Betfair Group Limited

Non-Statutory Financial Statements

Registered number 06489716

30 April 2009

Statement of Directors' responsibilities in respect of the Directors' report and the Financial Statements

The Directors of Betfair Group Limited ('the Directors') have accepted responsibility for the preparation of these non-statutory Consolidated Financial Statements for the year ended 30 April 2009 which are intended by them to give a true and fair view of the state of affairs of the Group and of the profit or loss for that period.
They have decided to prepare the non-statutory Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and as if applicable UK law applied to them.

In preparing these non-statutory Consolidated Financial Statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- stated whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepared the non-statutory group accounts on the going concern basis as they believe that the company will continue in business.

The Directors 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.

Independent Auditors' Report to the Members of Betfair Group Limited

We have audited the non-statutory Consolidated Financial Statements of Betfair Group Limited (the "Company") for the year ended 30 April 2009 set out on pages 3 to 56. These non-statutory Consolidated Financial Statements have been prepared for the reasons set out in note 1 to the non-statutory Consolidated Financial Statements and on the basis of the financial reporting framework of International Financial Reporting Standards (IFRSs) as adopted by the EU and as if applicable UK law applied to them.

Our report has been prepared for the Company solely in connection with the audit of the non-statutory Consolidated Financial Statements of Betfair Group Limited for the year ended 30 April 2009. It has been released to the Company on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Company's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

Respective responsibilities of directors and KPMG LLP

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the non-statutory group accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit the non-statutory group accounts in accordance with the terms of our engagement letter dated 19 May 2010 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the non-statutory group accounts

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory group accounts sufficient to give reasonable assurance that the non-statutory group accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the non-statutory group accounts.

Opinion on non-statutory group accounts

In our opinion the non-statutory group accounts:

- give a true and fair view of the state of the group's affairs as at 30 April 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation, as if those requirements were to apply, except that consolidated figures only have been presented.

Paul Korolkiewicz
for and on behalf of KPMG LLP
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

4 June 2010

Consolidated Income Statement

For year ended 30 April 2009

	Note	**2009 £'000**	2008 £'000
Continuing operations			
Revenue	2	**301,206**	242,430
Cost of sales		**(48,566)**	(40,089)
Gross profit		**252,640**	202,341
Administrative expenses	3	**(208,145)**	(168,607)
Group operating profit		**44,495**	33,734
Analysed as:			
Adjusted EBITDA* (excluding exceptional items and equity settled share-based payments)		**70,288**	53,855
Exceptional items	6	**(892)**	-
Equity settled share-based payments	21	**(4,250)**	(4,319)
EBITDA*		**65,146**	49,536
Depreciation and amortisation	10,11	**(20,651)**	(15,802)
Group operating profit		**44,495**	33,734
Profit on disposal of operations	7	**1,805**	-
Finance income	8	**4,168**	10,362
Finance expense	8	**(1,344)**	(269)
Net finance income		**2,824**	10,093
Share of loss of equity accounted investments	13	**(1,656)**	(46)
Profit before tax		**47,468**	43,781
Taxation	9	**(8,644)**	(13,032)
Profit for the year	20	**38,824**	30,749
Attributable to:			
Equity holders of the Parent	20	**38,824**	30,749
Minority interest	20	**-**	-
Profit for the year	20	**38,824**	30,749

* EBITDA is defined as earnings before interest, tax, depreciation and amortisation and 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.

The notes on pages 9 to 56 form an integral part of these Financial Statements.

Consolidated Statement of Comprehensive Income

For year ended 30 April 2009

	Note	**2009 £'000**	2008 £'000
Profit for the year		**38,824**	30,749
Other comprehensive income			
Foreign exchange differences	20	**(1,249)**	258
Change in fair value of hedging derivative	20	**1,965**	289
Taxation directly recognised in equity	9,20	**307**	405
Other comprehensive income for the year, net of income tax		**1,023**	952
Total comprehensive income for the year		**39,847**	31,701
Attributable to:			
Equity holders of the Parent		**39,847**	31,701
Minority interest		**-**	-
Total comprehensive income for the year		**39,847**	31,701

The notes on pages 9 to 56 form an integral part of these Financial Statements.

Consolidated Balance Sheet
At 30 April 2009

	Note	2009 £'000	2008 £'000
Non-current assets			
Property, plant and equipment	10	**22,578**	22,074
Intangible assets	11	**77,285**	30,293
Investments	13	**6,209**	9,601
Available-for-sale financial assets	14	**2,420**	2,270
Deferred tax asset	15	**5,549**	7,522
		114,041	71,760
Current assets			
Derivative financial asset	16	**2,254**	289
Trade and other receivables	17	**15,924**	11,176
Cash and cash equivalents	18	**133,367**	110,961
		151,545	122,426
Total assets		**265,586**	194,186
Current liabilities			
Trade and other payables	19	**73,403**	52,783
Tax payable		**27,374**	23,362
Total liabilities		**100,777**	76,145
Net assets		**164,809**	118,041
Equity attributable to equity holders of the Parent			
Share capital	20	**104**	104
Share premium		**2,128**	69
Other reserves		**1,975**	952
Retained earnings		**160,602**	116,911
		164,809	118,036
Minority interest	20	**-**	5
Total equity		**164,809**	118,041

The notes on pages 9 to 56 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 4 June 2010 and were signed on its behalf by:

David Yu
Director

Stephen Morana
Director

Consolidated Statement of Changes in Equity
For the year ended 30 April 2009

Attributable to equity holders of the Company

	Share capital £'000	Share premium £'000	Other reserves £'000	Hedging reserves £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total parent equity £'000	Minority interest £'000	Total equity £'000
Balance at 1 May 2008	**104**	**69**	**486**	**208**	**258**	**116,911**	**118,036**	**5**	**118,041**
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	38,824	**38,824**	-	**38,824**
Other comprehensive income									
Change in fair value of hedging derivative	-	-	-	1,965	-	-	**1,965**	-	**1,965**
Taxation directly recognised in equity	-	-	857	(550)	-	-	**307**	-	**307**
Foreign exchange differences	-	-	-	-	(1,249)	-	**(1,249)**	-	**(1,249)**
Other comprehensive income	-	-	857	1,415	(1,249)	-	**1,023**	-	**1,023**
Total comprehensive income for the year	**-**	**-**	**857**	**1,415**	**(1,249)**	**38,824**	**39,847**	**-**	**39,847**
Transactions with owners, recorded directly in equity									
Distributions to owners									
Issue of shares	-	2,059	-	-	-	-	**2,059**	-	**2,059**
Equity settled share-based payments	-	-	-	-	-	4,250	**4,250**	-	**4,250**
Share-based payment liabilities settled by the issue of equity instruments	-	-	-	-	-	617	**617**	-	**617**
Total distributions to owners	**-**	**2,059**	**-**	**-**	**-**	**4,867**	**6,926**	**-**	**6,926**
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Initial recognition of minority interest in LMAX	-	-	-	-	-	-	**-**	(5)	**(5)**
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(5)	**(5)**
Balance at 30 April 2009	**104**	**2,128**	**1,343**	**1,623**	**(991)**	**160,602**	**164,809**	**-**	**164,809**

Consolidated Statement of Changes in Equity (continued)
For the year ended 30 April 2008

Attributable to equity holders of the Company

	Share capital £'000	Share premium £'000	Other reserves £'000	Hedging reserves £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total parent equity £'000	Minority interest £'000	Total equity £'000
Balance at 1 May 2007	**111**	**-**	**90,807**	**-**	**-**	**98,975**	**189,893**	**-**	**189,893**
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	30,749	**30,749**	-	**30,749**
Other comprehensive income									
Change in fair value of hedging derivative	-	-	-	289	-	-	**289**	-	**289**
Taxation directly recognised in equity	-	-	486	(81)	-	-	**405**	-	**405**
Foreign exchange differences	-	-	-	-	258	-	**258**	-	**258**
Other comprehensive income	-	-	486	208	258	-	**952**	-	**952**
Total comprehensive income for the year	**-**	**-**	**486**	**208**	**258**	**30,749**	**31,701**	**-**	**31,701**
Transactions with owners, recorded directly in equity									
Distributions to owners									
Issue of shares	2	69	4,253	-	-	-	**4,324**	-	**4,324**
Cancellation of own shares	(9)	-	-	-	-	-	**(9)**	-	**(9)**
Capital restructure	-	-	(87,945)	-	-	87,945	**-**	-	**-**
Acquisition of TSEL shares	-	-	(7,115)	-	-	(105,077)	**(112,192)**	-	**(112,192)**
Equity settled share-based payments	-	-	-	-	-	4,319	**4,319**	-	**4,319**
Total distributions to owners	**(7)**	**69**	**(90,807)**	**-**	**-**	**(12,813)**	**(103,558)**	**-**	**(103,558)**
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Initial recognition of minority interest in LMAX	-	-	-	-	-	-	**-**	5	**5**
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	5	**5**
Balance at 30 April 2008	**104**	**69**	**486**	**208**	**258**	**116,911**	**118,036**	**5**	**118,041**

Consolidated Cash Flow Statement

For year ended 30 April 2009

	Note	**2009 £'000**	2008 £'000
Cash flows from operating activities			
Profit for the year		**38,824**	30,749
Adjustments for:			
Depreciation and amortisation	10,11	**20,651**	15,803
Loss on disposal of property, plant and equipment	3	**18**	82
Profit on disposal of operations	7	**(1,805)**	-
Taxation		**8,644**	13,032
Equity settled share-based payments	21	**4,250**	4,319
Net finance income		**(2,824)**	(10,093)
Share of loss of equity accounted investments		**1,656**	46
Increase in trade and other receivables		**(1,337)**	(1,131)
Increase in trade and other payables		**3,428**	13,962
Cash generated from operations		**71,505**	66,769
Taxation paid		**(5,517)**	(5,849)
Net cash from operating activities		**65,988**	60,920
Cash flows from investing activities			
Acquisition of subsidiary net of cash acquired	12,14,15	**7,114**	-
Disposal of subsidiaries	7	**(702)**	-
Acquisition of property, plant and equipment		**(12,156)**	(13,201)
Proceeds from sale of property, plant and equipment		**47**	663
Acquisition of other intangible assets	11	**(2,507)**	(398)
Capitalised development expenditure	11	**(8,094)**	(7,746)
Finance income received		**3,707**	9,166
Acquisition of associates		**-**	(1,719)
Cash injection in jointly controlled entities		**-**	(3,500)
Acquisition of available for sale financial assets	14	**(150)**	(2,270)
Proceeds from sale of associates	13	**4,555**	-
Dividends from associates	13	**219**	-
Net cash used in investing activities		**(7,967)**	(19,005)
Cash flows from financing activities			
Settlement of liabilities due to related parties of acquired subsidiary		**(35,966)**	-
Proceeds from the issue of share capital	20	**710**	1,651
Payment for cancellation of shares in TSEL	20	**-**	(112,192)
Loan notes redeemed		**(140)**	(283)
Net cash used in financing activities		**(35,396)**	(110,824)
Net increase / (decrease) in cash and cash equivalents		**22,625**	(68,909)
Cash and cash equivalents at beginning of year		**110,961**	179,604
Foreign exchange differences		**(219)**	266
Cash and cash equivalents at 30 April	18	**133,367**	110,961

The notes on pages 9 to 56 form an integral part of these Financial Statements.

