7 March 2011

Paddy Power plc
Preliminary Results Announcement for the year to 31 December 2010

Highlights:

- Operating profit growth of 56% to €103.8m. Increased profit in all divisions. Adjusted diluted EPS growth of 40% to 168.9 cent;
- Substantially increased online scale. Gross win up 88% to €250m. Operating profit up 52% to €75.0m (72% of Group operating profit);
    - Strong paddypower.com growth. Gross win up 52% to €163.7m. Operating profit up 26% to €57.5m;
    - Strong Australian performance. Online gross win up 44%*. Operating profit of €19.5m**;
- Almost six-fold increase in UK Retail operating profit to €7.4m. EBITDA per shop up 29% to £141,000. 31 new openings;
- 8% increase in Irish Retail operating profit to €17.6m. Increased share of market;
- Early buy-out of the minority shareholders in Sportsbet giving the Group the benefits of full control;
- 29% increase in the proposed final dividend to 50.0 cent per share which would increase the full year dividend by 28% to 75.0 cent per share;
- Mobile turnover up more than three-fold to €112m or 11% of sportsbook stakes. 31% of our online sportsbook customers now transacting with us via mobile, generating 19% of stakes.

Commenting on the results Patrick Kennedy, Chief Executive, Paddy Power plc said:

‘These are record results for Paddy Power, with increased profit in all divisions. They demonstrate the benefit of our ongoing business development initiatives and investment, which position the Group well for further growth in 2011 and beyond. 2011 has started well for the Group with turnover up 16% and total gross win up 38% in the first two months versus the same period in 2010 in constant currency.’

** In constant currency versus proforma comparatives*
*** Post Group central cost allocations*

ENDS

7 March 2011

Issued on behalf of Paddy Power plc by Drury

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CHAIRMAN'S STATEMENT

Dear Shareholder,

I am delighted to report on a highly successful year for Paddy Power. Despite the difficult economic conditions, the Group delivered record turnover of €3.8 billion and operating profit of €104m. Earnings per share grew by 40% and the Board is recommending a full year dividend of 75c, an increase of 28% versus 2009. The fundamental pillars of this strong performance are product innovation, value for customers and brand differentiation. The fruits of investment in the business, combined with an unusually high proportion of bookmaker friendly results in the second half of the year, ensured that 2010 was a milestone year for the Group.

€m	**2010**	**2009**	**% Change**	**% Change in Constant Currency ('CC')**
Amounts staked	3,834	2,752	+39%	+34%
Sportsbook gross win %	*9.3%*	*8.5%*		
Gross win	**443.5**	**295.9**	**+50%**	**+45%**
Gross profit	383.3	258.0	+49%	+44%
Operating costs	(279.5)	(191.3)	+46%	+42%
Operating profit	**103.8**	**66.7**	**+56%**	**+48%**
Profit before tax*	**104.2**	**67.2**	**+55%**	**+48%**
EPS, adjusted diluted*	168.9 cent	120.7 cent	+40%	
Dividends	75.0 cent	58.4 cent	+28%	
Net cash, at year end	**€159m**	**€75m**		

**2010 excludes gains re the Sportsbet buyout call options revaluation and UK deferred tax asset recognition (where applicable)*

As well as driving earnings growth, business developments in recent years have fundamentally changed the profile of Paddy Power's activities, and positioned it positively for future growth.

Paddy Power: An International Company

Almost two thirds of Paddy Power's profits were generated outside of Ireland in 2010. We are the third largest online bookmaker and sixth largest online gaming business in Britain and Ireland and, at the current trajectory, we will have more shops in the UK than Ireland by 2013. The acquisition and growth of Sportsbet and IAS made us the number 1 online corporate bookmaker in Australia. Last week's successful completion of the early buyout of the minority shareholdings in Australia puts further capital at work in this fast growing market. Meanwhile our new B2B activities have seen us expand into France, in partnership with PMU.

Paddy Power: An Online Company

A full year's contribution from our Australian acquisitions is reflected in the results bringing greater visibility to the scale of the Group's online business. Online gross win last year was €250m, an 88% increase over 2009. This level of online revenue, together with the Group's total profit after tax of €97m, gives us a position of scale amongst the top-tier of online betting and gaming operators to fund further online investment. Our position is bolstered by strong momentum and less regulatory complexities than faced by many of our peers.

Evidence of the significant online investment, and the related returns, are clearly visible. Last year, we were at one stage the only bookmaker globally to have an iPhone app in Apple's App Store. We were also at one point the only bookmaker with an iPhone and iPad app in the App Store and an app in the Android Marketplace. We also launched over 100 new online games including a selection for mobile.

Paddy Power has more followers on YouTube, Facebook and Twitter combined than the next five competing bookmakers put together – an illustration of how well the Paddy Power brand works online.

All told, almost three quarters of Paddy Power's profits were generated online last year.

Taxation

In January 2011, the Irish Government passed legislation extending the 1% tax on Irish retail stakes to online and telephone bookmakers in respect of bets taken in Ireland, effective from a date to be set by the Minister for Finance. We urge the new Government to ensure it can stringently enforce the tax on all operators supplying the Irish market, irrespective of where they are located, before the legislation is implemented. Any failure to enforce in full will lead to companies which employ staff and pay taxes in Ireland being put at a disadvantage in what is a highly competitive market. It is more essential than ever before that Ireland remains an attractive and competitive location to support the expansion of business and the creation of new jobs.

Paddy Power has a demonstrable track record of providing high quality jobs and a major tax contribution to Ireland. The Group paid €42m to the Irish Exchequer last year and the extension of Irish betting tax and employer payroll taxes this year will add some €5m and €2m respectively per annum to this. Last year, Paddy Power created 121 jobs in Ireland, as well as announcing plans to increase its Irish employees by 500 to 2,210 by 2013 driven by its international expansion. A further 900 new jobs are expected to be created outside of Ireland by 2013.

The Board

William Reeve joined the board as a non-executive director last May. William is an online entrepreneur and has founded, led and guided many successful online businesses. William's understanding of the online market place and his track record of delivering consumer concepts via the internet has already been of substantial assistance to Paddy Power as it continues to grow its online businesses.

Financial Position and Dividends

Profit growth at Paddy Power converts strongly into increased cash flow. Last year, operating cashflow (after maintenance capex and LTIP trust share purchases) was €142m, or 111% of headline EBITDA.

Strong cash generation has been used to fund investment and increase cash returns for shareholders, whilst still leaving the Group with a strong balance sheet and flexibility for expansion. Net cash at 28 February 2011, less cash expenditure of AUD123m (€91m) related to the Sportsbet acquisition, remained strong at €87m or €47m excluding customer balances.

The Board is proposing to increase the final dividend by 29% to 50.0 cent per share. This would bring the total dividend in respect of 2010 to €36.4m or 75.0 cent per share, an increase of 28% on 2009.

Outlook

The year has started well. Turnover growth and sporting results have been strong, notwithstanding Australia being affected by severe adverse weather. Sportsbook amounts staked are up 16% and total gross win is up 38% in the first two months (in constant currency versus the same period last year). This reflects the strong momentum in the Group, as well as a weak 2010 comparable. The Group looks forward to 2011 and beyond with confidence.

Nigel Northridge
Chairman

4 March 2011

CHIEF EXECUTIVE'S REVIEW

Substantial progress was made in the successful implementation of our strategy in 2010. In recent years, this strategy has been built upon investment in value, product and brand to enable us to:

- grow share in all our existing markets;
- pursue multi-channel growth in the UK;
- enter other attractive regulated markets.

This strategy has resulted in strong growth in scale and profitability, whilst avoiding the legal risk, curtailment of other opportunities and lack of sustainability which may come from large investments in unregulated markets.

Grow Share in All Our Existing Markets

Paddy Power's approach to driving growth has been consistent since its inception – differentiation based on more product, more value and more entertainment than any competitor. The mix and detail of this approach constantly evolves.

Since the onset of more difficult economic conditions, we have significantly stepped up the value of our offer to win market share from competitors less prepared to invest for the long term. There was no easing up last year with our biggest ever Money-Back Special payout. In addition, our Australian punters were introduced to early pay-outs and we had some high profile justice payouts on unlucky golfers. Genuine Paddy Power value means much more than competitive pricing – it's a unique approach to being generous in entertaining ways that resonate with customers and differentiate us from the rest of the pack.

Technology development has facilitated opportunities for product innovation and enhanced marketing. In 2010, smart phone technology has changed how the internet is consumed, while social media has opened up new ways to reach and interact with customers. Paddy Power has taken full advantage of these opportunities. For example, a mobile phone sports bet is struck on average every three seconds on paddypower.com, while our expertise in app development has enabled the rapid creation of an Election Betting app, supported by a dedicated @pppolitics Twitter feed. We also continue to invest significantly in technology to ensure that we retain the capability to exploit the opportunities afforded by new media and technologies.

Whilst expanding internationally, we continue to strengthen our business in Ireland. We are already the largest online operator in Ireland, and our position improves as we gain scale internationally and develop further capabilities which can further enhance our domestic position. In Irish Retail, we have grown our market share from some 25% to 26% prior to the downturn to over 30% now, as more price and brand conscious consumers respond to our offer, coupled with the closure of shops by our competitors. Our Irish shops are well positioned for the current challenging market conditions with turnover per shop more than twice the average of our competitors and direct costs per shop 14% lower than two years ago. We estimate that our competitors have closed 200 shops since August 2008, while we have closed none and opened 20 over the same period. We expect this trend to continue.

Pursue Multi-channel Growth in the UK

Notwithstanding the expansion of our international activities, the UK remains very attractive to Paddy Power as a substantial regulated market, with an established betting culture that is highly receptive to our products and brand.

The online market has obvious attractions given its strong structural growth drivers (mobile internet usage, live online streaming of sports and casino, new online advertising opportunities) and our track record of both growing with the market and taking market share. Our growth actually accelerated last year – having increased active customers by an average of 28% over the previous three years, we grew by a further 56% in 2010, from a substantially higher base.

In the retail market, we are also generating strong returns with the strength of our offer enabling us to win market share from the best performing shops of our competitors. Last year, our EBITDA per shop was £141,000 as compared to a capital cost of £235,000 for new openings, excluding acquired units. The expected benefits from new and maturing shops, lower per shop depreciation and increased scale to cover central overheads and facilitate further cost reductions, are all feeding strongly into operating profit – the €7.4m achieved in 2010 representing a €13.4m turnaround versus 2006.

Despite the challenges of migration online, our telephone business has also grown its UK operations substantially, with UK customers increasing by 20% and UK gross win by 32% last year.

This multi-channel approach gives us greater scale for investment in brand, product and other spending that benefits all channels. Activities in each channel also directly compliment each other: for example, a retail presence increases trust online, cash deposit/withdrawals at shops enhance online payment options and online technical capabilities add to the retail product offering.

There is still significant potential for Paddy Power in the UK. Despite our progress online, we still only have a low double-digit percentage share of the online sports betting market and we will continue to make significant inroads into the gaming market. In retail, we are on track to reach our target of at least 150 shops by 2011 but that is still less than 2% of the market. Momentum is good with the 31 shops opened last year representing our largest ever number in a single year. These openings also included seven shops acquired over three transactions, with the strong uplift in performance of these units since our acquisition demonstrating a further option we have to grow our estate selectively.

Enter Other Attractive Regulated Markets
Strong growth opportunities in our existing markets allow Paddy Power to be selective about expansion further afield. Nonetheless we are committed to entering new markets where attractive opportunities exist, as we have done in Australia and France.

Our Australia expansion has been very successful to date and, notwithstanding the market, as expected, becoming more competitive, we remain excited by its prospects. The division generated EBITDA (pre Group central cost allocations) of AUD40m in 2010, up 72% versus the twelve months prior to our initial acquisition. The Sportsbet brand holds a clear leadership position versus other online corporate bookmakers; however when the online share of the TABs (the licensed retail monopolies) are added, our share is lowered, leaving substantial scope for growth.

In addition, we expect the Australian online market to continue to grow strongly, driven by the same macro drivers we have seen elsewhere, plus the attraction of the better value and choice available online compared to the offerings of the retail monopolies. We are looking forward to the completion this year of the migration of Sportsbet and IAS to the same technology operating platform as Paddy Power. This will substantially enhance the product offering of both our Australian brands, as well as leaving them ideally prepared should online betting-in-running or gaming be allowed at some point by the Australian government. Against this backdrop, we were pleased to increase our ownership of Sportsbet to 100% last week giving us the benefits of full control, combined with our Australian partners' continued involvement.

While our preference is to enter new markets on a B2C basis, sometimes the risk-reward profile of a B2B approach may be more attractive. That was our conclusion in relation to the French online market and we were delighted to begin supplying sports book risk management and pricing expertise to PMU on schedule in June. Successful live operation enhances our credentials established by winning such a prestigious first client and we continue to seek further B2B relationships.

Australia and France represent two excellent proven examples of how Paddy Power can leverage and migrate its core competencies to work effectively elsewhere as other international markets regulate.

Conclusion
Paddy Power has a track record of delivering growth. In the ten years since flotation in 2000, we have increased turnover from €363m to over €3.8 billion, an average annual growth rate of 27%, and earnings per share at an average annual growth rate of 26%. We continue to invest, particularly in our online and technology capabilities, to maintain that virtuous circle of revenue growth, generating more cash for investment, to drive further revenue growth. As a result of the substantial opportunities in our markets, and our positioning to avail of them, we look forward to 2011 and beyond with confidence.

Patrick Kennedy
Chief Executive

4 March 2011

OPERATING & FINANCIAL REVIEW

Introduction

Paddy Power is an international betting and gaming group. Operations are divided across Online, Retail and Telephone channels. Betting and gaming services are provided predominantly to consumers, mainly in the UK, Ireland and Australia, but also to business-to-business clients globally.

The profile of the Group's activities has changed significantly over recent years with the online channel accounting for 72% and non-Irish customers accounting for 64% of operating profit in 2010.

