14 December 2011

Betfair Group plc
("Betfair")

Interim results for the six months ended 31 October 2011

"Betfair delivers a strong first half; building momentum"

Betfair (LSE:BET), the world's biggest betting community and one of the world's leading online betting and gaming operators, today announces its unaudited results for the six months ended 31 October 2011.

Group summary

Unaudited	Underlying [3] H1 FY12 £m	H1 FY11 £m	*Change* %	Reported H1 FY12 £m	H1 FY11 £m	*Change* %
Group revenue	191.3	188.5	*+1%*	191.3	213.3	*-10%*
Adjusted EBITDA [1]	42.4	31.2	*+36%*	42.4	37.6	*+13%*
Profit after tax	20.6	14.4	*+43%*	17.4	6.8	*+156%*
Basic earnings per share	19.5p	13.6p	*+43%*	17.1p	6.4p	*+167%*

Financial highlights

- Core Betfair revenue of £170.3m, with 12% year-on year growth in Q2 [2]
- Core Betfair Adjusted EBITDA up 26% to £44.6m [1, 2]
- Group underlying earnings per share up 43% to 19.5 pence [3]
- Interim dividend proposed of 3.2p pence per share
- £23.7m returned in share buyback to date

Operational highlights

- Strong Exchange performance: Q2 non-risk revenue up 20% year-on-year
- New mobile products drive growth: 16.2m bets (up 103%) and £9.1m of revenue (up 88%) in H1
- Encouraging current trading: Core Betfair revenue up 13% in Q3 to date
- New site to be launched shortly: much improved speed, reliability and search functionality

Management update

- Breon Corcoran announced as new CEO
- Stephen Morana to be Interim CEO
- Gerald Corbett appointed as Deputy Chairman and will become Chairman in Q1 2012

1 Excluding exceptional items and equity settled share-based payments
2 Core Betfair includes Betfair's unique Betting Exchange and its portfolio of other sports betting, games and poker products
3 Underlying figures are stated after making a number of adjustments in order to aid comparability between periods. These adjustments involve the exclusion, where relevant, of: the revenue and EBITDA from the High rollers segment; exceptional items; equity settled share-based payments; and the associated tax effect of these adjustments. A reconciliation of reported figures to underlying figures is set out in Appendix 2

Commenting on today's announcement, David Yu, Betfair's Chief Executive Officer, said:

"I am pleased with our performance in the first half of the year, with record revenues and profits. After a solid first quarter, we delivered a strong second quarter with Core Betfair revenues up 12%. These results were driven by an excellent Exchange performance following a very positive start to the football season and improved monetisation of activity.

"Mobile betting has continued to grow strongly in the first half, with double the number of mobile bets placed compared to the same period last year. We have continued to make progress in the third quarter, with 41% of UK Exchange customers placing a mobile bet in November, driving mobile revenue to around 9% of Exchange revenue. We are continuing to focus our investment in the product and will shortly be introducing mobile gaming as well as further updates to our existing mobile sports betting applications, leaving us well placed to deliver further growth from this important channel.

"Our technology investment programme is starting to deliver a number of valuable improvements for our customers. Our new site will be launched in the New Year and will bring faster page downloads, increased reliability and improved search functionality. In addition, this will reduce the on-going maintenance cost of the technology platform and allow a greater focus on product development, while also providing increased flexibility to meet new jurisdictional requirements as they arise.

"We have maintained our positive momentum in the third quarter, with Core Betfair revenue up 13% against the prior year. Whilst the economic environment remains uncertain, we expect to make further progress in the second half and remain comfortable with the outlook for the financial year.

"Finally, we have separately announced that as part of the transition to our new CEO, Breon Corcoran, I will be stepping down at the end of the month and that Stephen Morana will be Interim CEO. Stephen will be assisted by the strong management team that we have in place. I am proud to have been part of Betfair's success over the past decade and am pleased to be leaving the business in good shape and with a bright future".

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Analyst and investor results webcast

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

About Betfair

Betfair is the world's biggest betting community and one of the world's leading online betting and gaming operators.

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

Betfair additionally offers a range of other sports betting products, casino games and poker. As at 30 November 2011, Betfair had over 4 million registered customers worldwide and processed, on average, more than 7 million transactions per day on the Betting Exchange, more than all European Stock Exchanges combined during the preceding 12 month period.

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

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

Disclaimer

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

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No statement in this announcement is intended as a profit forecast or a profit estimate and no statement in this announcement should be interpreted to mean that earnings per Betfair share for the current or future financial years would necessarily match or exceed the historical published earnings per Betfair share.

Certain data in this announcement, including financial, statistical and operating information, has been rounded. As a result of such rounding, the totals of data presented in this announcement may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

BUSINESS REVIEW

At the preliminary results in June, we set out our plans to drive value through the following three objectives:

1. Accelerating revenue growth
2. Driving margin improvements to increase profitability
3. Returning cash to shareholders

We are pleased with the progress we have made against these aims in the first half. Revenue growth accelerated in the second quarter, margins have improved significantly and our product pipeline leaves Betfair well placed to drive further growth. Our share buyback is on track and, reflecting the Board's continued confidence in the outlook for the business, we have today announced an interim dividend of 3.2 pence per share. This review provides an update on our plans in these three areas.

Accelerating revenue growth

Sports

Betfair is a sports-led business and sports-betting has continued to be our best performing product in H1 FY12. Our unique Betting Exchange has delivered strong growth in the period and remains our core competitive advantage.

Activity on the Exchange continues to be strong, with the total value of bets up 7% in the first half and 11% in the second quarter. At the start of the financial year, we prioritised improving the monetisation of the Exchange and its ecosystem and we have made significant steps towards achieving this goal. We have provided more historical data, expert opinion and trading tools, such as 'Cash Out', to help make our customers 'better bettors'. Cash Out allows customers to more easily lock in a profit or loss and 17% of football customers used the tool in October. The tool will shortly be available on additional markets and sports, as well as on our mobile products. We also introduced pricing changes for a very small number of customers. The pricing changes were implemented on 18 July and the initial results have been positive, reflecting a more equal share of the benefits that these customers gain from the Betfair platform.

The Exchange continues to offer customers consistently better value on key markets. This gives customers a better chance of winning compared with traditional bookmakers and 28% of Exchange customers made an overall profit in the first half. So far this football season, Exchange customers betting on winning outcomes in the major European leagues would on average have received 7% better odds on match-odds and 25% on correct scores compared with competitors, after deducting 5% commission. In addition, the unique nature of the Exchange means they would also have had the option to place lay bets, ask for better prices and trade their position throughout the game.

In recent months, we have been trialling a version of our new website that offers a significant speed advantage and is delivering average page download times of around 3 seconds compared with over 18 seconds on the old site. Better search functionality and site reliability also provide a much enhanced experience for our customers and the updated site allows greater flexibility to integrate content and tools, such as streamed video and Cash Out, to a wider range of pages. Initial feedback from test groups has been overwhelmingly positive and the new site will be rolled out in the New Year.

Betfair's Exchange has significant barriers to entry, including our leading technology, liquidity advantage and substantial customer base and none of our competitors have been able to successfully replicate the product. The Betting Exchange is the only truly differentiated product in online gaming and remains at the heart of Betfair. We have, however, recognised that it cannot fulfil all betting needs and to be a leading sports betting operator we must offer customers a full range of products. We already offer non-exchange products such as multiple and pari-mutuel bets and, as previously announced, we are further developing our risk product portfolio to offer customers more betting opportunities on less liquid markets. This improved customer experience will be delivered through Betfair acting as principal in situations where Exchange liquidity has not yet formed. As a result, there will be fewer reasons for customers to bet elsewhere and we should increase our share of customers' betting wallets.

In Mobile, our strategy has been to offer our Exchange across a wide range of languages and mobile platforms (including native apps for iPhone, iPad, Android and Blackberry, alongside our Mobile Web App), and to refresh these products frequently. We have seen that mobile usage leads to an increase in ARPU and also that mobile customers have lower than average churn rates. In October we launched a significantly improved iPhone app which has driven further increases in usage and ARPU. Our products have received industry recognition in recent weeks, with Betfair winning awards for 'Mobile Operator of the Year' from E-gaming Review and 'Best Gambling Company' at the Mobile Entertainment awards.

Our mobile products are also receiving recognition from our customers, with 41% of UK Exchange customers placing a mobile bet in November. In the first half, mobile grew strongly, with the number of mobile bets doubling to 16.2m and mobile revenue increasing by 88% to £9.1m. Our mobile product has so far been Exchange only and we look forward to launching games on the channel in early 2012.

Games

In Games, we have seen operational benefits following the launch of a new browser-based casino product using the Playtech platform in August 2010, enabling more frequent product refreshes. However, our Games performance has been mixed in the first half of the year. We have had some successes, such as Live Dealer, but overall revenue growth has slowed as we have phased marketing spend to later in the year to coincide with the new site and other product launches. Furthermore, following the introduction of a licensing framework for Games and Poker in Italy we have temporarily ceased offering these products in the country from July 2011 and this has affected revenue from both products in H1 FY12. Overall Games revenue was down 5% year-on-year in Q2, and adjusting for Italy was up 3%.

Poker

In July 2010, we migrated our poker product to the more liquid Ongame network and after an initial reduction of revenue following the loss of some high ARPU customers, revenue has now been stable for five quarters. Overall Poker revenue was up 3% year-on-year in Q2, and adjusting for Italy was up 10%.