Notes
(forming part of the Financial Statements)

1 Accounting policies

Betfair Group Limited (the "Company") is a company incorporated and domiciled in the UK.

The non-statutory Consolidated Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and jointly controlled entities.

The non-statutory Consolidated Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these non-statutory Consolidated Financial Statements and in preparing an opening IFRS balance sheet at 1 May 2007 for the purposes of the transition to Adopted IFRSs.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the non-statutory Consolidated Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1(v).

The functional currency of the Company is sterling. The functional currency of the subsidiaries, joint ventures and associated companies is the currency of the primary economic environment in which they operate.

(a) Transition to adopted IFRSs

The non-statutory Consolidated Financial Statements for the year ended 30 April 2009 were prepared by the Directors in accordance with Adopted IFRSs for the first time. The transitional date for the conversion of the Group's historical financial statements from UK GAAP being the accounting convention applied by the Group in its historical financial statements, to Adopted IFRS is 1 May 2007. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 28 for information purposes only.

IFRS 1 "First-time adoption of International Financial Reporting Standards" grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these non-statutory Consolidated Financial Statements:

- Business combinations – Business combinations that took place prior to 1 May 2007 have not been restated.
- Cumulative translation differences – Cumulative translation differences for all foreign operations have been set at zero at 1 May 2007.
- Share based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 30 April 2006.

The Group has adopted the following standards and amendments effective for the Group from 1 May 2008 that are relevant to these non-statutory Consolidated Financial Statements.

- IAS 1 "Amendment to IAS 1 Presentation of Financial Statements – A revised presentation". The Group has presented both a Consolidated Statement of Comprehensive Income and a Consolidated Statement of Changes in Equity as primary financial statements. The Consolidated Statement of Comprehensive Income effectively replaces the Consolidated Statement of Income and Expense. As a result, the Group presents in the Consolidated Statement of Changes in Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Consolidated Statement of Comprehensive Income. The Group has elected to present a separate Consolidated Income Statement. Since the adoption of this accounting standard only impacts presentation aspects there is no impact on the financial performance of the Group.
- IFRS 2 "Amendment to IFRS 2 Share-Based Payment Vesting Conditions and Cancellations" The definition of vesting conditions has been amended to clarify that vesting conditions are limited to service conditions and performance conditions. Conditions other than service and performance conditions are considered non vesting conditions. This has had no impact on the financial performance of the Group.
- IFRS 7 "Amendment to IFRS 7 Improving Disclosures about Financial Instruments" These amendments enhance disclosures over fair value measurements relating to financial instruments and improving disclosures over liquidity risk. Specifically, as a result of adopting the amendment, the Group has introduced a 3 level disclosure hierarchy for financial instruments held at fair value (note 23). Since the adoption of this accounting standard only impacts presentation aspects there is no impact on the financial performance of the Group.

Notes (continued)

1 Accounting policies (continued)

(a) ***Transition to adopted IFRSs*** *(continued)*

The Group has also chosen to voluntarily adopt the following standards that is effective for the Group from 1 May 2008:

- IFRS 8 "Operating Segments". The standard replaces IAS 14 "Segmental Reporting". It aligns operating segmental reporting with segments reported to senior management. The standard does not change the recognition, measurement or disclosure of specific transactions in the Consolidated Financial Statements but introduces segmental disclosures not previously reported by the Group (note 2). The Group has voluntarily chosen to adopt the requirements of IFRS 8.

(b) Basis of preparation

The non-statutory Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- non-current assets are stated at the lower of the carrying amount and fair value less costs to sell.

The methods used to measure fair values are discussed further in note 23.

Going concern

The Group has considerable financial resources. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the non-statutory Consolidated Financial Statements.

(c) Basis of consolidation

(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 non-statutory Consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent 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 non-statutory 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 investments, 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.

(d) 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 non-statutory 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.

Notes (continued)

1 Accounting policies (continued)

(e) 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.

(f) Foreign operations

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

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

The Group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs, 1 May 2007.

(g) Available-for-sale financial assets

The Group's investments in equity securities and certain debt 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.

(h) 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:

(a) 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

(b) 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 non-statutory 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 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.

Accounting for finance income and expenses is discussed note 1(q).

Notes (continued)

1 **Accounting policies** (continued)

***(h) Financial instruments** (continued)*

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

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

Other

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

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposure.

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

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the Income Statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the Income Statement in the same period that the hedged item affects the income statement.

(i) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in the income statement. Distributions to the equity holders are recognised against equity, net of any tax benefit.

Notes (continued)

1 Accounting policies (continued)

(j) Share capital

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.

Repurchase of share capital (treasury shares)

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

(ii) Depreciation

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

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

- Freehold buildings - 50 years
- Leasehold improvements - Over the term of the lease or the useful economic life of the asset, if shorter
- Plant and machinery - 10 years
- Fixtures and fittings - 5 years
- Computer equipment - 3 years
- Motor vehicles - 3 years

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

(l) Intangible assets and goodwill

(i) Goodwill

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

Acquisitions on or after 1 May 2007

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

Acquisitions prior to 1 May 2007

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group elected not 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 UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition, certain items recognised as other intangibles under Adopted IFRSs have been separately accounted for, with appropriate adjustments against goodwill and amortisation of goodwill ceased as required by IFRS 1.

Notes (continued)

1 Accounting policies (continued)

(l) Intangible assets and goodwill *(continued)*

Subsequent measurement

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

(ii) Internally generated goodwill and brands

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

(iii) Research and development

Expenditure on research activities is recognised in the income statement as an expense in the period in which it is incurred.

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

The qualifying expenditure capitalised represents costs directly attributable to the development of the asset. This expenditure is capitalised from the point at which the above criteria are met up to the point at which the asset is available for use. If the criteria are not met the expenditure is recognised in the profit and loss 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 life.

(iv) Other intangible assets

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 profit or loss 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 10 years
- Licences - The shorter of the licence period and 10 years
- Wagering technologies - 6 years
- Customer lists - 4 years
- Development expenditure - 3 years
- Brands - 2 years
- Broadcasting technologies - 2 years

(m) 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.

Individually 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.

Notes (continued)

1 Accounting policies (continued)

***(m) Impairment** (continued)*

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.

Goodwill and intangible assets that are not yet available for use were tested for impairment as at 1 May 2007, the date of transition to Adopted IFRSs, even though no indication of impairment existed.

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

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

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

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

(iii) Share-based payment transactions

The following schemes are in place that allows 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.

Notes (continued)

1 Accounting policies (continued)

(n) Employee benefits *(continued)*

Restricted share scheme

The Group provides a restricted share scheme as part of its bonus plan. Awards made under the terms of the restricted share scheme 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.

Group and treasury share transactions

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

(o) Revenue

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

Commission and fee income arising from the Group's betting exchange activities, which comprises both sports betting and exchange games, is recognised on the date the market for an event is settled.

The Sportsbook, Games (comprising Casino and Arcade), and Multiples product revenue represents gains and losses from betting activity. Open betting liability positions are recognised based on the best estimate of the expenditure that will be required to settle the position at the balance sheet date, and losses arising from these positions are recognised in revenue.

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

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

Revenue also includes amounts received from the management of customer account balances.

(p) Expenses

(i) Cost of sales

Cost of sales principally comprises gross profits tax, 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.

Notes (continued)

1 Accounting policies (continued)

(q) Financing income and expenses

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

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(r) Taxation

Taxation expense comprises current and deferred tax. Taxation expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, 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 taxation 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.

(s) Operating segments

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 to them. The CODM is the Chief Executive Officer (note 2).

(t) 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 2009 and 2008, all premises leases qualify as operating leases.

(u) Exceptional items

Items that are material in size, unusual or infrequent in nature are included within operating profit are disclosed separately in the Consolidated Income Statement.

The separate reporting of these items, which are presented as exceptional items within the relevant category in the Consolidated Income Statement, helps provide an indication of the Group's underlying business performance.

Notes (continued)

1 **Accounting policies** (continued)

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 April 2009, and have not been applied in preparing these non-statutory Consolidated Financial Statements:

Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2011 Consolidated Financial Statements, will be applied prospectively and therefore there will be no impact on prior periods.

Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2011 Consolidated Financial Statements, are not expected to have a significant impact on the non-statutory Consolidated Financial Statements.

(w) Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

- Note 1 – Capitalisation of development expenditure

The Group makes certain estimates surrounding costs included in the capitalisation of development expenditure incurred for each project. Judgement is required when considering whether or not a project meets the criteria within IAS 38 "Intangible assets". Judgement is also required in determining the start and end dates of the projects as well as determining the appropriate useful economic lives of each capitalised project.

Estimates

- Note 11 – Measurement of the recoverable amounts of cash-generating units containing goodwill

A full impairment review has been performed of all goodwill and intangibles balances held by the Group on a cash generating unit basis. The impairment review is performed on a 'value in use' basis, which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and an appropriate growth rate.

- Note 21 – Measurement of share-based payments

Judgement and estimation is required in determining the fair value of shares at the date of award. The fair value is estimated using valuation techniques which take into account the awards' term, the risk free interest rate and the expected volatility of the market price of shares of comparable businesses to the Group.

- Note 19 – Accounting for accruals

The calculation of accruals contains an inherent level of subjectivity. Management considers that the current level of accruals represents management's best estimate of the likely exposure.

Notes (continued)

1 Accounting policies (continued)

(w) Accounting estimates and judgements *(continued)*

Judgements

- Note 6 – Exceptional items

Items that are material in size, unusual or infrequent in nature are included within operating profit and disclosed separately in the Consolidated Income Statement.

The separate reporting of these items helps to provide an indication of the Group's underlying business performance.

- Note 12 – Business combinations

Judgement and estimation is required in the identification and valuation of separable assets and liabilities on acquisitions. In particular, judgement and estimation is required 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.

- Note 23 – Valuation of derivative financial instruments

Judgement is required in the assessment of prospective effectiveness both at hedge inception and during the period over which hedge accounting is adopted. The fair value of derivative financial instruments can also involve judgement. Where appropriate, external valuations from financial institutions are undertaken to support the carrying value of such items.

Notes (continued)

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 operating matters. These segments are:

- Sports
- Games
- Poker
- Management of customer funds
- Other Investments

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

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

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

The results of the Australian joint venture are consolidated in the Group accounts on an equity basis and as such only the net assets are presented in the operating segment note below. Under IFRS, proportional consolidation is not permitted. If proportional consolidation was applied the Group's share of the Australian joint venture would increase revenue by £7.2m (2008: £4.9m) and reduce EBITDA by £1.1 m (2008: increase by £0.1m).

