we plan for the evolution of the Non-Executive Directors to maintain the appropriate mix of skills.

Close

We have conducted a thorough and transparent appointment process for the recommendation of three new Directors to the Board and have refreshed the membership of the Board's Committees.

Gerald Corbett

Chairman and Chairman of the Nomination Committee

REPORT OF THE AUDIT COMMITTEE

'INTEGRITY OF OUR FINANCIAL REPORTING AND THE QUALITY AND EFFECTIVENESS OF INTERNAL CONTROL IS FUNDAMENTAL TO SUPPORTING OUR STRATEGIC OBJECTIVES, SUSTAINABLE LONG-TERM GROWTH AND ENHANCING SHAREHOLDER VALUE.'

Ian Dyson, Senior Independent Director and Chairman of the Audit Committee

Overview

The Audit Committee is the body which carries out the functions required by Disclosure and Transparency Rule (DTR) 7.1.3 (Audit Committees and their functions) and is comprised of three independent Non-Executive Directors who have been appointed by the Board. Full details of the members' qualifications and experience are available on page 37.

The principal responsibilities of the Audit Committee are to:

- review and consider, making appropriate recommendations on the Company's interim and annual financial statements, appropriateness of accounting policies and integrity of the financial statements and announcements, reviewing significant judgements therein, prior to consideration by the Board;
- review and consider, making appropriate recommendations on the Company's public statements on significant risks, internal control and corporate governance compliance prior to their consideration by the Board;
- review and consider, making appropriate recommendations on the Company's Annual Report and Accounts to ensure that it is fair, balanced and understandable in accordance with applicable legislation and listing requirements prior to consideration by the Board;
- review the Company's processes for detecting fraud, misconduct and control weaknesses and to consider the Company's response to any such occurrence;
- review management's evaluation of any significant change in internal controls over financial reporting;
- establish, review and monitor the role and effectiveness of the Group Internal Audit & Risk Management function;
- in accordance with applicable legislation and good governance, assume direct responsibility for the appointment, compensation, resignation, dismissal and overseeing of the external auditor, including review of the nature and scope of work to be performed by the external auditor, its cost, effectiveness and the independence of the external auditor;
- review management's response to the external auditor findings and report to the Audit Committee;
- in accordance with the policy, pre-approve non-audit work to be carried out by the external auditor and the fees to be paid for that work together with the monitoring of the effect that may have on the external auditor's independence;
- review any correspondence from regulators in relation to our financial reporting, oversee the process for dealing with such correspondence received by the Group regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- perform in-depth reviews of specific areas of financial reporting, risks and internal controls, as determined by the Audit Committee;
- meet with Executives, management and staff as required, as well as privately with both the external auditor and the Director of Group Internal Audit & Risk Management; and
- report to shareholders annually on its role and responsibilities.

Audit Committee process

The Committee discharges its responsibilities, as defined in its terms of reference, through at least four meetings during the year at which detailed reports are presented for review. In general the Committee meets in advance of Board meetings. Other than Committee members, attendance is by invitation and generally includes other Non-Executive Directors, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, the Director of Group Internal Audit & Risk Management and KPMG, the external auditor. Other key members of management are invited according to the agenda. The Chief Legal Officer acts as Secretary to the Committee. The terms of reference of the Committee can be found on the Company's website: corporate.betfair.com/about-us/governance/committees.aspx. The Committee is authorised to obtain independent advice if considered necessary.

The Committee commissions reports from external advisers, Group Internal Audit & Risk Management or Company management, either after consideration of the Company's major risks or in response to developing issues. The Committee meets privately with KPMG Audit Plc (KPMG) and the Director of Group Internal Audit & Risk Management. KPMG also meet the Director of Group Internal Audit & Risk Management in private throughout the year.

The Chairman of the Audit Committee reports to the Board on how the Committee has discharged its duties after each meeting.

During the year, the main activities that the Committee considered were as follows:

- review of the integrity of the financial statements and recommendation of interim and full year financial results to the Board;
- the scope and cost of the external audit;
- non-audit work carried out by the external auditor and trends in the non-audit fees in accordance with the Committee's policy to ensure the safeguarding of auditor independence;
- periodic internal control and assurance reports from Group Internal Audit & Risk Management;
- the effectiveness of the external auditor and consideration of its reappointment;
- compliance with the Code of Conduct and whistleblowing procedures and the effectiveness of these procedures;
- the effectiveness of Group Internal Audit & Risk Management, the scope of the annual internal audit plan, internal audit reports of significance, its resourcing and external support;
- management representations provided to the external auditor and the Company's procedures to ensure all relevant audit information has been disclosed;
- the co-ordination of the internal and external audit functions;
- the Group's framework for the identification, assessment, monitoring and management/mitigation plans for major risks, and the annual assessment of the effectiveness of access to significant systems, authorisation controls and other internal controls;
- corporate governance developments;
- review of the suitability of the Group's accounting policies and practices and significant matters of judgement;
- the status of material litigation involving the Group;
- the Committee's own terms of reference and membership; and
- in-depth reviews of strategy, security, IT disaster recovery, technology risks, customers' account security, tax, insurance, treasury, anti-money laundering, compliance, related party transactions and financial authorisation controls.

Financial statements

The primary role of the Audit Committee in relation to financial reporting is to review and monitor the integrity of financial statements and other trading statements.

The Committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate estimates and judgements. The Committee reviewed accounting papers prepared by management in respect of the main financial reporting judgements, the clarity of disclosures and compliance with financial reporting standards and governance. After discussion with both management and the external auditor, the Audit Committee determined that the key risks of misstatement of the Group's financial statements related to revenue recognition which is dependent on data integrity and IT security to ensure correct calculation of commission revenues and appropriate wins and losses, the management and safeguarding of client funds and online gambling regulation, licensing and tax.

The Committee also reviewed reports by the external auditor on the full year and half year results.

The primary issues of risk and accounting judgement considered by the Committee during the year were as follows:

- **Data integrity and IT security**
  These are key to the effective operation of the business and integral to recognising revenue appropriately. Technology and Security management and personnel report regularly on the risks and controls around security and IT operations to the Corporate Risk Committee and Audit Committee throughout the year. The external auditor IT specialists reviewed the effectiveness of controls during the audit. The Audit Committee has challenged both management and the external auditor and based on the above is satisfied with the current level of risk and internal control.
- **Management and safeguarding of client funds**
  The Group holds a significant balance of client funds off balance sheet, mainly in ring-fenced accounts under a Trust Deed. £269.0m was held at 30 April 2014 (£284.1m at 30 April 2013), as disclosed in note 16 to the financial statements. The appropriate recognition of revenue is dependent on client funds and core finance processes and controls accurately reporting on and reconciling the transactions from the IT systems. Daily and monthly reconciliations of these funds are performed to reduce the risk of misstatement and to detect fraud. The external auditor and Group Internal Audit & Risk Management have reviewed controls around the client funds and reported to the Audit Committee during the year without any significant issues being raised. The Audit Committee has challenged both management and the external auditor and based on the above is satisfied with the current level of internal control.
- **Online gambling regulation, licensing and tax**
  The strategy is designed to achieve sustainable revenues from regulated jurisdictions, however there is judgement around the interpretation of international tax laws and how they interact within each jurisdiction and this may have a significant impact on the financial statements. Presentations by senior members of the Compliance, Anti-Money Laundering and Tax teams have been made to the Audit Committee demonstrating how we manage these areas. The Chief Executive Officer reports monthly to the Board on significant matters (e.g: New Jersey and Italian licences plus UK Point of Consumption tax). The Audit Committee is satisfied with the level of risk and internal control.

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

Management confirmed to the Committee that they were not aware of any material misstatements made intentionally to achieve a particular presentation. The auditor reported to the Committee the misstatements that it had found in the course of its work and no material amounts remained unadjusted. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and professional scepticism.

After reviewing the presentations and reporting from management and consulting where necessary with the auditor, the Audit Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures).

On the basis of the above the Committee consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

External auditor's independence, performance and reappointment
The Committee has primary responsibility for making recommendations on the appointment, reappointment and removal of the external auditor.

The Committee took the following into account in assessing the performance of KPMG.

The Committee reviewed and challenged KPMG's proposed audit plan prior to the commencement of the audit, including the approach, methodology, materiality, assessment of risk and key areas of judgement and fees. KPMG presented their report to the Committee at the conclusion of the year end audit. KPMG's independent report to shareholders is on pages 73 and 74.

The Committee reviews the performance of the external auditor each year during the planning process and after the conclusion of the interim and annual audit reviews. A qualitative assessment has been undertaken of the services provided, both audit and non-audit, against the agreed audit plan/scope of service taking into account feedback from management. This included consideration of the timeliness, content and quality of presentations to the Committee, competence with respect to issues of risk and accounting judgement and their qualifications and experience. The Committee is satisfied that the external audit process has operated effectively and is fully satisfied with KPMG's performance.

KPMG Audit Plc has been Betfair's auditor since 2003. The external auditor is required to rotate the lead partner every five years and other partners that are responsible for the group and subsidiary audits must change at least every seven years. Such changes are carefully planned to ensure business continuity without undue risk or inefficiency. The partner responsible for Betfair's audit is completing his second year within the group audit team and his second year as lead partner which is a role he can continue for a further three years.

The transitional rules under the EU legislation will require an initial change of audit firm no later than for the 30 April 2023 year end audit.

The Competition Commission had previously proposed mandatory audit tenders at least every ten years with different transitional rules, but has now announced a delay in its implementation programme. There is therefore uncertainty as to whether Betfair will be required to go to tender prior to 2023.

Until this uncertainty is resolved, the Committee will continue to consider annually the need to go to tender for audit quality or independence reasons.

There are no contractual obligations restricting the Committee's choice of external auditor.

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

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

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

- audit related services, including work related to the annual Group financial statements audit, subsidiary audits and local statutory accounts; and
- for certain specified tax services, including tax compliance, tax planning and tax advice.

The external auditor is precluded from engaging in non-audit services that would compromise its independence, would violate any laws or regulations affecting its appointment as auditor or would lead a reasonable third party to regard the objectives of the proposed non-audit service as being inconsistent with the external audit. The policy defines the types of permitted and not permitted services. Except in exceptional circumstances relating to urgent transactions or services deemed not to be of a material nature, the engagement of the auditor for non-audit work must be approved in advance by the Committee Chairman where the fee is in excess of £50,000. Fees up to £50,000 must be approved by the Chief Financial Officer.

The Committee is satisfied that the level of fees payable in respect of audit services is appropriate for a group of its size and that an effective audit was conducted during the year. The fees for audit and non-audit services are disclosed in note 3 to the financial statements.

The Committee through ongoing oversight of the external auditor as noted in the above factors recommends that KPMG's re-election as external auditor be proposed at the Annual General Meeting.

Ian Dyson
Senior Independent Director and Chairman of the Audit Committee

UNDERSTANDING OUR MATERIAL RISKS

Internal controls and risk management process
The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. In order to discharge that responsibility, the Board has established the procedures necessary to apply the Corporate Governance Code, including clear operating procedures, lines of responsibility and delegated authority. These procedures, which are in accordance with revised Turnbull Guidance, have been in place since before the Group was listed and are regularly reviewed. The Board has delegated the detailed design of the systems of internal control and risk management to the Executive Directors and management.

The Group has in place internal control and risk management systems in relation to financial reporting processes and for the preparation of consolidated accounts. These systems include policies and procedures to:

- facilitate the maintenance of records that accurately and fairly reflect transactions;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) or UK Generally Accepted Accounting Principles, as appropriate; and
- require reported data to be reviewed and reconciled, with appropriate monitoring internally and by the Audit Committee.

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

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

In addition, the Audit Committee receives:

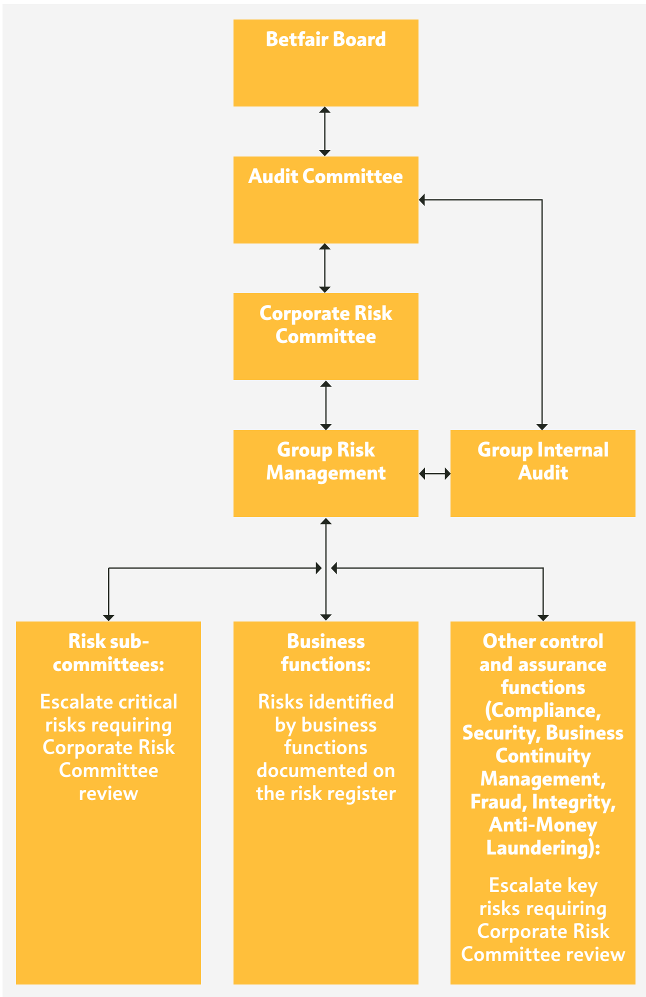
- reports from the Corporate Risk Committee;
- reports from the Group Internal Audit & Risk Management Team on the work carried out under the annual internal audit plan; and
- reports from KPMG, the external auditor.

Through the monitoring processes set out above, the Board has conducted a review of the effectiveness of the system of internal control during the year ended 30 April 2014. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, it can only provide reasonable and not absolute assurance against material misstatement or loss. In that context, the review, in the opinion of the Board, did not indicate that the system was ineffective or unsatisfactory and the Board is not aware of any change to this status up to the approval of this Annual Report.

The Group has a long established process for analysing its key risks and adopts a proactive approach in this area, with ultimate ownership resting with respective Board and Executive Board members who manage the specific risks associated with their areas of responsibility supported by a dedicated Group Internal Audit & Risk Management Team.

The Group's principal risks and uncertainties may be found on pages 25 to 27.

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



Betfair has a comprehensive Group Risk Management Framework across the whole of the organisation, based on sound principles of good governance, to actively identify risks and mitigate them to the extent considered appropriate, balancing risk and opportunity to safeguard the business and its reputation. The framework provides the Directors and senior management with a consolidated view of the key risks faced by the business which is evaluated and updated regularly. The Directors believe the Group's approach and capabilities will, over the long term, contribute to the achievement of the Group's strategic objectives.

The Group Risk Management Framework comprises a number of sub-committees made up of senior Executives and relevant senior managers from across the Betfair Group, which deal with matters of policy and control and exercise oversight of the operational implementation of risk management, together with several operational functions. There are also established processes and procedures in place between Corporate Risk Committee meetings to deal with more urgent decisions and actions. This framework is overseen by the Corporate Risk Committee, which reports to the Audit Committee.

The Group Internal Audit & Risk Management Team co-ordinates, structures and promotes the embedding of appropriate risk management practices across the business on an ongoing basis. A risk register is used by the business to document the risks across the whole organisation and how they are being managed.

How we manage risk

Corporate Risk Committee
The Corporate Risk Committee comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Legal Officer and the Director of Group Internal Audit & Risk Management. The Corporate Risk Committee is responsible for the review of significant business risk issues for Betfair, including but not limited to money laundering, fraud, integrity, operational and legal and regulatory issues. The Corporate Risk Committee makes recommendations to the Audit Committee and, as appropriate, to the Board as to the Betfair Group's overall appetite for risk and its approach to managing and mitigating risk. It also reviews Betfair's risk management and internal control frameworks to ensure consistent performance and recommends improvements as necessary. To ensure that the risk process drives improvement across the business, action plans for the principal risks and uncertainties are reviewed at each Committee meeting together with any recommendations to add emerging risks to/remove mitigated risks from these principal risks. The Committee continues to drive a better understanding of risk appetite, tolerance and management across the business to focus on achievement of the strategic objectives and sustainable long-term growth of the business. The Corporate Risk Committee meets quarterly and otherwise as required and reports matters of significance at the subsequent Audit Committee meeting.

Code of Conduct, Anti-Bribery and Whistle-blowing policies
All employees, including contractors, are required to comply with these policies. The Code of Conduct Policy sets the ethical and professional standards that are expected of all individuals, the Anti-Bribery Policy specifies how we comply with the UK Bribery Act 2010 and other relevant legislation and the Whistle-blowing Policy details how matters can be raised and dealt with in strict confidence. Any matters raised in accordance with these policies are investigated thoroughly and reports are provided at each meeting of the Corporate Risk Committee and Audit Committee, which monitors the effectiveness of these policies.

Group Internal Audit & Risk Management Team
The team is responsible for giving risk-based, independent assurance to the Audit Committee and operating management on the effectiveness of the Group's risk management, internal control and governance processes.

It provides assurance that:

- risk management practices are sound and operating effectively;
- key risks are being managed to an acceptable level;
- internal controls are effective and efficient; and
- systems, processes and procedures are in place to assist in the achievement of business objectives. The team's responsibilities include reporting regularly to management on the effectiveness of the Group's internal controls.

The team reports to the Chief Financial Officer and the Director of Group Internal Audit & Risk Management has a direct reporting line to the Chairman of the Audit Committee (with direct access to the other members of the Audit Committee).

Management actions from internal audits are tracked to completion and the status of actions on significant risks is reported to the Audit Committee to ensure that the risks identified are appropriately addressed.