Operating Profit by Division (€m)	**2010**	**% of Group**	**2009**	**% of Group**
Online (ex Australia)	57.5	55%	45.7	69%
Online Australia	19.5	19%	4.6	7%
Irish Retail	17.6	17%	16.3	24%
UK Retail	7.4	7%	1.3	2%
Telephone (ex Australia)	1.8	2%	(1.2)	(2%)
Group	**103.8**	**100%**	**66.7**	**100%**

(Online Australia also includes legacy telephone operations accounting for less than 10% of gross and operating profit in 2010)

Operating Profit by Geography (€m)	**2010**	**% of Group**	**2009**	**% of Group**
UK	45.7	44%	29.4	44%
Australia	19.5	19%	4.6	7%
Ireland and Rest of World	38.6	37%	32.7	49%
Group	**103.8**	**100%**	**66.7**	**100%**

(Online and Telephone operating profit allocated by geography based on average divisional profit margins applied to gross win)

Sporting Results and Trading

Sporting results in the first half of the year threw up a rare, unusual and bizarre overall gross win percentage – in line with our expectations. The fact that the swings and roundabouts balanced out highlights the potential benefits of an ever increasing diversity of events and markets.

The second half of the year got off to a great start with the concluding stages of the World Cup pushing up our total stakes on the tournament to €86m and gross win to €18m. Thankfully, the combination of the Germans and optically challenged referee's assistants did take out some of the teams carrying our biggest liabilities. Nonetheless, we did get stung by Paul Oktopus correctly predicting the winner in all of Germany's World Cup matches from his office in the Sea Life Aquarium, landing punters a few squid. Always keen to embrace new innovations we lost no time in appointing his first cousin, Paddy the Psychic Octopus, to the senior management team to predict the outcome of major sporting events. With a gross win percentage 1% above our normal expectations in the second half of the year, we're thinking of donating Paddy to the Irish government in the national interest.

Paddy's achievement was all the more heroic given our ongoing commitment to give better value than the competition through extra places for each-way bets (e.g. seven in the British Open), justice payouts on selections that let our punters down (e.g. Andy Murray when Nadal withdrew during the Australian Open) and early payouts on selections that we figured weren't going to let our punters down (e.g. So You Think in the Cox Plate). In the crazy world of sports where Andy Carroll is only slightly cheaper than Zinedine Zidane and more expensive than David Villa, at least our commitment to great value and entertainment for our punters will not change.

ONLINE

€m	**2010**	**2009**	**% Change**	**% Change in CC**
Sportsbook gross win	176.7	80.3	+120%	+105%
Gaming & other gross win	72.8	52.5	+39%	+34%
Total gross win	**249.5**	**132.8**	**+88%**	**+77%**
Operating profit	**75.0**	**49.4**	**+52%**	**+44%**
% of Group operating profit	72%	74%		
Active customers	**838,043**	**537,202**	**+56%**	

(Active customers defined as those who have bet in the reporting period, excluding indirect B2B customers and Australia pre Q4'09)

Last year our online operations generated €250m of gross win and €75m of operating profit. Operating profit growth of €26m comprised paddypower.com growth of €12m and Australian growth of €14m (of which €4m arose from having a full year contribution).

Paddy Power's online earnings have a unique profile with 71% of revenue generated from sports betting and our profits generated from the legal regulated markets of the UK, Australia and Ireland. We see this strength in sports betting as a significant asset, as it is the largest individual segment in online gambling, and also has the highest potential for product differentiation and barriers to successful new entrants. A strong sportsbook position can also enhance gaming profitability and growth when backed up by investment in product, marketing and intelligent cross selling. Whilst regulations currently preclude the Group from availing of this opportunity in Australia, gaming contributes almost as much revenue as sports betting for paddypower.com.

In constant currency versus proforma comparatives, online gross profit increased by 51% and operating costs by 66%, reflecting in part investment in key areas such as mobile betting to ensure the Group remains part of the 'big-get-bigger' segment of online operators. Overall, we significantly strengthened our market position in 2010, ending the year with more customers, more scale and more capabilities, as well as significantly higher profits, compared to a year previously.

ONLINE DIVISION (Excluding Australia)

€m	**2010**	**2009**	**% Change**	**% Change in CC**
Amounts staked	1,126.0	856.4	+31%	+29%
Sportsbook gross win	90.9	55.3	+64%	+61%
Sportsbook gross win %	*8.6%*	*6.9%*		
Gaming & other gross win	72.8	52.5	+39%	+34%
Total gross win	**163.7**	**107.8**	**+52%**	**+48%**
Gross profit	143.0	94.6	+51%	+47%
Operating costs	(85.5)	(48.9)	+75%	+72%
Operating profit	**57.5**	**45.7**	**+26%**	**+20%**

The online division (excluding Australia) grew its profits by 26% in the period to €58m (or by 20% in constant currency excluding a €2.1m benefit from positive exchange rate movements). An improvement in sports results contributed to this increased profit but sportsbook stakes and gaming gross win also grew substantially, by 28% and 34% respectively in constant currency. Active customers increased by 44%, driven by 56% growth in UK customers. Both sportsbook and gaming active customers grew strongly, up 45% and 48% respectively.

After negligible operating cost growth in 2009, costs increased by 72% in constant currency. Increased taxation was a significant factor with the extension of payroll taxes in Ireland and higher UK VAT adding almost €3m or 6% to online costs. Further cost increases arose as a result of revenue growth, and specific investment decisions taken in a wide range of areas to drive future growth including:

- Increased investment in proven initiatives such as streamed live sports online, terrestrial TV advertising in the UK for both Sportsbook and Gaming, enhanced gaming promotions and further investment in website development;
- Exploiting new opportunities such as the potential from pay-per-click advertising, smart phone usage and other geographies;
- People costs linked to direct volume growth, a step-up in our infrastructure in areas such as B2B and IT, and performance related pay.

As well as driving growth, these investments contribute to the quality of our customers' experience and we were pleased to win best Customer Relations Operator at the E-Gaming Review awards in 2010.

Online Channel Active Customers	**2010**	**2009**	**% Change**
UK	474,617	304,301	+56%
Ireland and Rest of World	167,672	142,100	+18%
Total	**642,289**	**446,401**	**+44%**

Online Customers Product Usage	**2010**	**2009**	**% Change**
Sportsbook only	355,842	253,233	+41%
Gaming only	85,613	62,108	+38%
Multi-product customers	200,834	131,060	+53%
Total	**642,289**	**446,401**	**+44%**

(Active customers defined as those who have bet in the reporting period, excluding indirect B2B customers)

(A) Sportsbook

The amounts staked on the online sportsbook increased by 28% in constant currency to €1.053 billion. Within this, bet volumes grew 50% to 63.8m while the average stake per bet decreased by 15% in constant currency to €16.52. The reduction in average stake per bet is due to a combination of factors, including the significant growth in active customers and more challenging economic circumstances. We saw strong growth in both racing and football turnover as a result of continued development of our product which included significant investment in live betting markets and a new live betting interface. This expansion in the choice of markets, together with the option of mobile betting, contributed to growth in the average number of bets per customer, partially offsetting the reduction in average stake per bet.

Sportsbook gross win increased by 61% in constant currency. This growth was helped by a rebound in the gross win percentage to 8.6%, which was above the upper end of our normal expected range of 7.0% to 8.0%. This improvement was despite our biggest ever Money-Back Special refund being triggered when Spain and Holland finished 0:0 in the World Cup final, which resulted in over 25,000 online customers receiving back their losing stakes (and over 50,000 customers across the Group).

The Paddy Power book of course goes way beyond sport. Special events such as the Royal nuptials generate much to bet on from the stag night to the dress (Paddy gave his views on both to the media outside Buckingham Palace despite, we suspect, a small chasm between his knowledge of the two subjects). Sometimes even Paddy's 'expertise' reaches its limits though, resulting in us commissioning and publishing independent political opinion polls, reinforcing our leadership position in political betting. There is almost no subject for which our traders cannot provide a betting market. Their diverse output generated great interest at home and abroad, ranging from our volcano eruption betting which was covered in National Geographic magazine, the name of Apple's next device (The Economist) and the next species to become extinct (Wall Street Journal).

There were, as always, numerous product innovations in the year, but the stand-out highlight was mobile. After a few false dawns and several dodgy ringtones, the year of the mobile came with turnover up over 300% to €112m, or 11% of total sportsbook stakes. In January to February of this year, 31% of our online sportsbook customers transacted with us via mobile, generating 19% of the total amounts staked. We were first-to-market with a series of award winning mobile applications. These releases were backed up with a major brand advertising campaign in the UK and Ireland showcasing our technology credentials (for those that might mistake us for just a 'cheeky chappy'). In addition, we made significant investment in the evolving mobile advertising channels. We expect more innovation and growth this year as we continue to adapt our smartphone platform to the demands of the mobile user.

(B) Gaming & Other

Gaming and other revenue increased by 34% in constant currency to €73m driven by growth in Games, Casino and Bingo. Significant enhancement to the quality of our gaming offer and promotions expertise encouraged us to conduct more direct customer acquisition for gaming. TV advertisements were run for the first time for both Games and Bingo in June and good results led to further campaigns, as well as increased focus on pay-per-click advertising for gaming.

Growth in sportsbook customers is a key potential driver for Games and Casino growth. To leverage that opportunity, significant investments have been made in expertise, analysis and technology to customise cross-selling, ongoing promotional offers and product presentation. This customisation is to the preferences and behaviours of players, both in their early life and as they evolve over time. Progress and investment in this area is highlighted by the 53% increase in active multi-product customers.

Our ability to offer more games more quickly accelerated last year and we increased our selection of games to over 200. Last year we introduced over 100 new games, versus 52 in 2009, incorporating innovative promotions such as '20 Games in 20 Days' in April and '24 Games in 24 Hours' in October (the 'techies' are all getting full Star Trek box sets if they manage '60 Games in 60 Minutes'). We also took advantage of the increased appetite for live streamed product with further investment in our Live Casino offer. In addition, Paddy Power benefited from a competitive market amongst technology suppliers: we now use over 15 suppliers across Games and Casino, giving us 'best of breed' products for our customers and flexible competitively priced supply.

Bingo was our fastest growing gaming segment last year which exemplifies how Paddy Power can adapt its capabilities to new areas. Bingo's performance was driven by our core strengths in distinguishing our product from the rest of the pack, and online and offline marketing that combines creativity with detailed analytics behind the scenes.

Our Poker business continues to perform well relative to its peers but faces ongoing challenges from sites taking play from the U.S. In this context, we were pleased to increase new player sign-ups helped by our sportsbook growth, another successful Irish Open Poker Tournament (which attracted record player numbers) and the towering achievement of a world record chip stack at our Irish Winter Festival. The last time we piled chips so high involved two slices of buttered bread and the mother of all hangovers!

B2B revenues grew strongly, as expected, with the commencement of service to PMU in June and we aim to build a portfolio of such deals in markets where a B2B entry offers a more attractive risk reward profile than B2C. We also transact with business customers through our sports risk management business (Airton Risk Management). It targets companies with exposures to sporting results from marketing or player bonus arrangements and enjoyed a turnover boost from the World Cup.

For some time, we have been evaluating options to further invest in Paddy Power Trader to grow its contribution to a worthwhile level. We have concluded that the balance of risk and reward is not favourable for such an investment relative to our other opportunities and we are winding down the service. The decision does not give rise to any material costs or impact on our expected profits over the coming years.

ONLINE AUSTRALIA DIVISION

€m	2010	2009
Amounts staked	1,230.4	450.3
Gross win	**97.0**	**31.8**
Sportsbook gross win %	*7.9%*	*7.1%*
Gross profit	**75.3**	**22.3**
Operating costs	(55.8)	(17.7)
Operating profit	**19.5**	**4.6**
Active customers	198,132	92,820

(Active customers defined as customers who have bet in the reporting period for 2010 or post acquisition in quarter 4 for 2009)
(The division also includes legacy telephone operations accounting for less than 10% of gross and operating profit in 2010)

Our Australian operations generated excellent financial results last year driven by a strong performance from our mass market online brand, sportsbet.com.au. In constant currency versus pro-forma comparatives, online gross win grew by 44%, amounts staked by 20% and bet volumes by 28%. Online active customers were up 46% last year as compared to 2009 pro-forma comparatives, with growth of 66% in active customers of sportsbet.com.au.

The gross win percentage increased significantly to 7.9% and, assuming normal sports results and channel mix, we would expect a gross win percentage around this level going forward. This represents a significant increase in expectations versus, for example, the 6.2% achieved by Sportsbet pre-acquisition in the year ended 30 June 2009. The increase reflects risk management process changes and an emphasis towards a more mass-market (albeit lower staking) online customer base, and away from lower margin telephone business. In constant currency versus pro-forma comparatives, these changes lower growth in turnover, up 11% last year, but more importantly, maintain strong growth in gross win, up 25% last year.

The level of deductions between gross win and gross profit also improved at 23% of gross win in 2010 compared to 30% in 2009. This was driven by a reduction in the betting duty levied by the Northern Territory and agreements reached in the second half of last year with Racing Victoria Limited, Queensland Racing and South Australia's racing bodies to calculate their product fees as a percentage of gross win (rather than turnover) until at least June 2012. This issue continues to be the subject of litigation with other Australian racing bodies, including Racing New South Wales ('RNSW'). In June last year, a Federal Court judgement in the RNSW case was delivered substantially in Sportsbet's favour, but the full Federal Court later upheld an appeal by RNSW against this judgement. Sportsbet subsequently lodged an application for leave to appeal to the High Court with a decision on the application to appeal expected on 11 March. New South Wales has also recently introduced legislation which has stopped the exploratory trials of the Sportsbet 'Betbox' branded online access terminals.