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

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

Management also reviews Group revenue on a geographic basis, determined by the location of the customers. The information is set out in the following geographic regions and revenue is analysed between them in the disclosures below:

- United Kingdom
- Europe
- Rest of World
- Unallocated

Notes (continued)

2 Operating Segments (continued)

Segmental information for the years ended 30 April 2009 and 2008 is as follows:

2009	Sports	Games	Poker	Management of customer funds	**Core Betfair**	LMAX	US	**Other Investments**	**Group**
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**	**£'000**
Revenue	199,214	53,828	29,940	8,282	**291,264**	1,984	7,958	**9,942**	**301,206**
EBITDA					**69,679**			**(4,533)**	**65,146**
Depreciation and amortisation									**(20,651)**
Net finance income									**2,824**
Share of losses of equity accounted investments									**(1,656)**
Profit on disposal of operations									**1,805**
Profit before tax									**47,468**
Total assets									**265,586**
Total liabilities									**(100,777)**

2008	Sports	Games	Poker	Management of customer funds	Core Betfair	LMAX	US	Other investments	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	165,797	41,058	26,575	8,877	242,307	123	-	123	242,430
EBITDA					49,413			123	49,536
Depreciation and amortisation									(15,802)
Net finance income									10,093
Share of profit of equity accounted investments									(46)
Profit before tax									43,781
Total assets									194,186
Total liabilities									(76,145)

Notes (continued)

2 Operating Segments (continued)

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

2009	**UK £'000**	**Europe £'000**	**Rest of World £'000**	**Unallocated* £'000**	**Group £'000**
Core Betfair	155,796	111,689	15,497	8,282	291,264
Other Investments	1,984	-	7,958	-	9,942
Total Group	**157,780**	**111,689**	**23,455**	**8,282**	**301,206**

2008	**UK** £'000	Europe £'000	Rest of World £'000	Unallocated* £'000	Group £'000
Core Betfair	136,440	84,078	12,912	8,877	242,307
Other Investments	123	-	-	-	123
Total Group	136,563	84,078	12,912	8,877	242,430

*Unallocated segment represents revenue from the management of customer funds.

3 Expenses and auditors' remuneration

Profit before tax is stated after charging:

	2009 £'000	2008 £'000
Equity settled share-based payments	**4,250**	4,319
Cash settled share-based payments	**1,217**	1,491
Depreciation of property, plant and equipment	**13,268**	12,017
Amortisation of capitalised development expenditure	**6,440**	3,697
Amortisation of licences	**229**	88
Amortisation of other intangibles	**714**	-
Loss on disposal of property, plant and equipment	**18**	82
Rentals payable under operating leases - equipment	**32**	15
Rentals payable under operating leases - property	**5,238**	3,944
Research and non-capitalisable development expenditure	**22,575**	21,147

Auditors' remuneration:

	2009 £'000	2008 £'000
Fees payable to the Company's auditor for the audit of the Company Financial Statements	**69**	61
Fees payable to the Company's auditor and its associates for other services:		
Audit of financial statements of subsidiaries pursuant to legislation	**395**	350
Other services relating to taxation	**336**	239
All other services	**269**	203
	1,069	853

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.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2009	2008
Corporate and administration	**213**	166
Product development	**426**	399
Operations	**445**	399
Sales and marketing	**216**	177
	1,300	1,141

The aggregate payroll costs of these persons were as follows:

	2009	2008
	£'000	£'000
Wages and salaries	**67,471**	55,963
Social security costs	**7,140**	5,869
Redundancy costs	**1,602**	199
Share-based payments (see note 21)	**5,467**	5,810
Pension costs	**935**	59
	82,615	67,900

5 Remuneration of Directors and key management

	2009	2008
	£'000	£'000
Directors	**1,176**	1,236
Key management	**2,697**	1,353
	3,873	2,589

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid Director was £0.5m (2008: £0.5m).

The number of directors who exercised share options in the current was nil (2008: 2).

All Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this Consolidated Financial Statements.

Notes (continued)

5 Remuneration of Directors and key management (continued)

Directors' rights to subscribe for shares in the company and its subsidiaries are indicated below:

	At end of year	At start of year	**Exercise price £/p**
Stephen Morana	**343,810**	324,277	£0.001-£10.00
David Yu	**2,052,691**	2,052,691	£0.25-£4.50
Edward Wray	**1,200**	1,200	£8.00

All Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

6 Exceptional items

	2009 £'000	2008 £'000
Costs in relation to the closure of the defined benefit pension scheme	**892**	-

In January 2009, the Group closed the defined benefit pension scheme acquired as part of the Portway Press Limited acquisition in November 2006. Agreement was reached with each beneficiary under the scheme pursuant to which an enhanced transfer value was paid into a defined contribution pension for each individual.

In the prior year, no amounts were recognised in respect of the defined benefit pension scheme. This was because there was a surplus in the scheme which was not recognised as an asset on the basis it could not be recovered through reduced future contributions or refunds from the scheme.

7 Profit on disposal of operations

	2009 £'000	2008 £'000
Costs of closure of the Danish subsidiaries	**(702)**	-
Profit on disposal of investment in the Bell Med Group	**2,507**	-
	1,805	-

In August 2008, the Group closed down its Danish operations, which consisted of the subsidiaries: BDD Holdings A/S, BDD Technologies A/S and Invest World A/S. All of these subsidiaries ceased trading, all contracts were terminated and residual assets that they held were sold or disposed. The results of the Danish operations have not been separately presented on the face of the Consolidated Income Statement as discontinued as they do not have a material impact on the Group's performance.

On 24 April 2009, the Group disposed of its investment in the Bell Med Group (note 13).

Notes (continued)

8 Finance income and expense

	2009 £'000	2008 £'000
Finance income		
Bank interest receivable	**3,799**	9,713
Net foreign exchange gain	**-**	31
Fair value adjustment of convertible loan notes	**369**	618
	4,168	10,362

Finance expense	2009 £'000	2008 £'000
Total interest expense on loan notes	**49**	154
Unwind of discount on deferred consideration	**67**	115
Net foreign exchange loss	**1,228**	-
	1,344	269

9 Taxation

Recognised in the income statement

	2009 £'000	2008 £'000
Current tax		
UK - current year	**8,810**	11,679
UK - adjustments in respect of prior periods	**(2,560)**	(750)
Overseas - current year	**3,560**	1,046
Overseas - adjustments in respect of prior periods	**127**	-
Current tax expense	**9,937**	11,975
Deferred tax		
Origination and reversal of temporary differences	**(1,293)**	321
Reduction in tax rate	**-**	736
Deferred tax (credit) / expense	**(1,293)**	1,057
Total tax expense	**8,644**	13,032

Notes (continued)

9 Taxation (continued)

Reconciliation of effective tax rate

	2009 **£'000**	2008 £'000
Profit before tax	**47,468**	43,781
Total tax expense	**(8,644)**	(13,032)
Profit for the year	**38,824**	30,749
Tax using the UK corporation tax rate of 28% (2008: 29.8%)	**13,291**	13,047
Effect of tax rates in foreign jurisdictions	**(4,622)**	(1,568)
Reduction in tax rate on deferred tax balances	**-**	736
Non-deductible expenses	**1,667**	1,242
Tax exempt revenues	**(1,256)**	73
Current year losses for which no deferred tax asset was recognised	**1,996**	252
Adjustments in respect of prior periods	**(2,432)**	(750)
Total tax expense	**8,644**	13,032

Tax recognised directly in equity

	2009 **£'000**	2008 £'000
Deferred tax related to effective portion of fair value of cash flow hedges	**(550)**	(81)
Other deferred tax	**449**	(1,912)
Deferred tax	**(101)**	(1,993)
Current tax	**408**	2,398
Total tax (including deferred tax liability on fair value hedges)	**307**	405
Presented as:		
Amounts within effective portion of changes in fair value of cash flow hedges	**(550)**	(81)
Tax recognised on income and expenses recognised directly in equity (excluding tax on effective portion of changes in fair value of cash flow hedges)	**857**	486
Total tax recognised in equity (including deferred tax liability on fair value hedges)	**307**	405

Notes (continued)

10 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Vehicles, plant and equipment £'000	Total £'000
Cost						
Balance at 1 May 2007	1,025	5,337	36,947	1,707	744	45,760
Other acquisitions	-	1,358	10,463	333	13	12,167
Disposals	(275)	-	(174)	-	(336)	(785)
Balance at 30 April 2008	750	6,695	47,236	2,040	421	57,142
Acquisitions through business combinations	-	520	842	819	-	2,181
Other acquisitions	-	2,742	8,263	577	224	11,806
Disposals	-	(130)	(173)	(54)	(154)	(511)
Foreign exchange differences	-	(75)	(211)	(161)	-	(447)
Balance at 30 April 2009	**750**	**9,752**	**55,957**	**3,221**	**491**	**70,171**
Depreciation and impairment						
Balance at 1 May 2007	9	2,769	19,239	947	100	23,064
Depreciation for the year	20	1,000	10,582	267	148	12,017
Disposals	(7)	-	(33)	-	-	(40)
Foreign exchange differences	-	-	25	2	-	27
Balance at 30 April 2008	22	3,769	29,813	1,216	248	35,068
Depreciation for the year	15	1,273	11,338	518	124	13,268
Disposals	-	(125)	(173)	(19)	(129)	(446)
Foreign exchange differences	-	(53)	(142)	(102)	-	(297)
Balance at 30 April 2009	**37**	**4,864**	**40,836**	**1,613**	**243**	**47,593**
Net book value						
At 30 April 2008	728	2,926	17,423	824	173	22,074
At 30 April 2009	**713**	**4,888**	**15,121**	**1,608**	**248**	**22,578**

Notes (continued)

11 Intangible assets

	Goodwill £'000	Computer software £'000	Licences £'000	Development expenditure £'000	Brand £'000	Customer lists £'000	Broadcasting technologies £'000	Wagering technologies £'000	Total £'000
Cost									
Balance at 1 May 2007	15,951	-	1,037	12,714	-	-	-	-	29,702
Acquisitions through business combinations	-	-	398	-	-	-	-	-	398
Other acquisitions – internally developed	-	-	-	7,746	-	-	-	-	7,746
Balance at 30 April 2008	15,951	-	1,435	20,460	-	-	-	-	37,846
Acquisitions through business combinations	37,799	-	-	-	2,263	5,071	566	458	46,157
Other acquisitions – internally developed	-	-	-	8,094	-	-	-	-	8,094
Other acquisitions – externally purchased	-	2,150	357	-	-	-	-	-	2,507
Foreign exchange differences	(1,965)	-	-	-	(118)	(264)	(30)	(24)	(2,401)
Balance at 30 April 2009	**51,785**	**2,150**	**1,792**	**28,554**	**2,145**	**4,807**	**536**	**434**	**92,203**
Amortisation and impairment									
Balance at 1 May 2007	-	-	145	3,611	-	-	-	-	3,756
Amortisation for the year	-	-	88	3,697	-	-	-	-	3,785
Foreign exchange differences	-	-	12	-	-	-	-	-	12
Balance at 30 April 2008	-	-	245	7,308	-	-	-	-	7,553
Amortisation for the year	-	39	229	6,440	277	310	69	19	7,383
Foreign exchange differences	-	-	-	-	(8)	(8)	(1)	(1)	(18)
Balance at 30 April 2009	**-**	**39**	**474**	**13,748**	**269**	**302**	**68**	**18**	**14,918**
Net book value									
At 30 April 2008	15,951	-	1,190	13,152	-	-	-	-	30,293
At 30 April 2009	**51,785**	**2,111**	**1,318**	**14,806**	**1,876**	**4,505**	**468**	**416**	**77,285**

Notes (continued)

11 **Intangible assets** (continued)

Goodwill relates to the consideration exceeding the fair value of net assets acquired in relation to the acquisitions of Timeform, Poker Champs Limited, the Australian joint venture and TVG Network.