UK Horserace Betting Levy

In the UK, although we are no longer legally liable to pay the Horserace Betting Levy, we have demonstrated our commitment to British horseracing by once again pledging to make a voluntary contribution to the Horserace Betting Levy Board, recognising that it is in our interests that racing delivers a high quality product. In 2012, we will make a contribution of £6.5m, up from £6.0m in the 2011 scheme. We are also fully engaged with the UK government about potential reforms to the Levy.

Separately, the Levy Board decided in June 2011 that, following a widespread consultation and legal advice from two preeminent QCs and consistent with its treatment of the customers of any other bookmaker, it would not seek to impose levy on the customers of betting exchanges. Subsequently, the British Horseracing Authority and William Hill have instituted Judicial Review proceedings in relation to the Levy Board's decision. We are optimistic that the Judicial Review will not lead to a change in levy arrangements on betting exchanges, or on our customers, and will support the Levy Board in defending its stance as necessary.

European Regulation

In Europe, we continue to work with Governments and regulators to achieve sensible regulatory outcomes. In Italy, discussions with the regulator, AAMS, are progressing well and we have successfully tested the integration of our Exchange technology with the systems of SOGEI, the IT arm of Italy's Ministry of Economy and Finance.

In Spain, we have applied for a licence to operate a sportsbook and are currently paying gross profits tax on current revenues. We expect a licensing regime for betting exchanges (which is already provided for in primary legislation) to be put in place in 2012. We are also applying for a licence to operate all products in Denmark and similarly intend to apply for a licence in the German state of Schleswig Holstein, which recently passed online gaming legislation. Separately, we have filed a complaint with the European Commission regarding the legislation proposed by the other 15 German states, which we believe is incompatible with the European freedom of establishment and the freedom to provide services.

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

Other investments

In the US, we remain excited about the introduction of exchange wagering on horse racing in California from May 2012. We have made substantial progress with our technical development activities and now have an 'alpha' version of the Exchange. We continue to engage with the horse racing industry in California regarding the economic model for exchange wagering. Meanwhile, TVG is continuing to take share in the advanced deposit wagering ('ADW') market, with handle growth of 5%.

Betfair Australia, a 50:50 joint venture between Betfair Group plc and Crown Limited, achieved revenue growth of 13% (local currency) in the period driven by horse racing and the Rugby World Cup, as well as benefiting from similar monetisation improvements as the Core business. This revenue growth, coupled with operational efficiencies, has resulted in the business generating a profit in the period. Betfair Australia has an ongoing legal dispute with Racing NSW regarding the implementation of racefields legislation. Following a previous decision against Betfair Australia in the Federal Court, the company was granted leave to appeal to the High Court of Australia. The appeal was heard in August 2011, and we expect to receive the court's decision in early 2012.

LMAX has continued to see much improved customer traction in recent months, with volumes strengthening throughout Q2 and into Q3. The new management team, led by David Mercer since April 2011, has successfully transitioned the business towards a sales-led distribution strategy. The business now has an experienced sales team and is making further appointments to gain a wider international reach. Whilst it remains at an early stage of its development, LMAX is on track against its updated business plan which includes further development of both its products and technology.

Driving margin improvements to increase profitability

The business has continued to make good progress on its three-year technology investment programme and is on-track to complete the project in the second half of the year. The re-architecture will reduce ongoing maintenance costs and ensure that Betfair is well positioned to extend its product leadership in sports betting in an increasingly complex regulatory environment.

Returning cash to shareholders

Since the start of the financial year, we have returned almost £30m to shareholders through our buyback and maiden final dividend and, reflecting the Board's continued confidence in the outlook for the business, we have today announced an interim dividend of 3.2 pence per share.

In June 2011 we announced our intention to spend up to £50m repurchasing shares over the following 12 months. The buyback programme is on track and so far we have purchased and cancelled 3.4m shares for £23.7m.

Management changes

We have announced a number of key hires in the last few months. Most significantly, Breon Corcoran was appointed as Chief Executive Officer and will take up his position on 1 August 2012. Breon joins from Paddy Power where he was Chief Operating Officer. In the meantime, Stephen Morana will become Interim CEO when David Yu steps down on 31 December, supported by a strong management team that combines deep Betfair expertise with new senior hires in sports risk management, marketing, technology and regulation.

Current trading and outlook

We are pleased with trading in the third quarter to date. Core Betfair revenue is up 13% on the prior year, again driven by a strong Exchange performance, which included a continuation of the improved monetisation of activity and higher racing revenues. Racing revenues have benefited in recent weeks following the adverse weather conditions in the UK and Ireland in the comparable period last year, which caused a number of race meeting cancellations.

Whilst the economic environment remains uncertain in many of our geographies and the industry cannot be considered to be immune from pressures on consumer spending, we remain comfortable with the outlook for the full year, given the consistent value enjoyed by customers and our upcoming product enhancements.

FINANCIAL REVIEW

Group Summary

For the six months ended 31 October 2011, reported Group revenue, which includes the discontinued high roller segment in the prior year, was £191.3m (H1 FY11: £213.3m), and reported Group profit before tax was £20.9m (H1 FY11: £7.4m). The Group believes that underlying results, which exclude the discontinued high roller segment and exceptional items in the prior year, provide additional guidance to statutory measures to help understand the underlying performance of the business during the financial year.

For the six months ended 31 October 2011, underlying Group revenue was up 1% at £191.3m (H1 FY11: £188.5m), with underlying Group adjusted EBITDA up 36% at £42.4m (H1 FY11: £31.2m) and underlying basic EPS up 43% at 19.5 pence (H1 FY11: 13.6 pence).

The Group ended the period with a cash balance of £143.2m (31 October 2010: £178.2m) and no debt. In addition, customer funds held off balance sheet in separate ring fenced accounts were £282.0m on the same date (31 October 2010: £288.0m).

Six months ended 31 October *Unaudited*	**H1 FY12 £m**	**H1 FY11 £m**	***Change %***
Revenue			
Core Betfair revenue	170.3	167.2	*+2%*
Other investments revenue	21.0	21.4	*-2%*
Underlying Group revenue [2]	**191.3**	**188.5**	***+1%***
High rollers revenue	-	24.7	*-100%*
Group revenue	**191.3**	**213.3**	***-10%***
Adjusted EBITDA [1]			
Core Betfair	44.6	35.5	*+26%*
Other investments	(2.2)	(4.3)	*+51%*
Underlying Group Adjusted EBITDA [2]	**42.4**	**31.2**	***+36%***
High rollers	-	6.4	*N/A*
Group Adjusted EBITDA	**42.4**	**37.6**	***+13%***
Exceptional items	-	(14.7)	*N/A*
Equity settled share-based payments	(3.8)	(2.3)	*N/A*
EBITDA			
Core Betfair	40.9	16.4	*+149%*
Other investments	(2.4)	(2.2)	*-9%*
Group EBITDA (excluding High rollers)	**38.6**	**14.2**	***+172%***
High rollers	-	6.4	*N/A*
Group EBITDA	**38.6**	**20.6**	***+87%***
Group operating profit	19.3	7.3	*+164%*
Underlying Group operating profit [2]	23.1	17.8	*+30%*
Profit before tax	20.9	7.4	*+182%*
Underlying profit before tax [2]	24.7	16.9	*+46%*
Profit after tax	17.4	6.8	*+156%*
Underlying profit after tax [2]	20.6	14.4	*+43%*
Basic earnings per share	17.1p	6.4p	*+167%*
Diluted earnings per share	16.9p	6.2p	*+173%*
Underlying basic earnings per share [2]	19.5p	13.6p	*+43%*
Underlying diluted earnings per share [2]	19.3p	13.1p	*+47%*

1 Excluding exceptional items and equity settled share-based payments

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

Core Betfair

Revenues and KPIs

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

Core Betfair revenue increased by 2% in the first half, which consisted of a 7% decline in Q1 against a tough comparative period that included the World Cup and a 12% increase in Q2. Our focus on attracting and retaining higher value customers has resulted in a 16% increase in overall ARPU to £295 in the first half. Actives in the period fell by 13% to 572,000, reflecting this higher value focus and the increased customer activity during the World Cup last year.

Six months ended 31 October *Unaudited*	Q1 FY12 £m	Q2 FY12 £m	H1 FY12 £m	Q1 FY11 £m	Q2 FY11 £m	H1 FY11 £m
- Non-risk sports	59.5	64.7	124.2	59.6	54.1	113.7
- Risk sports	0.3	5.2	5.5	3.9	6.0	9.9
- Sports	59.8	70.0	129.8	63.5	60.1	123.6
- Games	14.7	13.3	28.0	16.7	14.0	30.7
- Poker	5.4	5.4	10.8	6.1	5.3	11.4
Core Betfair NGR	79.9	88.7	168.6	86.3	79.4	165.7
Revenue from management of customer funds	0.9	0.8	1.8	0.7	0.8	1.5
Core Betfair revenue	**80.8**	**89.5**	**170.3**	**87.0**	**80.2**	**167.2**
Change						
- Non-risk sports	*Flat*	*+20%*	*+9%*			
- Risk sports	*-92%*	*-13%*	*-44%*			
- Sports	*-6%*	*+16%*	*+5%*			
- Games	*-12%*	*-5%*	*-9%*			
- Poker	*-12%*	*+3%*	*-5%*			
Core Betfair NGR	*-7%*	*+12%*	*+2%*			
Revenue from management of customer funds	*+31%*	*+5%*	*+17%*			
Core Betfair revenue	***-7%***	***+12%***	***+2%***			

Non-risk sports revenue, which is predominantly commission generated on the Exchange, increased by 9% in the period to £124.2m and performed well in both quarters. In Q1, non-risk revenue was flat despite the World Cup in the prior year and was up 20% in Q2. Growth in the second quarter included the impact of targeted pricing changes, a good start to the football season and continued strong growth in other sports, particularly tennis, cricket and golf.