RETAIL

Both our retail businesses grew their profits last year despite the challenging economic backdrops. UK Retail clearly has a strong opportunity to grow profits as we expand the size of the estate, however the EBITDA from the existing units also grew strongly. Irish Retail profitability also increased as it benefited from consumers continuing to respond to its value offering and a normalisation of sporting results.

We expect to continue to grow our retail market share in both the UK and Ireland by offering outstanding value to more price conscious consumers. New innovative offers introduced in 2010 included paying out on two winners where an early leader, frustratingly for punters, fails to finish the job ('Winner Winner'), extending our unbeatable money back on all losers to greyhound racing and an unparalleled level of daily price enhancements.

Product innovation continues across all aspects of the retail offering. Newly introduced Self Service Betting Terminals give customers further service and choice about how they want to bet – they're similar to the express self-service checkouts at supermarkets, only with the added distinction of actually being quick! Our shop audio team now also communicates key time-sensitive news impacting odds and alerts for major Paddy Power specials on Twitter. Such developments leverage online expertise in a retail setting driving more benefits out of the multi-channel approach.

IRISH RETAIL DIVISION

€m	2010	2009	% Change
Amounts staked	908.4	949.1	-4%
Gross win	**109.6**	**106.0**	**+3%**
Gross win %	*12.1%*	*11.2%*	
Gross profit	100.3	96.2	+4%
Operating costs	(82.7)	(79.9)	+4%
Operating profit	**17.6**	**16.3**	**+8%**
Shops at year end	207	198	+5%

The amounts staked within Irish Retail decreased by 4% to €908m; however gross win increased by 3% to €110m, driven by an improved gross win percentage. We opened nine new shops last year, including two which we acquired. Excluding the impact of new shops, like-for-like amounts staked were down 7%, gross win was up 0.2% and operating costs up 1%. The reduction in like-for-like stakes was due entirely to a fall in average stake per slip of 11% to €18.16, with the number of slips increasing by 5% despite the increased year on year weather disruption to events in January and December.

UK RETAIL DIVISION

€m	2010	2009	% Change	% Change in CC
Amounts staked	276.3	198.3	+39%	+34%
OTC gross win	30.0	21.3	+41%	+36%
Sportsbook gross win %	*11.9%*	*11.6%*		
Machine gross win	24.2	14.1	+72%	+66%
Total gross win	**54.2**	**35.4**	**+53%**	**+47%**
Gross profit	45.8	30.0	+53%	+47%
Operating costs	(38.4)	(28.7)	+34%	+30%
Operating profit	**7.4**	**1.3**	**+484%**	**+351%**
Shops at year end	124	93	+33%	

(Machine gross win above and throughout this statement is after the deduction of VAT at 17.5% in 2010 and 15% in 2009)

UK Retail operating profit increased almost six-fold from €1.3m to €7.4m. New shops opened in 2010, and a full year impact from openings in 2009, were, as expected, an important driver of this growth; however our existing shops also significantly increased their profitability driven by the introduction of new 'Storm' FOBT machines, as well as the benefit of the World Cup, more normal sports results and stronger sterling (which added approximately €0.4m to profit).

In constant currency, turnover grew 34% to €276m, while gross win increased by 47% to €54m. Like-for-like gross win grew 12% in constant currency: this comprised machine growth of 20% and over-the-counter ('OTC') growth of 7% on like-for-like OTC turnover up 2%. The average OTC stake per bet was down 3% in constant currency to €15.70 while like-for-like bet numbers grew 5%.

There were 492 machines installed at year end, an increase of 124 compared to last year as a result of new shop openings. The average gross win per machine per week including VAT was £1,072, an increase of 24% compared to last year.

Operating costs grew 30% in constant currency driven by a 35% increase in average shop numbers. Like-for-like costs (including central costs) were up 2.6% in constant currency reflecting in part the 2.5% increase in UK VAT last year. The further increase in UK VAT to 20% from January 2011 will reduce the Group's profits by approximately €1.3m at current levels of activity, with the majority of this impact within UK Retail. Costs will also increase next year by some €0.2m as a result of changes to the UK Horseracing Levy effective from April 2011. We await detailed provisions from the Treasury on the expected replacement of the existing VAT and AMLD regime for machine taxation with a gross profits tax ('GPT') effective next year. While we are hopeful the Treasury remain true to their original objective for any change to be tax neutral, the change could adversely impact efficient machine and expanding operators such as Paddy Power.

We opened 31 new shops last year, including seven which we acquired, at an average capital cost per unit of €314,000 (£267,000) including lease premia and acquisition costs. EBITDA per shop pre central costs averaged €164,000 (£141,000), an increase of 29% in constant currency. After central costs, EBITDA and EBIT per shop were £100,000 and £58,000 respectively, despite the estate not being mature or at its optimal scale as yet.

TELEPHONE DIVISION (Excluding Australia)

€m	2010	2009	% Change	% Change in CC
Amounts staked	293.2	297.4	-1%	-3%
Gross win	**19.0**	**14.9**	**+27%**	**+25%**
Gross win %	*6.5%*	*5.0%*		
Gross profit	**18.9**	**14.9**	**+27%**	**+24%**
Operating costs	(17.1)	(16.1)	+6%	+5%
Operating profit / (loss)	**1.8**	**(1.2)**	**n/a**	**n/a**

Our telephone business is an integral part of our full service offering to customers. Not the kind of full service Charlie Sheen has been enjoying mind. Recent years have been a story of two very different geographic performances. Ireland remains very difficult with amounts staked down 13% last year, and down a full 31% versus 2007, driven by reductions in average stake per bet. However, we managed to recoup that by continuing to take market share in the UK, helped by a materially better value offer than the competition. UK active customers were up 20% and amounts staked up 5% last year. With turnover broadly maintained by the performance in the UK, a return to a normal gross win percentage restored the channel to profitability.

Bet volumes grew strongly by 19% to 5.3m, driven by growth in active customers of 14% and increased bets per customer of 4%. The average stake per bet decreased by 18% in constant currency to €55.30 due to the weak economic conditions and the impact of attracting incremental but smaller than average sized bets from some customers.

Operating costs grew by 5% in constant currency driven by growth in bet volumes and new customer acquisition costs, particularly in the UK market. Many new telephone customers also go on to bet with Paddy Power online, boosting the overall return on customer acquisition spending.

Telephone Channel Active Customers	2010	2009	% Change
UK	49,223	40,849	+20%
Ireland and Rest Of World	23,902	23,107	+3%
Total	**73,125**	**63,956**	**+14%**

(Active customers defined as those who have bet in the reporting period)

Brand

Notwithstanding all the other changes in our business, the Paddy Power brand – and brand values of fun, occasional irreverence and putting the customer first – remains our greatest asset and source of difference, and we continuously invest in it to stay ahead. Like Pamela Anderson visiting a plastic surgeon.

Putting the customer first and fairness are core principles at Paddy Power. There are lots of small, low profile ways we do this such as by being transparent about charges and terms. However, it's our approach to certain official results that demonstrates the difference most prominently. As we put it when refunding backers of Dustin Johnson when he missed out on the play-off for the USPGA after a ruling that he grounded his club in sand: 'Dustin may have to live with the fact that rules have robbed him of a chance to win a major but we don't have to live with such strait-jacket nonsense'. Some of our competitors actually stated that they 'never gave the idea of refunding a moment's thought' – a stark contrast which we advertised with the question, 'Who do you bet with?'. We believe that the differentiation, loyalty and turnover that this approach generates more than covers any short term cost.

The ongoing investment in the brand highlighted throughout this statement is of course not just done because it's fun; it continues because it delivers measurable, cost effective results. This is illustrated not only in the financial performance of the business but equally in the brand loyalty of our clients and the ability of the brand to appeal across different platforms, driving growth despite the current tough times.

Taxation

Following the strong performance in UK Retail, a deferred tax asset of €1,770,000 in respect of accumulated losses in Great Britain was recognised over the course of last year. Excluding this credit and the €7,116,000 gain on the revaluation of the Sportsbet buyout call options, the underlying effective tax rate was 15.7%, compared to 13.0% in 2009. The increased rate was as a result of the addition of Australian profits to the mix with an effective corporation tax rate of 30% under the historic structure which included minority shareholders. Over the next two years, assuming no other changes, the Group would expect its effective tax rate to gradually fall to approximately 14%.

Upon the implementation in September 2007 of the UK Gambling Act 2005, we significantly reduced the cost of deductions between gross win and gross profit within the Online and Telephone divisions. In 2010, the Department for Culture, Media and Sport in the UK consulted on proposals to introduce new license requirements for overseas-based online firms providing services to UK consumers. No policy changes have been announced to date.

Cash Flow, Cash Balances and Foreign Exchange

Net cash generated from operating activities was €160m in 2010, up €75m compared to 2009. This was driven by operating profit post tax growth of €35m, increased working capital inflows of €27m driven by strong online growth, and higher depreciation and share based incentive charges of €14m. Capital expenditure was €24m, mainly connected with the organic opening and upgrading of retail outlets. Despite our retail expansion, capex has remained broadly in line with depreciation, helped by the quality materials and equipment previously invested in the estate all wearing well. Expenditure on acquisitions was €19m related to the additional 9.8% of Sportsbet purchased in February 2010, Sportsbet contingent consideration paid in August 2010 and retail shops acquired.

Last year, sterling and Australian dollar denominated operating profits were approximately £64m and AUD34m respectively. Accordingly, Group operating profit year-on-year can be positively impacted by a weaker Euro versus these currencies and adversely impacted by a stronger Euro versus these currencies.

As at 31 December 2010, the Group had net cash of €159m (2009: €75m) including cash balances held on behalf of customers of €42m (2009: €33m). This is net of third party debt within the Group's Australian operations of €5m which the Group can now manage more efficiently with 100% ownership. Net cash at 28 February 2011, less cash expenditure of AUD123m (€91m) related to last week's acquisition, remained strong at €87m or €47m excluding customer balances.

Patrick Kennedy
Chief Executive

Jack Massey
Finance Director

4 March 2011

CONDENSED CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

	Note	**Total 2010 €'000**	Total 2009 €'000
Amounts staked by customers		**3,834,316**	2,751,537
Continuing operations			
Income		**443,527**	295,928
Direct betting costs	4	**(60,256)**	(37,954)
Gross profit		**383,271**	257,974
Employee expenses		**(129,883)**	(90,146)
Property expenses		**(30,432)**	(25,222)
Marketing expenses		**(50,358)**	(28,973)
Technology and communications expenses		**(22,259)**	(16,185)
Depreciation and amortisation		**(24,278)**	(18,113)
Other expenses, net		**(22,312)**	(12,641)
Total operating expenses		**(279,522)**	(191,280)
Operating profit		**103,749**	66,694
Financial income – on financial assets at amortised cost	5	**1,779**	900
Financial income – derivative financial instruments at fair value through profit or loss (Sportsbet buyout call options)	5	**7,116**	-
Financial expense	5	**(1,344)**	(402)
Profit before tax		**111,300**	67,192
Income tax expense	6	**(14,566)**	(8,717)
Profit for the year		**96,734**	58,475
Attributable to:			
Equity holders of the Company		**90,005**	56,946
Non-controlling interest		**6,729**	1,529
		96,734	58,475
Earnings per share			
Basic	7	**€1.927**	€1.219
Diluted	7	**€1.874**	€1.207

Notes 1 to 24 on pages 18 to 43 form part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Jack Massey**

4 March 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	Note	**2010**	2009
			Restated
		€'000	€'000
Changes in fair value of available-for-sale financial assets	11	**-**	241
Foreign exchange gain on revaluation of the net assets of foreign currency denominated subsidiaries	5	**12,667**	1,037
Deferred tax on share-based payments	17	**264**	-
Deferred tax on the changes in fair value of available-for-sale financial assets	17	**-**	(76)
Other comprehensive income for the year		**12,931**	1,202
Profit for the year		**96,734**	58,475
Total comprehensive income for the year		**109,665**	59,677
Attributable to:			
Equity holders of the Company		**100,718**	57,451
Non-controlling interest		**8,947**	2,226
Total comprehensive income for the year		**109,665**	59,677

Notes 1 to 24 on pages 18 to 43 form part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Jack Massey**

4 March 2011

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Note	**31 December 2010**	31 December 2009
			Restated
		€'000	€'000
Assets			
Property, plant and equipment	8	**77,798**	76,727
Intangible assets	9	**51,510**	45,450
Goodwill	10	**76,967**	63,511
Financial assets	11	**9,735**	1,581
Deferred tax assets	17	**2,591**	1,291
Total non current assets		**218,601**	188,560
Trade and other receivables	13	**15,574**	16,120
Financial assets – restricted cash	14	**21,081**	9,025
Cash and cash equivalents	14	**139,581**	80,576
Total current assets		**176,236**	105,721
Total assets		**394,837**	294,281
Equity			
Issued share capital		**4,995**	4,977
Share premium		**20,876**	18,009
Treasury shares		**(34,177)**	(34,177)
Shares held by long term incentive plan trust		**(33,890)**	(31,858)
Other reserves		**33,699**	16,435
Retained earnings		**236,936**	184,177
Total equity – attributable to equity holders of the Company		**228,439**	157,563
Non-controlling interest		**15,798**	8,947
Total equity		**244,237**	166,510
Liabilities			
Trade and other payables	18	**115,336**	90,553
Derivative financial liabilities	18	**8,586**	5,448
Provisions	19	**278**	1,272
Borrowings	20	**1,885**	5,023
Current tax payable		**6,862**	2,497
Total current liabilities		**132,947**	104,793
Trade and other payables	18	**7,354**	3,003
Derivative financial liabilities	18	**16**	154
Provisions	19	**1,876**	1,611
Borrowings	20	**2,633**	11,498
Deferred tax liabilities	17	**5,774**	6,712
Total non current liabilities		**17,653**	22,978
Total liabilities		**150,600**	127,771
Total equity and liabilities		**394,837**	294,281

Notes 1 to 24 on pages 18 to 43 form part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Jack Massey**