Computer software expenditure represents software licences which have been purchased from an external supplier. Licences represent bookmaking licences held by the Group.

Development expenditure represents project costs that have been developed and generated internally. These costs have been capitalised in accordance with the requirements under IAS 38.

Other intangibles represents assets purchased as part of the TVG Network acquisition, being brand, customer lists and broadcasting and wagering technologies. These are amortised over the estimated useful economic lives which fall between 2 – 6 years.

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

Impairment tests for cash generating units (CGUs) containing goodwill

At 30 April 2009, the carrying amount of goodwill was £51.8m (2008: £16.0m) allocated across three (2008: two) cash generating units.

	2009 £'000	2008 £'000
CGU		
Sports	**5,995**	5,995
Poker	**9,957**	9,957
TVG	**35,833**	-
Total goodwill net book value at 30 April	**51,785**	15,951

All goodwill is recorded in local currency. Additions during the year are converted at the exchange rate on the date of the transaction and the goodwill at the end of the year is stated at closing exchange rates.

There were no impairment losses or subsequent reversals for any of the goodwill held during the year. The Directors consider that no reasonably possible change in assumptions would give rise to any impairment indicators in the carrying amount.

Impairment testing

In order to determine whether impairments are required the Group estimates the recoverable amount of each CGU. The calculation is based on projecting future pre-tax cash flows over a five year period and uses a terminal value to incorporate expectations of growth thereafter. The terminal value is calculated using a perpetuity model, which reflects the expected long-term average growth rate for the business in which the CGU operates.

The budgets for the next financial year form the basis of the cash flow projections for each CGU. Cash flow projections in the next four financial years reflect management's conservative expectations of the medium term operating performance of the CGUs and growth prospects in each CGU's markets and regions.

The future cash flows have been modelled in line with historic patterns experienced by the Group in recent years. A discount factor is applied to obtain a "value in use" which is the recoverable amount, unless the fair value less costs to sell the respective CGU is an amount in excess of the "value in use". A pre-tax discount rate of 15% (2008: 15%) has been used in discounting the projected cash flows for each CGU.

CGUs

The goodwill held in the 'Sports' CGU relates to the goodwill recognised from the acquisition of Portway Press Limited ("Timeform") in November 2006 of £6.0m.

The 'Poker' CGU goodwill for the current and prior year relates to the goodwill recognised on the Poker Champs acquisition in October 2005 of £10.0m.

The goodwill of £35.8m (2008: nil) held in the 'TVG' CGU relates to the acquisition of the TVG Network ("TVG") in the current year.

Notes (continued)

11 Intangible assets (continued)

The calculation of value in use for the goodwill allocated to the CGUs is sensitive to the following key assumptions:

(i) Operating cashflow

One of the key drivers of operating cash flow is revenue. The 2010 revenue figures for each CGU are based on the budget for the next financial year. For the years 2010 to 2013, the likely organic growth rates were assessed for each region in the CGU, taking account of past experience and historic player patterns. For all CGUs, the terminal growth rate was 2% (2008: 2%). In all cases management consider the assumed growth rates are 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. The discount rates applied to the CGUs were 15% (2008: 15%).

The calculation of recoverable amount is sensitive to forecast future earnings and the discount rates applied. Management has considered the effect of either a decrease of up to 10% in future planned earnings for all financial years ending 30 April 2014 or an increase in the discount rate for each CGU of up to 2%, both of which are considered unlikely. There are no reasonable possible changes in the key assumptions that would cause the carrying amount of either of the Sports and Poker CGUs to exceed the recoverable amount.

As part of the Group's strategic investment strategy, TVG was purchased during the year. TVG is one of America's largest legal online wagering businesses and is a digital cable network that combines televised coverage from around 50% of US racetracks, and allows viewers to bet directly into racecourse tote pools from home, by telephone, online, or via interactive TV. TVG broadcasts reach over 30 million homes and the company has operations in California, Oregon and Colorado. The TVG acquisition will allow the Group to be well placed to take advantage of any legislative change in the US markets, and the skills and knowledge that Betfair possess will help the TVG business take full advantage of current and future opportunities. TVG is sensitive to the future developments in US Horseracing.

In view of this, and with reference to recent transactions in the US wagering industry, management believe that on the basis of reasonable assumptions used in the impairment review, there is no impairment of the goodwill allocated to the TVG CGU.

Notes (continued)

12 Business combinations

TVG acquisition

On 27 January 2009, the Group acquired the US based TV broadcasting and Advance Deposit Wagering business, the TVG Network, for a cash payment of £37.3m. The Group acquired 100% of the share capital in ODS Holdings LLC which owns 94.5% of its subsidiaries (TVG).

The total payment made for the acquisition was £37.3m which comprised £1.3m of consideration and the settlement of liabilities totalling £36.0m that were due to related parties of TVG.

	Book values £'000	Fair value adjustments £'000	Fair values £'000
Brand	-	2,263	**2,263**
Customer relationships	-	5,071	**5,071**
Broadcasting technologies	-	566	**566**
Wagering technologies	-	458	**458**
Property, plant and equipment	2,787	(606)	**2,181**
Trade and other receivables	4,880	-	**4,880**
Cash and cash equivalents acquired	8,392	-	**8,392**
Trade and other payables	(17,474)	(3,549)	**(21,023)**
Amounts due to related parties of acquired subsidiaries	(35,966)	-	**(35,966)**
Deferred tax liability	-	(3,343)	**(3,343)**
Net liabilities acquired at fair value	(37,381)	860	**(36,521)**
Goodwill arising on acquisition			**37,799**
Fair value of consideration			
Cash (comprising acquisition costs of £1.3m)			1,278
Purchase consideration paid in cash			**(1,278)**
Cash and cash equivalents in subsidiary acquired			**8,392**
Net cash inflow			**7,114**

The goodwill is attributable to the workforce of the acquired business and the strategic premium relating to market opportunities.

From the date of acquisition, TVG has performed in line with the Group's expectations. From date of acquisition to 30 April 2009, TVG generated revenues of £8.0m and, following increased investment by the Group, achieved a break even result. Had TVG been part of the Group from the beginning of the financial year, the Group's reported revenue for the year ended 30 April 2009 would have been £334.6m, while the total net income for the year would have been £43.6m.

The results of TVG have not been separately presented on the face of the Consolidated Income Statement as they do not have a material impact on the Group's performance for the year.

Notes (continued)

13 Investments in subsidiaries, associates and jointly controlled entities

The Group and Company have the following principal investments in subsidiaries, associates and jointly controlled entities:

	Country of incorporation	Principal Activity	Classification	Ordinary shares held %
The Sporting Exchange Limited	England	Holding company	Subsidiary	100
Betfair Limited	England	Bookmaking	Subsidiary	100
Betfair General Betting Limited	England	Bookmaking	Subsidiary	100
Portway Press Limited	England	Horse racing data	Subsidiary	100
Timeform Betfair Racing Club Limited	England	Horse racing club	Subsidiary	100
TSE Global Limited	England	Technology provider	Subsidiary	100
TSE Development Limited	England	Intellectual property licensor	Subsidiary	100
TSE Holdings Limited	England	Holding company	Subsidiary	100
Winslow One Limited	England	Holding company	Subsidiary	100
Winslow Two	England	Holding company	Subsidiary	100
Winslow Three Limited	Cayman Islands	Trading company	Subsidiary	100
Winslow Four	Cayman Islands	Trading company	Subsidiary	100
TSE Services Limited	Cayman Islands	Trading	Subsidiary	100
Polco Limited	Malta	Intellectual property licensor	Subsidiary	100
Betfair Games Limited	Malta	Online gaming	Subsidiary	100
Betfair Casino Limited	Malta	Online gaming	Subsidiary	100
Betfair Counterparty Services Limited	Malta	Online gaming	Subsidiary	100
Betfair Poker Limited	Malta	Online gaming	Subsidiary	100
Betfair International ENC	Malta	Bookmaking	Subsidiary	100
Betfair Poker Marketing Limited	Malta	Marketing activities	Subsidiary	100
Betfair Holding (Malta) Limited	Malta	Holding company	Subsidiary	100
Betfair Poker Holdings Limited	Malta	Holding company	Subsidiary	100
Betfair Italia S.R.L.	Italy	Bookmaking	Subsidiary	100
TSE Development Romania	Romania	R&D activities	Subsidiary	100
TSE US Holdings LLC	USA	Holding company	Subsidiary	100
TSE US LLC	USA	Trading company	Subsidiary	100
ODS Holdings LLC	USA	Holding company	Subsidiary	100
ODS Technologies LP	USA	Trading company	Subsidiary	94.5
LMAX Limited (formerly Tradefair Exchange Limited)	England	Trading	Subsidiary	93
Tradefair Spreads Limited	England	Trading	Subsidiary	93
London Multi Asset Exchange Holdings Limited (formerly Tradefair Holdings Limited)	England	Holding company	Subsidiary	93
Betfair Pty Limited	Australia	Bookmaking	Joint venture	50
Betfair (Developments) Pty Limited	Australia	Intellectual property licensor	Joint venture	50
Betfair Australasia Pty Limited	Australia	Holding company	Joint venture	50
Evanescent Limited	Malta	Trading	Joint venture	50
Evanescent Services Limited	Cayman Islands	Trading	Joint venture	50

The Sporting Exchange Limited is held directly by Betfair Group Limited. 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.