Horse racing revenue also increased in the period (up 5% year on year), driven primarily by growth in international racing as well as product improvements, such as our mobile racing app. We have invested in content such as the new 'Donald McCain Zone' to complement our existing racing ambassador, Paul Nicholls and will shortly be launching a new TV based marketing campaign to promote our racing product.

Revenue from risk sports fell in the first half, primarily as a result of adverse sporting results in May. In Q2, margin was in line with normal historical levels, but was lower than the high margin achieved in the prior year. As a result, risk revenue of £5.2m in Q2 was lower than the prior year (Q2 FY12: £6.0m).

In the six month period, overall Sports ARPU increased by 22% and actives were 14% lower, reflecting our more focused acquisition and retention strategy. Actives were 19% lower in Q1, primarily due to the World Cup in the prior year, whilst actives were broadly flat in Q2.

Year on year progression of Games revenue was also affected by the higher levels of activity seen last year during the World Cup period as well as a planned second half weighting of marketing spend in FY12. Games and poker revenues have been further affected by our decision to suspend offering these products in Italy from July following the introduction of a licensing framework for Games and Poker in the country. We are planning to introduce these products to the Betfair.it site in 2012. Games revenue was down 5% in Q2, although, adjusting for Italy, revenue was up 3%. In addition, Q1 FY12 was the final quarter to be affected by year-on-year comparisons to the pre-migration period. Encouragingly, Poker revenue has now seen five quarters of stability following the migration to the Ongame network in July 2010 and revenue increased by 3% in Q2 versus the prior year despite the loss of Italian revenues. Adjusting for Italy, Poker revenue increased by 10% in Q2.

All regions saw a similar quarterly trend, with lower Q1 revenues followed by growth in Q2. The strongest performance came from Europe, where revenue was up 16% in the second quarter. The UK contributed 53% of Core Betfair net gaming revenue in the first half (H1 FY11: 55%).

Revenue from the management of customer funds held on deposit in separate ring fenced accounts grew by 17% to £1.8m, primarily reflecting slightly higher returns.

Further details are included in Appendix 4.

Gross margin

Core Betfair gross margin was £152.2m (H1 FY11: £140.9m), representing a gross margin percentage of 89.4% (H1 FY11: 84.3%). The improvement in gross margin percentage was largely driven by the change in licensing arrangements in the UK and the greater proportion of revenue generated from Sports, partially offset by initial payments of gaming tax in Spain.

Administrative expenses

Six months ended 31 October *Unaudited*	**H1 FY12 £m**	**H1 FY11 £m**	***Change %***
Commercial and marketing	38.9	43.3	*-10%*
Technology and product	34.8	34.0	*+2%*
Operations	10.0	9.1	*+9%*
Corporate	23.9	19.1	*+25%*
Total	**107.6**	**105.4**	***+2%***
Commercial and marketing as % of Core Betfair revenue	*22.8%*	*25.9%*	
Technology and product as % of Core Betfair revenue	*20.5%*	*20.3%*	
Operations as % of Core Betfair revenue	*5.9%*	*5.4%*	
Corporate as % of Core Betfair revenue	*14.0%*	*11.4%*	
Total as % of Core Betfair revenue	***63.2%***	***63.1%***	

Commercial and marketing spend in the first half was lower than the prior year due to a planned second half weighting of our marketing activities to coincide with the launch of our new website and the expansion of our risk sports product. It is expected that overall commercial and marketing costs for the full year as a percentage of revenue will be in line with our guidance of 'mid-20s'.

The technology and product expenses include incremental costs associated with operating multiple data centres during the transition towards the consolidation of the centres in Ireland. In the period, an additional £9.3m of internal technology development expenditure has been capitalised and will be amortised over three years, as per our established accounting policies (H1 FY11: £8.2m). This development expenditure includes our three year investment programme in the technology platform which will be completed in the second half of the financial year.

Operational costs were 9% higher in the period following investment required to facilitate the 48% increase in the number of in-play markets offered.

As expected, corporate costs increased in the period to £23.9m (H1 FY11: £19.1m), primarily due to investment in legal and public affairs resources as part of our efforts to achieve sensible regulatory outcomes in a number of European countries and the additional costs of moving the UK business offshore and of being a listed company.

Core Betfair EBITDA

Six months ended 31 October *Unaudited*	**H1 FY12 £m**	**H1 FY11 £m**	***Change %***
Adjusted EBITDA	**44.6**	**35.5**	***+26%***
Exceptional items	-	(16.8)	*-100%*
Equity settled share-based payments and associated costs	(3.7)	(2.3)	*N/A*
EBITDA	**40.9**	**16.4**	***+149%***

Core Betfair Adjusted EBITDA increased by 26% to £44.6m (H1 FY11: £35.5m), reflecting revenue growth combined with an increase in gross margin in the period.

On a reported basis, the growth in EBITDA was higher due to the exceptional costs of £16.8m incurred by Core Betfair in H1 FY11, which were primarily in connection with the IPO in October 2010.

Reported EBITDA is also stated after equity settled share-based payments of £3.7m (H1 FY11: £2.3m). The increase in the period is due to a £2.4m charge for the equity element of the 2010 SEIP, which relates to the Company's listing in October 2010. The full year charge in relation to the 2010 SEIP is expected to total £4.9m in FY12, reducing to £1.2m in FY13, and zero thereafter.

Other investments

Six months ended 31 October *Unaudited*	**H1 FY12 £m**	**H1 FY11 £m**	***Change %***
Revenue			
Betfair US	18.7	19.3	*-3%*
LMAX	2.2	2.1	*-5%*
Total	**21.0**	**21.4**	***-2%***
Adjusted EBITDA			
Betfair US	0.5	(1.8)	*N/A*
LMAX	(2.7)	(2.4)	*N/A*
Total	**(2.2)**	**(4.3)**	*N/A*

Betfair US

Operationally, TVG has had a good first half and has continued to grow its share of the US advance deposit wagering ('ADW') market. Handle grew by 5% and overall revenue by 2% (both in local currency terms) in the period driven by increases in both actives and revenue per user

Adjusted EBITDA improved to a profit of £0.5m (H1 FY11: loss of £1.8m) as a result of cost reductions following restructuring in the prior year.

Betfair US has continued to invest in product development and is engaging with the horse racing industry in California ahead of the introduction of exchange wagering on horse racing from May 2012.

LMAX

Most of LMAX's revenues during the period relate to its Tradefair white label financial spread betting business, which benefitted in both years from the increased volatility in financial markets.

The EBITDA loss was £2.7m (H1 FY11 £2.4m), which reflects continued investment in the development of its exchange platform and sales capability. The result was an improvement against the £3.4m loss in the second half of FY11 following restructuring of the business by the new management team.

Betfair Australia

Betfair Australia, our joint venture with Crown Limited, generated 13% revenue growth in the period, driven by a strong horse racing performance and improved monetisation of Exchange activity.

Profitability improved in the period as a result of the revenue growth and operational efficiencies. The profit arising from equity accounted investments, which relates to our share of Betfair Australia's results, improved by £0.7m to £0.4m (H1 FY11: loss of £0.3m).

Depreciation and amortisation

Six months ended 31 October *Unaudited*	**H1 FY12 £m**	**H1 FY11 £m**	***Change %***
Core Betfair	16.0	11.6	*+38%*
Other investments	3.3	1.7	*+94%*
Group depreciation and amortisation	**19.3**	**13.3**	***+45%***

The increase in the depreciation and amortisation charge in H1 was primarily a result of the higher capital expenditure during FY11. The first half charge is consistent with our full year guidance of approximately £45m for the Group.

Finance income and expenses

Net finance income of £1.1m (H1 FY11: expense of £0.7m) represented interest on corporate funds of £0.6m (H1 FY11: £0.4m) and a net foreign exchange gain of £0.5m (H1 FY11: loss of £1.1m). The net foreign exchange gain / loss relates to unrealised gains / losses resulting from the re-translation of intercompany trading balances.

Taxation

The Group's tax expense was £3.4m in the period (H1 FY11: £0.6m). The Group's effective consolidated tax rate was 16.4% (H1 FY11: 8.6%). We now expect the long-term sustainable tax rate to be between 16% and 17%.

Dividend and Share Buyback

The Board proposes the payment of an interim dividend of 3.2 pence per share. This will be paid on 27 January 2012 to holders of relevant shares on the register at 23 January 2012. The Directors have chosen to adopt a progressive dividend policy while maintaining an appropriate level of dividend cover. The dividend policy reflects the strong cash flow characteristics and long-term earnings potential of the Betfair Group and allows us to retain sufficient capital to fund ongoing operating requirements and continue investment for long term growth. It is the Directors' intention that the interim dividend will represent approximately one-third of the total annual dividend.

In June 2011, we announced our intention to buyback shares up to £50m over the following 12 months. The buyback programme is on track and to date we have purchased and cancelled 3.4m shares for £23.7m.