4 March 2011

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2010

	Note	**2010 €'000**	2009 €'000
Cash flows from operating activities			
Profit before tax		**111,300**	67,192
Financial income		**(8,895)**	(900)
Financial expense		**1,344**	402
Depreciation and amortisation		**24,278**	18,113
Cost of employee share-based payments		**13,427**	5,841
Foreign currency exchange loss		**177**	228
(Gain) / loss on disposal of property, plant and equipment and intangible assets		**(12)**	75
Other adjustments		**123**	-
Cash from operations before changes in working capital		**141,742**	90,951
Decrease / (increase) in trade and other receivables		**1,886**	(1,498)
Increase in trade and other payables and provisions		**29,776**	6,652
Cash generated from operations		**173,404**	96,105
Income taxes paid		**(13,159)**	(10,685)
Net cash from operating activities		**160,245**	85,420
Cash flows from investing activities			
Purchase of property, plant and equipment		**(16,431)**	(15,196)
Purchase of intangible assets		**(7,278)**	(3,658)
Purchase of businesses, net of cash acquired	12	**(10,460)**	(27,984)
Acquisition expenses paid	12	**(212)**	(2,437)
Proceeds from disposal of property, plant and equipment and intangible assets		**208**	295
Interest received		**1,902**	907
Net cash used in investing activities		**(32,271)**	(48,073)
Cash flows from financing activities			
Proceeds from the issue of new shares		**3,186**	4,648
Purchase of shares by long term incentive plan trust		**(9,048)**	(14,067)
Purchase of non-controlling interest	12	**(8,561)**	-
Dividends paid	16	**(30,769)**	(26,158)
Movements in current and non current restricted cash balances		**(12,808)**	(9,267)
Proceeds from secured bank loan		**-**	11,878
Proceeds from non-controlling shareholder loans		**-**	3,492
Repayment of non-controlling shareholder loans		**(3,067)**	-
Secured bank loan repayments		**(10,906)**	(1,041)
Finance lease repayments		**(961)**	(316)
Interest paid		**(1,229)**	(373)
Net cash used in financing activities		**(74,163)**	(31,204)
Net increase in cash and cash equivalents		**53,811**	6,143
Cash and cash equivalents at start of year		**80,576**	76,661
Foreign currency exchange gain / (loss) in cash and cash equivalents		**5,194**	(2,228)
Cash and cash equivalents at end of year	14	**139,581**	80,576

Notes 1 to 24 on pages 18 to 43 form part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Jack Massey**

4 March 2011

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2010

	Attributable to equity holders of the Company (see Note 15)												
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation €'000	Fair value reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2010	49,767,339	4,977	18,009	75	-	1,392	(34,177)	(31,858)	14,968	184,177	157,563	8,947	166,510
Total comprehensive income for the year													
Profit	-	-	-	-	-	-	-	-	-	90,005	90,005	6,729	96,734
Foreign exchange retranslation	-	-	-	10,449	-	-	-	-	-	-	10,449	2,218	12,667
Deferred tax on share-based payments (Note 17)	-	-	-	-	-	-	-	-	-	264	264	-	264
Total comprehensive income for the year	-	-	-	10,449	-	-	-	-	-	90,269	100,718	8,947	109,665
Transactions with owners of the Company, recognised directly in equity													
Shares issued (Note 15)	186,775	18	2,867	-	-	-	-	-	-	-	2,885	-	2,885
Own shares acquired by the long term incentive plan trust – 354,500 ordinary shares	-	-	-	-	-	-	-	(9,048)	-	-	(9,048)	-	(9,048)
Purchase of non-controlling interest – Sportsbet (Note 12)	-	-	-	-	-	39	-	-	-	(6,568)	(6,529)	(1,952)	(8,481)
Discount on loans from non-controlling interest	-	-	-	48	-	(65)	-	-	-	17	-	-	-
Repayment of non-controlling interest loans	-	-	-	-	-	(198)	-	-	-	-	(198)	(144)	(342)
Net wealth tax	-	-	-	-	-	49	-	-	-	-	49	-	49
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	13,427	-	13,427	-	13,427
Equity-settled transactions – vestings (Note 15)	-	-	-	-	-	-	-	7,016	(5,934)	(741)	341	-	341
Transfer to retained earnings on exercise of share options (Note 15)	-	-	-	-	-	-	-	-	(551)	551	-	-	-
Dividends to shareholders (Note 16)	-	-	-	-	-	-	-	-	-	(30,769)	(30,769)	-	(30,769)
Total contributions by and distributions to owners of the Company	186,775	18	2,867	48	-	(175)	-	(2,032)	6,942	(37,510)	(29,842)	(2,096)	(31,938)
Balance at 31 December 2010	49,954,114	4,995	20,876	10,572	-	1,217	(34,177)	(33,890)	21,910	236,936	228,439	15,798	244,237

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2010

	Attributable to equity holders of the Company (see Note 15)												
Restated	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation €'000	Fair value reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2009	49,270,742	4,927	11,318	(346)	-	1,136	(34,177)	(21,526)	13,733	152,175	127,240	-	127,240
Total comprehensive income for the year													
Profit	-	-	-	-	-	-	-	-	-	56,946	56,946	1,529	58,475
Foreign exchange retranslation	-	-	-	421	-	-	-	-	-	-	421	616	1,037
Fair value changes (Note 15)	-	-	-	-	84	-	-	-	-	-	84	81	165
Total comprehensive income for the year	-	-	-	421	84	-	-	-	-	56,946	57,451	2,226	59,677
Transactions with owners of the Company, recognised directly in equity													
Shares issued (Note 15)	496,597	50	6,691	-	-	-	-	-	-	-	6,741	-	6,741
Own shares acquired by the long term incentive plan trust – 540,000 ordinary shares	-	-	-	-	-	-	-	(14,067)	-	-	(14,067)	-	(14,067)
Business combinations – Sportsbet (Note 12)	-	-	-	-	-	-	-	-	-	-	-	6,903	6,903
Business combinations – IAS	-	-	-	-	(84)	-	-	-	-	(15)	(99)	(427)	(526)
Discount on loans from non-controlling interest (Note 20)	-	-	-	-	-	256	-	-	-	-	256	245	501
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	5,841	-	5,841	-	5,841
Equity-settled transactions – vestings (Note 15)	-	-	-	-	-	-	-	3,735	(3,234)	(143)	358	-	358
Transfer to retained earnings on exercise of share options (Note 15)	-	-	-	-	-	-	-	-	(1,372)	1,372	-	-	-
Dividends to shareholders (Note 16)	-	-	-	-	-	-	-	-	-	(26,158)	(26,158)	-	(26,158)
Total contributions by and distributions to owners of the Company	496,597	50	6,691	-	(84)	256	-	(10,332)	1,235	(24,944)	(27,128)	6,721	(20,407)
Balance at 31 December 2009	49,767,339	4,977	18,009	75	-	1,392	(34,177)	(31,858)	14,968	184,177	157,563	8,947	166,510

Notes 1 to 24 on pages 18 to 43 form part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Jack Massey**

4 March 2011

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Paddy Power plc (the 'Company') and its subsidiaries (together referred to as the 'Group') provide online interactive sports betting services ('paddypower.com', 'sportsbet.com.au' and 'iasbet.com.au'), sports betting services through a chain of licensed betting offices ('Paddy Power Bookmaker') and telephone sports betting ('Dial-a-Bet'). The Group also provides online gaming services through 'paddypower.com', 'paddypowerpoker.com', 'paddypowercasino.com' and 'paddypowerbingo.com', and financial spread betting services through 'paddypowertrader.com'. It provides these services principally in the United Kingdom, Ireland and Australia. It also provides business-to-business services globally.

The Company is a public limited company incorporated and domiciled in the Republic of Ireland and has its primary listing on the Irish Stock Exchange.

The financial information presented herein does not comprise full statutory financial statements and therefore does not include all of the information required for full annual financial statements. Full statutory financial statements for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards as adopted by the EU together with an unqualified audit report thereon under Section 193 of the Companies Act 1990, will be annexed to the annual return and filed with the Registrar of Companies.

The consolidated financial statements of the Group for the year ended 31 December 2010 comprise the financial statements of the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 4 March 2011.

2. Basis of preparation and summary of significant accounting policies

The condensed consolidated financial statements have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Republic of Ireland's Financial Regulator. The condensed consolidated financial statements are prepared on the historical cost basis except for betting transactions (which are recorded as derivative financial instruments), derivative financial instruments (call options), available-for-sale financial assets and certain share-based payments, all of which are stated at fair value (grant date fair value in the case of share-based payments). The condensed consolidated financial statements are presented in euro, the Company's functional currency, rounded to the nearest thousand.

Except for the significant accounting policy changes set out below, the financial information contained in the condensed consolidated financial statements has been prepared in accordance with the accounting policies set out in the Group's last annual financial statements in respect of the year ended 31 December 2009.

Recent accounting pronouncements

The IASB and the International Financial Reporting Interpretations Committee ('IFRIC') have issued the following standards and interpretations which were effective and significant for the Group in the year ended 31 December 2010:

<u>Revised IFRS 3, 'Business Combinations (2008)'</u>

From 1 January 2010, the Group has applied IFRS 3, 'Business Combinations (2008)' in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no significant impact on earnings per share in the current reporting period.

The revised standard impacts on the amounts recorded in goodwill and in the income statement for business combinations, and incorporates the following changes that are likely to be relevant to the Group's operations:

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

<u>Revised IAS 27, 'Consolidated and Separate Financial Statements (2008)'</u>

From 1 January 2010, the Group has applied IAS 27, 'Consolidated and Separate Financial Statements (2008)' in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and there was no impact on earnings per share in the current reporting period.

From 1 January 2010, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised. Previously, goodwill arising on the acquisition of non-controlling interests in a subsidiary would have been recognised, and represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

See Note 12 for the application of the new policy to the acquisition of non-controlling interests that occurred during the reporting period.

2. Basis of preparation and summary of significant accounting policies (continued)

The following provides a brief outline of the likely impact on future financial statements of relevant IFRSs adopted by the EU which are not yet effective and have not been adopted early in these financial statements:

- IAS 32 Amendment, 'Classification of Rights Issues' (effective for the Group's 2011 consolidated financial statements). The directors do not believe that this will have any significant impact on Group reporting.
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for the Group's 2011 consolidated financial statements). The directors do not believe that this will have any significant impact on Group reporting.

Basis of consolidation

The Group's financial statements consolidate the financial statements of Paddy Power plc and its subsidiary undertakings based on accounts made up to the end of the financial year. A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated on consolidation except to the extent that unrealised losses provide evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group equity therein. Non-controlling interest comprises the amount of such interests at the date of original business combination, either as a proportion of the fair value of identifiable assets acquired or at full fair value, and the non-controlling interest's share of changes in equity since the date of original combination.

Judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 24.

2. Basis of preparation and summary of significant accounting policies (continued)

Restatement of prior year financial information
As permitted by IFRS 3 'Business Combinations' and, as a result of (1) the finalisation of fair value accounting for the acquisition of the 51% share of Sportsbet Pty Limited ('Sportsbet') and (2) the finalisation of fair value accounting for the Group's acquisition of the 100% interest in International All Sports Limited ('IAS') on a step acquisition basis, a number of adjustments have been made to the Group's 31 December 2009 comparative financial information. Where adjustments have been made to comparative information in respect of the year ended 31 December 2009 the relevant financial statement or note is headed up as *'Restated'*. The principal adjustments made are summarised below:

	Deferred tax on Sportsbet brands intangible assets	**Sportsbet buyout call option finalisation**	**Step acquisition of IAS**	**IAS acquisition balance sheet**	**Foreign currency retranslation and other**	**Total**
Note (see below)	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Intangible assets – computer software	-	-	-	354	12	**366**
Goodwill	1,464	1,055	(731)	1,165	(345)	**2,608**
Financial assets	-	(917)	-	-	-	**(917)**
Current assets – other receivables	-	-	-	(302)	(10)	**(312)**
Total assets	**1,464**	**138**	**(731)**	**1,217**	**(343)**	**1,745**
Foreign exchange translation reserve	-	-	81	-	(524)	**(443)**
Retained earnings	-	-	(467)	-	-	**(467)**
Non-controlling interest	(1,407)	-	(345)	(333)	(145)	**(2,230)**
Current liabilities – trade and other payables	-	-	-	80	20	**100**
Current liabilities – provisions	-	-	-	102	-	**102**
Current liabilities – current tax payable	-	-	-	1,470	49	**1,519**
Non current liabilities – derivative financial liabilities	-	138	-	-	-	**138**
Non current liabilities – provisions	-	-	-	(102)	-	**(102)**
Non current liabilities – deferred tax	2,871	-	-	-	257	**3,128**
Total equity and liabilities	**1,464**	**138**	**(731)**	**1,217**	**(343)**	**1,745**

(1) The recognition of deferred tax at the relevant Australian tax rate of 30% on the value of the brands intangible assets recognised on the acquisition of Sportsbet.
(2) A revision in the net fair value of the Sportsbet buyout call options from a financial asset of €917,000 to a financial liability of €138,000 on finalisation of the valuation of these derivative financial instruments.
(3) A change in the consolidation accounting for the IAS acquisition to reflect the acquisition of IAS being completed in two stages, an initial 19.98% acquisition by the Group on 1 July 2009 and the final 80.02% acquisition on 1 October 2009.
(4) Changes to the 1 October 2009 IAS acquisition balance sheet to reflect subsequent information about conditions affecting balances at that date.
(5) Primarily relates to foreign currency retranslation adjustments as of 31 December 2009 in respect of the above.