Security Team
The Information Security and Governance (ISG) team is responsible for providing the services that allow Betfair to best protect its key information assets and includes data, hardware, customer accounts, and employees. The ISG team reports into the Chief Information Officer (CIO) and sets the security strategy; conducts security design reviews of new products and services; performs security assessments of existing and new technologies; regular penetration testing; training and awareness; employee system access reviews; security monitoring and response for threats against the Betfair infrastructure. The ISG team uses a risk-based approach to mitigate security risks to the Company and the Director of ISG chairs the bi-monthly Security Risk Committee which is the vehicle for oversight and communication of our key security risks. Key security risks, trends and mitigation programmes are communicated from this Committee on a regular basis to the Corporate Risk and Audit Committees.

Business continuity planning

Through its comprehensive business continuity strategy, Betfair aims to be able to continue to service its customers irrespective of any incident or failure which may impact on any of Betfair's key operating and technology locations. The key components of this strategy are physical site security, departmental continuity plans for all functions and an information technology disaster recovery plan. Betfair's state of business continuity readiness is demonstrated by a Business Continuity Management System that is not only consistent with current industry standards and best practice, but is also aligned with the Business Continuity Institute's (BCI's) Good Practice Guidelines. Betfair recognises that the business continuity discipline is key for maintaining competitive advantage and is a significant contributor to effective corporate governance. Governance oversight is provided by the Business Continuity Steering Committee which meets quarterly.

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

Compliance Team

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

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

Additional risk management policies and practices relating to customers

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

- KYC/customer due diligence: Betfair operates a sophisticated four-level customer due diligence process (referred to as Know Your Customer or KYC), which uses both automated and manual methods to verify a customer's age, identity and source of funds. The KYC process also assesses the extent and quality of the customer's verification information in determining whether to allow the customer to operate a Betfair betting account, either at all, or above certain levels of activity. Betfair's KYC processes are integral to the anti-money laundering (AML), fraud and integrity policies and practices described below.
- Anti-customer fraud measures: Betfair has a 24/7 fraud team looking for suspicious activity. The team use a number of in-house and external applications, including the use of adaptive behavioural analytics tools, to protect Betfair and our customers. The team liaise with regulators, local law enforcement agencies and other operators to ensure we maintain a good understanding of current fraud trends.
- Underage betting and gaming: All customers are required to confirm upon registration that they are over the legal age for gambling within each particular jurisdiction. As an essential and specific component of the customer due diligence policy referred to above, Betfair also carries out age verification checks on all customers who use payment mechanisms which may be available to under-18s, and performs age verification checks on selected customers. Betfair suspends all UK customers who fail to verify their age within 72 hours. Betfair advises and encourages its customers to prevent minors from accessing betting and gaming websites.
- Ring-fenced customer funds: Betfair holds all Core Betfair customer monies in separately managed bank accounts, which are safeguarded independently of Betfair's corporate funds under the terms of a Trust Deed or, where required under the terms of any licence, such funds are held in a separate non set-off bank account in the name of the licence holder.

Anti-Money Laundering Team

Betfair's AML compliance policy encompasses a collection of procedures, technologies and techniques to:

- make a risk-based assessment of all financial transactions using Betfair payment, betting and gaming systems;
- establish and implement relevant record-keeping requirements across the business;
- report on an ongoing basis to the relevant statutory authorities any suspicious circumstances concerning financial transactions; and
- ensure regular staff training in Betfair's AML procedures.

A dedicated AML Team is responsible for assessing and implementing Betfair's AML policy in accordance with the Financial Action Task Force (FATF) recommendations, European Directives and national legislation. The AML Team is also responsible for managing Betfair's anti-bribery strategy in accordance with the requirements of the UK Bribery Act 2010.

Integrity Team and Rules and Regulations Committee

The Integrity Team is responsible for monitoring betting activity on Betfair's sports betting products, investigating any potentially suspicious betting activity, and is the main point of liaison for sports regulatory bodies. Betfair has Memoranda of Understanding (MoUs) in place with 58 sports regulators, under which, in certain circumstances, Betfair shares relevant information about its customers with MoU partners to help in policing the betting integrity related rules which govern the participants of the relevant sport and/or the prevention and detection of crime. The sports governing body may then use the personal information shared by Betfair under the MoU to investigate and act on any such breaches in accordance with its own procedures. Betfair also offers its sporting MoU partners access to Betfair's 'BetMonitor' tool, a proprietary technology portal which enables regulators to monitor betting activity by Betfair customers in real time.

The Directors consider Betfair's MoU framework and information sharing policy to be market leading and a key contributor to the trust with which Betfair is regarded by customers, sports and gambling regulators and governments.

Maintaining the integrity of Betfair's betting markets is important to Betfair's reputation for fairness amongst customers and sports bodies. To this end the MoU framework is complemented by a comprehensive and detailed set of betting rules which Betfair applies in the operation of its betting markets. Those rules, together with decisions about the operation and settlement of betting markets and practices relating to customers, are overseen by Betfair's Rules and Regulations Committee, which reports as necessary to the Corporate Risk Committee.

Regulatory overview

Betfair operates in a heavily regulated sector where changes in regulation can have a significant impact on its operations. The regulation and legality of online betting and gaming varies from jurisdiction to jurisdiction (from open licensing regimes to sanctions or prohibitions) and in certain jurisdictions there is no directly applicable legislation. Besides the regulatory changes, online betting and gaming is subject to other uncertainties in many jurisdictions and approaches to enforcement of local laws vary.

Bearing all these factors in mind, Betfair's commercial and marketing strategy is designed to achieve sustainable revenue from regulated jurisdictions. The Group holds gambling licences in Malta, Gibraltar, USA, Australia, Italy, Spain, Denmark and Bulgaria.

Betfair's determination, as to whether or not to permit customers in a given jurisdiction to access any one or more of its products and whether to engage with customers, is made on the basis of its measured and prudent approach to legal and regulatory compliance, and is based on a number of factors which include:

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

Insurance

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

Ian Dyson
Senior Independent Director and Chairman of the Audit Committee

DIRECTORS' REMUNERATION REPORT: ANNUAL STATEMENT

Leo Quinn,
Chairman of the Remuneration Committee

DEAR SHAREHOLDER

On behalf of the Board, I welcome the opportunity to present the Remuneration Committee's report on Directors' remuneration for FY14, my first report following my appointment to chair the Remuneration Committee in April 2014.

The new regulations governing the disclosure and approval of Directors' remuneration require the Remuneration Report to be split into three parts: (i) this Annual Statement; (ii) the Remuneration Policy Report which will be subject to a binding shareholder resolution at the forthcoming AGM; and (iii) the Annual Report on Remuneration which will be put to an advisory shareholder resolution at the same AGM.

Remuneration principles

Betfair's remuneration policy as detailed on pages 53 to 58 is based on the following principles, which are reviewed periodically to ensure they continue to remain appropriate and support the Company's evolving strategy. The principles of our remuneration policy remain unchanged from previous years.

Betfair's remuneration principles and primary objectives

MARKET COMPETITIVE LEVELS	• Designed to attract, retain and motivate Executives of the highest calibre by targeting fixed pay around market levels and providing the opportunity to earn above market remuneration through the performance-related elements.
PAY FOR PERFORMANCE AND STRATEGIC LINK	• The remuneration package should be weighted heavily towards variable pay. • The variable pay elements will be based on metrics which are consistent with delivering the Board's strategic objectives. A clear link between reward and individual and corporate performance delivered should be established.
SHAREHOLDER ALIGNMENT	• The performance targets applying to the short and long-term incentives will be set so as to align the interests of Executives with those of shareholders. • A significant proportion of reward should be share based with shareholding guidelines encouraging Executives to build and maintain significant shareholdings. • The Committee will seek to reward sustained long-term performance.
HIGH LEVELS OF CORPORATE GOVERNANCE AND ENGAGEMENT	• The Committee is regularly updated on corporate governance and institutional investor best practice developments, and takes account of this when setting remuneration policy. • The Committee maintains an open and transparent dialogue with shareholders throughout the year.

The Committee's responsibilities
During the year, the Committee refreshed its terms of reference (which can be found on the Company's website – corporate.betfair.com/about-us/governance/committees.aspx). The Committee's principle responsibilities include:

- Determining the framework or broad policy for the remuneration of the Chairman, the Executive Directors, the CEO's direct reports and the Company Secretary.
- Setting, approving and reviewing the approach to the remuneration arrangements for Executive Directors and other senior executives, covering salary, bonus, pension, benefits and long-term incentive share awards. In determining the remuneration of senior executives the Committee takes into account remuneration trends across the Company.
- Setting appropriate and challenging performance-related criteria attached to the variable elements of remuneration and considering the long-term business strategy.
- Reviewing, recommending and approving the rules of any share-based incentive operated by the Company.

Performance outcome for FY14
For Executive Directors, the FY14 Annual Bonus was based on financial metrics (160% of salary in total) and personal objectives (20% of salary). The financial metrics were Group Revenue and EBITDA, weighted 60% in favour of Revenue and 40% towards EBITDA. The Company performed well against its financial targets and a description of the Company's performance is included in the Financial Review on pages 21 to 24.

Against the target set at the start of the year, both Revenue and EBITDA outcomes were above Target but below the Maximum. This performance resulted in 114.27% salary being payable in respect of the financial objectives. Including the personal element, bonuses of 132.26% of salary were awarded to Executive Directors. The Committee is satisfied that this level of bonus reflects the financial and personal performance delivered during the year. In line with the Company's policy, a significant proportion of the bonus is deferred in shares.

The CEO and CFO had no performance-based long-term incentive awards due to vest in the financial year being reported on (or shortly after) the year end reflecting the relatively short tenure of the current Executive Team. The Executive Directors' first long-term performance-based awards will vest based on performance to 30 April 2015.

Remuneration policy for FY15
In line with the remuneration philosophy outlined earlier, the Committee is committed to ensuring that rewards for Executives are closely aligned to the interests of shareholders through having all incentive arrangements linked to challenging performance targets, focused on growing earnings and generating high levels of shareholder return.

The Committee is not proposing any significant changes to remuneration at this time and believes the current remuneration structure and variable pay quantum remain appropriate for Betfair.

The Committee took into account the following factors in determining the approach for FY15:

- As a Committee we are aware of calls for continued pay restraint and the salary increase for the CEO will be 3%, in line with those awarded to the workforce more generally. No increase will be applied to the CFO's salary.
- Annual incentive and Long Term Incentive Plan opportunities remain unchanged from the year under review. The Committee continues to believe that the current arrangements do not inadvertently encourage undue risk taking given the clear long-term focus in our policy.
- In light of the significant challenge facing the industry to mitigate the impact of new gaming taxes on profitability, the Committee is proposing that a slight amendment is made to the Annual Bonus plan with an equal 50/50 emphasis placed on Group Revenue and Group EBITDA for the FY15 bonus. A 60/40 Group Revenue/Group EBITDA weighting was applied in FY14.
- The operation of a Long Term Incentive Plan and deferral into shares for part of the annual incentive ensures that Executives are clearly aligned with the long-term objectives of the Company and its shareholders. Given the increasing strength of view on long-term alignment of Executives with shareholders and developments in the market, we have introduced formal guidelines on the building up of shareholdings by Executive Directors over a period of five years.

We have provided a summary of FY14 remuneration following this statement and before the Remuneration Policy Report. The summary sets out performance and remuneration outcomes for the year ended 30 April 2014. More detail can be found in the Annual Report on Remuneration which starts on page 59.

Shareholder feedback
The Remuneration Committee encourages dialogue with the Company's shareholders and will consult with major shareholders ahead of any significant future changes to the remuneration policy. We were delighted that the 2013 Remuneration Report received a 95.38% vote in favour at the last AGM.

We look forward to your continued support of our remuneration policy at the 2014 AGM.

Leo Quinn
Chairman of the Remuneration Committee
11 June 2014

DIRECTORS' REMUNERATION REPORT: 2014 REMUNERATION SUMMARY

FY14 remuneration summary

This section is a snapshot of the performance of the Company over the year and the reward received by our Executive Directors. Full details can be found in the Annual Report on Remuneration. This section does not form part of the Remuneration Policy which commences on page 53 and is subject to a binding vote at the 2014 AGM.

Annual Bonus

The Annual Bonus was based on three elements. The targets applying to the financial elements and actual performance are set out below:

Element	Weighting	Weighting (as a % of salary)	Threshold	Target	Maximum	Actual	Breon Corcoran award level	Alex Gersh award level
Group Revenue	53%	96%	£352.8m	£392.0m	£450.8m	£393.6m	64.87%	64.87%
Group EBITDA	36%	64%	£78.3m	£87.0m	£100.0m	£91.1m	49.39%	49.39%
Personal	11%	20%	Based on a number of individual objectives				18.00%	18.00%
Total	100%	180%					132.26%	132.26%

This resulted in Annual Bonuses of £681,168 for the CEO and £529,062 for the CFO. One-third of the bonus will be deferred in shares.

There were no performance-based long-term incentives vesting in the year.

Single total remuneration figures for FY13 and FY14

000's	Salary	Benefits	Annual Bonus	Long-term incentives	Pension	FY14 total single figure	FY13 total single figure[1]
CEO	£515	£3	£681	–	£77	£1,276	£3,738
CFO	£400	£3	£529	–	£40	£972	£364

[1] This includes the face value of restricted shares awarded to Breon Corcoran to facilitate his recruitment and a payment to facilitate his relocation as disclosed in last year's report.

Approach for FY15

BASE SALARY	The CEO's salary will be increased by 3% from 1 July 2014, which is in line with the general increase across the workforce. The CFO's salary will remain unchanged. Salaries for FY15 are: • CEO – £530,450 • CFO – £400,000
BENEFITS AND PENSION	No change proposed. Pension contribution of 15% of salary for the CEO and 10% of salary for the CFO.
ANNUAL BONUS (UNDER THE ANNUAL CASH INCENTIVE PLAN/ DEFERRED SHARE INCENTIVE PLAN)	No change to potential quantum – 180% of salary. A slight rebalancing of the financial performance metrics is proposed: • 80% of salary will be based on Group EBITDA; • 80% of salary on Group Revenue; and • 20% on personal objectives. The rebalancing to an equal weighting on EBITDA and Revenue reflects the focus on mitigating the impact on profitability of significant cost increases arising from the introduction of new gaming taxes.
LONG TERM INCENTIVES (UNDER THE LTIP)	No change to quantum or metrics – 300% of salary for the CEO and 200% of salary for the CFO, with 50% based on EPS growth, 25% on relative TSR against the FTSE 250, excluding Investment Trusts, and 25% on Group Revenue (based on FY17).

DIRECTORS' REMUNERATION REPORT: REMUNERATION POLICY REPORT

Introduction

The contents of this Policy Report set out the Group's policy and disclosures in relation to Directors' remuneration for the year ended 30 April 2014. The report has been presented on behalf of the Board and complies fully with the Listing Rules, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Corporate Governance Code 2010 and 2012 (the 'Code') as applicable for the financial year.

The Policy Report will be put to a binding shareholder vote at the 2014 AGM and, subject to the Policy Report receiving majority shareholder support, will operate from an effective date of the date of the AGM, 4 September 2014. In practice, the Committee intends to apply the policy detailed in the Policy Report to the current financial year and throughout the three year policy period from the effective date. The remainder of the Directors' Remuneration Report which includes the Annual Report on Remuneration will be put to an advisory shareholder vote at the 2014 AGM.

Remuneration Policy Report

The Committee determines the remuneration policy for the Executive Directors, the Chairman, Company Secretary and other designated members of Executive Management. The overall policy aim is to provide a remuneration package which will attract, retain and motivate high calibre Executives with the appropriate expertise.

The Committee believes that the opportunity to earn superior rewards should be directly aligned to the successful delivery of short and long-term performance through a simple and transparent framework. The remuneration package for Executive Directors is weighted towards performance-related pay, with the aim to pay around mid-market levels of total fixed pay but with the opportunity to earn upper quartile levels of reward for delivering superior performance. The Committee regularly reviews the variable incentive elements of the policy to ensure they do not encourage excessive risk taking and that they operate within an overall acceptable risk profile.

When setting the policy for Executive Directors' remuneration, the Committee takes into account total remuneration levels operating in companies of a similar size and complexity, the responsibilities of each individual role, individual performance and an individual's experience. The Committee also considers developments in best practice and the pay and employment conditions within the wider Group.

Remuneration policy for Executive Directors

The policy table below sets out the key elements of Betfair's Executive Director Remuneration, how they are linked to the Company's strategy, how they operate, the framework for setting performance measures (if applicable) and maximum opportunity levels.