Capitalised expenditure

Six months ended 31 October	**H1 FY12**			**H1 FY11**		
£m	**Core**	**Other**	**Total**	**Core**	**Other**	**Total**
External capex	11.4	1.2	12.6	19.9	0.8	20.7
Internal devex	9.3	4.0	13.3	8.2	2.1	10.3
Total capex	**20.7**	**5.2**	**25.9**	**28.1**	**2.9**	**31.0**

Group capitalised expenditure (capex) totalled £25.9m (H1 FY11: £31.0m), consisting of £20.7m in Core Betfair and £5.2m in other investments. These amounts are consistent with our full year expectations for Group capex, which we expect to be similar to the prior year.

Cash and cash flow

Core Betfair generated free cash flow of £14.9m in the first half (H1 FY11: £6.5m). The increase was largely driven by £9.2m higher Core Betfair adjusted EBITDA and £7.9m lower cash payments for capex / capitalised development costs, partly offset by tax payments of £5.8m (H1 FY11: nil).

Free cash flow from other investments was an outflow of £4.1m, reflecting investment ahead of the US exchange launch in 2012 and in the continued development of LMAX.

In the period, we spent £18.4m on the share buyback and paid the final dividend for 2011, which totalled £6.3m. In H1 FY11, cash flow from the discontinued 'High roller' segment, disposals and issue of shares totalled £27.1m.

Six months ended 31 October *Unaudited*	**H1 FY12 £m**	**H1 FY11 £m**
Core Betfair		
Cashflow from operating activities	40.8	34.6
Capex / capitalised development costs	(20.1)	(28.0)
Tax paid	(5.8)	-
Core Betfair free cash flow	14.9	6.5
Other investments		
Cashflow from operating activities	(0.8)	(3.5)
Capex / capitalised development costs	(3.3)	(2.9)
Other investments free cash flow	(4.1)	(6.4)
Share repurchases	(18.4)	-
Dividends paid	(6.3)	-
Other	2.1	27.4
Net (decrease) / increase in cash and cash equivalents	**(11.8)**	**27.5**

Balance as at 31 October *Unaudited*	**H1 FY12 £m**	**H1 FY11 £m**
Cash and cash equivalents	143.2	178.2
Customer funds held off balance sheet on deposit in separate ring fenced accounts	282.0	288.0

Principal risks and uncertainties

The principal risks facing the Group are summarised in Appendix 3.

Responsibility Statement of the Directors in respect of the condensed consolidated interim financial statements

We confirm that to the best of our knowledge the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the board of Betfair Group plc

David Yu
Director

Stephen Morana
Director

Condensed Consolidated Income Statement

	Note	**Six months ended 31 October 2011 (Unaudited) £'000**	Six months ended 31 October 2010 (Unaudited) £'000	Year ended 30 April 2011 (Audited) £'000
Continuing operations				
Revenue		**191,280**	213,251	393,311
Cost of sales		**(23,612)**	(49,567)	(74,572)
Gross profit		**167,668**	163,684	318,739
Administrative expenses		**(148,383)**	(156,429)	(293,900)
Group operating profit		**19,285**	7,255	24,839
Analysed as:				
Adjusted EBITDA* (excluding exceptional items and equity settled share-based payments)		**42,380**	37,566	79,684
Exceptional items	3	**-**	(14,679)	(16,995)
Equity settled share-based payments and associated costs	16	**(3,829)**	(2,309)	(6,413)
EBITDA*		**38,551**	20,578	56,276
Depreciation and amortisation		**(19,266)**	(13,323)	(31,437)
Group operating profit		**19,285**	7,255	24,839
Profit on disposal of available-for-sale financial asset	4	**-**	1,158	1,158
Finance income	5	**1,148**	436	1,546
Finance expense	5	**-**	(1,094)	(15)
Net finance income / (expense)		**1,148**	(658)	1,531
Share of profit / (loss) of equity accounted investments		**417**	(306)	(911)
Profit before tax		**20,850**	7,449	26,617
Tax	6	**(3,415)**	(637)	(3,611)
Profit for the period / year		**17,435**	6,812	23,006
Attributable to:				
Equity holders of the Parent		**18,102**	7,391	24,157
Non-controlling interest		**(667)**	(579)	(1,151)
Profit for the period / year		**17,435**	6,812	23,006
Earnings per share				
Basic		**17.1p**	6.4p	22.6p
Diluted		**16.9p**	6.2p	22.0p

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

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 October 2011 (Unaudited) £'000	Six months ended 31 October 2010 (Unaudited) £'000	Year ended 30 April 2011 (Audited) £'000
Profit for the period / year	**17,435**	6,812	23,006
Other comprehensive income			
Foreign exchange differences arising on consolidation	**187**	(1,282)	(2,853)
Other comprehensive income / (expense) for the period / year, net of income tax	**187**	(1,282)	(2,853)
Total comprehensive income for the period / year	**17,622**	5,530	20,153
Attributable to:			
Equity holders of the Parent	**18,289**	6,109	21,304
Non-controlling interest	**(667)**	(579)	(1,151)
Total comprehensive income for the period / year	**17,622**	5,530	20,153

Condensed Consolidated Balance Sheet

	Note	**31 October 2011 (Unaudited) £'000**	31 October 2010 (Unaudited) £'000	30 April 2011 (Audited) £'000
Non-current assets				
Property, plant and equipment	8	**31,663**	27,660	32,857
Goodwill and other intangibles	9	**119,637**	100,848	110,868
Investments	10	**2,405**	-	1,959
Available-for-sale financial assets	11	**2,115**	2,115	2,115
Deferred tax asset		**1,008**	9,352	3,623
		156,828	139,975	151,422
Current assets				
Trade and other receivables	12	**28,337**	28,535	21,239
Cash and cash equivalents	13	**143,201**	178,157	155,038
		171,538	206,692	176,277
Total assets		**328,366**	346,667	327,699
Current liabilities				
Trade and other payables	14	**95,035**	114,396	87,437
Tax payable		**20,442**	25,018	24,698
Total liabilities		**115,477**	139,414	112,135
Net assets		**212,889**	207,253	215,564
Share capital	15	**105**	107	108
Share premium		**11,132**	8,564	10,694
Other reserves		**(6,176)**	1,747	(5,974)
Retained earnings		**204,817**	192,671	207,058
Equity attributable to equity holders of the Parent		**209,878**	203,089	211,886
Non-controlling interest	15	**3,011**	4,164	3,678
Total equity		**212,889**	207,253	215,564

Condensed Consolidated Statement of Changes in Equity
For the six month period ended 31 October 2011

Attributable to equity holders of the Company

	Share capital £'000	Share premium £'000	Other reserves £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 May 2011	108	10,694	1,569	(7,543)	207,058	211,886	3,678	**215,564**
Total comprehensive income for the period								
Profit / (loss) for the period	-	-	-	-	18,102	18,102	(667)	**17,435**
Other comprehensive income								
Foreign exchange differences	-	-	-	522	(335)	187	-	**187**
Other comprehensive income	-	-	-	522	(335)	187	-	**187**
Total comprehensive income for the period	-	-	-	522	17,767	18,289	(667)	**17,622**
Transactions with owners, recorded directly in equity								
Distributions to owners								
Issue of shares	1	438	-	-	-	439	-	**439**
Equity settled share-based payments	-	-	-	-	3,593	3,593	-	**3,593**
Purchase of own shares	(4)	-	4	-	(18,379)	(18,379)	-	**(18,379)**
Sale of own shares by the EBT*	-	-	-	-	1,010	1,010	-	**1,010**
Dividend paid	-	-	-	-	(6,232)	(6,232)	-	**(6,232)**
Tax on equity settled share-based payments	-	-	(728)	-	-	(728)	-	**(728)**
Total transactions with owners	(3)	438	(724)	-	(20,008)	(20,297)	-	**(20,297)**
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Issue of shares by subsidiary to non-controlling interest	-	-	-	-	-	-	-	**-**
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	**-**
Balance at 31 October 2011	**105**	**11,132**	**845**	**(7,021)**	**204,817**	**209,878**	**3,011**	**212,889**

* The Group's Employee Benefit Trust is defined as EBT.