Notes (continued)

13 Investments in subsidiaries, associates and jointly controlled entities (continued)

The results of the joint ventures and associates of the Group are as follows:

	Interest in joint ventures £'000	Interest in associates £'000
Share of net assets		
At 1 May 2008	**135**	**343**
Share of operating (loss) / profit	**(2,048)**	**486**
Share of interest receivable	**71**	**5**
Share of tax expense	**-**	**(170)**
Dividends received	**-**	**(219)**
Disposal (see below)	**-**	**(515)**
Foreign currency translation	**(55)**	**70**
At 30 April 2009	**(1,897)**	**-**
Goodwill		
At 1 May 2008	**3,886**	**1,604**
Additions	**98**	**-**
Disposal (see below)	**-**	**(1,604)**
At 30 April 2009	**3,984**	**-**
Loan		
At 1 May 2008	**3,633**	**-**
Additions	**375**	**-**
Foreign currency translation	**114**	**-**
At 30 April 2009	**4,122**	**-**
Net book value		
At the beginning of the year	7,654	1,947
At the end of the year	**6,209**	**-**

Disposal of Bell Med Group

On 24 April 2009, the Group disposed of its investment in the Bell Med Group which comprises: BMIT Limited, Bellnet Limited and BM Support Limited for consideration of £4.6m. A profit on disposal of £2.5m has been recognised in the Consolidated Income Statement for the 2009 year and treated as a separately disclosed item and is calculated as follows:

	£'000
Fair value of consideration received	4,555
Adjusted for:	
Share of net assets at date of disposal	(515)
Carrying value of goodwill at date of disposal	(1,604)
Foreign exchange gain previously recognised in equity	71
Profit on disposal of associates	**2,507**
Net cash inflow	**4,555**

Notes (continued)

13 Investments in subsidiaries, associates and jointly controlled entities (continued)

The tables below present the summary aggregated financial information of all significant joint ventures and associates of the Group – at 100%.

The Bellmed Group

The Group previously owned 33% of the Bellmed Group.

	2009 **£'000**	2008 £'000
Current assets	-	5,383
Non-current assets	-	1,667
Current liabilities	-	(5,692)
Revenues	-	3,781
Profit	-	615

The associates have a reporting date of 31 May, however the period from 1 May 2008 to 30 April 2009 has been included in the Group accounts.

Betfair Australasia Pty Limited (Australian JV)

The Group owns 50% of Betfair Australasia Pty Limited (Australian JV).

	2009 **£'000**	2008 £'000
Current assets	**7,563**	9,087
Non-current assets	**11,736**	13,665
Current liabilities	**(10,729)**	(9,410)
Revenue	**15,038**	10,562
Expenses	**(16,897)**	(12,627)

14 Available-for-sale financial assets

	£'000
Cost	
At 30 April 2008	2,270
Additions	150
At 30 April 2009	**2,420**

The additions relate to the acquisition of 19.4% of the share capital of Featurespace Limited for £0.2m in June 2008. Featurespace Limited is a software development business incorporated in England. The Group has recognised this as a fixed asset investment on the balance sheet.

Management have reviewed the investments for impairment and have determined that there were no impairment indicators during the year.

Notes (continued)

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Total	
	2009	2008	**2009**	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Property, plant and equipment	**1,544**	526	**-**	-	**1,544**	526
Intangible assets	**-**	-	**(7,052)**	(3,682)	**(7,052)**	(3,682)
Equity settled share-based payments	**11,114**	10,137	**-**	-	**11,114**	10,137
Tax value of loss carry-forwards	**-**	24	**-**	-	**-**	24
Other	**-**	517	**(57)**	-	**(57)**	517
Tax assets / (liabilities)	**12,658**	11,204	**(7,109)**	(3,682)	**5,549**	7,522

The Group has unrecognised deferred tax assets in respect of losses of £3.4m (2008: £1.8m) and unrecognised deferred tax assets in respect of depreciation in excess of capital allowances of £1.9m (2008: £1.9m). These have not been recognised on the basis that there is insufficient certainty of there being future taxable profits in those jurisdictions. Movement in deferred tax are as follows:

	Property, plant and equipment £'000	**Intangible assets £'000**	**Share-based payments £'000**	**Tax value of loss carry-forwards £'000**	**Other £'000**	**Total £'000**
Balance at 1 May 2007	545	(2,548)	11,938	-	637	10,572
Recognised in income	(19)	(1,134)	111	24	(39)	(1,057)
Recognised in equity	-	-	(1,912)	-	(81)	(1,993)
Balance at 30 April 2008	526	(3,682)	10,137	24	517	7,522
Balance at 1 May 2008	526	(3,682)	10,137	24	517	7,522
Recognised in income	1,018	(193)	528	(24)	(36)	1,293
Acquisition of subsidiary	-	(3,343)	-	-	-	(3,343)
Foreign exchange differences	-	166	-	-	12	178
Recognised in equity	-	-	449	-	(550)	(101)
Balance at 30 April 2009	**1,544**	**(7,052)**	**11,114**	**-**	**(57)**	**5,549**

Notes (continued)

16 Derivative financial asset

	2009 **£'000**	2008 £'000
Forward contract for currency hedge	**2,254**	289

In November 2007, the Group entered into a forward contract to purchase US dollars to hedge certain marketing commitments. At 30 April 2009 the forward contract currency hedge has been measured at its fair value . The valuation of the foreign exchange option is based on proprietary option models. The inputs to these models are based on market quotes where available. Where the input is not available, inputs are determined by reference to similar markets, consensus pricing services and expert advice (note 23).

17 Trade and other receivables

	2009 **£'000**	2008 £'000
Trade receivables	**2,190**	275
Other receivables	**3,220**	1,797
Prepayments	**10,514**	9,104
	15,924	11,176

18 Cash and cash equivalents

	2009 **£'000**	2008 £'000
Cash and cash equivalents per balance sheet and cash flow statement	**133,367**	110,961

The ring fenced customer funds, which are held in trust are held off balance sheet on the basis that the cash is restricted. At 30 April 2009 £239.0m (2008: £227.6m) 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.

19 Trade and other payables

	2009 **£'000**	2008 £'000
Trade payables	**5,320**	6,354
Other payables	**9,534**	2,649
Amounts owed to joint ventures	**489**	984
Other taxation and social security	**5,151**	2,874
Non-trade payables and accrued expenses	**52,767**	38,067
Other financial liabilities – loan notes	**-**	100
Other financial liabilities – convertible loan notes	**142**	1,755
	73,403	52,783

The convertible loan notes were issued as part of the consideration for the 2005 acquisition of Poker Champs. The interest applied to the convertible loan notes is 5% per annum. They can be redeemed at any point over the three years from the date of issue at their principal amount together with any accrued interest up to and including the date immediately preceding the date of redemption. The convertible loan notes can be converted into ordinary share capital by the holders at any point over the three years from the date of issue.

Notes (continued)

19 Trade and other payables (continued)

The convertible loan notes have been measured at their fair value as at 30 April 2009. The valuation has been determined using the share price prevailing on balance sheet date, agreed by the board at this date. A net gain to the income statement of £0.4m occurred as at 30 April 2009 as a result of the valuation (30 April 2008: £0.6m).

Terms and debt repayment of other financial liabilities schedule:

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
				2009	**2009**	2008	2008
				£'000	**£'000**	£'000	£'000
Convertible loan notes	**USD**	**5%**	**2009**	**142**	**142**	1,755	1,755
Loan notes	**GBP**	**6%**	**2008**	**-**	**-**	100	100
				142	**142**	1,855	1,855

20 Equity

Share capital

	Ordinary shares 2009 No.	2008 No.
On issue at 1 May	**104,019,802**	110,880,447
Issued by TSEL in relation to:		
Exercised share options	**-**	211,043
Exercised SAYE options	**-**	611,032
Conversion of convertible loan notes	**-**	274,932
Exercised as part of the Scheme (see above)	**-**	459,117
	104,019,802	112,436,571
Cancellation of shares	**-**	(8,499,135)
Issued by BGL in relation to:		
Exercised share options and restricted shares	**115,977**	-
Exercised SAYE options	**127,990**	82,366
Conversion of convertible loan notes	**186,245**	-
On issue at 30 April – fully paid, ordinary shares of £0.001 each	**104,450,014**	104,019,802

	2009 £'000	2008 £'000
Authorised		
200,000,000 ordinary shares of £0.001 each (2008: 200,000,000)	**200**	200
Allotted, called up and fully paid		
104,450,014 ordinary shares of £0.001 each (2008: 104,019,802)	**104**	104

	No.	No.
Shares classified as liabilities	**14,307**	175,593

Notes (continued)

20 Equity (continued)

During the year, the Group received consideration of £0.2m for the exercise of 115,977 share options and restricted shares and £0.5m for the exercise of 127,990 SAYE options, resulting in total consideration from the issue of shares of £0.7m. Exercise prices ranged from £0.001 to £8.00.

The Employee Benefit Trust held 2,263,903 ordinary shares in the Company as at 30 April 2009 (2008: 2,263,903). The total fully diluted shares as at 30 April 2009 was 112,487,570 (2008: 111,801,411).

The number of shares classified as a liability relate to the convertible loan notes, the value of which is detailed in note 19. They have been classified as such on the basis that the amounts are payable to the convertible loan note holders in cash unless they opt to take the amount due in shares.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other reserves

Other reserves comprises all taxation directly recognised in equity.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences on the revaluation of foreign currency entities and balances.

Minority interest

No minority interest has been recognised in respect of LMAX and TVG as this would result in the recognition of an asset which is not deemed recoverable.

Notes (continued)

20 Equity (continued)

Reconciliation of movement in capital and reserves

	2009	2008
	£'000	£'000
Balance at 1 May	**118,041**	189,893
Total comprehensive income for the year		
Profit for the year	**38,824**	30,749
Other comprehensive income		
Change in fair value of hedging derivative	**1,965**	289
Taxation recognised directly in equity	**307**	405
Foreign exchange differences	**(1,249)**	258
Other comprehensive income	**1,023**	952
Total comprehensive income for the year	**39,847**	31,701
Transactions with owners, recorded directly in equity		
Distributions to owners		
Issue of shares	**2,059**	4,324
Cancellation of own shares	**-**	(9)
Acquisition of TSEL shares	**-**	(112,192)
Equity settled share based payment transactions	**4,250**	4,319
Share-based payment liabilities settled by the issue of equity instruments	**617**	-
Total distributions to owners	**6,926**	(103,558)
Changes in ownership interests in subsidiaries that do not result in a loss of control		
Initial recognition of minority interest in LMAX	**(5)**	5
Total changes in ownership interests in subsidiaries	**(5)**	5
Balance at 30 April	**164,809**	118,041

Notes (continued)

21 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 share option schemes
(c) Restricted share scheme
(d) Long term incentive plan

As at 30 April 2009, 8,023,249 share options and restricted shares (2008: 7,606,015) in the capital of the Group remain outstanding and are exercisable up to 30 April 2019.

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 £5.5m for the year ended 30 April 2009 (30 April 2008: £5.8m).