SALARY

Purpose and link to strategy	Operation and performance measures	Maximum opportunity
• To attract and retain high calibre individuals • Provides an appropriate level of basic fixed income whilst avoiding excessive risk arising from over-reliance on variable income	• Generally reviewed annually (with any change effective 1 July) but exceptionally at other times of the year • Set with reference to individual skills, experience, responsibilities, Company performance and performance in role • Independent benchmarking is conducted on a periodic basis against companies of a similar size, complexity and operating in the same sector, although this information is only used as part of a broader review	• The current salaries are shown in the Annual Report on Remuneration • No maximum applies. However, increases, as a percentage of salary, will generally be consistent with those offered to the wider workforce from time to time • Higher increases may be appropriate where an individual changes role, there is a material change in the responsibilities of the role, where an individual is appointed on a below market salary with the expectation that this salary will increase with experience and performance, or where salaries, in the opinion of the Committee, have fallen materially below the relevant market rates

PENSION

Purpose and link to strategy	Operation and performance measures	Maximum opportunity
• To aid retention by providing a cost-effective long-term retirement benefit	• Paid as a defined contribution and/or a cash supplement	• Contribution of up to 15% of salary (or an equivalent cash payment in lieu)

OTHER BENEFITS

Purpose and link to strategy	Operation and performance measures	Maximum opportunity
• To provide market competitive, yet cost-effective employment benefits	• Private medical insurance • Life assurance • Income protection • Critical illness cover • Relocation or other related expenses may be offered, as required • The Committee may offer Executives other benefits which will be on broadly similar terms to those offered to other employees	• The value of benefits provided to Executives will vary from year to year in line with variances in third party supplier costs

ANNUAL BONUS UNDER THE ANNUAL CASH INCENTIVE PLAN ('ACIP') AND DEFERRED SHARE INCENTIVE PLAN ('DSIP')

Purpose and link to strategy	Operation and performance measures	Maximum opportunity
• To incentivise and reward for the successful delivery of the short-term business strategy • To help facilitate greater share ownership	• Two-thirds of any annual incentive payment will be in cash (under the ACIP), with the remaining one-third deferred into shares (under the DSIP) • Any deferred element will vest 50% after one year and 50% after two years from the date of grant • The Committee reviews and approves the measures and targets at the start of each year in line with the business strategy at the time • Financial metrics will comprise at least three-quarters of bonus opportunity. Current financial metrics include revenue and a measure of profit but other measures may be included, as appropriate • In addition to these financial metrics, a minority of the annual incentive payment may be subject to clearly defined personal objectives • None of the annual incentive payment is pensionable • Clawback provisions are included in the DSIP • Dividends accrue on vested DSIP awards	• Maximum: 180% of salary for exceptional performance • For financial metrics, the bonus starts to pay out at threshold levels of performance

LONG TERM INCENTIVE PLAN ('LTIP')

Purpose and link to strategy	Operation and performance measures	Maximum opportunity
• To incentivise and reward for the creation of medium to long-term shareholder value • Align the interests of senior executives with those of shareholders • A vehicle which enables Executives to increase their shareholding in the Company	• Annual grant of nil-cost options, vesting after three years subject to continued service and the achievement of performance conditions • The performance measures and targets are reviewed on an annual basis by the Committee • Performance measures may include some element of relative Total Shareholder Return (TSR), EPS or Revenue growth • Alternative or additional measures which are linked to the Company's overall medium to long-term strategy may be used and the Committee retains the discretion to alter the weightings of performance metrics for awards during the life of this Policy • Clawback provisions are included which permit the Company to claw back awards within two years of an award vesting for reasons of a miscalculation resulting in higher vesting than should have occurred, material misstatement or gross misconduct resulting in cessation of employment • Dividends may be paid on any vested shares	• LTIP awards with a face value of not more than 300% of salary • Up to 25% of the maximum for each element may vest for threshold performance

NON-EXECUTIVE DIRECTOR FEES

Purpose and link to strategy	Operation and performance measures	Maximum opportunity
• Attract and retain individuals with the relevant skills and experience to complement the Board • Take into account the expected time commitments, scope and responsibilities of the role	• Remuneration for Non-Executive Directors, other than the Chairman, is determined by the Board, on the recommendation of the Executive Directors • The Chairman's fee is determined and recommended to the Board by the Remuneration Committee • Fees are reviewed annually and any increase is effective from 1 July • Remuneration for Non-Executive Directors, other than the Chairman, comprises a basic annual fee for acting as Non-Executive Director of the Company and additional fees for the Senior Independent Director, and chairmanship of the Audit and Remuneration Committees	• Fee increases may be greater than those offered to wider employees (in percentage terms), reflecting that they may only be offered on a periodic basis or reflect additional responsibilities and/or time commitments

ALL-EMPLOYEE SHARE SCHEMES

Purpose and link to strategy	Operation and performance measures	Maximum opportunity
• Offered to all employees, to facilitate share ownership and provide further alignment with shareholders	• The Committee operates Save-As-You-Earn share plans for all employees (in the UK, this is an HMRC approved scheme); the Executive Directors may participate in the plan • Participants will be invited from time to time to save up to the monthly limit set by HMRC (currently £500) over a three year period and use these savings to buy shares in the Group at up to 20% discount to the share price at the start of the savings period	• HMRC set limit (currently £500 per month)

SHARE OWNERSHIP

Purpose and link to strategy	Operation and performance measures	Maximum opportunity
• To align the interests of Directors with those of the Company's shareholders	• There is an expectation for Executive Directors to build up a shareholding of 100% of salary • Executives have five years to build up the expected shareholding	• n/a

Committee discretions relating to variable pay schemes
The Committee will operate the ACIP, DSIP and LTIP according to their respective rules and in accordance with the Listing Rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans.

These include, but are not limited to, the following:

- who participates in the plan;
- the timing of grant of an award and/or payment;
- the size of an award (subject to the maxima set out in the policy table above);
- the determination of vesting;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of a good/bad leaver for incentive plan purposes based on the rules of the plan and the appropriate treatment chosen;
- confirming that the calculation of performance (including any adjustments that were required to be made) is made in an appropriate manner, with due consideration of whether, and if so, how, adjustments should be made for any changes to accounting policy over the performance period. Any adjustments to the performance targets should result in the revised target not being any less challenging than the original target set;
- adjustments required in special circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- the choice of performance measures and targets for a new award under each incentive plan in accordance with the policy set out above.

In relation to both the Annual Bonus and LTIP, the Committee retains the ability to adjust the targets set if events occur – for example, material changes to the Board's assessment of the regulatory environment within which the Group operates, or a material acquisition and/or divestment of a Group business – which cause the Committee to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy. Any use of discretion, beyond the normal operation of the plan, would be justified in the Annual Report on Remuneration and, as appropriate, the subject of consultation with the Company's major shareholders.

The use of discretion in relation to the Company's BETsave Plan will be as permitted under HMRC rules and the Listing Rules.

Past awards
For the avoidance of doubt, in approving the remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors that have been disclosed previously to shareholders, including any joining awards made on recruitment. The joining awards granted to the current Executive Team are disclosed in the Annual Report on Remuneration on page 60.

Any incentive awards which have been granted to employees who may be subsequently promoted to the Board will vest according to their original terms.

Choice of performance measures
The performance metrics that are used for both the Annual Bonus and LTIP have been selected to reflect the Group's overall business strategy and its key performance indicators.

Annual Bonus

The majority of annual performance measures are focused on the achievement of challenging financial metrics. These may include, but are not limited to, revenue and profit generation. Each metric will reflect how well the Group is growing the business.

Measure	Link to strategy
REVENUE	• The use of revenue aligns with our strategic objectives of widening the range of products and services that we offer, attracting new customers, increasing the activity of existing customers, and building our market share in all regions in which we operate.
PROFIT	• The use of a profit based measure, such as EBITDA, alongside revenue helps ensure a balance between growth and profitability. • EBITDA measures the underlying profits generated by the business and whether management is converting growth into profits effectively.
PERSONAL	• Individual objectives measure whether management is delivering against stated key business and personal targets which are linked to the corporate strategy.

In setting financial parameters, the Committee takes into account the Company's internal budgets and, where applicable, investors' expectations. The targets applying to financial measures are based on a sliding scale.

LTIP

For the Company's long-term plans, awards vest subject to delivering against measures which are aligned with the long-term levels of return targeted by the Company which may include relative TSR, EPS and Group Revenue.

Measure	Link to strategy
TOTAL SHAREHOLDER RETURN	• TSR provides a clear alignment between the value created for shareholders and the reward earned by Executives.
EARNINGS PER SHARE	• EPS captures the long-term growth in earnings, which is most closely aligned to the overall financial performance expected by shareholders.
GROUP REVENUE	• Revenue targets ensure top line growth is being generated from new markets and through the widening of our product offering.

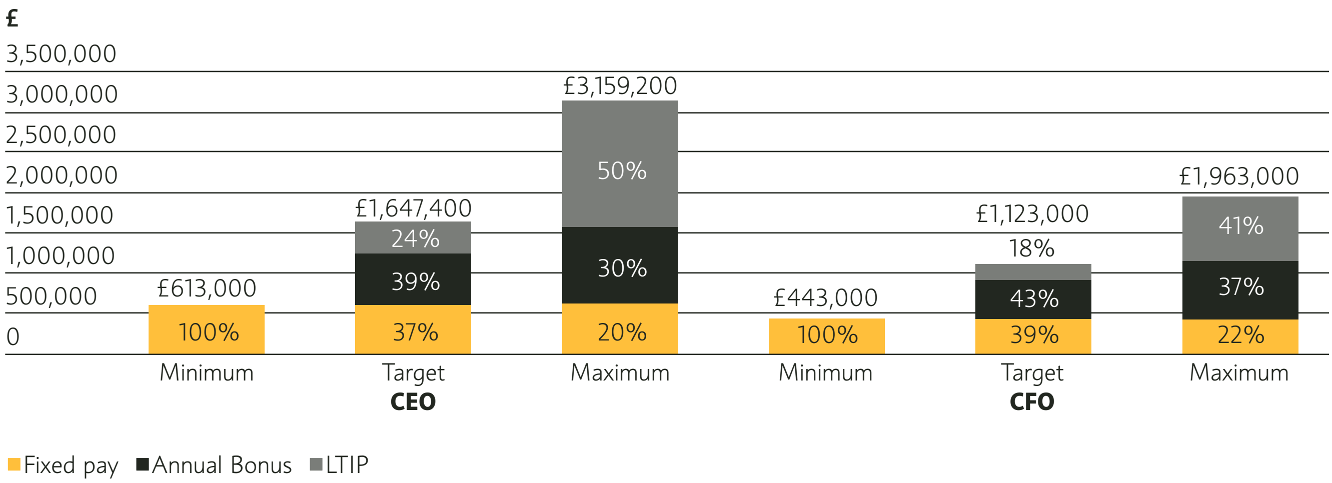
Additional measures which are linked to the business strategy at the time may also be used. Targets are set based on a sliding scale that takes account of internal planning and external market expectations for the Company.

How Executive pay compares to other employees

The Committee receives an overview of the reward structure and quantum applying to the whole employee population on a periodic basis from the HR Director. The information presented is taken into consideration when setting the pay levels of Executive Directors and other senior executives.

At other levels of the Group, employees will receive a remuneration package that is reflective of their role and responsibilities, set by reference to internal relativities and external market data where applicable. Employees at the Executive level will typically have a greater emphasis on performance-related and long-term pay compared to those below this level. Annual incentives may be payable based on performance measures which are suitable to the nature and responsibility of the role.

Illustration of application of remuneration policy



The Company's remuneration policy results in a significant proportion of the remuneration received by Executive Directors being dependent on Company performance. The chart above illustrates how the total pay opportunities for the current Executive Directors vary under three performance scenarios – Minimum, Target and Maximum – in the first year to which the policy applies, i.e. FY15.

Assumptions underlying the scenarios:

- Minimum – comprises fixed pay only which includes base salary as at 1 July 2014, pension allowances in line with the Company's policy and the value of benefits (using historic values for FY14 as a proxy).
- Target – comprises fixed pay plus two-thirds of the maximum payout under the Annual Bonus plan (120% of salary), and 25% of the LTIP vesting (75% and 50% of salary for the CEO and CFO respectively).
- Maximum – comprises fixed pay plus 100% of the maximum payout under the Annual Bonus plan (180% of salary) and 100% of the LTIP vesting (300% and 200% of salary for the CEO and CFO respectively).
- No share price appreciation has been used and all-employee share plan awards have been excluded.

In respect of Target performance, the chart reflects the position for the first financial year for which this policy applies for the current Executive Directors. The Committee retains the flexibility to adjust the calibration of performance with incentive plan payouts at Threshold, Target and Maximum levels subject to any constraints set out in the Policy Table.

Service agreements and loss of office

The Executive Directors have service contracts that can be terminated by either party on the giving of 12 months' notice. There is no entitlement to the payment of a predetermined amount on termination of employment in any circumstances.

The Executive Directors' service agreements contain provisions for payment in lieu of notice of 12 months' salary at the Company's discretion. The Company may choose to make any payment in monthly instalments. If an Executive finds alternative relevant employment subject to a minimum level of salary being earned, the amount of any monthly payments in lieu of notice will be reduced accordingly.

There are no enhanced provisions on a change of control. If the Executive's employment is terminated for reasons of misconduct or breach of contract no payments will be made, other than any amounts due at the date of termination. Any statutory entitlements or sums to settle or compromise claims in connection with the termination would be paid as necessary.

The service contract of any new appointment would be based on similar terms.

No annual incentive is payable if a Director ceases employment or is under notice of termination of employment prior to the date that the bonus is due to be paid. However, in certain good leaver situations such as death, ill-health, redundancy, retirement with the agreement of the employer or for any other reason at the Committee's discretion, a pro-rata bonus may be payable (unless the Committee determines that no deduction should apply), and subject to the achievement of the performance conditions.

The conditions covering loss of office payments are as set out in the individual plan rules of the DSIP and the LTIP.

In summary, under the DSIP rules, unvested deferred bonus awards vest in full for death, redundancy, ill-health and retirement (with the agreement of the employer). For any other circumstances, any outstanding awards will lapse on the date of cessation.

Under the LTIP rules, if an Executive ceases employment due to death, retirement at contractual retirement age (or earlier with the consent of the Remuneration Committee), redundancy, ill-health or permanent disability, or any other reason at the Committee's discretion, the awards may vest at the normal vesting date or upon cessation subject to the performance conditions being achieved at either date, on a pro-rata basis to reflect the unexpired proportion of the performance or vesting period. The Committee may decide not to pro-rate if it decides it is appropriate to do so.

The restricted shares granted to Breon Corcoran on his appointment will normally lapse on cessation of employment. However, if the Executive ceases employment for reasons of death, retirement, injury or disability or any other reason at the Committee's discretion, the awards shall vest on the date of cessation and a pro-rata reduction shall be applied to reflect the early vesting. The Committee may, if it feels it is inappropriate to apply a pro-rata reduction, decide not to do so.

The performance-related joining awards granted to Breon Corcoran on his appointment, mirror the cessation terms set out in the LTIP rules.

Executive Directors	Commencement date	Expiry date	Termination payment	Remuneration entitlements	Compensation on termination following a change of control
Breon Corcoran	1 August 2012	Terminable on 12 months' notice	Base salary	No specific entitlements, and performance targets would be used to determine any amount paid	No additional provisions
Alexander Gersh	3 December 2012				

The Executive Directors' service agreements and letters of engagement for Non-Executive Directors will be available for inspection at the AGM.

Chairman and other Non-Executive Directors
All Non-Executive Directors' services are provided for under the terms of a letter of appointment with the Group, and are subject to annual re-election with one month's notice by either party (except for the Chairman with three months' notice by either party). The appointment letters for the Chairman and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses. Details of the terms of the appointment of the current Non-Executive Directors are as follows:

Non-Executive Director	Start of current term*	Expiry of current term
Ian Dyson	6 October 2013	5 October 2016
Gerald Corbett	3 January 2012	2 January 2015
Peter Jackson	24 April 2013	23 April 2016
Zillah Byng-Maddick	5 September 2013	4 September 2016
Leo Quinn	5 March 2014	4 March 2017
Peter Rigby	1 April 2014	31 March 2017

* Please see Non-Executive Directors' profiles for total service on page 37.

Recruitment remuneration
The base salary for a new appointment will be set taking into account the skills and experience of the individual, internal relativities and the market rate for the role as identified by any relevant benchmarking of companies of a comparable size and complexity. If it is considered appropriate to set the salary for a new Executive Director at a level which is below market (for example, to allow them to gain experience in the role) their salary may be increased to achieve the desired market positioning by way of a series of phased above inflation increases. Any increases will be subject to the individual's continued development in the role.

The remuneration package for a new Executive Director would be set in accordance with the limits contained in the Company's approved remuneration policy at the time of appointment. The annual incentive plan will be operated, as set out above for current Executives, albeit with any payment pro-rata for the period of employment and with the flexibility to use different performance measures and targets, depending on the timing and nature of the appointment.

Additionally in the case of any Executive Director being recruited overseas, or being recruited by the Company to relocate overseas to perform his duties, the Committee may offer expatriate benefits on an ongoing basis.

The Committee may also approve the payment of one-off relocation-related expenses and legal fees incurred by the individual.

In addition, the Committee may offer cash and/or share-based elements to compensate an individual for remuneration which would be forfeited on leaving a former employer, when it considers these to be in the best interests of the Company (and therefore shareholders). Such payments would take account of remuneration relinquished and would mirror (as far as possible) the delivery mechanism, time horizons and performance requirement attached to that remuneration. Where possible this will be facilitated through the Company's existing share plans, but if not the Committee may use the provisions of 9.4.2 of the Listing Rules.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its original terms stipulated on grant or adjusted as considered desirable to reflect the new role.

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

External directorships
After the first anniversary of appointment, an Executive Director may take up an external Non-Executive Director position with the agreement of the Board. Fees paid for external appointments may be retained by the individual concerned.

Consideration of employee views
Whilst the Committee has not formally consulted directly with employees on matters of Executive pay, it does receive periodic updates from the HR Director on the overall remuneration structures and policies for all employees, and uses these as broad context when setting the policy for Executive Directors.

Consideration of shareholder views
The Committee maintains an open and transparent dialogue with shareholders and takes an active interest in voting outcomes. Feedback received from shareholders, at the AGM and any other meetings during the year, is considered by the Committee on a timely basis. Any material changes to the remuneration policy will be the subject of prior consultation with our major shareholders and institutional investor bodies as required.

DIRECTORS' REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules. The Annual Remuneration Report (together with the Chairman's Annual Statement) will be put to an advisory shareholder vote at the 2014 AGM. The information on pages 59 to 67 has been audited where stated.

The Remuneration Committee

The Remuneration Committee currently comprises four independent Non-Executive Directors, in compliance with the Code. The Remuneration Committee is chaired by Leo Quinn, and its other members are Ian Dyson, Peter Jackson and Peter Rigby. Mike McTighe chaired the Committee until 31 March 2014 and Fru Hazlitt was a member of the Committee until 31 March 2014. Biographies of the Committee members can be found on page 37. The Committee meets at least twice each year, and during the year under review met on six occasions. Each member's attendance at these meetings is set out in the Corporate Governance report on page 40.

Advice provided to the Committee

The Committee received material assistance and advice from the Chairman, CEO and the Group HR Director, although no individual is present for decisions relating to their personal remuneration.