Condensed Consolidated Statement of Changes in Equity
For the six month period ended 31 October 2010

Attributable to equity holders of the Company

	Share capital £'000	Share premium £'000	Other reserves £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 May 2010	105	4,078	1,640	(3,903)	179,892	181,812	-	181,812
Total comprehensive income for the period								
Profit / (loss) for the period	-	-	-	-	7,391	7,391	(579)	6,812
Other comprehensive income								
Foreign exchange differences	-	-	-	(1,355)	73	(1,282)	-	(1,282)
Other comprehensive income	-	-	-	(1,355)	73	(1,282)	-	(1,282)
Total comprehensive income for the period	-	-	-	(1,355)	7,464	6,109	(579)	5,530
Transactions with owners, recorded directly in equity								
Distributions to owners								
Issue of shares	2	4,486	-	-	-	4,488	-	4,488
Equity settled share-based payments	-	-	-	-	2,309	2,309	-	2,309
Share-based payment liabilities settled by the issue of equity instruments	-	-	-	-	3,006	3,006	-	3,006
Tax on equity settled share-based payments	-	-	5,365	-	-	5,365	-	5,365
Total transactions with owners	2	4,486	5,365	-	5,315	15,168	-	15,168
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Issue of shares by subsidiary to non-controlling interest	-	-	-	-	-	-	4,743	4,743
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	4,743	4,743
Balance at 31 October 2010	107	8,564	7,005	(5,258)	192,671	203,089	4,164	207,253

Condensed Consolidated Statement of Changes in Equity
For the year ended 30 April 2011

Attributable to equity holders of the Company

	Share capital £'000	Share premium £'000	Other reserves £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 May 2010	105	4,078	1,640	(3,903)	179,892	181,812	-	181,812
Total comprehensive income for the year								
Profit / (loss) for the year	-	-	-	-	24,157	24,157	(1,151)	23,006
Other comprehensive income								
Foreign exchange differences	-	-	-	(3,640)	787	(2,853)	-	(2,853)
Other comprehensive income	-	-	-	(3,640)	787	(2,853)	-	(2,853)
Total comprehensive income for the year	-	-	-	(3,640)	24,944	21,304	(1,151)	20,153
Transactions with owners, recorded directly in equity								
Distributions to owners								
Issue of shares	3	6,616	-	-	-	6,619	-	6,619
Equity settled share-based payments	-	-	-	-	6,324	6,324	-	6,324
Share-based payment liabilities settled by the issue of equity instruments	-	-	-	-	3,006	3,006	-	3,006
Purchase of own shares by EBT*	-	-	-	-	(7,225)	(7,225)	-	(7,225)
Sale of own shares by the EBT	-	-	-	-	117	117	-	117
Tax on equity settled share-based payments	-	-	(71)	-	-	(71)	-	(71)
Total transactions with owners	3	6,616	(71)	-	2,222	8,770	-	8,770
Changes of ownership interests in subsidiaries that do not result in a loss of control								
Issue of shares by subsidiary to non-controlling interest	-	-	-	-	-	-	4,829	4,829
Total changes in ownership interest in subsidiaries	-	-	-	-	-	-	4,829	4,829
Balance at 30 April 2011	108	10,694	1,569	(7,543)	207,058	211,886	3,678	215,564

* The Group's Employee Benefit Trust is defined as EBT.

Condensed Consolidated Cash Flow Statement

	Note	**Six months ended 31 October 2011 (Unaudited) £'000**	Six months ended 31 October 2010 (Unaudited) £'000	Year ended 30 April 2011 (Audited) £'000
Cash flows from operating activities				
Profit for the period / year		**17,435**	6,812	23,006
Adjustments for:				
Depreciation and amortisation		**19,266**	13,323	31,437
Loss on disposal of property, plant and equipment		**-**	-	43
Equity settled share-based payments and associated costs	16	**3,829**	2,309	6,413
Profit on disposal of available-for-sale financial asset	4	**-**	(1,158)	(1,158)
Share of (profit) / loss of equity accounted investments		**(417)**	306	911
Net finance (income) / expense	5	**(1,148)**	658	(1,531)
Tax		**3,415**	637	3,611
Increase in trade and other receivables		**(7,162)**	(6,320)	(1,102)
Increase / (decrease) in trade and other payables		**4,882**	20,045	(989)
Cash generated from operations		**40,100**	36,612	60,641
Tax paid		**(5,815)**	-	(2,958)
Net cash from operating activities		**34,285**	36,612	57,683
Cash flows from investing activities				
Acquisition of property, plant and equipment	8	**(5,652)**	(9,724)	(21,552)
Proceeds from sale of property, plant and equipment		**-**	-	386
Acquisition of external other intangible assets	9	**(4,531)**	(10,940)	(15,509)
Capitalised internal development expenditure	9	**(13,282)**	(10,325)	(25,002)
Acquisition of interest in subsidiary, net of cash acquired		**-**	-	(192)
Cash injection in jointly controlled entities	10	**(85)**	(230)	(230)
Disposal of available-for-sale financial assets		**-**	3,428	3,428
Finance income received		**620**	458	976
Net cash used in investing activities		**(22,930)**	(27,333)	(57,695)
Cash flows from financing activities				
Proceeds from the issue of share capital	15	**439**	4,488	6,619
Proceeds from the sale of shares in LMAX	15	**-**	4,743	4,829
Proceeds from the sale of shares to be transferred to third parties		**-**	9,014	-
Purchase and cancellation of own shares		**(18,379)**	-	(7,225)
Sale of own shares by the EBT		**1,010**	-	117
Dividends paid		**(6,232)**	-	-
Net cash from financing activities		**(23,162)**	18,245	4,340
Net (decrease) / increase in cash and cash equivalents		**(11,807)**	27,524	4,328
Cash and cash equivalents at the beginning of the period / year		**155,038**	150,947	150,947
Effect on exchange rate fluctuations on cash held		**(30)**	(314)	(237)
Cash and cash equivalents at period / year end	13	**143,201**	178,157	155,038

Notes to the condensed consolidated interim financial statements

1 Accounting policies

Reporting entity

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

The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 October 2011 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The Group is involved in the provision of betting services and online gaming products.

The audited consolidated financial statements of the Group as at and for the year ended 30 April 2011 are available upon request from the Company's registered office at Waterfront, Hammersmith Embankment, Chancellors Road, London W6 9HP.

The condensed consolidated interim financial statements for the six months ended 31 October 2011 are unaudited and do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but have been reviewed by the auditors and their report is on page 37 of this statement.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed and adopted for use in the European Union and the Disclosure and Transparency Rules (DTR) of the Financial Services Authority. They do not include all the statements required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 April 2011.

The comparative figures for the financial year ended 30 April 2011 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters in which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements were approved by the Board of Directors on 13 December 2011.

Basis of preparation

The condensed consolidated interim 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.

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, and therefore they continue to adopt the going concern basis in the condensed consolidated interim financial statements.

Basis of consolidation

The condensed consolidated interim financial statements incorporate the net assets and results of the Company and entities controlled by the Company (its subsidiaries) made up to the period and year end presented. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition, or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the net assets and results of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the condensed consolidated interim financial statements (continued)

1 Accounting policies (continued)

Basis of consolidation (continued)

Business combinations

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Significant accounting policies

These condensed consolidated interim financial statements are unaudited and have been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 30 April 2011.

Other new standards and interpretations were adopted effective 1 May 2011 but had no material impact on the condensed consolidated interim financial statements.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. Despite the current uncertainty in the global economy, the key risks that could affect the Group's performance and the factors that mitigate those risks, have not significantly changed from those set out in the Group's annual report for 2011. Significant risk factors that could impact the business are summarised in Appendix 3 of this statement.

Accounting estimates and judgements

The preparation of the condensed consolidated interim financial statements 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 preparing these condensed consolidated interim financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements as at and for the year ended 30 April 2011.

Notes to the condensed consolidated interim financial statements (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 Chief Operating Decision Maker (CODM) for which financial information is regularly reviewed in making decisions about operating matters. These segments are:

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

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

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

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

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

The results of the Australian joint venture are consolidated in the Group accounts on an equity accounting basis. As such only the net assets and the share of gains and losses are presented in the operating segment note below. If proportional consolidation was applied the Group's share of the Australian joint venture would have increased revenue by £7.7 million (six month period ended 31 October 2010: £6.1 million; year ended 30 April 2011: £12.3 million) and increased EBITDA by £0.7 million (six month period ended 31 October 2010: decrease by £1.3 million; year ended 30 April 2011: decrease by £2.4 million).

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

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

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

- UK
- Europe
- Rest of World
- Unallocated

Notes to the condensed consolidated interim financial statements (continued)

2 Operating Segments (continued)

Segmental information for the six months ended 31 October 2011, 31 October 2010 and the year ended 30 April 2011 is as follows:

Six months ended 31 October 2011 (unaudited)

	Sports £'000	Games £'000	Poker £'000	Management of customer funds £'000	**Core Betfair £'000**	US £'000	LMAX £'000	**Other investments £'000**	**High rollers £'000**	**Group £'000**
Revenue	129,802	27,988	10,779	1,760	**170,329**	18,729	2,222	**20,951**	**-**	**191,280**
Adjusted EBITDA*					**44,608**	474	(2,702)	**(2,228)**	**-**	**42,380**
Equity settled share-based payments and associated costs					**(3,677)**	(152)	-	**(152)**	**-**	**(3,829)**
EBITDA					**40,931**	322	(2,702)	**(2,380)**	**-**	**38,551**
Depreciation and amortisation										**(19,266)**
Net finance income										**1,148**
Share of profit of equity accounted investments										**417**
Profit before tax										**20,850**
Total assets										**328,336**
Total liabilities										**(115,477)**

Six months ended 31 October 2010 (unaudited)

	Sports £'000	Games £'000	Poker £'000	Management of customer funds £'000	Core Betfair £'000	US £'000	LMAX £'000	Other investments £'000	High rollers £'000	Group £'000
Revenue	123,624	30,693	11,351	1,506	167,174	19,274	2,099	21,373	24,704	213,251
Adjusted EBITDA*					35,456	(1,843)	(2,441)	(4,284)	6,394	37,566
Exceptional items					(16,787)	2,108	-	2,108	-	(14,679)
Equity settled share-based payments and associated costs					(2,309)	-	-	-	-	(2,309)
EBITDA					16,360	265	(2,441)	(2,176)	6,394	20,578
Depreciation and amortisation										(13,323)
Profit on disposal of available-for-sale financial asset										1,158
Net finance expense										(658)
Share of losses of equity accounted investments										(306)
Profit before tax										7,449
Total assets										346,667
Total liabilities										(139,414)

**Adjusted EBITDA excludes exceptional items and equity settled share-based payments*

Notes to the condensed consolidated interim financial statements (continued)

2 Operating Segments (continued)

Year ended 30 April 2011 (audited)

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

**Adjusted EBITDA excludes exceptional items and equity settled share-based payments*

Notes to the condensed consolidated interim financial statements (continued)

2 Operating Segments (continued)

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

Six months ended 31 October 2011 (unaudited)	UK £'000	Europe £'000	Rest of World £'000	Unallocated* £'000	**Group £'000**
Core Betfair	89,294	70,272	9,003	1,760	**170,329**
Other Investments	2,222	-	18,729	-	**20,951**
High rollers	-	-	-	-	**-**
Total Group	**91,516**	**70,272**	**27,732**	**1,760**	**191,280**

Six months ended 31 October 2010 (unaudited)	UK £'000	Europe £'000	Rest of World £'000	Unallocated* £'000	Group £'000
Core Betfair	90,252	66,344	9,072	1,506	167,174
Other Investments	2,099	-	19,274	-	21,373
High rollers	-	-	-	24,704	24,704
Total Group	92,351	66,344	28,346	26,210	213,251

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

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

The Group's overall profitability is sensitive to sporting results, particularly on significant events that attract a large number of stakes, as well as the timing of these events. Games and Poker income is less seasonal.