The fair value of the options (Share option plans and Save-As-You-Earn share option schemes) is determined using the Black-Scholes option pricing model. The expected volatility is based on historical volatilities of traded options in businesses comparable to the Group such as information technology and gaming companies over a period equal in length to the relevant expected life of the option and ending at the date of grant. 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 is nil as the Group has not paid any dividends in the past.

(a) Share option plans

Under the Group's share option plans, options may be granted to 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 2008	Granted during the year	Lapsed / cancelled during the year	Exercised during the year	Outstanding at 30 April 2009	Exercise Price £	Exercisable before
2001	427,526	-	-	(2,240)	**425,286**	0.001 to 0.20	2011
2002	1,366,156	-	-	(38,142)	**1,328,014**	0.001 to 0.40	2012
2003	43,710	-	-	(2,619)	**41,091**	0.40 to 2.00	2013
2004	100,552	-	-	(3,760)	**96,792**	0.25 to 2.25	2014
2005	979,102	-	(3,566)	(42,171)	**933,365**	2.17 to 4.50	2015
2006	2,801,693	-	(25,895)	(23,481)	**2,752,317**	4.50	2016
2007	981,718	-	(5,876)	-	**975,842**	£0.001 to10.00	2017
2008	193,075	-	(101,925)	-	**91,150**	£0.001 to10.00	2018
2009	-	277,000	-	-	**277,000**	£0.001 to10.00	2019
	6,893,532	277,000	(137,262)	(112,413)	**6,920,857**		

5,793,462 options were exercisable under this scheme as at 30 April 2009 (2008: 5,019,669).

The weighted average exercise price for share options exercised during the year was £2.19 (2008: £1.10).

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	**2009**	2003 - 2008
Share price at date of grant	**£10.00**	£0.40 - £10.00
Exercise price	**£0.001 - £10.00**	£0.001 - £10.00
Expected volatility	**39.09% - 62.41%**	32.51% - 59.42%
Expected term until exercised	**1 – 5 years**	1 – 5 years
Expected dividend yield	**Nil**	Nil
Risk-free interest rate	**0.77% - 5.09%**	3.25% - 5.79%

Notes (continued)

21 Share-based payments (continued)

(a) Share option plans (continued)

The weighted average fair value of the awards granted during the year ended 30 April 2009 under the share option plan at the date of grant was £4.28 (2008: £3.33).

The expense recognised (excluding Employers' National Insurance costs) was £1.8m (2008: £2.5m).

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 share option scheme

The Group operates a HMRC approved Save-As-You-Earn (SAYE) share option scheme in which all UK 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. SAYE options are granted under a service condition. There are no market conditions associated with the SAYE option grants.

The SAYE options must ordinarily be exercised within six months of completing the relevant savings period, and are satisfied through the issue of new shares. In line with market practice, the exercise of these options is not subject to any performance condition.

Financial year granted	Outstanding at 1 May 2008	Granted during the year	Lapsed / cancelled during the year	Exercised during the year	Outstanding at 30 April 2009	Exercise Price £	Exercisable before
2006	129,577	-	(901)	(127,572)	**1,104**	3.60	2009
2007	166,984	-	(7,407)	(418)	**159,159**	8.00	2010
2008	228,046	-	(14,058)	-	**213,988**	8.00	2011
2009	-	237,660	(8,006)	-	**229,654**	8.00	2012
	524,607	**237,660**	**(30,372)**	**(127,990)**	**603,905**		

The weighted average exercise price for share options exercised during the year was £3.61 (2008: £2.17).

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	**2009**	2003 - 2008
Share price at date of grant	**£10.00**	£2.71 - £10.00
Exercise price	**£8.00**	£2.17 - £8.00
Expected volatility	**47.47% - 54.40%**	40.07% - 46.28%
Expected term until exercised	**3.25 years**	3.25 years
Expected dividend yield	**Nil**	Nil
Risk-free interest rate	**1.92% - 4.04%**	4.42% - 5.08%

The weighted average fair value of the options granted during the year ended 30 April 2009 under the SAYE scheme at the date of grant was £4.62 (2008: £4.56).

The expense recognised (excluding Employers' National Insurance costs) was £0.5m (2008: £0.5m).

Notes (continued)

21 Share-based payments (continued)

(c) Restricted shares scheme

The Group provides a restricted shares scheme as part of its bonus plan.

Awards made under the terms of the restricted share scheme represent a conditional right to receive ordinary shares in the Company, provided that the Group achieves specific performance criteria as well as the individual satisfying their own pre-determined performance criteria over a twelve month period. The restricted shares have a vesting period of three years from the first day of the financial year to which they relate and one third of the shares will vest each year for three years.

Restricted shares scheme year	Outstanding at 1 May 2008	Granted during the year	Lapsed / cancelled during the year	Exercised during the year	Outstanding at 30 April 2009	Exercise Price £	Exercisable before
2007	187,876	7,364	(4,427)	(2,231)	**188,582**	0.001	2009
2008	-	327,108	(15,870)	(1,333)	**309,905**	0.001	2010
	187,876	**334,472**	**(20,297)**	**(3,564)**	**498,487**		

Restricted shares are valued with reference to the market value of the shares on the date of grant (2009 and 2008: £10).

The total expense recognised (excluding Employer's National Insurance costs) is £3.2m (2008: £2.7m). At the balance sheet date, the number of restricted shares to be granted based on Group and personal performance in the year to 30 April 2009 had not been precisely determined. The charge has been based on 486,858 restricted shares, which is management's best estimate.

One third of these shares will vest each year until 30 April 2011. Recipients of the 2009 restricted shares may elect to receive those shares which vest in the first year in cash. Consequently the Group has classified this allotment of restricted shares as a cash-settled transaction and recognised a liability of £1.2m (2008: £1.5m) within Other creditors. The cash settlement for recipients who elected to receive cash is fixed at the grant date and consequently it is not necessary to adjust the fair value of this liability to be re-measured at the balance sheet date.

(d) Long Term Incentive Plan

The Senior Executives' Incentive Plan was approved by the Board on 16 October 2007. Under the terms of the plan given certain events, a fund will be made available to provide a retention incentive to senior management. This incentive would be an equal combination of cash and nil cost share options. No provision has been recognised (2008: £nil) in the Consolidated Financial Statements as the conditions of the scheme have not been met to warrant the issue of the rewards, thus no liability exists as at 30 April 2009.

22 Employee benefits

Pension plans

In January 2009, the Group closed the defined benefit pension scheme that it acquired as part of the purchase of Portway Press Limited. Agreement was reached with each beneficiary under the scheme pursuant to which an enhanced transfer value was paid into a defined contribution pension for each individual. The total cost to the Group of closing the defined benefit scheme was £0.9m.

Defined contribution plans

In August 2008, the Group introduced a defined contribution pension plan available to all employees. The total expense shown within pension costs above relating to this plan in the current year was £0.9m (2008: £nil)

Notes (continued)

23 Financial instruments

(a) *Fair values of financial instruments*

Trade and other receivables

The fair value of trade and other receivables is valued at fair value less any provision for bad debts. The fair value is estimated using the present value of future cash flows discounted at the market rate of interest at the reporting date.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Derivative financial instruments

Derivative financial instruments comprise sports betting open positions. The fair value of open sports bets at the year end has been calculated using the latest available prices on the Company's own markets on relevant sporting events. The fair value calculation also includes the impact of any hedging activities in relation to these open positions. Assets or liabilities resulting from open positions are reported gross in financial assets and financial liabilities (note 23d).

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

The fair values for each class of financial asset and financial liability, together with their carrying amounts are as follows:

	Carrying value 2009 £'000	**Fair value 2009 £'000**	Carrying value 2008 £'000	Fair value 2008 £'000
Derivative financial asset used for hedging (note 16)	**2,254**	**2,254**	289	289
Trade and other receivables (note 17)	**5,410**	**5,410**	2,072	2,072
Cash and cash equivalents (note 18)	**133,367**	**133,367**	110,961	110,961
Other financial liabilities (note 19)	**(142)**	**(142)**	(1,855)	(1,855)
Derivative financial liability (open bet position within Non-trade payables and accrued expenses)	**(71)**	**(71)**	(141)	(141)
Trade and other payables (note 19)	**(14,854)**	**(14,854)**	(9,003)	(9,003)
Net financial assets	**125,964**	**125,964**	102,323	102,323

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

	Total 2009 £'000	**Level 1 2009 £'000**	**Level 2 2009 £'000**	**Level 3 2009 £'000**
Financial assets / (liabilities) at fair value through profit and loss				
Available for sale financial asset (note 14)	2,420	-	2,420	-
Other financial liabilities – loan notes (note 19)	(142)	-	(142)	-
Net assets at fair value through profit and loss	**2,278**	**-**	**2,278**	**-**

Notes (continued)

23 Financial instruments (continued)

(a) ***Fair values of financial instruments*** *(continued)*

	Total	Level 1	Level 2	Level 3
	2008 £'000	2008 £'000	2008 £'000	2008 £'000
Financial assets / (liabilities) at fair value through profit and loss				
Available for sale financial asset (note 14)	2,270	-	2,270	-
Other financial liabilities – loan notes (note 19)	(1,855)	-	(1,855)	-
Net assets at fair value through profit and loss	415	-	415	-

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.

23 (b) Cash flow hedges

Derivative financial asset used for hedging

The Group entered into a marketing agreement which commits the Group to pay a fixed amount of sponsorship money denominated in USD. The Group also entered into a foreign exchange forward contract to mitigate the risks of unfavourable fluctuations in the GBP to USD conversion. The marketing commitment is disclosed in note 25. The hedged cash flows will continue to occur until 2012 and will impact the income statement in each financial year until its expiry.

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. Risk management policies and procedures are reviewed regularly and monitored to reflect changes in market conditions and the company'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.

23 (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also spreads its cash reserves across several highly rated banks and investments to mitigate cash flow risks.

The Group has ensured 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.

Notes (continued)

23 Financial instruments (continued)

(c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2009 Carrying amount £'000	2008 Carrying amount £'000
Non-derivative financial liabilities		
Trade and other payables	**14,854**	9,003
Convertible loan notes	**142**	1,755
Loan notes	**-**	100
Derivative financial liabilities		
Open bet liability	**71**	141
	15,067	10,999

The financial liability balances above all have contractual maturities of one year or less as at 30 April 2009 and 2008.

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income of 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.

Sports betting open positions

There are several products which expose the Group to open betting positions resulting in net gains or losses in the income statement.

Amounts received from customers on sportsbook events that have not occurred by the year end are derivative financial instruments and have been designated by the Group on initial recognition as financial liabilities at fair value through profit and loss. The carrying amount of the liability is not significantly different from the amount that the Group is expected to pay out at maturity of the financial instruments.

Sports bets are non-interest bearing. There is no interest rate or credit risk associated with open sports bets. A currency risk may arise where such bets are denominated in a currency other than the GBP. This currency risk is not considered significant as any payout on such bets is made in the same currency as that in which the bet was originally staked.