The Committee appointed and has been advised during the year by New Bridge Street (NBS). NBS is a separate subsidiary of the Group's insurance broker Aon plc (and it does not provide any other services to the Company). NBS is a founder signatory to the Remuneration Consulting Group's Code of Conduct and its total fees in relation to Remuneration Committee advice during the year were £66,491. The Committee considers that NBS is independent.

The following table sets out the major issues covered by the Committee over the course of the year.

MAY 2013

- Review of 2010 LTIP vesting outcome
- Consideration of performance measures for FY14 Annual Bonus
- Performance measures for new LTIP awards

JUNE 2013

- Determination of FY13 Annual Bonus – ACIP and DSIP award grants
- Approval of Annual Bonus targets for FY14
- Approval of 2013 LTIP performance targets and award levels
- Share vestings
- Review draft of Remuneration Report
- Annual salary review
- Share dilution and trust purchases review

NOVEMBER 2013

- Ratification of share awards and new hires
- Consideration of new remuneration reporting legislation

JANUARY 2014

- Updated Remuneration Committee terms of reference
- Proposed new Remuneration Report format
- Consideration of adjustments to 2011 LTIP targets

MARCH 2014

- Approval of new Committee terms of reference
- Review of market trends in remuneration and update on governance
- Initial consideration of Annual Bonus structure for FY15
- Update on performance for outstanding LTIP awards

APRIL 2014

- FY14 Annual Bonus forecast
- Save-As-You-Earn proposal
- Updated draft of the Remuneration Report – policy and implementation

Single total figure of remuneration for each Director (audited)

	Salary & fees		Benefits[1]		Annual Bonus (value of ACIP and DSIP)		Long-term incentives[2]		Pension[3]		Joining awards[4]		Total	
£'000	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13
Executive Directors														
Breon Corcoran	515	386	3	142	681	464	–	–	77	58	–	2,688	1,276	3,738
Alex Gersh	400	167	3	3	529	181	–	–	40	13	–	–	972	364
Chairman														
Gerald Corbett	250	250	–	–	–	–	–	–	–	–	–	–	250	250
Non-Executive Directors[5]														
Mike McTighe[7]	64	70	–	–	–	–	–	–	–	–	–	–	64	70
Ian Dyson	66	65	–	–	–	–	–	–	–	–	–	–	66	65
Josh Hannah[6]	41	50	–	–	–	–	–	–	–	–	–	–	41	50
Fru Hazlitt[7]	46	50	–	–	–	–	–	–	–	–	–	–	46	50
Peter Jackson	50	1	–	–	–	–	–	–	–	–	–	–	50	1
Zillah Byng-Maddick[8]	33	–	–	–	–	–	–	–	–	–	–	–	33	–
Peter Rigby[9]	4	–	–	–	–	–	–	–	–	–	–	–	4	–
Leo Quinn[10]	9	–	–	–	–	–	–	–	–	–	–	–	9	–

1 Benefits include the value of life assurance, private medical care, income protection and critical illness cover. In the case of Breon Corcoran, his FY13 figure included a value of £139,168 relating to assistance that was provided to facilitate his recruitment from Ireland, as disclosed in last year's Remuneration Report.
2 There were no long-term incentives with performance periods ending in the year. The first performance-related awards will be the awards granted to Breon Corcoran and Alex Gersh which have a performance period ending on 30 April 2015.
3 The pension for Breon Corcoran is the value of the cash paid to him in lieu of contributions and for Alex Gersh is the value of the contribution paid into the Company pension scheme.
4 As disclosed in previous remuneration reports, Breon Corcoran received 350,000 restricted shares on 1 August 2012 to facilitate his recruitment from a major competitor organisation and to recognise and partly compensate for awards being forfeited upon leaving his previous employer. The awards vest in thirds on each of the first, second and third anniversaries of grant (1 August 2012). The full value of the awards at the grant price is shown.
5 Remuneration for Non-Executive Directors, other than the Chairman, comprised a basic annual fee of £50,000 for acting as Non-Executive Director of the Company and additional fees of £10,000 for holding the position of Senior Independent Director and £15,000 and £10,000 for chairing the Audit and Remuneration Committees respectively. Pro-rata fees were paid for Directors who joined or left during the year.
6 Josh Hannah retired from the Board on 22 January 2014.
7 Mike McTighe and Fru Hazlitt retired from the Board on 31 March 2014.
8 Zillah Byng-Maddick was appointed Non-Executive Director on 5 September 2013.
9 Peter Rigby was appointed Non-Executive Director on 1 April 2014.
10 Leo Quinn was appointed Non-Executive Director on 5 March 2014.

Determination of FY14 Annual Bonus (audited)

Annual Bonuses were determined with reference to performance over the financial year ending 30 April 2014. The performance measures and targets are set out below:

Element	Weighting	Opportunity (% of salary)	Threshold	Target	Maximum	Actual	Breon Corcoran award level	Alex Gersh award level
Revenue	53%	96%	£352.8m	£392.0m	£450.8m	£393.6m	64.87%	64.87%
EBITDA	36%	64%	£78.3m	£87.0m	£100.0m	£91.1m	49.39%	49.39%
Personal	11%	20%		See below			18.00%	18.00%
Total	100%	180%					132.26%	132.26%

The Company performed well against internal targets for Revenue and EBITDA. A description of the Company's performance is included in the Financial Review on pages 21 to 24.

With regard to the CEO, his personal objectives included, but were not limited to, growing business profitability, focusing on customer acquisition and developing a high performance culture. The CFO's objectives included, but were not limited to, strengthening internal controls and financial processes, and focusing on our investors.

Performance against the objectives is assessed by the Remuneration Committee at the end of the year (with input from the Chairman and CEO as appropriate). In light of performance against the objectives set, the Remuneration Committee awarded bonuses as outlined in the table above.

The resulting bonus is therefore as set out below:

Executive	Total (% of maximum, capped at 100%)	Total £'000	Annual Cash Incentive Plan £'000	Deferred Share Incentive Plan value £'000
Breon Corcoran	73.48%	£681	£454	£227
Alex Gersh	73.48%	£529	£353	£176

The value of the deferred element will be delivered in the form of a DSIP share award that will vest 50% after one year from grant and 50% after two years subject to continued employment. Clawback provisions will apply.

The Committee is satisfied that the Annual Bonus awarded is a fair reflection of the Group's and individual's performance during the year under review.

Long Term Incentive Plan awards vesting in the year (audited)
The current Executive Directors have no LTIP awards with performance periods ending in the year to 30 April 2014. The performance period for the 2011 LTIP scheme ended on 30 April 2014. There are 21 participants with interests in the 2011 LTIP, of whom one, Stephen Morana, was a former Executive Director (until 3 December 2012) but remained an employee until 31 March 2013. As disclosed in last year's report, Stephen Morana was treated as a good leaver and his interests in the 2011 LTIP are disclosed below.

The 2011 awards were subject to performance measures, with 50% based on EPS and 50% on Revenue targets for FY14. In line with the plan documentation, the Committee, at its discretion, has the ability to adjust the targets that were originally set to reflect any material changes in, for example, regulatory outcomes relative to the scenario envisaged when setting the targets and reporting definitions or accounting policies.

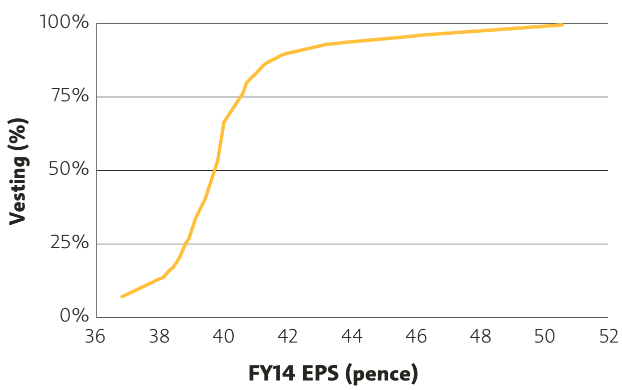
In respect of the targets applying to the 2011 awards, the Committee has used its discretion to adjust the EPS and Revenue targets that were originally set to reflect:

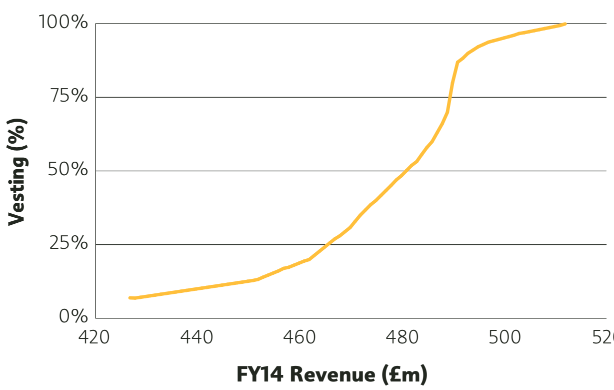
- the decision to exit from Greece due to unacceptable levels of legal risk and to withdraw the Exchange from Germany due to the introduction of a turnover tax;
- the withdrawal of Betfair's Exchange from Spain following new regulations introduced in June 2012;
- changes to the regulatory timetable regarding the introduction of exchanges in Italy; and
- in respect of EPS only, a change to accounting definitions which now deducts IFRS 2 (Share-Based Payment) charges from profit.

The Committee is satisfied that the adjustments are a result of external factors that were unforeseen, outside the control of management and result in targets that are no less or more challenging than the targets that were originally set. The revised targets and performance against them are set out below:

FY14 Revenue		FY14 EPS		% of relevant part of the award that vests
Original	Revised	Original	Revised	
£567.5m	£512.4m	67.9p	50.6p	Maximum – 100%
£540.5m	£488.7m	56.6p	40.0p	Target – 66.7%
£470.2m	£426.7m	51.7p	36.8p	Threshold – 6.7%

For performance between the Threshold, Target and Maximum a curved vesting schedule applied as below:





Based on FY14 Revenue of £393.6m and EPS of 49.0p, 48.33% of Stephen Morana's awards will vest. 16,485 nominal value options and 16,485 market value options (with a £7.62 exercise price) will vest on 1 July 2014, and 5,354 nominal value options will vest on 1 January 2015.

Awards granted during the year

Deferred Share Incentive Plan (audited)

On 5 July 2013 the Committee granted the following awards to Executive Directors in respect of the Annual Bonus for performance in FY13:

Executive	Type of award[1]	Basis of award	Number of shares	Face value[2]	Vesting
Breon Corcoran	Nominal value options	1/3 of bonus awarded (67% of maximum bonus, pro-rated)	17,832	£154,493	50% released after 12 months; 50% after 24 months subject to continued employment only
Alex Gersh	Nominal value options	1/3 of bonus awarded (60% of maximum bonus, pro-rated)	6,980	£60,473	50% released after 12 months; 50% after 24 months subject to continued employment only

1 Nominal value of a share is 0.1 pence and therefore the exercise price is 0.1 pence.
2 Valued using the share price at the date of grant (5 July 2013), being £8.664 per share.

Long Term Incentive Plan (audited)

On 23 July 2013 the Committee granted the following awards to Executive Directors:

Executive	Type of award[1]	Basis of award	Number of shares	Face value[2]	End of performance period	Threshold vesting	Performance measures
Breon Corcoran	Nominal value options	300% of salary	173,668	£1,544,994	30 April 2016	25%	Relative TSR, EPS and Revenue
Alex Gersh	Nominal value options	200% of salary	89,925	£799,995	30 April 2016	25%	Relative TSR, EPS and Revenue

1 Nominal value of a share is 0.1 pence and therefore the exercise price is 0.1 pence.
2 Valued using the share price at the date of grant (23 July 2013), being £8.896 per share.

The above LTIP awards are subject to the following performance conditions measured over a three year performance period commencing 1 May 2013:

EPS condition (50% of award)

Based on the growth in EPS by comparing FY16 EPS with FY13 EPS.

Compound annual EPS growth	Shares vesting (as % of number relating to EPS performance condition)
Less than 13.6% p.a.	Nil
13.6% p.a.	25%
13.6% p.a. to 17.1% p.a.	Between 25% and 100% (on a straight-line basis)
17.1% p.a. or higher	100%

TSR condition (25% of award)

Relative TSR performance comparing Betfair's ranking against the FTSE 250 constituents excluding Investment Trusts.

Relative TSR performance	Shares vesting (as % of number relating to relative TSR performance condition)
Below median of the Group	Nil
At median of the Group	25%
Between median and upper quartile of the Group	Between 25% and 100% (on a straight-line basis)
At the upper quartile of the Group or above	100%

Group Revenue target (25% of award)

Based on FY16 Group Revenue.

Group Revenue	Shares vesting (as % of number relating to Group Revenue performance condition)
Less than £405m	Nil
£405m	25%
£405m to £442m	Between 25% and 100% (on a straight-line basis)
£442m or higher	100%

In addition to the three performance targets detailed above, an underpin will also apply which means that for any awards to vest, the Remuneration Committee must be satisfied that there has been an improvement in the Company's underlying financial performance which reflects the proposed level of vesting under each performance target. These performance targets will be reviewed by the Committee at the end of the three year performance period.

All-employee share plans (audited)

The Company made the following grants under the SAYE scheme during the year:

Executive	Date of grant	Number of options	Exercise price	Market price at grant date	Exercisable from	Expires on
Breon Corcoran	4 October 2013	1,102	£8.167	£9.875	1 November 2016	30 April 2017

The SAYE awards were awarded at a 20% discount to the offer price of £10.208.

Executive Directors – summary of outstanding share awards (audited)

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

Executive	Awards held at 1 May 2013	Granted during the year	Vested/ Exercised during the year	Lapsed during the year	Awards held at 30 April 2014	Exercise price	Market price at grant date	Market price at exercise date	Vest/ Exercisable from	Expires on
Breon Corcoran										
Restricted Share Agreement[1]	350,000	–	116,666	–	233,334	n/a	£7.681	n/a	2nd tranche: 1 August 2014 3rd tranche: 1 August 2015	31 July 2022
Share Option Agreement[2]	500,000	–	–	–	500,000	£0.001	£7.681	–	1 August 2015	31 July 2022
Long Term Incentive Plan[3]	–	173,668	–	–	173,668	£0.001	£8.896	–	23 July 2016	22 July 2023
Deferred Share Incentive Plan	–	17,832	–	–	17,832	£0.001	£8.664	–	50%: 5 July 2014 and 50%: 5 July 2015	4 July 2023
BETsave	–	1,102	–	–	1,102	£8.167	£9.875	–	1 November 2016	30 April 2017
Total	850,000	192,602	116,666	–	925,936	–	–	–	–	–
Alex Gersh										
Long Term Incentive Plan[3]	108,788	–	–	–	108,788	£0.001	£7.354	–	13 December 2015	12 December 2022
Long Term Incentive Plan	–	89,925	–	–	89,925	£0.001	£8.896	–	23 July 2016	22 July 2023
Deferred Share Incentive Plan	–	6,980	–	–	6,980	£0.001	£8.664	–	50%: 5 July 2014 and 50%: 5 July 2015	4 July 2023
Total	108,788	96,905	–	–	205,693	–	–	–	–	–

1 These awards were granted on joining Betfair under provision 9.4.2(R) in the Listing Rules and were issued in the form of conditional awards with no performance conditions attached. The awards vest in three equal tranches on each anniversary following the date of grant, 1 August 2012. The first tranche vested on 1 August 2013 when the share price was £9.209.

2 On joining, Breon Corcoran was granted performance-linked nominal cost options under provision 9.4.2(R) of the Listing Rules. The performance conditions mirror the terms of the 2012 LTIP grant made to other selected Betfair employees earlier that year. 50% of the award is subject to a relative TSR target over a three year period against other listed betting companies. For TSR equal to median of the comparator group, 25% of this element of the award will vest, rising on a straight-line basis to full vesting for upper quartile TSR.
25% of the award is subject to an EPS target over the three year financial period ending 30 April 2015. For EPS of 50.3 pence (7% compound p.a.) 25% of this element of the award will vest, rising on a straight-line basis to full vesting for an EPS of 60.9 pence (14% compound p.a.).
25% of the award is subject to a Core Revenue Target over the three year financial period ending 30 April 2015. For Core Revenue of £405.2m (5% compound p.a.) 25% of this element of the award will vest, rising on a straight-line basis to full vesting for Core Revenue of £498.3m (12.5% compound p.a.).

3 On joining, Alex Gersh was granted awards under the Long Term Incentive Plan. The performance conditions mirror the terms of the 2012 LTIP grant made to other selected Betfair employees earlier that year, as set out for Breon Corcoron above.

Directors' interests in shares (audited)

Details of the Directors' share interests as at 30 April 2014, or at date of cessation of Directorship, are as follows:

		Share awards subject to performance conditions	Share awards subject to continued employment only				
Executive	Beneficially owned	Outstanding LTIP awards	Unvested restricted shares	Outstanding DSIP awards	Outstanding SAYE awards	% shareholding expectation (% of salary/fee)[3]	% actual shareholding (% of salary/fee)[3]
Breon Corcoran	141,666	673,668[1]	233,334	17,832	1,102	100%	268%
Alex Gersh	20,000	198,713[2]	–	6.980	–	100%	49%
Gerald Corbett	20,000	n/a	n/a	n/a	n/a	n/a	n/a
Ian Dyson	8,500	n/a	n/a	n/a	n/a	n/a	n/a
Leo Quinn	994	n/a	n/a	n/a	n/a	n/a	n/a
Peter Jackson	2,500	n/a	n/a	n/a	n/a	n/a	n/a
Zillah Byng-Maddick	2,500	n/a	n/a	n/a	n/a	n/a	n/a
Peter Rigby	–	n/a	n/a	n/a	n/a	n/a	n/a
Fru Hazlitt	16,614	n/a	n/a	n/a	n/a	n/a	n/a
Mike McTighe	6,450	n/a	n/a	n/a	n/a	n/a	n/a
Josh Hannah	562,067	n/a	n/a	n/a	n/a	n/a	n/a

1 Breon Corcoran was granted 500,000 share options on joining under 9.4.2(R) of the Listing Rules. These awards mirror the terms of the 2012 LTIP.
2 Alex Gersh was granted 108,788 awards on joining under the Long Term Incentive Plan. These awards mirror the terms of the 2012 LTIP.
3 There is an expectation for Executive Directors to build a holding equal to their salary over a five year period. The percentage holding is based on beneficially held shares using the share price on 30 April 2014 of £9.745.