Notes to the condensed consolidated interim financial statements (continued)

3 Exceptional items

	Six months ended 31 October 2011 (Unaudited) £'000	Six months ended 31 October 2010 (Unaudited) £'000	Year ended 30 April 2011 (Audited) £'000
Costs incurred on corporate projects	**-**	16,787	19,103
Release of surplus provisions	**-**	(2,108)	(2,108)
	-	14,679	16,995

During the period ended 31 October 2011, the Group did not incur any exceptional items (31 October 2010: £14.7 million and 30 April 2011: £17.0 million). For the year ended 30 April 2011, these costs represented IPO expenses amounting to £15.7 million (31 October 2010: £15.7 million) comprising professional fee and bonus payments and £3.4 million (31 October 2010: £1.1 million) for corporate projects relating to cost optimisation planning and strategic development.

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

	Six months ended 31 October 2011 (Unaudited) £'000	Six months ended 31 October 2010 (Unaudited) £'000	Year ended 30 April 2011 (Audited) £'000
Profit on sale of investment	**-**	1,158	1,158

During the period ended 31 October 2011, the Group did not dispose of any investments. During the year ended 31 April 2011, the Group disposed of its 5.6% investment in Fine Success Limited.

5 Finance income and expense

	Six months ended 31 October 2011 (Unaudited) £'000	Six months ended 31 October 2010 (Unaudited) £'000	Year ended 30 April 2011 (Audited) £'000
Finance income			
Bank interest receivable	**630**	436	1,113
Net foreign exchange gain	**518**	-	433
	1,148	436	1,546

Notes to the condensed consolidated interim financial statements (continued)

5 Finance income and expense (continued)

	Six months ended 31 October 2011 (Unaudited) £'000	Six months ended 31 October 2010 (Unaudited) £'000	Year ended 30 April 2011 (Audited) £'000
Finance expense			
Interest expense	-	15	15
Net foreign exchange loss	-	1,079	-
	-	1,094	15

The net foreign exchange amount relates to unrealised gains and losses resulting from the re-translation of intercompany trading balances.

6 Tax

Income tax is recognised based on management's best estimate of the annual effective income tax rate expected for the full financial year and this expected annual effective income tax rate is applied to the profit before tax of the six month period. The Group's consolidated effective tax rate for the period was 16.4% (six month period ended 31 October 2010: 9.0%; year ended 30 April 2011: 13.6%).

In the period to 31 October 2011 the Group underlying estimated effective rate is 16.4% (six month period ended 31 October 2010: 18.0%; year ended 30 April 2011: 27.8%).The income tax expense for the six month period ended 31 October 2011 is £3.4 million (six months ended 31 October 2010: £0.6 million; the year ended 30 April 2011: £3.6 million).

Notes to the condensed consolidated interim financial statements (continued)

7 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the six month period ended 31 October 2011 was based on the profit attributable to ordinary shareholders of £18.1 million (six month period ended 31 October 2010: £6.8 million and the year ended 30 April 2011: £24.2 million) and a weighted average number of ordinary shares outstanding of 105,700,154 (six months ended 31 October 2010: 105,848,044 and year ended 30 April 2011: 106,811,660), calculated as follows:

	Six months ended 31 October 2011 (Unaudited)	Six months ended 31 October 2010 (Unaudited)	Year ended 30 April 2011 (Audited)
Profit for the period / year (£'000)	18,102	6,812	24,157
Weighted average number of shares	105,700,154	105,848,044	106,811,660
Basic earnings per share	17.1p	6.4p	22.6p
Diluted earnings per share	16.9p	6.2p	22.0p

Diluted earnings per share

The calculation of diluted earnings per share for the six month period ended 31 October 2011 was based on the profit attributable to ordinary shareholders of £18.1 million for the six months ended 31 October 2011 (six months ended 31 October 2010: £6.8 million and the year ended 30 April 2011: £24.2 million) and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 106,900,666 (31 October 2010: 109,586,047 and 30 April 2011: 109,653,974), calculated as follows:

Adjusted profit for diluted earnings per share

	Six months ended 31 October 2011 (Unaudited) £'000	Six months ended 31 October 2010 (Unaudited) £'000	Year ended 30 April 2011 (Audited) £'000
Profit for the period / year used to determine diluted earnings per share	18,102	6,812	24,157

Weighted average number of shares (diluted)

	Six months ended 31 October 2011 (Unaudited)	Six months ended 31 October 2010 (Unaudited)	Year ended 30 April 2011 (Audited)
Weighted average number of ordinary shares (basic)	105,700,154	105,848,044	106,811,660
Effect of share options on issue	1,200,512	3,738,003	2,842,314
Weighted average number of ordinary shares (diluted)	106,900,666	109,586,047	109,653,974

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on the market value (31 October 2010 and 30 April 2011: market value) of the Company's shares for the period that the options were outstanding.

Notes to the condensed consolidated interim financial statements (continued)

8 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 2010	750	11,370	63,608	4,928	539	81,195
Acquisitions	-	2,374	17,285	2,059	169	21,887
Disposals	-	-	(52)	(14)	(105)	(171)
Foreign exchange differences	-	(73)	(448)	(62)	107	(476)
Balance at 30 April 2011	750	13,671	80,393	6,911	710	102,435
Acquisitions	-	998	4,784	605	127	6,514
Disposals	-	-	(602)	-	(50)	(652)
Foreign exchange differences	-	(40)	134	(160)	49	(17)
Balance at 31 October 2011	**750**	**14,629**	**84,709**	**7,356**	**836**	**108,280**
Depreciation and impairment						
Balance at 1 May 2010	52	6,566	46,985	2,773	356	56,732
Depreciation for the year	15	1,651	10,686	1,013	105	13,470
Disposals	-	-	(26)	(12)	(37)	(75)
Foreign exchange differences	-	(97)	194	(648)	2	(549)
Balance at 30 April 2011	67	8,120	57,839	3,126	426	69,578
Depreciation for the period	7	803	6,226	480	78	7,594
Disposals	-	-	(602)	-	(50)	(652)
Foreign exchange differences	-	1	89	7	-	97
Balance at 31 October 2011	**74**	**8,924**	**63,552**	**3,613**	**454**	**76,617**
Net book value						
At 30 April 2011 (Audited)	683	5,551	22,554	3,785	284	32,857
At 31 October 2011 (Unaudited)	**676**	**5,705**	**21,157**	**3,743**	**382**	**31,663**

In the six month period ended 31 October 2010, the Group acquired assets amounting to £9.8 million and there were disposals of assets with net book value of £0.1 million. Depreciation for the six month period ended 31 October 2010 amounted to £6.3 million.

Notes to the condensed consolidated interim financial statements (continued)

9 Goodwill and other intangibles

	Goodwill £'000	Computer software £'000	Licences £'000	Development expenditure £'000	Brand £'000	Customer lists £'000	Broadcasting and wagering technologies £'000	Total £'000
Cost								
Balance at 1 May 2010	56,191	7,610	1,615	45,192	2,089	4,682	946	118,325
Acquisitions – internally developed	-	-	-	25,002	-	-	-	25,002
Acquisitions – externally purchased	192	14,086	55	3,983	-	-	-	18,316
Disposals	-	-	-	-	-	(532)	-	(532)
Foreign exchange differences	(2,928)	-	17	-	(176)	(363)	(82)	(3,532)
Balance at 30 April 2011	53,455	21,696	1,687	74,177	1,913	3,787	864	157,579
Acquisitions – internally developed	-	-	-	13,282	-	-	-	13,282
Acquisitions – externally purchased	-	3,866	-	2,240	-	-	-	6,106
Disposals	-	-	-	-	-	-	-	-
Foreign exchange differences	900	-	44	(14)	64	126	29	1,149
Balance at 31 October 2011	**54,355**	**25,562**	**1,731**	**89,685**	**1,977**	**3,913**	**893**	**178,116**
Amortisation and impairment								
Balance at 1 May 2010	-	3,962	992	21,207	1,306	1,463	415	29,345
Amortisation for the year	-	4,489	384	11,028	764	1,042	260	17,967
Disposals	-	-	-	-	-	(199)	-	(199)
Foreign exchange differences	-	63	(79)	-	(157)	(176)	(53)	(402)
Balance at 30 April 2011	-	8,514	1,297	32,235	1,913	2,130	622	46,711
Amortisation for the period	-	3,136	134	7,879	-	489	34	11,672
Disposals	-	-	-	-	-	-	-	-
Foreign exchange differences	-	29	(89)	-	64	71	21	96
Balance at 31 October 2011	**-**	**11,679**	**1,342**	**40,114**	**1,977**	**2,690**	**677**	**58,479**
Net book value								
At 30 April 2011 (Audited)	53,455	13,182	390	41,942	-	1,657	242	110,868
At 31 October 2011 (Unaudited)	**54,355**	**13,883**	**389**	**49,571**	**-**	**1,223**	**216**	**119,637**

Goodwill relates to the excess of consideration over the fair value of net assets acquired in relation to the acquisition of Portway Press Limited, Poker Champs Limited, TVG Network, and the Romanian development operations (TSE Development Romania) and the setup of Betfair TV and the Australian joint venture.