The impact on previously reported balances is as follows:

	As previously reported	**Adjustment**	**As restated**
	€'000	**€'000**	**€'000**
Intangible assets	45,084	366	**45,450**
Goodwill	60,903	2,608	**63,511**
Financial assets	2,498	(917)	**1,581**
Deferred tax assets	3,284	(1,993)	**1,291**
Trade and other receivables	16,432	(312)	**16,120**
Foreign exchange translation reserve	(518)	443	**(75)**
Retained earnings	(184,644)	467	**(184,177)**
Non-controlling interest	(11,177)	2,230	**(8,947)**
Current liabilities – trade and other payables	(90,453)	(100)	**(90,553)**
Current liabilities – provisions	(1,170)	(102)	**(1,272)**
Current liabilities – current tax payable	(978)	(1,519)	**(2,497)**
Non current liabilities – derivative financial liabilities	(16)	(138)	**(154)**
Non current liabilities – provisions	(1,713)	102	**(1,611)**
Deferred tax liabilities	(5,577)	(1,135)	**(6,712)**

3. Operating segments

The income, operating profit and net assets of the Group relate to the provision of betting and gaming activities, the majority of which are conducted in the United Kingdom ('UK'), Australia and the Republic of Ireland.

The Group's reportable segments are divisions that are managed separately, due to a combination of factors including method of service delivery (online, retail shops, telephone), geographical segmentation and the different services provided.

(a) Reportable business segment information
The Group considers that its reportable segments are as follows:
- Online (ex Australia);
- Australia;
- Irish retail;
- UK retail; and
- Telephone (ex Australia).

The online (ex Australia), Irish retail, UK retail and telephone (ex Australia) segments all derive their revenues primarily from sports betting and gaming (gaming machines, casino, poker, games, bingo and financial spread betting). Online (ex Australia) services are delivered primarily through the internet, telephone (ex Australia) through the public telephony system and Irish and UK retail through licensed bookmaking shop estates. The online (ex Australia) and telephone (ex Australia) segments derive their revenues primarily from the UK and Ireland, the Irish retail segment from retail outlets in the Republic of Ireland and UK retail from retail outlets in Great Britain and Northern Ireland. The Australia segment earns its revenues primarily from sports betting services provided to Australian customers using both the internet and the public telephony system.

The accounting policies of the reportable segments are the same as those for the Group as a whole. Central operating expenses are allocated to reportable segments based on internal management allocation methodologies. Any expenses that are not directly allocated to reportable segments in internal management reports are shown in the reconciliation of reportable segments to Group totals. The Group does not allocate income tax expense or interest. Treasury management is centralised for the online (ex Australia), Irish retail, UK retail and telephone (ex Australia) segments. The Australia segment manages its own treasury function. Assets and liabilities information is reported internally in total and not by reportable segment and, accordingly, no information is provided in this note on assets and liabilities split by reportable segment.

Reportable business segment information for the year ended 31 December 2010:

	Online (ex Australia) €'000	Australia €'000	Irish retail €'000	UK retail €'000	Telephone (ex Australia) €'000	Total reportable segments €'000
Income from external customers, being total income	**163,662**	**97,037**	**109,637**	**54,220**	**18,971**	**443,527**
Direct betting costs	**(20,666)**	**(21,762)**	**(9,315)**	**(8,443)**	**(70)**	**(60,256)**
Gross profit	**142,996**	**75,275**	**100,322**	**45,777**	**18,901**	**383,271**
Depreciation and amortisation	**(4,451)**	**(4,040)**	**(9,215)**	**(5,470)**	**(1,102)**	**(24,278)**
Other operating expenses	**(81,081)**	**(51,745)**	**(73,481)**	**(32,942)**	**(15,995)**	**(255,244)**
Reportable segment profit	**57,464**	**19,490**	**17,626**	**7,365**	**1,804**	**103,749**

3. Operating segments (continued)

Reportable business segment information for the year ended 31 December 2009:

	Online (ex Australia)	Australia	Irish retail	UK retail	Telephone (ex Australia)	Total reportable segments
	€'000	€'000	€'000	€'000	€'000	€'000
Income from external customers, being total income	107,788	31,820	106,042	35,353	14,925	295,928
Direct betting costs	(13,202)	(9,527)	(9,814)	(5,411)	-	(37,954)
Gross profit	94,586	22,293	96,228	29,942	14,925	257,974
Depreciation and amortisation	(2,254)	(1,673)	(8,816)	(4,505)	(865)	(18,113)
Other operating expenses	(46,642)	(16,058)	(71,063)	(24,175)	(15,229)	(173,167)
Reportable segment profit / (loss)	45,690	4,562	16,349	1,262	(1,169)	66,694

Reconciliation of reportable segments to Group totals:

	2010	2009
	€'000	€'000
Income		
Total income from reportable segments, being total Group income (1)	**443,527**	295,928
Profit and loss		
Total profit and loss from reportable segments	**103,749**	66,694
Unallocated amounts:		
Financial income – non-Australia (2)	**411**	723
Financial income – Australia	**1,368**	177
Financial income – Australia – Sportsbet buyout call options (3)	**7,116**	-
Financial expense – non-Australia (2)	**(235)**	(126)
Financial expense – Australia	**(1,109)**	(276)
Profit before tax	**111,300**	67,192

(1) There are no inter-segment revenues or profits requiring elimination in any of the reporting years.
(2) The non-Australia segment comprises the online (ex Australia), Irish retail, UK retail and telephone (ex Australia) operating segments. Financial expense relating to this segment is primarily in respect of guarantee fees payable.
(3) Included in financial income in respect of the Australia segment is €7,116,000 of income relating to the increase in the fair value of the Sportsbet buyout call options – see Notes 5 and 11.

(b) Geographical segment information
The Group considers that its primary geographic segments are 'UK', 'Australia' and 'Ireland and rest of world'. The UK geographic segment consists of the UK retail bookmaking business, online and telephone sports betting from UK customers, and online gaming from UK customers. The Australia geographic segment consists of online and telephone sports betting from Australian customers. The Ireland and rest of world geographic segment is composed of the Irish retail bookmaking business, online and telephone sports betting from Irish and rest of world customers, and online gaming from Irish and rest of world customers. Revenues from customers outside the UK, Australia and Ireland are not considered sufficiently significant to warrant separate reporting.

Group revenues by geographical segment are as follows:

Income

	2010	2009
	€'000	€'000
UK	**167,416**	103,131
Australia	**97,037**	31,820
Ireland and rest of world	**179,074**	160,977
Total	**443,527**	295,928

(a) Revenues are attributed to geographical location on the basis of the customer's location.
(b) Revenues from any single customer do not amount to ten per cent or more of the Group's revenues.

3. Operating segments (continued)

Non current assets (excluding deferred tax balances) by geographical segment are as follows:

Non current assets	2010 €'000	2009 *Restated* €'000
UK	**64,491**	60,450
Australia	**96,564**	71,843
Ireland and rest of world	**54,955**	54,976
Total	**216,010**	187,269

4. Direct betting costs

Direct betting costs comprise:

	2010 €'000	2009 €'000
Betting taxes	**22,420**	16,903
Software supplier costs	**12,580**	9,178
Other direct betting costs	**25,256**	11,873
Direct betting costs	**60,256**	37,954

Betting taxes comprise betting taxes levied on gross win, betting taxes levied on Irish retail and Australia segment amounts staked and general sales tax ('GST') on Australia segment gross win.

Software supplier costs comprise direct costs incurred under supplier agreements for the provision of online casino, poker, bingo, fixed odds gaming services and FOBTs.

Other direct betting costs comprise payments to third parties for new online customers acquired, data rights which mainly comprise costs incurred in respect of British Horseracing Board and UK statutory levies, product and racefield fees payable to Australian state racing authorities, prize and tournament costs, customer bad debt charges and other miscellaneous direct betting costs.

5. Financial income and expense

	2010 €'000	2009 €'000
Recognised in profit or loss:		
Financial income:		
On financial assets at amortised cost:		
Interest income on short term bank deposits	**1,779**	900
	1,779	900
On derivative financial instruments at fair value through profit or loss:		
Increase in fair value of Sportsbet buyout call options (Note 11)	**7,116**	-
	7,116	-
Financial income	**8,895**	900
Financial expense:		
On financial liabilities at amortised cost:		
Bank loans	**783**	247
Bank guarantees	**132**	113
Finance leases	**198**	29
Unwinding of the discount on provisions and other non current liabilities	**231**	13
Financial expense	**1,344**	402

5. Financial income and expense (continued)

	2010 €'000	2009 *Restated* €'000
Recognised in other comprehensive income:		
Foreign exchange gain on revaluation of the net assets of foreign currency denominated subsidiaries	**12,667**	1,037
	12,667	1,037

6. Income tax expense

	2010 €'000	2009 €'000
Recognised in profit or loss:		
Current tax charge	**16,969**	9,120
Prior year over provision	**(24)**	(449)
	16,945	8,671
Deferred tax (credit) / charge	**(1,573)**	451
Prior year over provision	**(806)**	(405)
(Decrease) / increase in net deferred tax liability (Note 17)	**(2,379)**	46
Total income tax expense in income statement	**14,566**	8,717

The difference between the total income tax expense shown above and the amount calculated by applying the standard rate of corporation tax to the profit before tax is as follows:

		2010 €'000		2009 €'000
Profit before tax		**111,300**		67,192
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5% (2009: 12.5%)	12.5%	**13,912**	12.5%	8,399
Depreciation on non-qualifying property, plant and equipment	0.8%	**872**	1.3%	834
Effect of different statutory tax rates in overseas jurisdictions	1.3%	**1,417**	0.1%	59
UK tax loss deferred tax asset recognised	(1.6%)	**(1,770)**	0.0%	-
UK tax loss deferred tax asset utilised in year	0.7%	**776**	0.0%	-
Other differences	0.1%	**154**	0.3%	199
Interest income taxable at higher rates	0.0%	**35**	0.1%	80
Over provision in prior year	(0.7%)	**(830)**	(1.3%)	(854)
Total income tax expense	13.1%	**14,566**	13.0%	8,717

Unrecognised deferred tax assets

In previous reporting periods, a deferred tax asset was not recognised in respect of tax losses related to the Group's retail operations in Great Britain ('GB retail') as it was not certain whether taxable profits would be generated against which to offset these losses. The value of this unrecognised deferred tax asset at 31 December 2009 was €1,770,000. Given the improved profitability performance of the GB retail business in 2010, the directors believe that it is now appropriate to recognise this deferred tax asset. Accordingly, the €1,770,000 has been credited to the income statement in the year ended 31 December 2010. During 2010, an amount of €776,000 of this asset was utilised against taxable GB retail profits arising in the year.

No significant changes are expected to statutory tax rates in Ireland. UK statutory tax rates are expected to reduce from 28% to 27% in April 2011 and by a further 1% per annum up to April 2014 when the tax rate will be 24%. Statutory tax rates in Australia are expected to be reduced from the current 30% to 29% for the year ended 30 June 2014 and to 28% for the year ending 30 June 2015 and thereafter.

7. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year as follows:

	2010	2009
Numerator in respect of basic and diluted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**90,005**	56,946
Numerator in respect of adjusted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**90,005**	56,946
Less: Sportsbet buyout call options value change (Note 5)	**(7,116)**	-
Less: UK tax losses deferred tax asset recognition (Note 6)	**(1,770)**	-
Profit for adjusted earnings per share calculation	**81,119**	56,946
Denominator in respect of basic earnings per share:		
Ordinary shares in issue at beginning of year	**49,767,339**	49,270,742
Adjustments for weighted average number of:		
- ordinary shares issued during year	**64,992**	173,731
- ordinary shares purchased and cancelled or held in treasury	**(1,734,000)**	(1,734,000)
- ordinary shares held by long term incentive plan trust	**(1,387,159)**	(978,296)
Weighted average number of ordinary shares	**46,711,172**	46,732,177
Basic earnings per share	**€1.927**	€1.219
Adjusted earnings per share	**€1.737**	€1.219
Denominator in respect of diluted earnings per share:		
Basic weighted average number of ordinary shares in issue during year	**46,711,172**	46,732,177
Adjustments for dilutive effect of share option schemes, sharesave scheme, share award schemes and shares held by long term incentive plan trust	**1,329,728**	429,425
Weighted average number of ordinary shares	**48,040,900**	47,161,602
Diluted earnings per share	**€1.874**	€1.207
Adjusted diluted earnings per share	**€1.689**	€1.207

8. Property, plant and equipment

	Land, buildings & leasehold improvements €'000	Fixtures & fittings €'000	Computer equipment €'000	Motor vehicles €'000	Total €'000
Cost					
Balance at 1 January 2009	50,782	76,100	19,001	1,163	147,046
Additions	5,207	8,343	4,624	69	18,243
Additions – business combinations (Note 12)	887	248	3,333	38	4,506
Disposals	(90)	(211)	(215)	(10)	(526)
Foreign currency retranslation adjustment	209	159	255	3	626
Balance at 31 December 2009	56,995	84,639	26,998	1,263	169,895
Additions	**3,350**	**7,935**	**6,754**	**139**	**18,178**
Additions – business combinations (Note 12)	**-**	**1,046**	**-**	**-**	**1,046**
Disposals	**(19)**	**(164)**	**(17)**	**(574)**	**(774)**
Transfers (Note 9)	**215**	**(178)**	**(1,398)**	**-**	**(1,361)**
Foreign currency retranslation adjustment	**636**	**132**	**1,062**	**8**	**1,838**
Balance at 31 December 2010	**61,177**	**93,410**	**33,399**	**836**	**188,822**
Depreciation and impairment					
Balance at 1 January 2009	16,240	46,291	16,031	443	79,005
Depreciation charges	2,514	9,069	2,686	186	14,455
Impairment reversals	(82)	(215)	(13)	-	(310)
Disposals	(22)	(134)	(20)	-	(176)
Foreign currency retranslation adjustment	55	42	95	2	194
Balance at 31 December 2009	18,705	55,053	18,779	631	93,168
Depreciation charges	**3,294**	**9,594**	**4,565**	**273**	**17,726**
Impairment charges	**86**	**4**	**6**	**-**	**96**
Disposals	**(13)**	**(120)**	**(16)**	**(472)**	**(621)**
Foreign currency retranslation adjustment	**211**	**51**	**390**	**3**	**655**
Balance at 31 December 2010	**22,283**	**64,582**	**23,724**	**435**	**111,024**
Net book value					
At 31 December 2010	**38,894**	**28,828**	**9,675**	**401**	**77,798**
At 31 December 2009	38,290	29,586	8,219	632	76,727

The net book value of land, buildings and leasehold improvements at 31 December 2010 includes €34.7m (2009: €33.8m) in respect of leasehold improvements.