Payment to past Directors (audited)

Stephen Morana, the former interim CEO, stepped down from the Board on 3 December 2012 and left employment on 31 March 2013. As set out in last year's report, Stephen Morana was treated as a good leaver under the Company's share schemes, and his awards will vest subject to performance and a time pro-rata reduction.

Payment for loss of office (audited)

No Executive Directors left during the year. Three Non-Executive Directors, Josh Hannah, Mike McTighe and Fru Hazlitt, left during the year and did not receive any payment for loss of office.

Statement of change in pay of CEO compared to other employees

The table below shows the change in the CEO's salary, benefits and Annual Bonus between FY14 and FY13. The same information is shown for continuously employed UK and Ireland employees, comprising the majority of the workforce.

		Percentage change
CEO[1]	Salary	0%
	Benefits[2]	–28%
	Annual Bonus	10%
Average for all continuously employed UK and Ireland employees[3]	Salary	7%
	Benefits	–17%
	Annual Bonus[4]	c27%

1 Remuneration in FY13 has been pro-rated up for full year.
2 The value of benefits fell from £3,990 in FY13 (pro-rated up for a full year) to £2,888 in FY14. The fall reflects a fall in the cost of renewing the insurance benefits.
3 The UK and Ireland employee population covers the majority of the workforce and, in the view of the Committee, is the most appropriate comparator group. The calculation covers employees who were continuously employed for FY14 (1 May 2013 to 30 April 2014).
4 Bonuses for the workforce for FY14 have not been concluded at the time of signing this report and therefore this is an indicative figure.

Relative importance of spend on pay

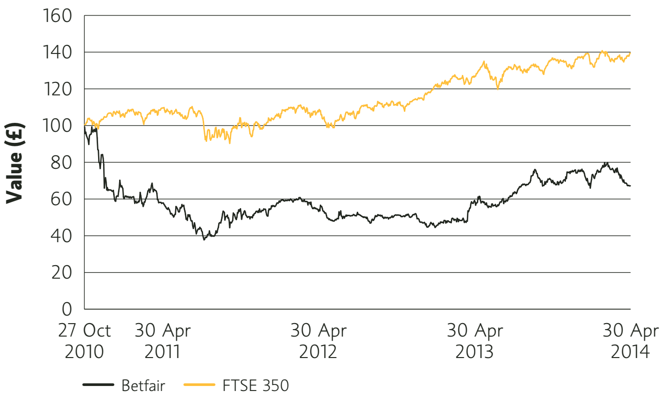
The table below illustrates the change in expenditure by the Company on remuneration paid to all the employees of the Group and distributions to shareholders from the financial year ending 30 April 2013 to the financial year ending 30 April 2014.

	FY14 £m	FY13 £m	Percentage change
Overall expenditure on pay	£103.1[1]	£127.2	–18.9%
Dividend paid and proposed	£20.9[2]	£13.4	56.0%

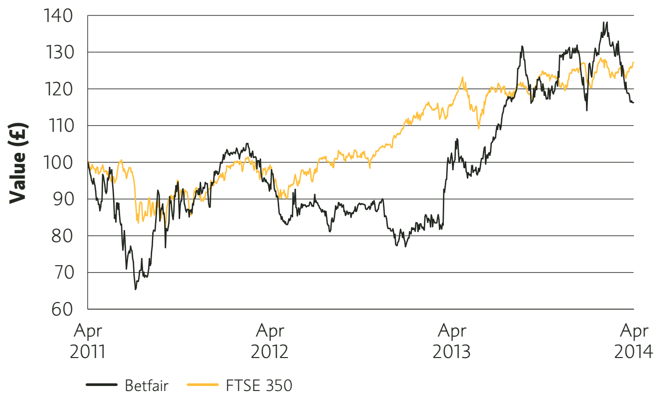
[1] Average headcount during the period of 1,739 was significantly lower than the prior year (FY13: 2,066), with headcount reductions across most areas of the business.
[2] The dividend for FY14 includes the proposed final dividend for the year ended 30 April 2014 of 14.0 pence per share. The estimated dividend to be paid in respect of this amounts to £14.6m. The full year dividend represents 41% of profit after tax, in line with the Company's dividend policy.

Performance graph

The graphs below show Betfair's Total Shareholder Return (share price with dividend reinvested) against the FTSE 350 Index since listing (27 October 2010 and over the three year period to 30 April 2014. They assume a nominal £100 investment in Betfair Group plc and the FTSE 350 Index at the start of their relevant timeframes.



Source: Datastream (Thomson Reuters)



Source: Datastream (Thomson Reuters)

Change in CEO's single total figure of remuneration

	Year ending 30 April			
	FY14	FY13	FY12	FY11
Single figure of remuneration[1] (£'000)	Breon Corcoran – £1,276	Breon Corcoran – £3,738[2] Stephen Morana – £215	Stephen Morana – £291 David Yu – £518	David Yu – £1,628[3]
Annual Bonus (vesting as % of maximum)	73%	BC – 67% SM – 31%	SM – 33% DY – 21%	DY – n/a
LTIP vesting (vesting as % of maximum)[4]	n/a	n/a	n/a	n/a

[1] Breon Corcoran was appointed CEO on 1 August 2012. Stephen Morana was Interim CEO for the period between 1 January 2012 and 31 July 2012. David Yu held the position of CEO prior to 1 January 2012. Information is shown for the full financial years since listing.
[2] This figure includes the face value of restricted share awards that were granted on Breon Corcoran's recruitment.
[3] David Yu's single figure of remuneration includes a cash award on IPO and an award of restricted stock with a combined value of £1,103,405.
[4] There have been no long-term incentive awards with performance periods ending to date for those in the role of CEO.

Voting on the Remuneration Report at the AGM in 2013

Last year's Remuneration Report was approved by shareholders with a 95.38% vote in favour at the AGM held on 5 September 2013.

	2013 AGM	Percentage
Vote for	54,581,393	95.38%
Vote against	2,641,293	4.62%
Total	57,222,686	100%
Votes withheld	2,519,478	n/a

Implementation of remuneration policy for year to 30 April 2015

Salary

For FY15, with effect from 1 July 2014, the Committee approved a 3% increase for the CEO which is in line with the general increase across the workforce. The CFO's salary remains unchanged. The results of the salary review are set out in the table below:

Executive	Salary FY15	Salary FY14	Percentage change
Breon Corcoran	£530,450	£515,000	3%
Alex Gersh	£400,000	£400,000	0%

The Chairman and Non-Executive Director fees remain unchanged from last year. Fees for FY15 are as follows:

FY15 fees	Chairman	Non-Executive Director Basic fee	Senior Independent Director	Audit Committee Chairman	Remuneration Committee Chairman
Fees	£250,000	£50,000	£10,000	£15,000	£10,000

Benefits

Executives will be eligible to receive selected benefits including life insurance, private medical care, income protection and critical illness cover.

Pension

Both the CEO and the CFO are entitled to a defined contribution or cash supplement in lieu of 15% and 10% of salary respectively.

Annual Bonus – Annual Cash Incentive Plan and Deferred Share Incentive Plan

The Annual Bonus will operate in a broadly similar manner to the year ended 30 April 2014. The maximum bonus will remain as 180% of salary, with two-thirds of any bonus payable in cash (ACIP) and the remaining one-third deferred into Group shares (DSIP). Any deferred shares will vest 50% after one year and 50% after two years from the date of grant, subject to continued employment. Dividends may be paid on any vested DSIP shares.

Clawback provisions will apply on DSIP awards for reasons of misstatement, miscalculation or misconduct within two years of the date of grant.

The Committee reviews the performance measures and targets on an annual basis to ensure they remain appropriately aligned to the overall business strategy but do not encourage excessive risk taking.

The performance measures for the FY15 Annual Bonus are as follows:

Element	Weighting	% of salary
Revenue	44.5%	80%
EBITDA	44.5%	80%
Personal	11%	20%
Total	100%	180%

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year, as these include items which the Committee considers commercially sensitive. The Committee intends to provide retrospective disclosure of certain performance measures in next year's Annual Report on Remuneration, to the extent that the Committee determines that the measures are no longer commercially sensitive.

Long Term Incentive Plan
The Committee intends to make an annual award of nil-cost options under the LTIP at 300% of salary for the CEO and 200% of salary for the CFO during FY14. Vested awards will be eligible to receive dividend equivalents and awards will be subject to clawback provisions for reasons of misstatement, miscalculation or misconduct within two years of vesting.

The Committee has reviewed the performance measures and targets for the prospective award and determined that no changes are required to the balance of metrics used for the 2013 award. Therefore, the performance conditions for the 2014 award will be as follows:

EPS condition (50% of award)

EPS for FY17[1]	Shares vesting (as % of number relating to EPS performance condition)
Less than 50.2p	Nil
50.2p	25%
Between 50.2p and 54.9p	Between 25% and 100% (on a straight-line basis)
54.9p or higher	100%

1 New gaming taxes are expected to be introduced in the UK, Ireland and Italy during the Plan period. If these taxes were applicable in FY14, Betfair would have incurred additional costs of c.£36m, significantly reducing EPS for FY14. The EPS target for FY17 reflects a full year of these changes in taxation.

TSR condition (25% of award)
Relative TSR performance comparing Betfair's ranking against the FTSE 250 constituents excluding Investment Trusts:

Relative TSR performance	Shares vesting (as % of number relating to relative TSR performance condition)
Below median of index	Nil
At median of index	25%
Between median and upper quartile of the index	Between 25% and 100% (on a straight-line basis)
At the upper quartile of the index or above	100%

Group Revenue target (25% of award)

Annual Group Revenue for FY17	Shares vesting (as % of number relating to Group Revenue performance condition)
Less than £451m	Nil
£451m	25%
Between £451m and £494m	Between 25% and 100% (on a straight-line basis)
£494m or higher	100%

In addition to the three performance targets detailed above, an underpin will also apply which will enable the Remuneration Committee to change the vesting result based on the above performance targets if it does not consider the Company's underlying financial performance to reflect the proposed level of vesting. These performance targets will be reviewed by the Committee at the end of the three year performance period.

SAYE
Executives will be eligible to participate on the same terms as all other UK employees if an invitation to enter a savings contract is offered during the year.

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

Leo Quinn
Chairman of the Remuneration Committee
11 June 2014

DIRECTORS' REPORT

The Directors present their Report and the audited financial statements for the year ended 30 April 2014.

The Directors' Report should be read in conjunction with the other sections of this Annual Report; the Strategic Report, Corporate Responsibility Report and the Directors' Remuneration Report, all of which are incorporated into this Directors' Report by reference. The following also form part of this report:

- greenhouse gas emissions, set out on page 35;
- the reports on corporate governance set out on pages 36 to 45;
- information relating to financial instruments, as provided in the notes to the financial statements; and
- related party transactions as set out in the notes to the financial statements.

Annual Report and Accounts
The Directors are aware of the responsibilities in respect of the Annual Report. The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Statement of Directors' Responsibilities appears on page 71.

Directors
Details of the Directors as at 30 April 2014 can be found on page 37 and the Board composition and any changes to it throughout the year are detailed in full in the Corporate Governance Statement on page 39.

All of the Directors stand for re-election or (for the three new Directors) election as Directors at the Annual General Meeting (AGM). Further details can be found in the Notice of Meeting which is enclosed with these financial statements.

Articles of Association
The Articles of Association can only be amended by special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing articles at the 2014 AGM.

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

Corporate Governance Statement
The Corporate Governance Statement is made in accordance with DTR 7 and the Corporate Governance Code as issued by the Financial Reporting Council in 2010 and 2012.

Employees
The responsibility for formulating, implementing and ensuring adherence to employment policies and relevant legislation falls under the remit of Human Resources. The Group fully supports the principle of equal opportunity for all employees and opposes all forms of discrimination and has policies to ensure it meets its legal obligations. It is also Group policy to give full and fair consideration to the recruitment of disabled persons, and to provide such persons with the same training, career development and promotion opportunities as other employees. In the event of employees becoming disabled, every effort is made to ensure that their employment within the Group continues and that appropriate training is provided.

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

Further information can be found on pages 32 and 33 in the Corporate Responsibility Report.

Related party transactions
Internal controls are in place to ensure that any related party transactions involving Directors or their connected persons are carried out on an arm's length basis and are disclosed in the financial statements.

Interim dividend
The Company declared an interim dividend on 3 December 2013 of 6.0 pence (2013: 4.0 pence) per share which was paid on 17 January 2014.

Final dividend
The Company has declared that a final dividend of 14.0 pence (2013: 9.0 pence) per share will be paid in respect of the year ended 30 April 2014. This will be paid on 3 October 2014 to all shareholders on the register on 5 September 2014.

Share capital
The Company has a single class of shares in issue divided into ordinary shares of 0.1 pence each. As at 30 April 2014 the Company's issued share capital was 104,988,330.

The ordinary shares carry the right to the profits of the Company available for distribution and to the return of capital on a winding up of the Company. The ordinary shares carry the right to attend and speak at general meetings of the Company; each share holds the right to one vote. At 30 April 2014 there were no shares held in treasury and the Company's employees share trust held 1,515,096 shares.

Authority to purchase shares
The Company currently has the authority to purchase a maximum of 10,449,371 of its own shares. No purchases were made during the year. This authority will expire at the close of the 2014 AGM.

Major shareholdings

As at 30 April 2014, the Company had been notified, in accordance with DTR Rule 5 of the UK Listing Authority, of the following major shareholdings in the ordinary share capital of the Company:

Shareholder	Number of shares held	Percentage of issued shares
Mr Edward Wray	10,374,602	9.89
Le Peigne SA	9,769,772	9.42
Henderson	5,373,917	5.12
AXA Framlington Investment Managers	5,339,832	5.10
BlackRock	5,316,201	5.08
Kames Capital	5,299,346	5.04
Mr Andrew Black	4,115,344	3.93

The Company has not been notified of any changes to the above shareholdings between 30 April 2014 and the date of this report.

Share transfer restrictions

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

Annual General Meeting

The Notice convening the AGM to be held on 4 September 2014 is contained in a circular sent out to shareholders with this Report. The Notice of Meeting contains full details of the resolutions that will be put to shareholders.

Political donations

At the 2013 AGM, shareholders passed a resolution to authorise the Group to make political donations and/or incur political expenditure (as such terms are defined in sections 362 to 379 of the Companies Act 2006), in each case in amounts not exceeding £50,000 in aggregate. As the authority granted will expire on 4 September 2014, renewal of this authority will be sought at this year's AGM. Further details are available in the Notice of AGM. The definitions of political donations and political expenditure used in the Companies Act 2006 are broad in nature and this authority is sought to ensure that any activities undertaken by the entities within the Group, which could otherwise be construed to fall within these provisions, can be undertaken without inadvertently infringing them.

During the year and the previous year, the Group made no EU political donations.

In accordance with applicable US state and federal laws, the Group has made £28,165 (2013: £76,190) of contributions to support candidates for nomination and/or election to public office. The Group has fully complied with jurisdictional reporting of these contributions and such contributions in the US are accepted normal business practice. Betfair is committed to working with governments in the EU, US and other jurisdictions in which it operates.

Contractual arrangements

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

Significant agreements – change of control provisions

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

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

Going concern, responsibilities and disclosure

The current activities of the Group and those factors likely to affect its future development, together with a description of its financial position, are described in the Strategic Report. Principal risks and uncertainties affecting the Group, and the steps taken to mitigate these risks are described in the Principal Risks and Uncertainties section of the Strategic Report. Critical accounting estimates affecting the carrying values of assets and liabilities of the Group are discussed in note 1 to the financial statements.

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the Directors considered the going concern status for a period in excess of 12 months from the date of signing this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

Auditors
KPMG has instigated an orderly wind-down of KPMG Audit Plc as a result of an internal reorganisation and requested that going forward the audit is instead undertaken by KPMG LLP (an intermediate parent of KPMG Audit Plc). KPMG Audit Plc will not therefore be seeking reappointment as auditor of the Company and, in accordance with the Companies Act 2006, a resolution proposing the appointment of KPMG LLP as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed at the 2014 AGM.

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

By order of the Board

Alexander Gersh
Director

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

Registered number 6489716

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Parent financial statements in accordance with applicable law and regulations.

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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

Responsibility statement of the Directors in respect of the Annual Report

Each of the Directors, whose names and functions are listed on page 37 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Management Report, which comprises the Strategic Report and the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board of Betfair Group plc

Alexander Gersh
Director

Compliance statement

This review has been prepared in accordance with section 417 of the Companies Act 2006. The review's intent is to provide information to shareholders and stakeholders. It should not be relied upon by any other party or for any other purpose.

Where this review contains forward-looking statements, these are made in good faith based on the information available at the time of this report. These statements should be treated with caution due to the inherent uncertainties underlying any such forward-looking information.

Other information

Additional financial and non-financial information, including press releases, can be accessed on our website, corporate.betfair.com.

FINANCIAL CONTENTS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BETFAIR GROUP PLC ONLY

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Betfair Group plc for the year ended 30 April 2014 set out on pages 75 to 119. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

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

Revenue recognition (£393.6m)

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

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

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

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

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

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

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

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

Valuation of tax provisions

Refer to page 44 (Report of the Audit Committee) and page 87 (Accounting policies).

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

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

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

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

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

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

Audits for Group reporting purposes were performed by component auditors in Malta and Australia. The Group audit team performed the audit over Betfair Group, including consolidation type adjustments in the UK, and the Group audit team also performed reviews over Betfair US (TVG) and Betfair Italy. These Group procedures covered 88% of Group revenue, 92% of Group profit before tax and 82% of Group assets.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component at £3.0m.