Market risk - Foreign currency risk

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

The Group does not normally hedge against these sales and purchases, and converts the amounts at the spot rate. However, the Group monitors all foreign currency exposures and where appropriate, will take out a foreign currency hedge to mitigate the risk of unfavourable foreign exchange movements on specific commitments the Group enters into.

In the prior year, the Group entered into a sponsorship campaign which committed the Group to provide sponsorship funds denominated in USD over a 5 year period. To mitigate the risk of foreign currency fluctuation between the USD and GBP, the Group also entered into a foreign currency forward contract over the term of the sponsorship contract.

Notes (continued)

23 **Financial instruments** (continued)

(d) ***Market risk*** *(continued)*

Market risk - Foreign currency risk (continued)

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts:

30 April 2009

	Sterling £'000	**Euro £'000**	**US Dollar £'000**	**AUD £'000**	Other £'000	**Total £'000**
Cash and cash equivalents	**115,994**	**8,803**	**7,302**	**1,268**	-	**133,367**
Trade payables	**(4,857)**	**(302)**	**(161)**	**-**	-	**(5,320)**
Balance sheet exposure	**111,137**	**8,501**	**7,141**	**1,268**	-	**128,047**

30 April 2008

	Sterling £'000	Euro £'000	US Dollar £'000	AUD £'000	Other £'000	Total £'000
Cash and cash equivalents	108,263	1,626	6	88	978	110,961
Trade payables	(6,228)	(121)	-	-	(5)	(6,354)
Balance sheet exposure	102,035	1,505	6	88	973	104,607

Sensitivity analysis

A 15% weakening of the following currencies against the pound sterling at 30 April would have 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. The analysis is performed on the same basis for 2008.

	Equity		**Income statement**	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
EUR	**(45)**	(18)	**(1,320)**	(244)
USD	**(24)**	-	**(1,095)**	(1)
AUD	**-**	-	**(190)**	(13)

A 15% strengthening of the above currencies against sterling at 30 April would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Market risk – Interest rate risk

The Group has no bank loans and therefore is not exposed to interest rate risk on its liabilities. All other debt is repayable to related parties and is non-interest bearing.

Notes (continued)

23 **Financial instruments** (continued)

(d) ***Market risk*** *(continued)*

Market risk – Interest rate risk (continued)

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	2009 **£'000**	2008 £'000
Fixed rate instruments		
Financial liabilities	**(142)**	(1,755)
	(142)	(1,755)
Variable rate instruments		
Financial assets - cash	**133,367**	110,961
Financial liabilities	**-**	(100)
	133,367	110,861

Sensitivity analysis

An increase of 2% and a decrease of 2% 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% 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% is unlikely to occur. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through income statement or available-for-sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2008.

	2009 **£'000**	2008 £'000
Equity		
Increase	**-**	-
Decrease	**-**	-
Profit or loss		
Increase	**2,667**	2,219
Decrease	**(2,667)**	(2,219)

(e) ***Credit risk***

Credit / counterparty risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments.

Group Treasury policy and objectives in relation to credit risk is to minimise the likelihood that the Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

The Group limits its exposure to credit risk by only depositing surplus funds on a short term basis. The ring-fenced customer funds held by the Group in trust are spread across leading banking groups with the main aim of reducing risk as opposed to maximising income.

Other receivables are assessed for risk of default by customers and terms of trade are adjusted accordingly. Receivables are insured on risk and cost grounds.

As of 30 April 2009, the trade receivables balance was £2.2m (2008: £0.3m) of which £2.0m is current and £0.2m is past due. An amount of £0.1m of the trade receivable balance has been provided for. It is expected the majority of the trade receivables will be recovered.

Notes (continued)

23 **Financial instruments** (continued)

***(e) Credit risk** (continued)*

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 £138.8m (2008: £113.0m) being the total of the carrying amount of the financial assets excluding equity investments, shown in note 23 (a).

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group currently has sufficient capital for its needs.

24 Operating leases

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

	2009 £'000	2008 £'000
Not later than one year	**4,874**	3,690
Later than one year and not later than five years	**16,035**	15,820
Later than five years	**3,182**	5,944
	24,091	25,454

During the year £5.2m was recognised as an expense in the income statement in respect of operating leases (2008:£3.9m).

25 Capital commitments

Contracted but not provided for in the Financial Statements:

	2009 £'000	2008 £'000
Marketing	**9,253**	9,606

26 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.

Compensation of key management personnel of the Group

The remuneration of key management personnel is provided in note 5.

Share option arrangements

Certain key management and certain Directors were granted nil-cost options under service contracts, which were formally granted under a Group share option plan (see note 21). Directors' interests in the employee share incentive plan and employee share trust are disclosed in note 5.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at normal market prices and in the ordinary course of business. For the year ended 30 April 2009, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Notes (continued)

26 Related parties (continued)

Trading transactions

During the year the Group recharged the Australian joint venture, Betfair Pty Limited, the following costs:

- Operational costs amounting to £1.0m (2008: £0.5m)

The outstanding balance as at 30 April 2009 of loans receivable from the Australian joint venture is £3.7m (2008: £3.6m). The loans are not interest bearing.

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

- Salary costs amounting to £0.3m (2008: £0.2m)
- Operational costs amounting to £0.4m (2008: £0.4m)

Details of related party outstanding balances

The outstanding balance as at 30 April 2009 of loans receivable from the Australian joint venture is £3.7m (2008:£3.6m). The loans are 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 2009, the Group owed £1.2m (2008: £1.0m) to the Australian joint venture.

The Group was owed £0.7m (2008: £nil) from the joint venture, Evanescent Limited as at 30 April 2009.

27 Subsequent events

These non-statutory Consolidated Financial Statements were authorised and issued to the shareholders of Betfair Group Limited on 4 June 2010. There were no material subsequent events to disclose.

28 Explanation of transition to Adopted IFRSs – Group

As stated in note 1, these are the Group's first Consolidated Financial Statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the Consolidated Financial Statements for the year ended 30 April 2009, the comparative information presented in these Consolidated Financial Statements for the year ended 30 April 2008 and in the preparation of an opening IFRS balance sheet at 1 May 2007 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in Consolidated Financial Statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes (continued)

28 Explanation of transition to Adopted IFRSs – Group (continued)

Reconciliation of equity

	UK GAAP £'000	(a) £'000	(b) £'000	(c) £'000	Adopted IFRS £'000
Non-current assets					
Property, plant and equipment	**22,696**	-	-	-	**22,696**
Intangible assets	**25,947**	-	-	-	**25,947**
Investments	**3,955**	-	-	-	**3,955**
Deferred tax asset	**(106)**	160	306	10,212	**10,572**
Available for sale financial asset	**-**	-	-	-	**-**
	52,492	160	306	10,212	**63,170**
Current assets					
Derivative financial assets	**-**	-	-	-	**-**
Trade and other receivables	**10,055**	-	-	-	**10,055**
Cash and cash equivalents	**179,604**	-	-	-	**179,604**
	189,659	-	-	-	**189,659**
Total assets	**242,151**	160	306	10,212	**252,829**
Current liabilities					
Trade and other payables	**41,309**	533	1,019	-	**42,861**
Tax payable	**19,643**	-	-	-	**19,643**
	60,952	533	1,019	-	**62,504**
Long term liabilities	**432**	-	-	-	**432**
Total liabilities	**61,384**	533	1,019	-	**62,936**
Net assets	**180,767**	(373)	(713)	10,212	**189,893**
Equity attributable to equity holders of the parent					
Share capital	**111**	-	-	-	**111**
Share premium	**83,692**	-	-	-	**83,692**
Other reserves	**7,115**	-	-	-	**7,115**
Retained earnings	**89,849**	(373)	(713)	10,212	**98,975**
	180,767	(373)	(713)	10,212	**189,893**
Minority interest	**-**	-	-	-	**-**
Total equity	**180,767**	(373)	(713)	10,212	**189,893**

Notes (continued)

28 Explanation of transition to Adopted IFRSs – Group (continued)

Notes to the reconciliation of equity

(a) Operating lease incentives

Under UK GAAP, rental lease incentives were generally deferred and taken to the profit across the period to the first rent review. However under IFRS, these incentives have to be recognised across the entire lease term on a straight line basis. In accordance with IFRS, the Group has applied the rent free period on several lease contracts over the whole lease term. This results in an increase in the rent accrual for 1 May 2007 of £0.5m. The tax effect on the adjustment is £0.2m increase in deferred tax asset.

(b) Financial liabilities

UK GAAP does not apply a mark to market adjustment to derivative financial instruments through the profit and loss account. Under IFRS, the convertible loan notes held by the Group is marked to market with gains and losses being recorded through the income statement within net finance costs. As a result of this, the Group recognised an increase in other financial liabilities for 1 May 2007 of £1.0m with a corresponding increase in financial expenses. The deferred tax impact is in an increase in deferred tax asset of £0.3m.

(c) Deferred taxation

IAS 12 takes a balance sheet approach to deferred tax whereby deferred tax is recognised in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of assets and liabilities and their tax base. This contrasts with UK GAAP (FRS 19), which considers timing differences arising in the income statement. Adjustments made to the consolidated financial statements on the transition to IFRS result in relates adjustments to deferred tax, particularly with regard to operating lease incentives, short term employee holiday accruals, intangible assets, financial liabilities and share based payments. Furthermore under IFRS, deferred tax assets and liabilities are always recognised as being non-current. Previously under UK GAAP, the Group has split its deferred tax balances between those due in less than one year and those due in greater than one year. Consequently an adjustment has been made to reclassify all deferred tax assets and liabilities as being non-current.

Share options tax impact

Under IFRS, in accordance with IAS 12, the deferred tax asset represents the total future tax deduction that the company expects to obtain from all outstanding options (calculated using the MV of shares at the balance sheet date). This is then adjusted for vesting, non-qualifying/overseas options. The deferred tax is only recognised in the income statement to the extent there is a corresponding share based income statement charge (IFRS 2 charge) and the balance goes to equity. Under UK GAAP, the deferred tax charge is limited to the IFRS 2 charge in the year. This deferred tax asset unwinds as options are exercised and fluctuates as the share price moves. It is unwound through the income statement or equity dependent on where it was recognised in the first place. Therefore this adjustment has resulted in an increase in deferred tax asset of £10.2m at 1 May 2007.

Foreign currency translation reserve

The foreign currency translation reserve has been set to nil on the date of transition (1 May 2007).