At 31 December 2010, included in leasehold improvements are assets held under finance leases with a cost value of €2,685,000 (2009: €2,097,000), accumulated depreciation of €976,000 (2009: €367,000) and net book value of €1,709,000 (2009: €1,730,000). At 31 December 2010, included in computer equipment are assets held under finance leases with a cost value of €1,982,000 (2009: €1,457,000), accumulated depreciation of €1,228,000 (2009: €452,000) and net book value of €754,000 (2009: €1,005,000).

The impairment credits and charges relate to the Irish retail and UK retail operating segments and have arisen from a review of the carrying value of shop properties. The recoverable amounts used in the calculation of Irish retail and UK retail operating segment impairment credits and charges are based on value in use. The pre-tax discount rate used to determine value in use was 10% (2009: 10%). The impairment charge of €96,000 (2009: credit of €310,000) recorded in the year ended 31 December 2010 includes €662,000 relating to new impairment charges and is stated net of impairment reversals of €566,000 (2009: €384,000 relating to new impairment charges and is stated net of impairment reversals of €694,000). The impairment credits and charges are included in 'depreciation and amortisation' in the consolidated income statement.

The directors do not consider the remaining useful lives of property, plant and equipment to be materially different from the period over which the assets are being depreciated.

9. Intangible assets

The movements during the prior year and current year in respect of intangible assets, which comprise computer software, licences and brands (all acquired), were as follows:

	Computer software *Restated* €'000	Licences €'000	Brands €'000	Total *Restated* €'000
Cost				
Balance at 1 January 2009	18,005	26,596	-	44,601
Additions	2,725	596	-	3,321
Additions – business combinations (Note 12)	1,965	-	13,743	15,708
Disposals	(20)	-	-	(20)
Foreign currency retranslation adjustment	99	(2,280)	999	(1,182)
Balance at 31 December 2009	22,774	24,912	14,742	62,428
Additions	**6,594**	**119**	**-**	**6,713**
Disposals	**(24)**	**(12)**	**-**	**(36)**
Transfers (Note 8)	**1,463**	**(102)**	**-**	**1,361**
Foreign currency retranslation adjustment	**850**	**648**	**3,224**	**4,722**
Balance at 31 December 2010	**31,657**	**25,565**	**17,966**	**75,188**
Amortisation and impairment				
Balance at 1 January 2009	11,322	1,667	-	12,989
Amortisation charges	2,669	496	-	3,165
Impairment charges	803	-	-	803
Disposals	-	-	-	-
Foreign currency retranslation adjustment	21	-	-	21
Balance at 31 December 2009	14,815	2,163	-	16,978
Amortisation charges	**5,796**	**652**	**-**	**6,448**
Impairment charges / (reversals)	**(10)**	**18**	**-**	**8**
Disposals	**(12)**	**(2)**	**-**	**(14)**
Foreign currency retranslation adjustment	**258**	**-**	**-**	**258**
Balance at 31 December 2010	**20,847**	**2,831**	**-**	**23,678**
Net book value				
At 31 December 2010	**10,810**	**22,734**	**17,966**	**51,510**
At 31 December 2009	7,959	22,749	14,742	45,450

The value of betting shop licences of €20,610,000 (2009: €19,975,000) acquired as a result of the purchase of D McGranaghan Limited in 2008 are not being amortised as the directors consider these licences to have an indefinite life because:
- existing law in Northern Ireland restricts entry of new competitors;
- there exists a proven and future expected demand for bookmaking services and products; and
- Paddy Power has a track record of renewing its betting permits and licences at minimal cost.

The value of brands intangible assets recognised on application of fair value accounting to the purchase of Sportsbet and IAS in 2009 (amounting to €17,966,000 at 31 December 2010 (2009: €14,742,000) – see Note 12) are not being amortised as the directors consider that the relevant brands have indefinite lives because:
- the directors intend to utilise the brands in the businesses for the foreseeable future; and
- substantial sums are invested annually in the form of marketing expenditure expensed through profit or loss to maintain and to enhance the value of these brands.

The Group reviews the carrying value of licences and brands for impairment annually (or more frequently if there are indications that the value of the licences and brands may be impaired) by comparing the carrying values of these assets with their recoverable amounts (being the higher of value in use and fair value less costs to sell).

In 2010, a net impairment charge of €8,000 was recorded relating to the Irish retail and UK retail operating segments and was comprised of new impairment charges of €28,000 and the reversal of previously recorded charges of €20,000. The impairment charges and credits arose from a review of the carrying values of shop properties. The recoverable amounts used in the calculation of Irish retail and UK retail operating segment impairment charges were based on value in use. The pre-tax discount rate used to determine value in use was 10%. The impairment charge in respect of the year ended 31 December 2009 of €803,000 related to certain computer software costs recognised on the acquisition of Sportsbet. The directors believed that the computer software would not be used on a long term basis by the Australia operating segment and that the recognition of an impairment charge for the full value of the computer software at 31 December 2009 was appropriate.

The impairment charges and credits are included in 'depreciation and amortisation' in the consolidated income statement.

10. Goodwill

The following cash generating units, being the lowest level of asset for which there are separately identifiable cash flows, have the following carrying amounts of goodwill:

	Irish retail €'000	UK retail €'000	Australia *Restated* €'000	Total *Restated* €'000
Balance at 1 January 2009	5,923	9,080	-	15,003
Arising on acquisitions during the year (Note 12)	1,144	-	45,703	46,847
Foreign currency retranslation adjustment	-	(832)	2,493	1,661
Balance at 31 December 2009	**7,067**	**8,248**	**48,196**	**63,511**
Arising on acquisitions during the year (Note 12)	**1,140**	**1,517**	**-**	**2,657**
Foreign currency retranslation adjustment	**-**	**231**	**10,568**	**10,799**
Balance at 31 December 2010	**8,207**	**9,996**	**58,764**	**76,967**

Goodwill on Irish retail properties arose from the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988, the acquisition of three retail bookmaking businesses in 2007 and the acquisition of a number of retail bookmaking shop properties in both 2009 and 2010 (see Note 12).

Goodwill on UK retail properties arose from the acquisition of two London bookmaking businesses in 2004, the acquisition of a retail bookmaking company in Northern Ireland in 2008 and the acquisition of a number of retail bookmaking shop properties in 2010 (see Note 12).

The Australia segment goodwill amount arose from the acquisition by the Group of a 51% interest in Sportsbet Pty Limited ('Sportsbet') on 1 July 2009 and the acquisition of International All Sports Limited ('IAS') by Sportsbet on 1 October 2009 (see Note 12).

Impairment tests for cash generating units containing goodwill and indefinite life intangible assets
In accordance with accounting requirements, the Group performs an annual test for impairment of its cash generating units. The most recent test was performed at 31 December 2010. Based on these reviews, no impairment has arisen.

11. Financial assets (non current)

	31 December 2010 **€'000**	31 December 2009 *Restated* €'000
Derivative financial assets:		
Sportsbet buyout call options	**6,978**	-
	6,978	-
Other financial assets:		
Restricted cash (see Note 14)	**2,757**	1,581
Available-for-sale investments	**-**	-
	2,757	1,581
Total	**9,735**	1,581

The movements during the prior year and current year in respect of financial assets were as follows:

	Sportsbet buyout call options *Restated* €'000	Restricted cash €'000	Available-for-sale investments €'000	Total *Restated* €'000
Balance at 1 January 2009	-	-	-	-
Business combinations – acquisition of Sportsbet	-	862	4,339	5,201
Movements in fair value of available-for-sale investments	-	-	241	241
Foreign currency retranslation adjustment	-	101	238	339
Business combinations – acquisition of IAS	-	618	(4,818)	(4,200)
Balance at 31 December 2009	-	1,581	-	1,581
Change in fair value of Sportsbet buyout call options	**6,978**	**-**	**-**	**6,978**
Foreign currency retranslation adjustment	**-**	**425**	**-**	**425**
Other movements	**-**	**751**	**-**	**751**
Balance at 31 December 2010	**6,978**	**2,757**	**-**	**9,735**

11. Financial assets (non current) (continued)

Sportsbet buyout call options
Under the terms of the agreement to purchase 51% of Sportsbet on 1 July 2009, the Company was granted certain options to purchase the equity interests of the non-controlling interest in Sportsbet. In the event that the combined Sportsbet and IAS earnings before interest, taxation, depreciation and amortisation ('EBITDA') for either of the years ending 30 June 2011 or 2012 is less than AUD22.0m (€16.7m), the Company has the right to claw equity from Sportsbet's existing shareholders on a proportionate basis to the shortfall in profitability. In addition, the Company had a call option, exercisable in either 2012 or 2013, to acquire all of the outstanding shares in Sportsbet that it does not own, with the exercise price to be determined based on an EBITDA multiple of 4 to 7 times, depending on the level of EBITDA, and subject to a maximum payment of AUD196m (€149.2m). In the event that the Company elects not to exercise the 2013 call option, the non-controlling shareholders in Sportsbet will have the option to acquire the Company's shareholding. The exercise price for this option is to be determined on the same basis as the call option that the Company holds. The net value ascribed to the embedded derivatives in these option contracts (which have been designated on initial recognition as at fair value through profit or loss) was a net financial liability of €138,000 (as restated) as at the date of acquisition, and was included in derivative financial liabilities (see Note 18). In accordance with the requirements of accounting standards, a valuation exercise was performed in respect of the options as of 31 December 2010 which indicated a total net financial asset of €6,978,000. The change in the valuation between 31 December 2009 and 31 December 2010 of €7,116,000 has been included in financial income in profit or loss (see Note 5).

Available-for-sale investments
Sportsbet held a 19.98% interest in IAS on the date of its acquisition by the Company, valued at €4,339,000. This investment was classified as an available-for-sale investment. The fair value of this investment increased by €479,000 to €4,818,000 in the period from 1 July 2009 to the date of acquisition by Sportsbet of the remaining 80.02% of IAS that it did not already own, at which time the value of the investment was transferred to the cost of investment in IAS (see Note 12).

12. Business combinations and purchase of non-controlling interest

Year ended 31 December 2010

Acquisition of additional 9.8% of Sportsbet Pty Limited
On 12 February 2010, the Company increased its shareholding in Sportsbet to 60.8% through the buyout of a non-controlling shareholder who had no executive involvement with the business. The consideration for the 9.8% shareholding acquired amounted to AUD13.0m (€8.5m) in cash. The Company also acquired that shareholder's loan to Sportsbet as part of the transaction.

	€'000
Purchase consideration – cash	8,481
Net assets acquired from non-controlling interest	(1,952)
Change in Group share of discount on loans from non-controlling shareholders	39
Cost of purchase of non-controlling interest transferred to retained earnings	6,568

Net cash outflow from purchase of non-controlling interest for the purposes of the statement of cash flows	
Purchase of non-controlling interest before acquisition expenses	8,481
Acquisition expenses paid	80
Purchase of non-controlling interest	8,561

Payments of deferred consideration for 51% of Sportsbet Pty Limited and for Irish retail 2009 bookmaking business acquisition
On 18 August 2010, the Company paid the non-controlling shareholders of Sportsbet an amount of €7,007,000 (AUD10,000,000) in respect of deferred consideration for the Company's initial 51% acquisition of Sportsbet. The payment followed confirmation that the relevant profitability target set for the financial year ended 30 June 2010 had been achieved by Sportsbet. An amount of €100,000 was paid during 2010 in respect of deferred consideration for the Irish retail 2009 bookmaking business acquisition.

Net cash outflow from deferred consideration payments for the purposes of the statement of cash flows	**€'000**
Purchase of businesses, net of cash acquired	7,107
Acquisition expenses paid	-
	7,107

12. Business combinations and purchase of non-controlling interest (continued)

Shop property business acquisitions
In 2010, the Group, in the absence of available comparable sites for organic shop openings, acquired two retail licensed bookmaking businesses in Ireland and three in Great Britain, comprising nine shops in total.

Details of the net assets acquired and the goodwill arising on these acquisitions under IFRS are as follows:

	Total provisional fair values 31 December 2010 €'000
Identifiable net assets acquired:	
Property, plant and equipment	1,046
	1,046
Goodwill arising on acquisition – Irish retail	1,140
Goodwill arising on acquisition – UK retail	1,517
Goodwill arising on acquisition – total	2,657
Consideration	3,703
Satisfied by:	
Cash consideration	3,353
Deferred purchase consideration	350
	3,703
Net cash outflow from purchase of businesses for the purposes of the statement of cash flows	
Purchase of businesses, net of cash acquired	3,353
Acquisition expenses paid	43
	3,396

The principal factors contributing to the goodwill balances above are the well established nature of the acquired businesses within the locations in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired businesses within the Paddy Power group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired shops in respect of the period from acquisition and for the year ended 31 December 2010 has not been presented on the basis of immateriality.

12. Business combinations and purchase of non-controlling interest (continued)

Year ended 31 December 2009

Australia acquisitions

Acquisition of Sportsbet Pty Limited
On 1 July 2009, the Group completed the purchase of a 51% shareholding in Sportsbet, a provider of internet and telephone sports betting services in Australia. The initial purchase consideration for this acquisition amounted to €26.3m, comprised of a cash payment of €24.6m and the granting of 100,000 ordinary shares of the Company valued at €1.7m. An additional payment of AUD10.0m (€6.2m) is payable in 2010 if certain profitability targets are achieved by Sportsbet in respect of the financial year ended 30 June 2010. Under the terms of the acquisition, certain call options were granted to the Company and to the non-controlling interest in Sportsbet (see Note 11). The net fair value of these options was added to the purchase consideration in the calculation of the goodwill arising on acquisition of Sportsbet.