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

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

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 38 to 68 of the Annual Report and Accounts with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

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

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

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

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

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

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 71, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2014

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

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

Underlying EBITDA is defined as EBITDA before separately disclosed items.

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

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

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

CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2014

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

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

Breon Corcoran
Chief Executive Officer

Alexander Gersh
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2014
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

* Employee Benefit Trust is defined as EBT.

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

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

NOTES
(FORMING PART OF THE FINANCIAL STATEMENTS)

1 Accounting policies

Reporting entity

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

The consolidated financial statements of the Company as at and for the year ended 30 April 2014 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in jointly controlled entities. The Group is involved in the provision of betting services and online gaming products. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The consolidated financial statements of the Group for the year ended 30 April 2014 were authorised for issue in accordance with a resolution of the Directors on 11 June 2014.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union. The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP; these are presented on pages 116 to 118.

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

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

Going concern

The Group has considerable financial resources. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and therefore they continue to adopt the going concern basis in the consolidated financial statements. Further detail is contained in the Directors' Report on page 69.

Functional currency and presentation currency

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

Changes in accounting policy

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

IFRS 13 'Fair Value Measurement'

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

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

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that may be reclassified to profit or loss in the future from those that would never be so reclassified. Comparative information has been re-presented accordingly. The adoption of the Amendments to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

The new standards and interpretations did not have a material impact on the results or the financial position of the Group as at 30 April 2014 or on any disclosures.

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

Basis of consolidation

Business combinations

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

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

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

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

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

(i) Subsidiaries

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

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

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

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

(iii) Acquisition of non-controlling interests

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

Transactions eliminated on consolidation

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

Foreign currency transactions

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

Foreign operations

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

1 Accounting policies continued

Foreign operations continued

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

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

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

Value of £1	Assets and liabilities (Closing rates)	Income and expenses (Cumulative average rates)
Euro	1.22	1.19
US Dollar	1.68	1.60
Australian Dollar	1.82	1.74
Romanian Lei	5.41	5.30

Discontinued operations

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

Restructuring costs

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

Available-for-sale financial assets

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

On an annual basis the available-for-sale financial assets are reviewed and re-measured on a fair value basis if the fair value is significantly different to the value previously recorded and where the fair value of the unlisted equity shares can be reliably measured.

Financial instruments

(i) Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

(ii) Non-derivative financial instruments

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

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

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

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

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

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

(iii) Other

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

(iv) Derivative financial instruments

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

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

Share capital

(i) Ordinary shares

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

(ii) Repurchase of share capital (treasury shares)

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

Earnings per share

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

Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Depreciation

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

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

Freehold buildings – 50 years
Leasehold improvements – Over the term of the lease or the useful economic life of the asset, if shorter
Plant and machinery – 10 years
Equipment, fixtures and fittings – 3 to 5 years

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

Goodwill and other intangible assets

(i) Goodwill

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

1 Accounting policies continued

Goodwill and other intangible assets continued

Acquisitions on or after 1 May 2007

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

Acquisitions prior to 1 May 2007

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

Subsequent measurement

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

(ii) Internally generated goodwill and brands

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

(iii) Research and development

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

Expenditure on development activities is recognised as an internally generated intangible asset only when the necessary criteria are met; including demonstrating the technical feasibility of the product and having sufficient certainty over the future revenue or cost savings that will be generated from the product.

The qualifying expenditure capitalised represents costs directly attributable to the development of the asset. This expenditure is capitalised from the point at which the above criteria are met up to the point at which the asset is available for use. If the criteria are not met the expenditure is recognised in the income statement as an expense in the period in which it is incurred.

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

(iv) Other intangible assets

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

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

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

(v) Amortisation

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

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

Impairment

(i) Financial assets

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

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

All impairment losses are recognised in the income statement.

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

(ii) Non-financial assets

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

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

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

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

Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

(iii) Share-based payment transactions

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

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

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

Restricted share scheme

The Group provides a restricted share scheme as part of its bonus plan. Awards made under the terms of the restricted share scheme until 2011 represent a conditional right to receive shares in the Company provided that certain Group and individual performance criteria are met. Restricted shares are valued with reference to the market value of the shares on the date of grant.

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

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

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

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

1 Accounting policies continued

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

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

- The LTIP entitles recipients to share options and restricted share rewards based on meeting the Group and individual performance criteria over a three year period.
- The DSIP provides for one-third of any annual incentive payment (determined under the Annual Cash Incentive Plan) to be paid in deferred shares. Any such deferred element granted under the DSIP will vest 50% after 1 year and 50% after 2 years from the date of grant. Clawback provisions are included and dividends accrue on vested DSIP awards.
- The previous STIP and MIP structures had both cash and share elements. The cash element was two-thirds of the award; the remaining one-third was paid in deferred shares.

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

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

The long-term SEIP was approved by the Board on 16 October 2007. The plan provides for certain senior management and Directors to be granted one-off awards consisting of a cash and restricted shares element. The scheme came into effect upon the admission of the Group's shares on the London Stock Exchange.

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

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

Stakeholder award scheme

During 2011, the Group issued 309,280 restricted shares and 26,829 phantom shares to the employees of the Group as part of the new Stakeholder award scheme. The scheme relates to the individual employees' performance during the financial year ended 30 April 2010 for which a cash bonus accrual had been recognised. Subsequent to the year ended 30 April 2010 the reward was settled by the issue of equity instruments.

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

Revenue

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

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

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

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

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

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

Expenses

(i) Cost of sales

Cost of sales principally comprises betting and gaming taxes, customer payment transaction fees, sporting levies and other data rights charges.

(ii) Operating lease payments

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

Finance income and expense

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

Finance expenses comprise changes in the fair value of financial assets at fair value through profit or loss.

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

Tax

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

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

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

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

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

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

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

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

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

Operating segments

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

Segment information is based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker ('CODM') in order to assess each segment's performance and to allocate resources. The CODM is the Executive Committee who monitors the financial and operational performance of the Group and allocates resources within the budgets agreed by the Board.

Leases

Under accounting standards there is a requirement for management to examine the buildings element within each property lease to determine if the lease meets the definition of a finance lease and, if so, it should be accounted for as such. This review involves determining the fair value of each property at the inception of the lease and analysing the minimum lease payments between their 'land' and 'buildings' elements. Based on management's review of leases for the years ended 30 April 2014 and 2013, all premises leases qualify as operating leases.

Separately disclosed items

Separately disclosed items are those items included within operating profit that the Group considers to be non-recurring or material in nature that should be brought to the reader's attention in understanding the Group's financial performance.

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

1 Accounting policies continued

Accounting estimates and judgements

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

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

Estimates

Note 8 – Income tax

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

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

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

Note 14 – Deferred tax

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

Note 20 – Measurement of share-based payments

Estimation and judgement is required in determining the fair value of shares at the date of award. The fair value is estimated using valuation techniques which take into account the award's term, the risk-free interest rate and the expected volatility of the market price of shares of the Group.

Judgements

Note 1 – Basis of consolidation

Judgement is applied when determining if an acquired entity is controlled by the Group, and whether the acquired entity meets the criteria to be defined as a subsidiary. Control is presumed to exist when the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. However, if the Group owns half or less of the voting power of an entity, control may still exist. In assessing control, the Group considers whether it has the ability to control on a legal or contractual basis rather than whether that control is actually exercised.

Note 5 – Separately disclosed items

Judgement has been used by management to identify items that are material in size and unusual or infrequent in nature. Separately disclosed items are those items included within operating profit that the Group considers to be non-recurring or material in nature that should be brought to the reader's attention in understanding the Group's financial performance.

Valuation of tax provisions

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

Business combinations

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

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

- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 14 'Regulatory Deferral Accounts'
- revision to IAS 27 'Separate Financial Statements'
- revision to IAS 28 'Investments in Associates and Joint Ventures'
- amendments to IFRS 10, IFRS 11 and IFRS 12, 'Consolidated Financial Statements', 'Joint Arrangements' and 'Disclosure of Interests in Other Entities: Transition Guidance'
- amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities'
- amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'
- amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'
- amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'.

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

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

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

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

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

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

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

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

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

2 Operating segments continued

The results of the Australian joint venture are consolidated in the Group accounts on an equity accounting basis. As such only the net assets and the share of profits/(losses) are presented in the operating segment note below. If proportional consolidation was applied the Group's share of the Australian joint venture would have increased revenue by £15.4m (30 April 2013: £18.0m) and decreased EBITDA by £0.1m (30 April 2013: increase of £2.1m).

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

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

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

- UK
- Rest of World.

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

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

Year ended 30 April 2014

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

Year ended 30 April 2013

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

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

Year ended 30 April 2014

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

Year ended 30 April 2013

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

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

3 Profit/(loss) before tax

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

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

Auditors' remuneration:

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

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

4 Employee numbers and costs

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

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

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

The aggregate payroll costs of these persons were as follows:

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

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

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

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

5 Separately disclosed items

Separately disclosed items are those items included within operating profit that the Group considers to be non-recurring or material in nature that should be brought to the reader's attention in understanding the Group's financial performance.

Restructuring and other

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

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

Impairment of goodwill and other intangible assets

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

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

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

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

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

7 Finance income and expense

Recognised in income statement

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

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

8 Tax

Recognised in the income statement

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

Reconciliation of effective tax rate

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

Tax recognised directly in equity

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

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

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

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

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

9 Earnings per share

Basic earnings per share

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

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

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

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

Diluted earnings per share

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

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

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

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

Weighted average number of shares (diluted)

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

The average market value of the Company's shares of £9.89 (2013: £7.33) was used to calculate the dilutive effect of share options based on the market value for the year that the options were outstanding.

10 Property, plant and equipment

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

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

11 Goodwill and other intangible assets

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

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

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

The remaining other intangibles represent assets purchased as part of the TVG Network acquisition (being brand, customer lists and broadcasting and wagering technologies) and the customer database purchased as part of the Blue Square Bet acquisition in March 2013. These are amortised over their estimated useful economic lives which fall between two to six years.

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

11 Goodwill and other intangible assets continued

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

Goodwill

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

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

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

Impairment testing

Goodwill

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

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

Testing is carried out by allocating the carrying value of these assets to CGUs and determining the recoverable amounts of those CGUs through value in use calculations. The calculation is based on projecting future pre-tax cash flows over a five year period and uses a terminal value to incorporate expectations of growth thereafter. The terminal value is calculated using a perpetuity model, which reflects the expected long-term average growth rate for the business in which the CGU operates.

The budgets for the next financial year, which are subject to Board approval, form the basis of the cash flow projections for each CGU. Cash flow projections for the next four financial years reflect management's expectations of the medium-term operating performance of the CGUs and growth prospects in each CGU's markets and regions, and have been modelled in line with historic patterns experienced by the Group in recent years, where relevant. Growth rates used do not exceed expectations of long-term growth in the local market.

A discount factor is applied to obtain a 'value in use' which is the recoverable amount, unless the fair value less costs to sell the respective CGU is an amount in excess of the 'value in use'. The discount rate is estimated by the Group using a range of equity costs for similar companies and external market data, with samples chosen where applicable from the same markets or territories as the CGU.

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

(i) Operating cash flow

One of the key drivers of operating cash flow is revenue as the calculation of the recoverable amount of TVG goodwill is sensitive to future developments in US horseracing. The 2015 revenue figures for the CGU are based on the budget for the next financial year. For the years 2016 to 2019, the likely organic growth rates were assessed for each region in the CGU, taking account of past experience, growth prospects in regions and historic player patterns. The terminal growth rate used was nil% (2013: 2.0%). The management consider the assumed growth rate to be very conservative.

(ii) Discount rate applied

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

For the TVG CGU, a pre-tax discount rate of 12.5% (2013: 12.5%) has been used in discounting the projected cash flows for that CGU.

As discussed on page 23, the TVG business performed positively during the financial year. As a result, there are no reasonable changes in the key assumptions that would cause the carrying amount of the CGU to exceed the recoverable amount.

Impairment charges in respect of the year ended 30 April 2013

Goodwill

Impairment charges of £34.6m were recognised in the year ended 30 April 2013 in relation to goodwill. These charges arose as a result of changes to the strategic direction of the business following the appointment of new management.

In prior periods, goodwill was allocated to the following CGUs in line with Group's previous segmental reporting:

- Sports
- Games
- Poker
- TVG.

As a result of the changes in the strategic direction, it was considered necessary to monitor goodwill at a more granular level and therefore the carrying value of goodwill was assessed with reference to the original business that was acquired.

The table below sets out each relevant acquisition, the CGU to which the goodwill was previously assigned, the impairment charge recorded and the new reportable segment following the new organisational structure to which the impairment relates:

Historical acquisition	CGU	Impairment charge 30 April 2013 £m	Reportable segment
Timeform	Sports	6.1	Exchange
Betfair TV	Sports	2.6	Exchange
TSE Development Romania	Games	2.3	Gaming
Poker Champs	Poker	10.0	Gaming
TVG	TVG	13.6	Betfair US

The change in strategic direction of the Group meant that zero or negative cash flows were anticipated in respect of Timeform, Betfair TV, TSE Development Romania and Poker Champs. No discount rate was applied to these cash flows as the impact of any discount rate would be immaterial as the value in use was deemed £nil.

Following regulatory developments in the US, management also undertook a strategic review of the US market and TVG's position within that market. As a result of this review, the TVG CGU was impaired by £13.6m. The key changes to assumptions since the previous impairment test related to an anticipated reduction in operating margins and future growth rates. A pre-tax discount rate of 12.5% was used.

Development expenditure and software

As part of the strategic review conducted in the year ended 30 April 2013, management also performed a detailed review of the carrying value of capitalised development costs. Those projects which were no longer in use as part of the change in the strategic direction were impaired resulting in a charge of £47.0m. This charge included the impairment of the development costs incurred in building the US Exchange (£10.4m) and the LMAX Exchange (£6.2m). The charge in respect of LMAX was included within the loss from discontinued operations as a result of the LMAX sale (see note 27). The remaining £30.4m impairment charge related to specific projects where the anticipated returns no longer supported the carrying value as a result of the change in strategic focus of the business.

Following a review of the carrying value of the Group's software assets, an impairment charge of £5.1m was also recorded in the year ended 30 April 2013 as a result of the change in strategic direction.

12 Investments in subsidiaries, associates and jointly controlled entities

The interest in the Group's joint venture, Betfair Australasia Pty Limited, is as follows:

	2014 £m	2013 £m
Share of net liabilities		
At the beginning of the year	(0.3)	(1.7)
Share of operating (loss)/profit	(1.4)	1.1
Share of interest receivable	0.2	0.3
Foreign exchange differences	0.3	–
At the end of the year	(1.2)	(0.3)
Goodwill		
At the beginning of the year	0.4	0.4
At the end of the year	0.4	0.4
Loan		
At the beginning of the year	7.8	7.5
Foreign exchange differences	(1.5)	0.3
At the end of the year	6.3	7.8
Net book value		
At the beginning of the year	7.9	6.2
At the end of the year	5.5	7.9

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

	2014 £m	2013 £m
Current assets	10.5	16.6
Non-current assets	5.3	4.7
Total liabilities	(9.8)	(13.3)
Revenue	30.9	36.0
Expenses	(31.4)	(34.0)

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

	Country of origin	Principal activity	Classification	Ordinary shares held %
The Sporting Exchange Limited	England	Holding company	Subsidiary	100
Betfair Limited	England	Support services	Subsidiary	100
The Sporting Exchange (Clients) Limited	England	Trust operator	Subsidiary	100
Timeform Limited	England	Publisher	Subsidiary	100
TSE Global Limited	England	Support services	Subsidiary	100
TSE Development Limited	England	Intellectual property licensor	Subsidiary	100
TSE Holdings Limited	England	Holding company	Subsidiary	100
TSE International Ltd	England	Holding company	Subsidiary	100
Winslow One Limited	England	Holding company	Subsidiary	100
Winslow Two	England	Holding company	Subsidiary	100
Winslow Three Limited	Cayman Islands	Investment and holding company	Subsidiary	100
Winslow Four	Cayman Islands	Investment and holding company	Subsidiary	100
TSE (Gibraltar) LP	Gibraltar	Online sports betting	Subsidiary	100
TSE Data Processing Limited	Ireland	Data centre and support services	Subsidiary	100
Polco Limited	Malta	Intellectual property licensor and online sports betting	Subsidiary	100
Betfair Games Limited	Malta	Online gaming	Subsidiary	100
Betfair Casino Limited	Malta	Online gaming	Subsidiary	100
Betfair Counterparty Services Limited	Malta	Online sports betting	Subsidiary	100
Betfair Entertainment Limited	Malta	Online gaming	Subsidiary	100
Betfair International Plc	Malta	Online sports betting and gaming	Subsidiary	100
Betfair Marketing Limited	Malta	Marketing activities	Subsidiary	100
Betfair Holding (Malta) Limited	Malta	Holding company	Subsidiary	100
Betfair Poker Holdings Limited	Malta	Holding company	Subsidiary	100
Betfair Italia S.R.L.	Italy	Online sports betting and gaming	Subsidiary	100
TSE Development Romania S.R.L.	Romania	R&D activities	Subsidiary	100
TSE Services Limited	Gibraltar	Support services	Subsidiary	100
TSE Marketing España	Spain	Marketing activities	Subsidiary	100
The Rebate Company LLC	USA	Online gaming	Subsidiary	100
TSE US Holdings LLC	USA	Holding company	Subsidiary	100
TSE US LLC	USA	R&D activities	Subsidiary	100
ODS Holdings LLC	USA	Holding company	Subsidiary	100
ODS Technologies LP	USA	Online gaming	Subsidiary	100
Trackside Live Productions LLC	USA	Online gaming	Subsidiary	100
ODS Properties Inc	USA	Property holding company	Subsidiary	100
Betfair Interactive US LLC	USA	Online gaming	Subsidiary	100
TSED Unipessoal LDA	Portugal	R&D activities	Subsidiary	100
Tradefair Spreads Limited*	England	Spread betting services	Subsidiary	99.75
London Multi Asset Exchange (Holdings) Limited*	England	Holding company	Subsidiary	99.75
Betfair Pty Limited	Australia	Bookmaking	Joint venture	50
Betfair Development Pty Limited	Australia	Intellectual property licensor	Joint venture	50
Betfair Australasia Pty Limited	Australia	Holding company	Joint venture	50
LMAX Limited	England	Trading	Investment	31.4

* Non-controlling interest of 0.25% exists in relation to Tradefair Spreads Limited and London Multi Asset Exchange (Holdings) Limited. The value of this non-controlling interest was less than £0.1m at 30 April 2014 and 30 April 2013.