Notes (continued)

28 Explanation of transition to Adopted IFRSs – Group (continued)

Reconciliation of equity

30 April 2008	UK GAAP £'000	(a) £'000	(b) £'000	Effect of transition to Adopted IFRSs Note (c) £'000	(d) £'000	(e) £'000	Adopted IFRS £'000
Non-current assets							
Property, plant and equipment	**22,074**	-	-	-	-	-	**22,074**
Intangible assets	**28,816**	-	-	-	1,477	-	**30,293**
Investments in equity accounted investees	**9,404**	-	-	-	197	-	**9,601**
Deferred tax asset	**215**	273	133	(81)	-	6,982	**7,522**
Available for sale financial asset	**2,270**	-	-	-	-	-	**2,270**
	62,779	273	133	(81)	1,674	6,982	**71,760**
Current assets							
Other financial assets	**-**	-	-	289	-	-	**289**
Trade and other receivables	**11,176**	-	-	-	-	-	**11,176**
Cash and cash equivalents	**110,961**	-	-	-	-	-	**110,961**
	122,137	-	-	289	-	-	**122,426**
Total assets	**184,916**	273	133	208	1,674	6,982	**194,186**
Current liabilities							
Trade and other payables	**51,446**	936	401	-	-	-	**52,783**
Tax payable	**23,362**	-	-	-	-	-	**23,362**
	74,808	936	401	-	-	-	**76,145**
Long term liabilities	**-**	-	-	-	-	-	**-**
Total liabilities	**74,808**	936	401	-	-	-	**76,145**
Net assets	**110,108**	(663)	(268)	208	1,674	6,982	**118,041**
Equity attributable to equity holders of the parent							
Share capital	**104**	-	-	-	-	-	**104**
Share premium	**69**	-	-	-	-	-	**69**
Other reserves	**-**	-	-	208	-	486	**694**
Retained earnings	**109,930**	(663)	(268)	-	1,674	6,496	**117,169**
	110,103	(663)	(268)	208	1,674	6,982	**118,036**
Minority interest	**5**	-	-	-	-	-	**5**
Total equity	**110,108**	(663)	(268)	208	1,674	6,982	**118,041**

Notes (continued)

28 Explanation of transition to Adopted IFRSs – Group (continued)

Notes to the reconciliation of equity

(a) Operating lease incentives

Under UK GAAP, rental lease incentives were generally deferred and taken to the income statement across the period to the first rent review. However under IFRS, these incentives have to be recognised across the entire lease term on a straight line basis. In accordance with IFRS, the Group has applied the rent free period on several lease contracts over the whole lease term. This results in an increase in the rent accrual of £0.9m as at 30 April 2008. The tax effect on the adjustment is £0.3m increase in deferred tax asset.

(b) Financial liabilities

UK GAAP does not apply a mark to market adjustment to derivative financial instruments through the profit and loss account. Under IFRS, the convertible loan notes held by the Group is marked to market with gains and losses being recorded through the income statement within net finance costs. As a result of this, the Group recognised an increase in other financial liabilities for 30 April 2008 of £0.4m with a corresponding increase in financial expenses. The deferred tax impact is in an increase in deferred tax asset of £0.1m.

(c) Derivative financial instruments

In the financial year ended 30 April 2008, the Group took out a foreign currency forward contract to hedge committed future payments. Under UK GAAP the hedge remains off balance sheet and no adjustment for a change in fair value is required. Under IFRS, the value of the hedge is required to be recognised as a financial asset or liability depending on the fair value of the hedge contract. A valuation of the foreign exchange options was conducted based on proprietary option models. The result of this valued the hedge at £0.3m asset in the 2008 year. Upon recognising this asset, a hedge reserve was created for the same amount. The deferred tax impact is a decrease in deferred tax asset (as it gives rise to a deferred tax liability) of £0.08m.

(d) Business combinations

The Group has applied IFRS 3 to all business combinations that have occurred since 1 May 2007 (the date of transition). IFRS requires that other intangible assets apart from goodwill be recognised from the excess of the cost of the acquisition over the net assets acquired. All acquisitions that occurred before 1 May 2007 are out of scope and no fair values of assets acquired have been adjusted.

Also under IFRS, goodwill is no longer amortised over its useful life, but instead required to be tested for impairment on an annual basis. As a result all goodwill recognised on acquisitions prior to 1 May 2007 is restated at the carrying amount as at that date. Any amortisation charged under UK GAAP is added back. The Group has written back in intangibles the following amortisation on goodwill recognised from a business combination:

- Portway Press Limited acquisition – goodwill amortisation write back for 2008 was £0.3m
- Poker Champs acquisition – goodwill amortisation write back for 2008 was £1.2 m

The Group has written back in investments in equity accounted investees the following amortisation on goodwill recognised from an acquisition of an equity accounted investee:

- Australian joint venture acquisition – goodwill amortisation write back for 2008 was £0.1m
- Bellmed acquisition – goodwill amortisation write back for 2008 was £0.1m

Notes (continued)

28 Explanation of transition to Adopted IFRSs – Group (continued)

Notes to the reconciliation of equity (continued)

(e) Deferred taxation

IAS 12 takes a balance sheet approach to deferred tax whereby deferred tax is recognised in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of assets and liabilities and their tax base. This contrasts with UK GAAP (FRS 19), which considers timing differences arising in the income statement. Adjustments made to the consolidated financial statements on the transition to IFRS result in relates adjustments to deferred tax, particularly with regard to operating lease incentives, short term employee holiday accruals, intangible assets, financial liabilities and share based payments. Furthermore under IFRS, deferred tax assets and liabilities are always recognised as being non-current. Previously under UK GAAP, the Group has split its deferred tax balances between those due in less than one year and those due in greater than one year. Consequently an adjustment has been made to reclassify all deferred tax assets and liabilities as being non-current.

Share options tax impact

Under IFRS, in accordance with IAS 12, the deferred tax asset represents the total future tax deduction that the company expects to obtain from all outstanding options (calculated using the MV of shares at the balance sheet date). This is then adjusted for vesting, non-qualifying/overseas options. The deferred tax is only recognised in the income statement to the extent there is a corresponding share based income statement charge (IFRS 2 charge) and the balance goes to equity. Under UK GAAP, the deferred tax charge is limited to the IFRS 2 charge in the year. This deferred tax asset unwinds as options are exercised and fluctuates as the share price moves. It is unwound through the P&L or equity dependent on where it was recognised in the first place. Therefore this adjustment has resulted in an increase in deferred tax asset of £7.0m for 2008.

Foreign currency translation reserve

The foreign currency translation reserve has been set to nil on the date of transition (1 May 2007).

Notes (continued)

28 Explanation of transition to Adopted IFRSs – Group (continued)

Reconciliation of income statement for 30 April 2008

	Note	UK GAAP £'000	2008 Effect of transition to Adopted IFRSs £'000	Adopted IFRSs £'000
Revenue	(a)	233,553	8,877	242,430
Cost of sales		(40,089)	-	(40,089)
Gross profit		193,464	8,877	202,341
Other operating income	(a)	8,877	(8,877)	-
Administrative expenses	(b)	(152,402)	(402)	(152,804)
EBITDA		**49,939**	**(402)**	**49,537**
Depreciation and amortisation	(c)	(17,477)	1,674	(15,803)
Operating profit before net financing costs		**32,462**	**1,272**	**33,734**
Financial income	(d)	9,893	469	10,362
Financial expenses		(269)	-	(269)
Net financing expense		9,624	469	10,093
Equity accounted investments	(f)	(87)	41	(46)
Profit before tax		41,999	1,782	43,781
Taxation	(e)	(9,364)	(3,668)	(13,032)
Profit for the year		32,635	(1,886)	30,749
Attributable to:				
Equity holders of the parent		32,635	(1,886)	30,749
Profit for the year		**32,635**	**(1,886)**	**30,749**

Reconciliation of profit for 30 April 2008

(a) Revenue

The other operating income of £8.8m is re-classified as revenue on the basis that the other income is still generated from activities in the course of ordinary business.

(b) Administrative expenses

There was an increase in administrative expenses of £402,000 as a result of a change in the accounting of lease incentive which has been taken over the lease term under IFRS.

Notes (continued)

28 Explanation of transition to Adopted IFRSs – Group (continued)

Reconciliation of income statement for 30 April 2008 (continued)

(c) Depreciation and amortisation

The write back of goodwill that was amortised under UK GAAP for the following goodwill balances:

- Portway Press Limited acquisition – goodwill amortisation write back for 2008 was £0.3m
- Poker Champs acquisition – goodwill amortisation write back for 2008 was £1.2m
- Australian joint venture acquisition – goodwill amortisation write back for 2008 was £0.1m
- Bellmed acquisition – goodwill amortisation write back for 2008 was £0.1m

(d) Financial income

UK GAAP does not apply a mark to market adjustment to derivative financial instruments through the profit and loss account. Under IFRS, the convertible loan notes held by the Group is marked to market with gains and losses being recorded through the income statement within net finance costs. As a result of this, the Group recognised a decrease in other financial liabilities in 2008 of £0.6m with a corresponding decrease in financial expenses (or increase in financial income) of £0.6m in 2008.

(e) Taxation

IAS 12 takes a balance sheet approach to deferred tax whereby deferred tax is recognised in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of assets and liabilities and their tax base. This contrasts with UK GAAP (FRS 19), which considers timing differences arising in the income statement. Adjustments made to the financial statements on the transition to IFRS result in relates adjustments to deferred tax, particularly with regard to operating lease incentives, short term employee holiday accruals, intangible assets, financial liabilities and share based payments. Furthermore under IFRS, deferred tax assets and liabilities are always recognised as being non-current. Previously under UK GAAP, the Group has split its deferred tax balances between those due in less than one year and those due in greater than one year. Consequently an adjustment has been made to reclassify all deferred tax assets and liabilities as being non-current.

The IFRS adjustment and income tax expense impact is detailed as follows:

- Operating lease incentive adjustment to administrative costs of £0.4m increase - £0.1m decrease in tax expense
- Financial instruments adjustment resulting in an increase in financial income of £0.6m - £0.2m increase in tax expense

Share options tax impact

Under IFRS, in accordance with IAS 12, the deferred tax asset represents the total future tax deduction that the company expects to obtain from all outstanding options (calculated using the MV of shares at the balance sheet date). This is then adjusted for vesting, non-qualifying/overseas options. The deferred tax is only recognised in the income statement to the extent there is a corresponding share based income statement charge (IFRS 2 charge) and the balance goes to equity. Under UK GAAP, the deferred tax charge is limited to the IFRS 2 charge in the year. This deferred tax asset unwinds as options are exercised and fluctuates as the share price moves. It is unwound through the income statement or equity dependent on where it was recognised in the first place. Therefore, this adjustment has resulted in an increase in tax expense of £3.0m for 2008.

Change in tax rate adjustment

Also included in the tax expense charge is an adjustment of £0.7m for the change in tax rate from 30% to 28% for the prior years deferred tax adjustments made on IFRS restated numbers.

(f) Equity accounted investments

The results of the investment in equity accounted investees as a one line on the income statement is inclusive of tax and interest relating to the equity accounted investment.

Explanation of material adjustments to the cash flow statement for 30 April 2008

There is no material differences between the cash flow statement presented under Adopted IFRSs and the cash flow statement presented under UK GAAP.