Details of the net assets acquired and the goodwill arising on this acquisition under IFRS are as follows (restated – see Note 2):

Finalisation of provisional accounting:

	Book values on acquisition €'000	Provisional fair value adjustments €'000	Final fair value adjustments €'000	Final fair values 31 December 2009 *Restated* €'000
Identifiable net assets acquired:				
Property, plant and equipment	1,753	-	-	1,753
Intangible assets	272	10,374	-	10,646
Financial assets	5,201	-	-	5,201
Deferred tax asset (net)	365	-	-	365
Current assets (excluding cash and cash equivalents)	6,134	-	-	6,134
Cash and cash equivalents	6,846	-	-	6,846
Customer balances	(5,412)	-	-	(5,412)
Current liabilities	(5,594)	-	-	(5,594)
Sports betting open positions – current	(1,311)	-	-	(1,311)
Corporation tax payable	(694)	-	-	(694)
Non current liabilities	(594)	-	-	(594)
Provisions – non current	(140)	-	-	(140)
Deferred tax liabilities	-	(241)	(2,871)	(3,112)
	6,826	10,133	(2,871)	14,088
Less: non-controlling interest arising on acquisition				(6,903)
Goodwill arising on acquisition				27,748
Consideration (including associated purchase costs)				34,933
The consideration is analysed as:				
Cash consideration (including associated purchase costs paid and accrued)				26,931
Ordinary shares issued to vendors (Note 15)				1,648
Deferred purchase consideration				6,216
Embedded derivative – Sportsbet buyout call options (Note 18 and restated per Note 2)				138
				34,933
The net cash consideration is analysed as:				
Cash consideration before acquisition expenses				24,627
Acquisition expenses paid				2,172
Cash consideration				26,799
Cash acquired				(6,846)
Net cash consideration for acquisition of Sportsbet				19,953

The intangible assets recognised on application of fair value accounting to the acquisition were increased by brands totalling €9,571,000 and computer software totalling €803,000. The valuations were performed by an independent advisor and used the relief of royalty method for the valuation of brands and the replacement cost method for the valuation of computer software.

The value attributed to goodwill reflects the future potential growth in the business acquired.

12. Business combinations and purchase of non-controlling interest (continued)

Acquisition of International All Sports Limited
On 1 October 2009, Sportsbet completed the acquisition of a 100% shareholding in another Australian internet and telephone sports betting company, IAS. At 1 July 2009, and upon acquisition by the Company, Sportsbet owned a 19.98% interest in IAS (see Note 11). IAS was a publicly quoted company whose shares were listed on the Australian Stock Exchange and the acquisition was implemented via a Scheme of Arrangement. The acquisition valued the entire issued share capital of IAS at AUD40.0m (€24.2m). The Company and Sportsbet's non-controlling shareholders provided shareholder loans to Sportsbet to part fund the acquisition, with the Company providing a loan of €3,833,000 (AUD6,135,000) and the 49% non-controlling shareholders in Sportsbet providing a loan of €3,682,000 (AUD5,895,000) (see Note 20). A secured bank loan of €12,494,000 (AUD20,000,000) was also taken out by Sportsbet to part fund the acquisition (see Note 20).

Details of the net assets acquired and the goodwill arising on this acquisition under IFRS are as follows (restated – see Note 2):

Finalisation of provisional accounting:

	Book values on acquisition *Restated* €'000	Step acquisition adjustments *Restated* €'000	Fair value adjustments €'000	Final fair values 31 December 2009 *Restated* €'000
Identifiable net assets acquired:				
Property, plant and equipment	2,733	(128)	-	2,605
Intangible assets	1,359	152	3,703	5,214
Financial assets	618	(124)	-	494
Deferred tax asset (net)	1,417	-	-	1,417
Current assets (excluding cash and cash equivalents)	2,335	(159)	-	2,176
Cash and cash equivalents	10,164	276	-	10,440
Customer balances	(7,433)	172	-	(7,261)
Current liabilities	(4,897)	163	-	(4,734)
Sports betting open positions – current	(269)	18	-	(251)
Provisions – current	(1,092)	(268)	-	(1,360)
Corporation tax payable	(2,208)	259	-	(1,949)
Non current liabilities	(785)	(32)	-	(817)
Provisions – non current	(242)	32	-	(210)
	1,700	361	3,703	5,764
Goodwill arising on acquisition				17,955
Consideration (including associated purchase costs)				23,719
The consideration is analysed as:				
Cash consideration (including associated purchase costs paid and accrued)				19,604
Fair value of existing 19.98% holding in IAS at date of acquisition (Note 11)	4,818	(241)		4,577
Deferred tax on movements in fair value of existing 19.98% holding in IAS at date of acquisition (Note 17)	(530)	68		(462)
	4,288	(173)		23,719
The net cash consideration is analysed as:				
Cash consideration before acquisition expenses				19,367
Acquisition expenses paid				201
Cash consideration				19,568
Cash acquired				(10,164)
Net cash consideration for acquisition of IAS				9,404

The intangible assets recognised on application of fair value accounting to the acquisition were increased by brands totalling €4,172,000 net of a fair valuation reduction in the value of computer software acquired of €469,000. The valuations were performed by an independent advisor and used the relief of royalty method for the valuation of brands and the replacement cost method for the valuation of computer software.

The value attributed to goodwill reflects the future potential growth in the business acquired.

12. Business combinations and purchase of non-controlling interest (continued)

Since the dates of acquisition to 31 December 2009, the acquired Australia businesses contributed €450.3m, €31.8m and €6.8m to amounts staked, income and operating profit (excluding sale and integration costs), respectively.

Since the date of acquisition to 31 December 2009, the acquired Australia businesses contributed a cash inflow of €5.3m to net cash from operating activities, a cash outflow of €11.4m to net cash used in investing activities (including the purchase of IAS) and a cash inflow of €13.5m to net cash used in financing activities (including debt taken on to part fund the acquisition of IAS).

If the Australia acquisitions had occurred on 1 January 2009, then their contribution to income for the year ended 31 December 2009 would have been €62.8m (including the €31.8m actually contributed) (AUD112m) and their contribution to operating profit (excluding sale and integration costs) for the year ended 31 December 2009 would have been approximately €12.3m (including the €6.8m actually contributed) (AUD22m).

Shop property acquisition

In January 2009, the Group, in the absence of available comparable sites for an organic shop opening, acquired a retail licensed bookmaking business in Ireland.

Details of the net assets acquired and the goodwill arising on this acquisition under IFRS are as follows:

	Book values on acquisition €'000	**Fair value adjustments €'000**	**Fair values 31 December 2009 €'000**
Identifiable net assets acquired:			
Property, plant and equipment	100	(80)	20
	100	(80)	20
Goodwill arising on acquisition			1,144
Consideration (including associated purchase costs)			1,164
The consideration is analysed as:			
Cash consideration (including associated purchase costs)			1,064
Deferred purchase consideration			100
			1,164
The net cash consideration is analysed as:			
Cash consideration			1,000
Acquisition expenses paid			64
Net cash consideration for acquisition			1,064

The principal factors contributing to the goodwill balance above are the well established nature of the acquired business within the location in which it operates, the quality of its customer base and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired business within the Paddy Power group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired shop in respect of the period from acquisition and for the year ended 31 December 2009 has not been presented on the basis of immateriality.

Net cash outflow from purchase of businesses, acquisition expenses paid and purchase of non-controlling interest for the purposes of the statement of cash flows

	2010 €'000	2009 €'000
Cash consideration	**18,941**	44,994
Acquisition expenses paid	**292**	2,437
Less: cash and cash equivalents acquired	**-**	(17,010)
Purchase of businesses and acquisition expenses paid	**19,233**	30,421
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses, net of cash acquired	**10,460**	27,984
Acquisition expenses paid	**212**	2,437
Purchase of non-controlling interest, including acquisition expenses paid	**8,561**	-
	19,233	30,421

13. Trade and other receivables

	31 December 2010	31 December 2009
		Restated
	€'000	€'000
Trade receivables – credit betting customers	**3,986**	4,230
Trade receivables – other	**1,522**	2,161
Trade receivables	**5,508**	6,391
Other receivables	**1,342**	3,179
Prepayments and accrued income	**8,724**	6,550
	15,574	16,120

Trade and other receivables are non-interest bearing.

14. Cash and cash equivalents

	31 December 2010	31 December 2009
	€'000	€'000
Cash	**18,054**	13,772
Short term bank deposits	**145,365**	77,410
	163,419	91,182
Less: Financial asset – current restricted cash deposit (see below)	**(21,081)**	(9,025)
Less: Financial asset – non current restricted cash deposits (see below)	**(2,757)**	(1,581)
Cash and cash equivalents in the statement of cash flows	**139,581**	80,576

The effective interest rate on short term bank deposits was 1.28% (2009: 1.06%); these deposits have an average original maturity date of 48 days (2009: 51 days). The short term bank deposits also have an average maturity date of 19 days from 31 December 2010 (2009: 26 days).

The directors believe that all short term bank deposits can be withdrawn without significant penalty.

Short term bank deposits are analysed by currency as follows:

	31 December 2010	31 December 2009
	€'000	€'000
Euro	**101,452**	53,836
GBP	**14,916**	10,137
AUD	**26,737**	12,610
USD	**2,260**	827
	145,365	77,410

Financial assets

Included in short term bank deposits at 31 December 2010 is an amount of €21,081,000 (2009: €9,025,000 (GBP8,015,000)) which was restricted at that date and up to 14 January 2011 (2009: 5 January 2010) as it formed part of a guarantee issued in favour of the Isle of Man Gambling Supervision Commission in respect of player funds held by the Group (see Note 21). This balance has been shown as a current financial asset in the consolidated statement of financial position.

Included in short term bank deposits at 31 December 2010 are amounts totalling €2,757,000 (AUD3,622,000) (2009: €1,581,000 (AUD2,531,000)) which are restricted at that date and beyond 31 December 2011. The bank deposits (1) form part of a number of guarantees issued in favour of Australian state racing authorities as required by gambling licences totalling €305,000 (2009: €531,000), (2) are in respect of certain obligations entered into by the Group for office accommodation held under operating leases of €1,310,000 (2009: €925,000) and (3) are in respect of merchant facility and other certain other services provided to the Group of €1,142,000 (2009: €125,000). The balance has been shown as a non current financial asset in the consolidated statement of financial position (see Note 11). See also Note 21.

15. Share capital and reserves

The total authorised share capital of the Company comprises 70,000,000 ordinary shares of €0.10 each (2009: 70,000,000 ordinary shares of €0.10 each). All issued share capital is fully paid. The holders of ordinary shares are entitled to vote at general meetings of the Company on a one vote per share held basis. Ordinary shareholders are also entitled to receive dividends as may be declared by the Company from time to time.

During the year, 186,775 ordinary shares of €0.10 each (2009: 396,597 ordinary shares of €0.10 each) were issued as a result of the exercise of share options, for a total consideration of €2,885,000 (2009: €5,093,000) and giving rise to a share premium of €2,867,000 (2009: €5,053,000). In 2009, as part of the consideration for the purchase of Sportsbet (see Note 12), the Company issued 100,000 ordinary shares to the vendors of Sportsbet on 1 July 2009. The total value of these shares on the date of issue amounted to €1,648,000, of which €1,638,000 represented the share premium on issue.

The total number of shares held in treasury at 31 December 2010 was 1,734,000 shares (2009: 1,734,000 shares). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Group's distributable reserves are restricted by the value of the treasury shares, which amounted to €34,177,000 as of 31 December 2010 (2009: €34,177,000). The value of treasury shares held by the Company at 31 December 2010 was €5,975,000 (2009: €5,975,000), with the remaining €28,202,000 of shares being held by Paddy Power Isle of Man Limited (2009: €28,202,000).

At 31 December 2010, the Company held a further 1,456,407 of its own shares (2009: 1,438,711), which were acquired at a total cost of €33,890,000 (2009: €31,858,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan and Managers' Deferred Share Award Scheme. The Company's distributable reserves at 31 December 2010 are further restricted by this cost amount. In the year ended 31 December 2010, 336,804 shares originally valued at €7,016,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2009: 268,144 shares originally valued at €3,735,000).

The foreign exchange translation reserve at 31 December 2010 was a balance of €10,572,000 (2009: restated balance of €75,000) which arose from the retranslation of the Group's net investment in AUD and GBP functional currency subsidiary companies. Other reserves comprise a capital redemption reserve fund, a capital conversion reserve fund, a capital contribution reserve and a net wealth tax reserve. The capital redemption reserve fund of €876,000 (2009: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled. The capital conversion reserve fund of €260,000 (2009: €260,000) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro. The capital contribution reserve balance of €32,000 (2009: €256,000) arose on initial recognition of the Group's share of the discount on the non-controlling shareholder loans (which are non-interest bearing – see Note 20). During 2010, an amount of €49,000 was transferred to a net wealth tax reserve in accordance with Luxembourg law (2009: €nil).

During 2009, an unrealised after-tax gain of €165,000 arose on revaluation of the Group's 19.98% available-for-sale investment in IAS between the date the Group acquired its 51% interest in Sportsbet (1 July 2009) and the date that Sportsbet acquired the remaining 80.02% interest in IAS (1 October 2009). The Group's share of this gain was €84,000. This gain was transferred from the fair value reserve to retained earnings upon Sportsbet acquiring a 100% interest in IAS.

In 2010, an amount of €551,000 (2009: €1,372,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of €264,000 of deferred tax relating to the Group's share-based payments was credited to retained earnings in 2010 (2009: €nil) – see also Note 17.