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

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

13 Available-for-sale financial assets

At 30 April 2014 and 2013, the available-for-sale financial assets comprised the Group's 9.9% (fully diluted holdings of 8.9%) non-controlling interest in Featurespace Limited (£0.1m) and non-controlling interest in LMAX Limited of 31.4% (£1.2m). The Group does not have significant influence over the operations and decision making of LMAX Limited and does not have any representation on the board. The Group's holding in LMAX Limited decreased from 33% to 31.4% on 5 March 2014 as a result of new share issues by LMAX Limited.

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

	2014 £m	2013 £m
At 1 May	**1.3**	2.1
Disposals	–	(2.0)
Reclassification of remaining shares held in LMAX	–	1.2
At 30 April	**1.3**	1.3

14 Deferred tax assets and liabilities

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

	Assets		**Liabilities**		**Total**	
	2014 £m	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Property, plant and equipment	**5.8**	6.3	–	–	**5.8**	6.3
Intangible assets	–	–	**(4.1)**	(4.3)	**(4.1)**	(4.3)
Equity-settled share-based payments and associated costs	**1.0**	1.2	–	–	**1.0**	1.2
Other	**1.2**	1.9	–	–	**1.2**	1.9
Deferred tax assets/(liabilities)	**8.0**	9.4	**(4.1)**	(4.3)	**3.9**	5.1

The Group has unrecognised deferred tax assets in respect of losses of £8.9m (2013: £12.3m), unrecognised deferred tax assets in respect of depreciation in excess of capital allowances of £0.8m (2013: £1.0m), unrecognised deferred tax assets in respect of share-based payments of £0.6m (2013: £1.9m) and unrecognised deferred tax liabilities in respect of intangible assets of £nil (2013: £0.5m). These have not been recognised on the basis that there is insufficient certainty of there being future taxable profits in those jurisdictions.

Movements in deferred tax are as follows:

	Property, plant and equipment £m	**Intangible assets £m**	**Share-based payments £m**	**Tax value of loss carry-forwards £m**	**Other £m**	**Total £m**
Balance at 1 May 2012	4.1	(12.4)	3.6	1.3	1.4	(2.0)
Adjustment in respect of disposal of discontinued operations	(0.3)	(0.1)	–	–	–	(0.4)
Recognised in income statement	2.5	8.2	(1.5)	(1.3)	0.5	8.4
Recognised in equity	–	–	(0.9)	–	–	(0.9)
Balance at 30 April 2013	**6.3**	**(4.3)**	**1.2**	–	**1.9**	**5.1**
Recognised in income statement	(0.5)	0.2	(0.1)	–	(0.7)	(1.1)
Recognised in equity	–	–	(0.1)	–	–	(0.1)
Balance at 30 April 2014	**5.8**	**(4.1)**	**1.0**	–	**1.2**	**3.9**

15 Trade and other receivables

	2014 £m	2013 £m
Trade receivables	**2.2**	2.2
Other receivables	**5.4**	3.9
Prepayments	**15.4**	12.6
Total	**23.0**	18.7

16 Cash and cash equivalents

	2014 £m	2013 £m
Cash and cash equivalents	**209.8**	168.1

The above cash and cash equivalents include £9.0m (2013: £8.9m) of customer funds that are not held on trust in The Sporting Exchange (Clients) Limited in accordance with local regulations. These customer funds that are not held on trust are matched by liabilities of an equal value as disclosed in note 17. The cash and cash equivalent also includes an additional £0.9m of restricted cash relating to the Group's financial guarantees (2013: £5.1m).

As at 30 April 2014, £269.0m (2013: £284.1m) was held on trust in The Sporting Exchange (Clients) Limited, on behalf of the Group's customers and is equal to the amounts deposited into customer accounts.

17 Trade and other payables

	2014 £m	2013 £m
Trade payables	**8.1**	5.5
Other payables	**21.2**	22.7
Amounts owed to joint ventures	**2.1**	3.2
Other taxation and social security	**4.3**	7.3
Accruals	**76.1**	70.9
Total	**111.8**	109.6

Included in other payables at 30 April 2014 is an amount of £9.0m (2013: £8.9m) in respect of amounts due to customers, representing deposits received and customer winnings which are not held on trust. This is offset by an equivalent amount of customer funds held, which is included in cash and cash equivalents as disclosed in note 16.

18 Provisions

	Redundancy provision £m	Onerous contracts £m	Total £m
Balance at 1 May 2012	–	–	–
Provision accounted for in the year	9.7	1.9	11.6
Current provisions 30 April 2013	**9.7**	**1.9**	**11.6**
Utilised in the period	(9.7)	(1.6)	(11.3)
Reclassification from non-current*	–	0.9	0.9
Current provisions 30 April 2014	**–**	**1.2**	**1.2**
Balance at 1 May 2012	–	–	–
Provision accounted for in the year	–	1.6	1.6
Non-current provisions 30 April 2013	**–**	**1.6**	**1.6**
Reclassification to current*	–	(0.9)	(0.9)
Non-current provisions 30 April 2014	**–**	**0.7**	**0.7**

* Non-current provisions reflect contractual obligations that will be settled more than 12 months after the reporting date. During the period, £0.9m has been reclassified from non-current provisions to current provisions.

The redundancy provision held at 30 April 2013 related to costs incurred as part of restructuring and cost optimisation initiatives. All affected employees have now departed the Group.

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

19 Equity

Share capital

	Ordinary shares	
	2014	2013
	No.	No.
As at 1 May	**104,221,610**	102,328,826
Issued by the Group in relation to:		
Exercised share options and restricted shares	**704,426**	1,864,890
Exercised SAYE options	**62,294**	27,894
Total fully paid, ordinary shares of £0.001 each as at 30 April	**104,988,330**	104,221,610

	2014	2013
	£m	£m
Allotted, called up and fully paid		
104,988,330 ordinary shares of £0.001 each (30 April 2013: 104,221,610)	**0.1**	0.1

During the year, the Group received consideration of £2.2m (30 April 2013: £7.3m) for the exercise of 704,426 (30 April 2013: 1,864,890) share options and restricted shares and £0.3m (30 April 2013: £0.1m) for the exercise of 62,294 (30 April 2013: 27,894) SAYE options, resulting in total consideration from the issue of shares of £2.5m (30 April 2013: £7.4m).

Exercise prices ranged from £0.001 to £10.00.

The Employee Benefit Trust held 1,515,096 ordinary shares in the Company as at 30 April 2014 (30 April 2013: 2,640,497).

The total fully diluted shares as at 30 April 2014 was 107,077,765 (30 April 2013: 107,500,314).

Other reserves

Other reserves mainly comprise tax directly recognised in equity.

Translation reserve

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

20 Share-based payments

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

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

As at 30 April 2014, 2,089,435 share options and restricted shares (2013: 3,278,704) in the capital of the Group remain outstanding and are exercisable up to 30 April 2024.

In accordance with IFRS 2, the Group has recognised an expense in respect of all share-based awards granted after 7 November 2002 that had not vested as at 30 April 2006. The total expense recognised in respect of these schemes was £6.5m (excluding Employers' National Insurance costs) for the year ended 30 April 2014 (30 April 2013: £8.5m). Employers' National Insurance costs amount to £0.8m (30 April 2013: £0.8m).

The fair value of the options (Share option plans and SAYE share option schemes) is determined using the Black-Scholes option pricing model. The expected term used in the model is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The expected dividend yield and volatility was calculated based on the historical yield and historical volatility of the Company since initial listing on the London Stock Exchange.

(a) Share option plans

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

Financial year granted	Outstanding at 1 May 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2004	5,000	–	(5,000)	–	–	0.25 – 2.25	2014
2005	231,545	–	–	(161,242)	70,303	2.17 – 4.50	2015
2006	377,469	–	(3,571)	(198,837)	175,061	4.50	2016
2007	601,538	–	–	(67,050)	534,488	0.001 – 10.00	2017
2008	36,275	–	–	–	36,275	0.001 – 10.00	2018
2009	6,313	–	(1,313)	–	5,000	0.001 – 10.00	2019
2010	13,000	–	–	(3,000)	10,000	0.001 – 10.00	2020
2011	13,062	–	(3,708)	(3,225)	6,129	0.001 – 10.00	2021
2012	61,157	–	(3,107)	(33,855)	24,195	0.001 – 8.71	2022
	1,345,359	–	(16,699)	(467,209)	861,451		

855,014 options were exercisable under this scheme as at 30 April 2014 (2013: 1,293,384).

The weighted average exercise price for share options exercised during the year is £4.77 (2013: £4.35) at a weighted average share price at the date of exercise of £9.51 (2013: £7.58).

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

Financial year options granted	2004 – 2013
Share price at date of grant	£0.40 – £10.00
Exercise price	£0.001 – £10.00
Expected volatility	32.51% – 62.71%
Expected term until exercised	1 – 5 years
Expected dividend yield	Nil – 0.8%
Risk-free interest rate	0.35% – 5.79%

There were no options granted under the share option plan during the year ended 30 April 2014 (2013: 10,036). The weighted average fair value of the awards granted during the year ended 30 April 2013 under the share option plan at the date of grant was £5.05.

The expense recognised in the income statement (excluding Employers' National Insurance costs) was a charge of £nil (2013: credit of £0.1m).

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

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

The Group operates an HMRC approved SAYE share option scheme in which all UK employees and some international employees can participate. Participants save a fixed amount of up to £250 per month for three years and are then able to use these savings to buy shares in the Group at a price fixed at a 20% discount to the market value at the start of the savings period. There are no market conditions associated with the SAYE option grants.

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

20 Share-based payments continued

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

Financial year granted	Outstanding at 1 May 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2010	**22,720**	**–**	**(16,053)**	**(6,667)**	**–**	8.00	2013
2012	**462,544**	**–**	**(135,522)**	**(55,627)**	**271,395**	5.68	2015
2014	**–**	**231,173**	**(20,823)**	**–**	**210,350**	8.17	2017
	485,264	**231,173**	**(172,398)**	**(62,294)**	**481,745**		

The weighted average exercise price for share options exercised during the year is £5.96 (2013: £6.13) at a weighted average share price at the date of exercise of £9.93 (2013: £7.38).

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

Financial year options granted	2014	2010 – 2013
Share price at date of grant	**£10.13**	£2.71 – £10.00
Exercise price	**£8.17**	£2.17 – £8.00
Expected volatility	**33.36%**	40.07% – 54.40%
Expected term until exercised	**3.25 years**	3.25 years
Expected dividend yield	**1.29%**	Nil – 0.69%
Risk-free interest rate	**0.94%**	0.84% – 5.08%

There were 231,173 SAYE options granted during the year ended 30 April 2014 (30 April 2013: nil). The weighted average fair value of the options granted in the year ended 30 April 2014 was £3.40.

The expense recognised in the income statement (excluding Employers' National Insurance costs) was £0.4m (2013: £0.9m).

(c) Restricted shares schemes

The Group provided a restricted shares scheme as part of its bonus plan until 2010. In 2011, the bonus plan was revised with the introduction of the Long Term Incentive Plan, Deferred Share Incentive Plan, Short Term Incentive Plan and Management Incentive Plan. Refer to note 20(d).

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

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

A number of individuals were granted restricted shares in the current and prior periods. These have a range of vesting periods of up to three years from the first day of the award to which they relate and one-third of the shares will vest each year for three years.

Scheme year	Outstanding at 1 May 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2008	**56,449**	**–**	**–**	**(56,449)**	**–**	0.001	2013
2009	**77,561**	**–**	**–**	**(61,658)**	**15,903**	0.001	2014
2012	**202,613**	**–**	**(917)**	**(171,146)**	**30,550**	0.001	2017
2013	**405,053**	**–**	**–**	**(157,194)**	**247,859**	0.001	2018
2014	**–**	**64,727**	**–**	**(833)**	**63,894**	0.001	2019
	741,676	**64,727**	**(917)**	**(447,280)**	**358,206**		

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

The weighted average exercise price for share options exercised during the year was £0.001 (2013: £0.001) at a weighted average share price at the date of exercise of £9.94 (2013: £7.87).

The total expense recognised in the income statement related to the restricted shares (excluding Employers' National Insurance costs) was £1.4m (2013: £2.8m).

The Employers' National Insurance costs amounted to £0.2m (2013: £0.3m).

(d) Long Term Incentive Plan, Deferred Share Incentive Plan, Short Term Incentive Plan and Management Incentive Plan
The following shares were introduced to incentivise and reward for the successful delivery of the short-term and long-term business strategy:

- Long Term Incentive Plan ('LTIP') which consists of share options and restricted share awards;
- Short Term Incentive Plan ('STIP') which consists of cash and restricted share awards;
- Management Incentive Plan ('MIP') which consists of cash and restricted share awards; and
- Deferred Share Incentive Plan ('DSIP') which consists of cash and restricted share awards.

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

Scheme year	Outstanding at 1 May 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2010	3,746	–	(788)	(1,388)	1,570	0.001	2020
2011	4,184	–	(586)	(1,375)	2,223	0.001	2021
2013	143,042	–	(39,762)	(47,532)	55,748	0.001	2023
2014	–	210,857	(21,615)	(22,487)	166,755	0.001	2024
	150,972	210,857	(62,751)	(72,782)	226,296		

The weighted average exercise price for share options exercised during the year was £0.001 (2013: £0.001) at a weighted average share price at the date of exercise of £9.71 (2013: £7.38).

The fair value of the share options in the LTIP scheme is expensed over the three year period that the options vest. No grants were awarded in the current year which included option elements. The following assumptions were used in the Black-Scholes pricing model for options conditionally granted in the year ended 30 April 2012:

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

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

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

An expense of £4.7m for the options and restricted shares has been recognised (excluding Employers' National Insurance costs) which is management's best estimate of the charge in respect of these awards for the current year (2013: £4.3m). The cash element of the scheme has been included in the bonus cash pool for the performance year ended 30 April 2014.

The Employers' National Insurance costs amounted to £0.6m (2013: £0.5m).

(e) Senior Executives' Incentive Plan
The long-term Senior Executives' Incentive Plan ('SEIP') was approved by the Board on 16 October 2007. The plan entailed certain senior management and Directors being granted one-off awards consisting of a cash and restricted shares element. The scheme came into effect upon the admission of the Group's shares on the London Stock Exchange, and the cash was paid on the date of admission to the participants in the scheme. The restricted shares were granted on the date of admission and half will vest on the first anniversary of the listing and the next half on the second anniversary of the listing subject to continued employment.

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

The expense recognised (excluding Employers' National Insurance costs) was £nil (2013: £0.6m). The Employers' National Insurance costs amounted to £nil (2013: £0.1m).

20 Share-based payments continued

(e) Senior Executives' Incentive Plan continued

Scheme year	Outstanding at 1 May 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2011	**462,122**	**–**	**–**	**(335,606)**	**126,516**	0.001	2021

The weighted average exercise price for share options exercised during the year was £0.001 (2013: £0.001) at a weighted average share price at the date of exercise of £9.30 (2013: £7.44).

(f) Stakeholder award scheme

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

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

No expense was incurred in the year ended 30 April 2014 (2013: £nil).

Scheme year	Outstanding at 1 May 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30 April 2014	Exercise price £	Exercisable before
2011	**93,311**	**–**	**(8,561)**	**(49,529)**	**35,221**	0.001	2020

The weighted average exercise price for share options exercised during the year was £0.001 (2013: £0.001) at a weighted average share price at the date of exercise of £9.39 (2013: £7.42).

21 Employee benefits

Defined contribution plans

In August 2008, the Group introduced a defined contribution pension plan available to certain employees. The total expense shown within pension costs disclosed in note 4 relating to this plan in the current year was £1.9m (2013: £2.4m).

22 Financial instruments

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

	Carrying value 2014 £m	**Fair value 2014 £m**	Carrying value 2013 £m	Fair value 2013 £m
Financial assets				
Available-for-sale financial assets				
Available-for-sale financial assets (note 13)	**1.3**	**1.3**	1.3	1.3
Loans and receivables				
Trade and other receivables (note 15)	**7.6**	**7.6**	6.1	6.1
Cash and cash equivalents (note 16)	**209.8**	**209.8**	168.1	168.1
Financial liabilities				
Fair value through the income statement				
Derivative financial liability (note 22(b))	**(0.1)**	**(0.1)**	(0.1)	(0.1)
Liabilities at amortised cost				
Trade and other payables (note 17)	**(29.3)**	**(29.3)**	(28.2)	(28.2)
Amounts owed to joint ventures (note 17)	**(2.1)**	**(2.1)**	(3.2)	(3.2)
Net financial assets	**187.2**	**187.2**	144.0	144.0

(a) Fair values of financial instruments

Available-for-sale financial assets

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade and other payables and amounts owed to joint ventures

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

Derivative financial instruments

Derivative financial instruments comprise sports betting open positions. The fair value of open sports bets at the year end has been calculated using the latest available prices on the Group's own markets on relevant sporting events. The fair value calculation also includes the impact of any exchange hedging activities in relation to these open positions.