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 six month period.

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 and externally. These costs have been capitalised in accordance with the requirements of 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 their estimated useful economic lives which fall between 2 – 6 years.

In the six month period ended 31 October 2010, the Group acquired intangible assets amounting to £21.3 million and there were disposals of assets with net book value of £0.3 million. Amortisation for the six month period ended 31 October 2010 amounted to £7.0 million.

Notes to the condensed consolidated interim financial statements (continued)

10 Investment in Australia JV

	31 October 2011 (Unaudited) £'000	31 October 2010 (Unaudited) £'000	30 April 2011 (Audited) £'000
Share of net liabilities			
At the beginning of the period / year	**(6,101)**	(4,910)	(4,910)
Share of operating profit / (loss)	**382**	(354)	(1,002)
Share of interest receivable	**35**	49	91
Contribution of cash into joint venture	**85**	230	230
Foreign exchange differences	**(144)**	(129)	(510)
At the end of the period / year	**(5,743)**	(5,114)	(6,101)
Goodwill			
At the beginning and end of the period / year	**385**	385	385
Loan			
At the beginning of the period / year	**7,675**	4,677	4,677
Reclassification of loan from short-term to long-term	**-**	-	2,204
Foreign exchange differences	**88**	52	794
At the end of the period / year	**7,763**	4,719	7,675
Net book value			
At the beginning of the period / year	**1,959**	152	152
At the end of the period / year	**2,405**	-	1,959

11 Available-for-sale financial asset

	£'000
Cost	
At 31 October 2011 and at 1 May 2011	**2,115**

At 31 October 2011 and at 1 May 2011, the available-for-sale financial assets principally comprise the Group's 11.2% (fully diluted holdings of 9.3%) non-controlling interest in Kabam Inc. (£2.0 million).

Notes to the condensed consolidated interim financial statements (continued)

12 Trade and other receivables

	31 October 2011 (Unaudited) £'000	31 October 2010 (Unaudited) £'000	30 April 2011 (Audited) £'000
Trade receivables	**2,499**	5,900	2,225
Other receivables	**10,190**	5,659	6,056
Prepayments	**15,648**	14,381	12,958
Amounts due from joint ventures	**-**	2,595	-
	28,337	28,535	21,239

13 Cash and cash equivalents

	31 October 2011 (Unaudited) £'000	31 October 2010 (Unaudited) £'000	30 April 2011 (Audited) £'000
Cash and cash equivalents	**143,201**	178,157	155,038

The above includes restricted cash of £8.0 million (31 October 2010: £nil and 30 April 2011: £nil) relating to the Group's financial guarantees.

As at 31 October 2011 £282.0 million (31 October 2010: £288.0 million and 30 April 2011: £305.6 million) was held on trust in The Sporting Exchange (Clients) Limited on behalf of the Group's core business customers and is equal to the amounts deposited into customer accounts. The ring fenced customer funds, which are held in trust, are held off balance sheet.

14 Trade and other payables

	31 October 2011 (Unaudited) £'000	31 October 2010 (Unaudited) £'000	30 April 2011 (Audited) £'000
Trade payables	**5,870**	2,023	5,210
Other payables	**12,884**	20,464	11,253
Amounts owed to joint ventures	**2,637**	2,666	2,951
Other tax and social security	**8,721**	10,759	6,834
Non-trade payables and accrued expenses	**64,923**	78,484	61,189
	95,035	114,396	87,437

Notes to the condensed consolidated interim financial statements (continued)

15 Equity

Share capital

	Ordinary shares		
	31 October 2011 (Unaudited) No.	31 October 2010 (Unaudited) No.	30 April 2011 (Audited) No.
As at 1 May	**107,904,239**	105,385,361	105,385,361
Issued by the Group in relation to:			
Exercised share options and restricted shares	**351,393**	1,802,064	2,345,474
Exercised SAYE options	**-**	1,619	163,899
Shares cancelled	**(2,815,343)**	(495)	(495)
New shares issued for cash	**-**	10,000	10,000
Total fully paid, ordinary shares of £0.001 each	**105,440,289**	107,198,549	107,904,239

	31 October 2011 (Unaudited) £'000	31 October 2010 (Unaudited) £'000	30 April 2011 (Audited) £'000
Authorised			
200,000,000 ordinary shares of £0.001 each (31 October 2010 and 30 April 2011: 200,000,000)	**200**	200	200

16 Share-based payments

The Group had the following share-based payment schemes in operation as at 31 October 2011:

- Share option plans
- Save-As-You-Earn scheme
- Restricted shares scheme
- Long term incentive plan (LTIP), Short term incentive plan (STIP) and Management incentive plan (MIP)
- Long term Senior Executives' Incentive Plan
- Stakeholder award scheme

The total expense recognised in respect of these schemes for the six month period ended 31 October 2011 was £3.8 million (six month period ended 31 October 2010: £2.3 million and year ended 30 April 2011: £6.4 million). All the above schemes are treated as equity-settled share based transactions except for the stakeholder award scheme, the short term incentive plan and the management incentive plan which have an element of cash rewards which can only be settled in cash.

Employer's National Insurance costs have been included which total £0.2 million.

During the six months ended 31 October 2011, the Group granted 303,956 (six month period ended 31 October 2010: 621,370 and year ended 30 April 2011: 744,370) share options under the share-based payments schemes.

Notes to the condensed consolidated interim financial statements (continued)

17 Related parties

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Betfair Pty Limited

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

- Operational costs amounting to £1.4 million (31 October 2010: £0.3 million and 30 April 2011: £0.8 million)

The outstanding balance as at 31 October 2011 of trading receivable from the Australian joint venture is £nil (31 October 2010: £2.5 million and 30 April 2011: £nil).

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

- Salary costs amounting to £0.3 million (31 October 2010: £0.4 million and 30 April 2011: £0.8 million)
- Operational costs amounting to £3.4 million (31 October 2010: £0.9 million and 30 April 2011: £2.1 million)

The outstanding balance as at 31 October 2011 of loans receivable from the Australian joint venture is £7.8 million (31 October 2010: £4.7 million and 30 April 2011: £7.7 million). 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 31 October 2011, the Group owed £2.6 million (31 October 2010: £2.7 million and 30 April 2011: £3.0 million) to the Australian joint venture.

LMAX Limited

During the period, the Group recharged LMAX Limited operating and administrative costs amounting to £0.4 million (31 October 2010: £1.6 million and 30 April 2011: £1.9 million). LMAX Limited recharged the Group such costs amounting to £0.3 million (31 October 2010: £0.1 million and 30 April 2011: £0.3 million).

The outstanding balance as at 31 October 2011 of trading receivable from LMAX Limited is £0.4 million (31 October 2010: £0.3 million and 30 April 2011: £0.6 million).

Featurespace Limited

During the period, the Group was charged £0.2 million (31 October 2010: £0.2 million and 30 April 2011: £0.4 million) for consultancy services by Featurespace Limited in which the Group has a non-controlling interest.

Independent review report to Betfair Group plc

Introduction

We have been engaged by the Company to review the attached condensed consolidated financial statements in the interim report for the six months ended 31 October 2011 which comprises the condensed consolidated interim income statement, condensed statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the DTR of the UK FSA.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 31 October 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Paul Korolkiewicz
for and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square
London E14 5GL
14 December 2011

Appendix 1: Glossary and definitions

"Active"	a customer of Betfair who has a bet settled or plays a real money game during a given period
"Adjusted EBITDA"	Adjusted EBITDA is EBITDA excluding exceptional items and equity settled share-based payments
"App"	application software, a piece of software which allows users to perform tasks through a pre-defined user interface
"ARPU"	average revenue per user, which is calculated for each product and geographic segment by dividing Net Gaming Revenue generated by Core Betfair (or by the indicated segment, operating segment or geographic region) by the number of Actives in the period for Core Betfair (or by the indicated segment, operating segment or geographic region)
"Betfair" or the "Company"	Betfair Group plc
"Betfair Australia"	Betfair Australia Pty Ltd, a joint venture which is 50 %. owned by Betfair and 50%. by Crown Limited, together with its subsidiary undertakings
"Betfair US"	Betfair's US operations, which comprise TSE US Holdings LLC and its subsidiaries including TVG
"Betting Exchange"	the Betfair betting exchange, which is based on the concepts and systems underpinning an order-based stock exchange model and which enables Betfair customers to bet at odds sought by themselves or offered by other customers instead of against a traditional bookmaker
"CFD"	contract for difference, being a contract between two parties stipulating that one party will pay to the other party the difference between the current value of an asset and its value at a future time
"Core Betfair"	Betfair's segment comprising all Betfair's activities except for Betfair US, LMAX and Betfair Australia
"EBITDA"	Earnings before interest, tax, depreciation and amortisation
"FY10" etc	Betfair's financial year ending 30 April in a given year
"Games"	one of Core Betfair's operating segments, comprising Betfair Casino, Exchange Games and Betfair Arcade
"Group" or "Betfair Group"	the Company and its consolidated subsidiaries and subsidiary undertakings
"handle"	The total amount of money wagered by customers
"H1, H2 etc"	The first or second half in Betfair's financial years ended 30 April
"LMAX"	the London Multi-Asset Exchange Limited, a subsidiary of Betfair
"High rollers"	Betfair's segment which was provided betting services to high roller customers during the first half of FY11
"KPIs"	Key Performance Indicators, such as ARPU and Actives
"Net Gaming Revenue"	the sum total of revenue generated by the Sports, Poker and Games operating segments for Core Betfair

Appendix 1: Glossary and definitions

"Q1, Q2" etc	The first or second quarter in Betfair's financial years ended 30 April
"Other Investments"	Betfair's segment comprising Betfair US and LMAX
"Poker"	one of Core Betfair's operating segments comprising Betfair Poker
"Sports"	one of Core Betfair's operating segments comprising the Betting Exchange, Betfair Multiples, the Italian Sportsbook, Betfair Select and other sports betting products
"TVG"	ODS Technologies LP, a subsidiary undertaking of Betfair, together with its subsidiary undertakings

Appendix 2: Reconciliation of adjustments

Six months ended 31 October 2011 Unaudited	**Revenue** £m	**EBITDA** £m	**Operating profit** £m	**Profit before tax** £m	**Profit after tax** £m
Reported	191.3	38.6	19.3	20.9	17.4
Adjustments for:					
- Equity settled share-based payments	-	3.8	3.8	3.8	3.8
- Tax effect of adjustments	-	-	-	-	(0.6)
Adjusted	191.3	42.4	23.1	24.7	20.6
Basic earnings per share (underlying)					19.5p
Diluted earnings per share (underlying)					19.3p

Six months ended 31 October 2010 Unaudited	**Revenue** £m	**EBITDA** £m	**Operating profit** £m	**Profit before tax** £m	**Profit after tax** £m
Reported	213.3	20.6	7.3	7.4	6.8
Adjustments for:					
- High rollers	(24.7)	(6.4)	(6.4)	(6.4)	(6.4)
- Exceptional items	-	14.7	14.7	14.7	14.7
- Equity settled share-based payments	-	2.3	2.3	2.3	2.3
- Profit on disposal of financial asset	-	-	-	(1.2)	(1.2)
- Tax effect of adjustments	-	-	-	-	(1.9)
Underlying adjusted	188.5	31.2	17.8	16.9	14.4
Basic earnings per share (underlying)					13.6p
Diluted earnings per share (underlying)					13.1p

Earnings per share are based on a weighted average number of shares in issue during the six month period of 105,700,154 (October 2010: 105,848,044) (basic) and 106,900,666 (October 2010: 109,586,047) (diluted).

Appendix 3: Risks and uncertainties

The principal risks facing the Group, together with the Group's risk management process in relation to these risks, are unchanged from those set out on pages 39 to 44 (inclusive) of the Company's Annual Report dated 30 April 2011 (which is available for download at http://corporate.betfair.com) and relates to risks as follows:

Risks relating to the online betting and gaming industry

- The regulation and legality of online betting and gaming and varying enforcement
- The reaction of third party suppliers to the uncertainty regarding the legality of online betting and gaming
- Attempts by EU Member States to prevent online betting and gaming operators from providing services to customers within their territory
- Changes to online betting and gaming regulations or their interpretation by regulators
- Changes to the taxation of online betting and gaming or the imposition of other levies, duties or charges
- The adequacy of Betfair's access restriction systems
- Betting and gaming licence compliance, renewal and revocation
- Clarification of online betting and gaming regulation may restrict Betfair or lead to increased competition
- Negative publicity about problem and underage betting and gaming and fraud and corruption in sport

Risks relating to the operations of Betfair

- The impact of general economic conditions
- The scheduling and live broadcasting of major sporting events
- The effectiveness of Betfair's marketing
- The availability of payment processing services
- Money laundering and fraudulent activities by customers or employees
- Reliance on third parties
- The importance of Betfair's heartland customers
- The level of liquidity in the Betting Exchange
- Challenges to the pricing arrangements within the Betfair Group
- Betfair's ability to successfully develop and launch new products and technologies
- Network and IT security
- The failure or disruption of Betfair's technology and advanced information systems
- Failure to adequately protect customer account information
- Currency fluctuations
- Reduced levels of broadband access and Internet penetration
- Future acquisitions, joint ventures or alliances
- Challenges in expanding Betfair's customer base in its current markets
- Challenges in expanding Betfair's customer base in new geographic markets
- Enhanced competition in Betfair's markets or the development of new technologies or products by Betfair's competitors
- Protecting intellectual property
- Allegations of infringement of intellectual property rights by others
- Superior competing claims to funds held in accounts with third party banking institutions
- Impact of interest rates
- Deposit taking and financial services regulation
- Reliance on senior management and key individuals
- Attracting, retaining or motivating highly skilled employees

Appendix 4: KPI's

Sports KPIs

Period *Unaudited*	**Q1 FY12**	**Q2 FY12**	**H1 FY12**	**Q1 FY11**	**Q2 FY11**	**H1 FY11**
Sports KPIs						
- Actives ('000)	381	365	500	472	368	579
- ARPU (£)	157	192	260	134	164	213
- Net Gaming Revenue (£m)	59.8	70.0	129.8	63.5	60.1	123.6
- Non-risk sports (£m)	59.5	64.7	124.2	59.6	54.1	113.7
- Risk sports (£m)	0.3	5.2	5.5	3.9	6.0	9.9
Change						
- Actives	*-19%*	*-1%*	*-14%*			
- ARPU	*+17%*	*17%*	*+22%*			
- Net Gaming Revenue	*-6%*	*+16%*	*+5%*			
- Non-risk sports	*Flat*	*+20%*	*+9%*			
- Risk risk	*-92%*	*-13%*	*-44%*			

Games KPIs

Period *Unaudited*	**Q1 FY12**	**Q2 FY12**	**H1 FY12**	**Q1 FY11**	**Q2 FY11**	**H1 FY11**
Games KPIs						
- Actives ('000)	83	74	125	102	90	155
- ARPU (£)	177	181	223	163	156	198
- Net Gaming Revenue (£m)	14.7	13.3	28.0	16.7	14.0	30.7
Change						
- Actives	*-19%*	*-18%*	*-19%*			
- ARPU	*+8%*	*+16%*	*+13%*			
- Net Gaming Revenue	*-12%*	*-5%*	*-9%*			

Poker KPIs

Period *Unaudited*	**Q1 FY12**	**Q2 FY12**	**H1 FY12**	**Q1 FY11**	**Q2 FY11**	**H1 FY11**
Poker KPIs						
- Actives ('000)	63	63	93	71	70	105
- ARPU (£)	86	87	116	86	75	108
- Net Gaming Revenue (£m)	5.4	5.4	10.8	6.1	5.3	11.4
Change						
- Actives	*-12%*	*-11%*	*-12%*			
- ARPU	*-1%*	*+16%*	*+8%*			
- Net Gaming Revenue	*-12%*	*+3%*	*-5%*			

Appendix 4: KPI's

Geographic KPIs

Period *Unaudited*	**Q1 FY12**	**Q2 FY12**	**H1 FY12**	**Q1 FY11**	**Q2 FY11**	**H1 FY11**
Actives ('000)						
- UK	239	215	298	291	225	349
- Europe	181	184	258	225	182	292
- Rest of World	10	12	16	10	9	14
Total	**430**	**411**	**572**	**526**	**416**	**654**
ARPU (£)						
- UK	177	219	300	163	191	259
- Europe	182	202	273	152	177	227
- Rest of World	443	382	562	475	484	668
Total	**186**	**216**	**295**	**164**	**191**	**253**
Net Gaming Revenue (£m)						
- UK	42.3	47.0	89.3	47.4	42.9	90.3
- Europe	33.0	37.3	70.3	34.1	32.2	66.3
- Rest of World	4.6	4.4	9.0	4.8	4.2	9.1
Total	**79.9**	**88.7**	**168.6**	**86.3**	**79.3**	**165.7**
Change in Actives						
- UK	*-18%*	*-5%*	*-15%*			
- Europe	*-20%*	*+2%*	*-12%*			
- Rest of World	*+2%*	*+31%*	*+18%*			
Total	***-18%***	***-1%***	***-13%***			
Change in ARPU						
- UK	*+9%*	*+15%*	*+16%*			
- Europe	*+20%*	*+14%*	*+20%*			
- Rest of World	*-7%*	*-21%*	*-16%*			
Total	***+13%***	***+13%***	***+16%***			
Change in Net Gaming Revenue						
- UK	*-11%*	*+10%*	*-1%*			
- Europe	*-3%*	*+16%*	*+6%*			
- Rest of World	*-5%*	*+4%*	*-1%*			
Total	***-7%***	***+12%***	***+2%***			