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

	Total 2014 £m	**Level 1 2014 £m**	**Level 2 2014 £m**	**Level 3 2014 £m**
Available-for-sale financial asset (note 13)	**1.3**	–	**1.3**	–
Fair value of open bets	**(0.1)**	–	**(0.1)**	–
Net position	**1.2**	–	**1.2**	–

	Total 2013 £m	Level 1 2013 £m	Level 2 2013 £m	Level 3 2013 £m
Available-for-sale financial asset (note 13)	1.3	–	1.3	–
Fair value of open bets	(0.1)	–	(0.1)	–
Net position	1.2	–	1.2	–

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

Level 1 – valued using quoted prices in active markets for identical assets
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

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

The fair value of open bet liabilities are classified as level 2 in the hierarchy using observable inputs other than quoted prices. The principal assumptions relate to anticipated gross win margins on unsettled bets with the fair value determined by future sporting results.

(b) Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management policies and procedures are reviewed regularly and monitored to reflect changes in market conditions and the Group's activities.

The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations surrounding risk management.

The Group has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Market risk including currency risk and interest risk
- Credit risk.

This note presents information about the Group's exposure to the above risks as well as outlining the Group's objectives, policies and processes for managing financial risk and the measurement of capital.

22 Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also spreads its cash reserves across several highly rated banks and investments to mitigate counterparty risks.

The Group performs regular cash flow projections to ensure that it has sufficient cash on demand to meet expected operational expenses for a period of at least 90 days. The Group has no committed lines of credit.

The Group's financial liabilities, including estimated interest payments and excluding the effect of netting agreements summarised in the table below, all have contractual maturities of one year or less as at 30 April 2014.

	Carrying amount	
	2014 £m	2013 £m
Non-derivative financial liabilities		
Trade and other payables (note 17)	**29.3**	28.2
Amounts owed to joint ventures (note 17)	**2.1**	3.2
Derivative financial liabilities		
Open bet liability (within Accruals)	**0.1**	0.1
Total	**31.5**	31.5

The maturity analysis of the financial liabilities is as follows:

30 April 2014

	0–30 days £m	31–60 days £m	61–90 days £m	> 91 days £m	Total £m
Trade and other payables	**28.0**	**0.7**	**0.1**	**0.5**	**29.3**
Derivative financial liability	**0.1**	–	–	–	**0.1**
Amounts owed to joint ventures	**2.1**	–	–	–	**2.1**

30 April 2013

	0–30 days £m	31–60 days £m	61–90 days £m	> 91 days £m	Total £m
Trade and other payables	26.7	0.7	0.3	0.5	28.2
Derivative financial liability	0.1	–	–	–	0.1
Amounts owed to joint ventures	3.2	–	–	–	3.2

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates, will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The management of market risk is performed by the Group under the supervision of the Corporate Risk Committee and according to the guidelines approved by them. The Group will utilise hedges where there is an identified requirement to manage profit or loss volatility.

Foreign currency risk

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

The Group does not normally hedge against these sales and purchases. However, the Group monitors all foreign currency exposures and where appropriate may undertake currency hedging to mitigate the risk of unfavourable foreign exchange movements on specific commitments the Group enters into.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts:

30 April 2014

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

30 April 2013

	GBP £m	EUR £m	USD £m	AUD £m	Other £m	Total £m
Cash and cash equivalents	138.8	15.3	12.1	0.9	1.0	168.1
Trade payables	(4.0)	(1.4)	(0.1)	–	–	(5.5)
Balance sheet exposure	**134.8**	**13.9**	**12.0**	**0.9**	**1.0**	**162.6**

Sensitivity analysis

A 15.0% weakening of Pounds Sterling against the following currencies at 30 April would have increased/(decreased) equity and income statement by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	Equity		Income statement	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Foreign currency				
EUR	**1.2**	(0.2)	**0.9**	2.7
USD	**1.9**	–	**0.2**	2.1
AUD	**–**	–	**0.4**	0.2

A 15.0% strengthening of Pounds Sterling against the following currencies at 30 April 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group has no bank loans and therefore is not exposed to interest rate risk on its liabilities. At the balance sheet date the Group's interest-bearing financial assets were as follows:

	2014 £m	2013 £m
Variable rate instruments		
Financial assets – cash and cash equivalents	**209.8**	168.1

Sensitivity analysis

An increase of 200 and a decrease of 200 basis points in interest rates at the balance sheet date would have increased/(decreased) equity and profit by the amounts shown below. The rationale behind the 2.0% sensitivity analysis is that interest rates in the UK have been low due to the economic climate and any increase or decrease greater than 2.0% is unlikely to occur. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

22 Financial instruments continued

Interest rate risk continued

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis for 2013.

	2014 £m	2013 £m
Profit or loss		
Increase	**3.8**	3.5
Decrease	**(1.1)**	(1.1)

Credit risk

Credit/counterparty risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments.

Group treasury policy and objectives in relation to credit risk is to minimise the likelihood that the Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

The Group limits its exposure to credit risk by only depositing surplus funds on a short-term basis. The ring-fenced customer funds held by the Group in trust are spread across leading banking groups with the main aim of reducing risk as opposed to maximising income.

As of 30 April 2014, the trade receivables balance was £2.2m (2013: £2.2m) of which £1.3m is current and £0.9m is past due. An amount of £0.3m (2013: £0.7m) of the gross trade receivable balance has been provided for.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £217.4m (2013: £174.2m) being the total of the carrying amount of the financial assets excluding equity investments, shown in note 22(a).

Capital management

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 19.

The Group regularly monitors capital on the basis of gross cash (defined as cash and cash equivalents) which was £209.8m at 30 April 2014 (30 April 2013: £168.1m). The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group finances its operations through retained earnings and the management of working capital and has sufficient capital for its needs. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As discussed in the Chairman's Statement on page 4, the Board targets a progressive and sustainable dividend and continues to consider the appropriate payout ratio to be approximately 40% of profit after tax in the medium term.

23 Operating leases

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

	2014 £m	2013 £m
Not later than one year	**5.6**	6.3
Later than one year and not later than five years	**12.9**	14.6
Later than five years	**2.3**	3.5
Total	**20.8**	24.4

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

During the year £5.7m was recognised as an expense in the income statement in respect of operating leases (2013: £8.7m).

24 Capital commitments

Contracted but not provided for in the financial statements:

	2014 £m	2013 £m
Capital	**0.6**	0.2
Marketing	**14.1**	3.3
Total	**14.7**	3.5

25 Related parties

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Betfair Pty Limited

During the year the Group recharged the Australian joint venture, Betfair Pty Limited, the following costs:

- operational costs amounting to £4.6m (2013: £1.5m).

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

- salary and related costs amounting to £nil (2013: £0.3m); and
- operational costs amounting to £2.9m (2013: £2.7m).

The outstanding balance as at 30 April 2014 of loans receivable from the Australian joint venture is £6.3m (2013: £7.8m). The balance is not interest bearing.

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

As at 30 April 2014, the Group owed £2.1m (2013: £3.2m) to the Australian joint venture.

Featurespace Limited

During the year the Group was charged £0.1m (2013: £0.2m) for consultancy services by Featurespace Limited in which the Group has a non-controlling interest.

LMAX Limited

The Group utilised tax losses amounting to £1.1m that were transferred from LMAX limited, for consideration of £0.3m (2013: the Group recharged LMAX Limited costs amounting to £0.4m and were recharged costs amounting to £0.2m prior to the disposal). This consideration remained payable to LMAX Limited as at 30 April 2014 (2013: £nil) and is included within Other payables.

Transactions with key management personnel

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

	2014 £m	2013 £m
Short-term benefits	**5.4**	6.1
Share-based payment expense	**4.6**	5.6
Total	**10.0**	11.7

26 Dividends

	2014 £m	2013 £m
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 30 April 2013 of 9.0p per qualifying ordinary share (2012: 7.0p)	**9.3**	7.1
Interim dividend for the year ended 30 April 2014 of 6.0p per qualifying ordinary share (2013: 4.0p)	**6.3**	4.1
Total	**15.6**	11.2

The proposed final dividend for the year ended 30 April 2014 is 14.0 pence per share (2013: 9.0 pence).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The estimated dividend to be paid amounts to £14.6m.

26 Dividends continued

Returns to shareholders in respect of the financial years ended 30 April 2011, 2012 and 2013

The Company has paid a final dividend for the year ended 30 April 2011 and interim and final dividends for the years ended 30 April 2012 and 2013 (the 'Dividends'). The Company has recently been advised that, as a result of certain changes to the technical guidance issued by the Institute of Chartered Accounts in England and Wales (the 'ICAEW') in October 2010, the Company did not have sufficient distributable reserves to make those distributions and so they should not have been paid by the Company to its shareholders.

In addition, certain purchases of ordinary shares made by the Company in the year ended 30 April 2012 (the 'Purchases of Ordinary Shares') were not effectively carried out because, although the purchases had been approved by shareholders, the Company did not have sufficient distributable reserves for the reasons stated above. These purchases of 6,506,009 ordinary shares of £0.001 each were made at prices of between £5.76 and £9.00 per share.

At all relevant times, sufficient distributable reserves would have been available in the Company had its subsidiary undertakings passed up distributable profits to the Company through distributions from those subsidiary undertakings' own distributable reserves.

The Directors consider that it is in the best interests of the Company to take the necessary steps to regularise this position, since shareholders received the dividends they were intended to receive, the Company purchased the shares it intended to purchase and the Company clearly would not wish to take any action it could technically take against the relevant shareholders to recover any amounts in connection with the Dividends and Purchases of Ordinary Shares.

The Company has therefore entered into deed polls to discharge any current or former shareholder of the Company that received a Dividend or tendered shares under the Company's programme of market purchases from any obligation to repay any amount to the Company in connection with the Dividends and Purchases of Ordinary Shares.

Furthermore, a special resolution is proposed, numbered 18 and set out in the notice of the Annual General Meeting, to cancel and extinguish the ordinary shares concerned. Subject to obtaining the requisite consent at the Annual General Meeting, the Company intends to seek the confirmation of the Court for the cancellation and reduction described above, as required by the Companies Act 2006. Shareholders will not need to take any further action in this respect.

An appropriation has already been made from the distributable reserve position of the Company for the total purchase cost in respect of the ordinary shares concerned. This is similar to the accounting treatment had the purported purchases been made on the appropriate basis and such a transfer has been reflected in the Company's financial statements with no recognition of the sums recoverable. The Directors believe the legal position will be rectified promptly following the Annual General Meeting.

27 Disposals and discontinued operations

On 18 December 2012 the Group entered into a sale and purchase agreement for the sale of 67% of the shares of LMAX Limited for £2.4m. The transaction was finalised in January 2013, on which date control of LMAX Limited passed to the acquirer.

The net assets of LMAX Limited at the date of disposal were:

	2013 £m
Trade and other receivables	12.9
Cash and cash equivalents*	26.9
Trade and other payables*	(31.4)
Net assets disposed of	8.4
Consideration received	2.4
Cash and cash equivalents disposed of	(26.9)
Net cash outflow	(24.5)

* Cash and cash equivalents includes £22.7m of client's funds held matched by liabilities of an equal value in trade and other payables.

The results of the discontinued operations, which were included in the consolidated income statement for the year ended 30 April 2013, were as follows:

	Period ended 18 January 2013 £m
Revenue	4.1
Cost of sales	(2.2)
Gross profit	1.9
Administrative expenses	(17.4)
Operating loss	(15.5)
EBITDA	(5.5)
Impairment loss recognised	(7.7)
Depreciation and amortisation	(2.3)
Operating loss	(15.5)
Net finance income	0.1
Loss before tax	(15.4)
Loss on disposal of discontinued operations	(5.3)
Tax	(0.4)
Net loss attributable to discontinued operations	(21.1)

The Group incurred no profit or loss from discontinued operations in the year ended 30 April 2014.

During the year ended 30 April 2013, LMAX Limited contributed £5.2m to the Group's net operating cash flows and paid £2.8m in respect of investing activities.

28 Contingent liabilities

In obtaining a licence to operate in New Jersey, the Group has paid and committed to prepay a revenue share to a third party which is contingent on that third party meeting specific requirements. As at 30 April 2014, the Group deems the fulfilment of these criteria as uncertain. In the event that the payment was to crystallise, there would be no significant impact on the profitability of the Group.

COMPANY BALANCE SHEET
AS AT 30 APRIL 2014

	Note	2014 £m	2013 £m
Fixed assets			
Investments	2	**160.2**	153.7
Current assets			
Debtors	3	**201.3**	6.4
Cash at bank and in hand		**0.2**	1.6
		201.5	8.0
Creditors: Amounts falling due within one year	4	**(6.5)**	(12.0)
Net current assets/(liabilities)		**195.0**	(4.0)
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year	5	**–**	(52.7)
Net assets		**355.2**	97.0
Capital and reserves			
Share capital	6	**0.1**	0.1
Share premium	6	**21.9**	19.4
Profit and loss account	6	**333.2**	77.5
Shareholders' funds		**355.2**	97.0

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

Breon Corcoran
Chief Executive Officer

Alexander Gersh
Chief Financial Officer

NOTES
(FORMING PART OF THE FINANCIAL STATEMENTS)

1 Company accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation
The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards in the United Kingdom (UK).

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements. The Company reported a profit for the financial year ended 30 April 2014 of £264.8m (2013: £0.9m loss).

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the consolidated profit and loss account.

Share-based payments
The Group's share option plans and restricted shares scheme allows employees to acquire shares in the Betfair Group. The fair value of these schemes is recognised as an employee expense with a corresponding increase in equity, with the exception of cash settled transactions which result in a corresponding increase in other creditors. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to participate in the scheme and is calculated using an option pricing model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Restricted shares are valued with reference to the market value of the shares on the date of grant. They have a vesting period of three years from the first day of the financial year to which they relate and one-third of the shares will vest each year for three years.

All cash settled share-based payments are recorded as a liability and revalued at the market value at the balance sheet date with the difference taken to the profit and loss account, except where the cash component is fixed.

The Company has recognised an increase in investments corresponding to the FRS 20 Share-based payment charge in respect of awards to employees of subsidiary companies.

Cash and liquid resources
Cash comprises cash at bank and in hand and deposits repayable on demand, less overdrafts payable on demand.

Investments
Fixed asset investments are stated at cost less any provision for impairment.

Treasury share transactions
The Company has recognised an increase in investments corresponding to the FRS 20 Share-based payment charge.

Director and employee remuneration
The Company had no employees other than the Directors during the current or prior year.

The remuneration paid to Directors for services to the Company during the year was paid and accounted for by another entity within the Group. Details of the Directors' remuneration is discussed in the Directors' Remuneration Report on pages 50 to 67.

2 Investments

	Shares in Group undertakings £m
Cost	
As at 1 May 2013	153.7
Increase in the cost of investment for share-based payments under FRS 20	6.5
At 30 April 2014	**160.2**

3 Debtors

	2014 £m	2013 £m
Amounts owed by fellow Group undertakings	**201.3**	6.4

4 Creditors: amounts falling due within one year

	2014 £m	2013 £m
Amounts owed to fellow Group undertakings	**6.5**	12.0

5 Creditors: amounts falling due after more than one year

	2014 £m	2013 £m
Loans owed to fellow Group undertakings	**–**	52.7

The balance as at 30 April 2013 was fully repaid in the year ended 30 April 2014.

6 Reconciliation of movement in capital and reserves

	Share capital £m	Share premium £m	Profit and loss account £m	Total Parent equity £m
Balance at 1 May 2012	0.1	12.0	82.1	94.2
Total loss for the year	–	–	(0.9)	(0.9)
Issue of shares	–	7.4	–	7.4
Dividends paid	–	–	(11.2)	(11.2)
Equity-settled share-based payment transactions	–	–	7.5	7.5
Balance at 30 April 2013	0.1	19.4	77.5	97.0
Balance at 1 May 2013	**0.1**	**19.4**	**77.5**	**97.0**
Total profit for the year	**–**	**–**	**264.8**	**264.8**
Issue of shares	**–**	**2.5**	**–**	**2.5**
Dividends paid	**–**	**–**	**(15.6)**	**(15.6)**
Equity-settled share-based payment transactions	**–**	**–**	**6.5**	**6.5**
Balance at 30 April 2014	**0.1**	**21.9**	**333.2**	**355.2**

FIVE YEAR SUMMARY

£m	2014	2013	2012	2011*	2010*
Revenue	**393.6**	387.0	388.5	393.3	340.9
EBITDA before separately disclosed items	**91.1**	73.3	86.0	73.3	49.3
Separately disclosed items – restructuring and other	**–**	(22.1)	(2.5)	(17.0)	(4.6)
EBITDA	**91.1**	51.2	83.5	56.3	44.7
Profit/(loss) before tax	**61.1**	(49.4)	54.2	26.6	17.8
Profit/(loss) for the year	**51.0**	(66.3)	34.0	23.0	15.1

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

SHAREHOLDER INFORMATION

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corporate.betfair.com

Registrars
Computershare Investor Services PLC
The Pavilions Bridgwater Road Bristol BS99 6ZZ
0870 707 4010

www.computershare.com

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

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

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

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

Scams and frauds
Shareholders are advised to be wary of any unsolicited communications, such as:

- offers to buy or sell shares at a discount;
- opportunities to receive free company reports;
- free financial advice; and
- chances to invest in carbon credit trading schemes.

If you receive any unsolicited advice, make sure you get the correct name of the person and organisation and check that they are appropriately authorised by the FCA by visiting www.fca.org.uk. More information on protecting your investment can be found at www.fca.org.uk/consumers.

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

Please note the following when contacting Computershare:

- you will need to have your shareholder reference number available; and
- if your shareholding is in certificated form you will need to present your valid share certificate(s) at the time of sale.

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

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

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15 Canada Square London E14 5GL

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280 Bishopsgate London EC2M 4RB

Principal Solicitors
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65 Fleet Street
London EC4Y 1HS

INVESTOR RELATIONS

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

Financial Calendar	
2014 Final Results	11 June 2014
Ex-dividend date	3 September 2014
2015 Q1 Interim Management Statement	4 September 2014
Annual General Meeting	4 September 2014
Record date	5 September 2014
Payment of final dividend	3 October 2014

FIND OUT MORE ABOUT BETFAIR GROUP PLC

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

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

corporate.betfair.com

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