16. Dividends paid on equity shares

	2010 **€'000**	2009 €'000
Ordinary shares:		
- final paid of 38.90 cent per share (2009: 35.40 cent)	**18,750**	16,864
- interim paid of 25.00 cent per share (2009: 19.50 cent)	**12,019**	9,294
	30,769	26,158
Proposed final dividend of 50.00 cent (2009: 38.90 cent) per share (see Note 23)	**24,340**	18,686

17. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 December 2010			31 December 2009 *Restated*		
	Assets €'000	**Liabilities €'000**	**Total €'000**	Assets €'000	Liabilities €'000	Total €'000
Property, plant and equipment	**1,094**	**-**	**1,094**	563	-	563
Business combinations – licences and brands intangible assets	**-**	**(9,585)**	**(9,585)**	-	(8,721)	(8,721)
Lease premiums – income element	**-**	**(50)**	**(50)**	-	(114)	(114)
UK tax losses	**994**	**-**	**994**	-	-	-
Employee benefits	**2,413**	**-**	**2,413**	1,270	-	1,270
Other	**1,951**	**-**	**1,951**	1,581	-	1,581
Net assets / (liabilities)	**6,452**	**(9,635)**	**(3,183)**	3,414	(8,835)	(5,421)
Analysed by Irish, UK and Australian corporation tax:						
Irish corporation tax	**2,641**	**(50)**	**2,591**	1,405	(114)	1,291
UK corporation tax	**1,139**	**(5,771)**	**(4,632)**	16	(5,593)	(5,577)
Australian corporation tax	**2,672**	**(3,814)**	**(1,142)**	1,993	(3,128)	(1,135)
Net assets / (liabilities)	**6,452**	**(9,635)**	**(3,183)**	3,414	(8,835)	(5,421)

The above deferred tax balances are in respect of Irish, UK and Australian corporation tax. The deferred tax assets and liabilities have been offset at 31 December 2010 and 2009 as there is a legally enforceable right to such set-off. The net balances as of 31 December 2010 comprised an Irish corporation tax net deferred tax asset of €2,591,000 (2009: €1,291,000), a UK corporation tax net deferred tax liability of €4,632,000 (2009: €5,577,000) and an Australian corporation tax net deferred tax liability of €1,142,000 (2009: €1,135,000). Included in the statement of financial position is a deferred tax asset of €2,591,000 (2009: €1,291,000) representing the Irish net deferred tax asset and a deferred tax liability of €5,774,000 (2009: €6,712,000) representing the UK and Australian net deferred tax liabilities.

Unrecognised deferred tax assets

The previously unrecognised deferred tax asset in respect of the tax losses related to the Group's retail operations in Great Britain was recognised in 2010 as it is expected that taxable profits will be generated against which to offset these losses.

Deferred tax assets have not been recognised in respect of the following item:

	31 December 2010 €'000	31 December 2009 €'000
UK tax losses	**-**	1,770

Movement in temporary differences during the year

	Balance at 1 January 2009 €'000	Recognised in income 2009 €'000	Recognised in other comprehensive income 2009 *Restated* €'000	Transfer to retained earnings 2009 *Restated* €'000	Purchase of businesses 2009 *Restated* €000	Foreign currency retranslation adjustment 2009 *Restated* €'000	**Balance at 31 December 2009 *Restated* €'000**	**Recognised in income 2010 €'000**	**Recognised in other comprehensive income 2010 €'000**	**Foreign currency retranslation adjustment 2010 €'000**	**Balance at 31 December 2010 €'000**
Property, plant and equipment	332	208	-	-	22	1	563	**509**	**-**	**22**	**1,094**
Business combinations – intangible assets (Note 12)	(6,232)	241	-	-	(3,112)	382	(8,721)	**-**	**-**	**(864)**	**(9,585)**
Lease premiums – income element	(114)	-	-	-	-	-	(114)	**64**	**-**	**-**	**(50)**
Available-for-sale investments	-	-	(76)	530	(438)	(16)	-	**-**	**-**	**-**	**-**
UK tax losses	-	-	-	-	-	-	-	**994**	**-**	**-**	**994**
Employee benefits	1,048	(637)	-	-	816	43	1,270	**777**	**264**	**102**	**2,413**
Other	12	142	-	-	1,382	45	1,581	**35**	**-**	**335**	**1,951**
	(4,954)	(46)	(76)	530	(1,330)	455	(5,421)	**2,379**	**264**	**(405)**	**(3,183)**

18. Trade and other payables and derivative financial liabilities

Current liabilities

	31 December 2010	31 December 2009
		Restated
	€'000	€'000
Trade and other payables		
Trade payables	**11,551**	9,712
Customer balances	**42,368**	33,231
PAYE and social security	**3,920**	2,268
Value added tax and general sales tax	**1,697**	848
Betting duty, data rights and product & racefield fees	**6,764**	7,296
Employee benefits	**13,378**	9,142
Deferred consideration – business combinations	**50**	6,329
Accruals and other liabilities	**35,608**	21,727
	115,336	90,553
Derivative financial liabilities		
Sports betting open positions	**8,586**	5,448

Non current liabilities

	31 December 2010	31 December 2009
		Restated
	€'000	€'000
Trade and other payables		
PAYE and social security	**1,961**	90
Employee benefits	**5,093**	2,913
Deferred consideration – business combinations	**300**	-
	7,354	3,003
Derivative financial liabilities		
Sports betting open positions	**16**	16
Sportsbet buyout call options (Note 11)	**-**	138
	16	154

Sports betting open positions

Amounts received from customers on sportsbook events that have not occurred by the year end are derivative financial instruments and have been designated by the Group on initial recognition as financial liabilities at fair value through profit or loss.

The carrying amount of the liabilities is not significantly different from the amount that the Group is expected to pay out at maturity of the financial instruments.

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

19. Provisions

Current liabilities

	31 December 2010	31 December 2009
		Restated
	€'000	€'000
Employee benefits (long service leave)	**150**	102
Accruals and other liabilities (lease reinstatement and onerous contracts)	**128**	1,170
	278	1,272

Non current liabilities

	31 December 2010	31 December 2009
		Restated
	€'000	€'000
Employee benefits (long service leave)	**179**	132
Accruals and other liabilities (lease reinstatement and onerous contracts)	**1,697**	1,479
	1,876	1,611

The movements in provisions during 2009 and 2010 were as follows:

Current liabilities

	Long service leave	**Lease reinstatement**	**Onerous contracts**	**Total**
	Restated	*Restated*	*Restated*	*Restated*
	€'000	**€'000**	**€'000**	**€'000**
Balance at 1 January 2009	-	-	-	-
Other additions	-	-	113	113
Business combinations (Note 12)	99	516	477	1,092
Charged / (credited) to the income statement:				
- Additional provisions recognised	-	-	5	5
- Unused amounts reversed	-	(16)	-	(16)
Amounts used during the year	-	-	-	-
Foreign currency retranslation adjustment	3	19	56	78
Balance at 31 December 2009	102	519	651	1,272
Transfers from non current liabilities	**31**	**-**	**-**	**31**
Charged / (credited) to the income statement:				
- Additional provisions recognised	**103**	**192**	**10**	**305**
- Unused amounts reversed	**(100)**	**(380)**	**(136)**	**(616)**
Amounts used during the year	**-**	**(384)**	**(452)**	**(836)**
Foreign currency retranslation adjustment	**14**	**53**	**55**	**122**
Balance at 31 December 2010	**150**	**-**	**128**	**278**

Non current liabilities

	Long service leave	**Lease reinstatement**	**Onerous contracts**	**Total**
	Restated	*Restated*	*Restated*	*Restated*
	€'000	**€'000**	**€'000**	**€'000**
Balance at 1 January 2009	-	-	-	-
Other additions	-	388	1,054	1,442
Business combinations (Note 12)	382	-	-	382
Charged / (credited) to the income statement:				
- Additional provisions recognised	29	53	76	158
- Unused amounts reversed	(132)	(60)	-	(192)
Amounts used during the year	(167)	-	(92)	(259)
Foreign currency retranslation adjustment	20	60	-	80
Balance at 31 December 2009	132	441	1,038	1,611
Transfers to current liabilities	**(31)**	**-**	**-**	**(31)**
Charged / (credited) to the income statement:				
- Additional provisions recognised	**37**	**308**	**-**	**345**
- Unused amounts reversed	**-**	**-**	**(117)**	**(117)**
Amounts used during the year	**-**	**-**	**-**	**-**
Foreign currency retranslation adjustment	**41**	**27**	**-**	**68**
Balance at 31 December 2010	**179**	**776**	**921**	**1,876**

19. Provisions (continued)

Long service leave
This provision represents the amounts provided in respect of the long service leave entitlements of Australia employees under the provisions of relevant Australian state legislation. The long service leave liability is measured as the present value of expected future payments to be made in respect of services rendered up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The timing and amount of long service leave cash outflows are primarily dependent on when staff employed at the balance sheet date avail of their entitlement to leave and their expected salaries at that time. As of 31 December 2010 and 31 December 2009, it was expected that cash outflows would occur primarily within the following three years.

Lease reinstatement
Included in this category are amounts provided by the Group for the reinstatement of properties held under operating leases to their original condition when the leases were taken out. These costs are generally provided for over the period of the relevant leases. The timing and amount of lease reinstatement cash outflows is dependent on the expected dates on which leased premises will be exited and the existence of provisions in the lease contracts requiring reinstatement. The bulk of the cash outflows are expected to occur within one to two years of the balance sheet date, with some cash flows expected to occur over the next 30 years as longer term leases are not renewed (2009: approximately half of the lease reinstatement cash flows are expected to occur within one year and the bulk of the remaining cash outflows over the following year, with some cash flows expected to occur over the next 30 years as longer term leases are not renewed).

Onerous contracts
The onerous contracts provision primarily relates to operating leases where the Group is not occupying properties for which it still has a present and future obligation to make lease payments. The provision represents the future expected net cash outflows under these leases discounted at an interest rate appropriate to the timing of the expected net cash outflows. Future cash outflows in respect of onerous contracts are dependent on the relevant lease expiry dates and the timing of break provisions in the lease contracts. It is expected that the provisions will unwind over a 24 year period (2009: 25 year period).

20. Borrowings

The Group had the following borrowings at 31 December:

Current liabilities

	31 December 2010 €'000	31 December 2009 €'000
Secured non-recourse bank loan	**-**	4,165
Loans from Sportsbet non-controlling shareholders	**974**	-
Finance leases	**911**	858
	1,885	5,023

Non current liabilities

	31 December 2010 €'000	31 December 2009 €'000
Secured non-recourse bank loan	**2,284**	7,288
Loans from Sportsbet non-controlling shareholders	**-**	3,181
Finance leases	**349**	1,029
	2,633	11,498

The borrowings at 31 December 2010 are further analysed as follows:

	Currency	**Nominal interest rate (including facility fee)**	**Counterparty**	**Year taken out**	**Year of maturity**	**Face value €'000**	**Carrying amount €000**
Secured non-recourse bank loan	AUD	9.27%	National Australia Bank	2009	2012	2,284	2,284
Loans from Sportsbet non-controlling shareholders	AUD	Nil	Non-controlling shareholders holding 39.2% of the share capital of Sportsbet	2009	2011	1,072	974
						3,356	**3,258**

20. Borrowings (continued)

The borrowings at 31 December 2009 are further analysed as follows:

	Currency	Nominal interest rate (including facility fee)	Counterparty	Year taken out	Year of maturity	Face value €'000	Carrying amount €000
Secured non-recourse bank loan	AUD	7.89%	National Australia Bank	2009	2012	11,453	11,453
Loans from Sportsbet non-controlling shareholders	AUD	Nil	Non-controlling shareholders holding 49% of the share capital of Sportsbet	2009	2016	3,682	3,181
						15,135	14,634

Both the secured bank loan and the non-controlling shareholder loans were taken out by the Group to part fund the acquisition of IAS. The loans from the 39.2% (2009: 49%) non-controlling shareholders in Sportsbet are non-interest bearing. A discount of €98,000 (2009: €501,000), representing the difference between the nominal value of the loans of €1,072,000 (2009: €3,682,000) and their fair value, has been included in the capital contribution reserve and in non-controlling interest. A discount rate of 5.0% was used in the calculation of the fair value. Under the terms of the buyout of the 39.2% non-controlling shareholders in Sportsbet, the loans from those shareholders will be repaid upon completion of the buyout transaction on 1 March 2011 (see Note 23).

Security and restrictions
The National Australia Bank bank loan is non-recourse to shareholders and is secured by a first ranking fixed and floating charge over all the assets of Sportsbet.

Under the terms of the National Australia Bank loan agreement, Sportsbet is restricted from distributing in excess of 60% of its available annual net profit in respect of the financial years ending 30 June 2010 and 30 June 2011, and 100% of the annual net profit of the financial year ending 30 June 2012. The terms of the secured bank loan also preclude a distribution if the net tangible assets of Sportsbet (excluding amounts owing in respect of shareholder loans) are less than the facility limit at that date.

Under the terms of the Shareholder Loan Deed relating to the non-controlling shareholder loans, Sportsbet, in lieu of making dividend payments, must first make loan repayments in an amount equal to the dividend payment that each individual shareholder would have been entitled to.

Finance lease liabilities
The finance lease liability obligations are analysed as follows:

Payable	**Future minimum lease payments 2010 €'000**	**Interest payable 2010 €'000**	**Present value of minimum lease payments 2010 €'000**	Future minimum lease payments 2009 €'000	Interest payable 2009 €'000	Present value of minimum lease payments 2009 €'000
Within one year	**1,004**	**93**	**911**	1,032	174	858
Between one and five years	**373**	**24**	**349**	1,125	96	1,029
	1,377	**117**	**1,260**	2,157	270	1,887

21. Commitments and contingencies

(a) Guarantees
The Group has uncommitted working capital overdraft facilities of €15.1m (2009: €14.8m) with Allied Irish Banks plc. These facilities are secured by a Letter of Guarantee from Paddy Power plc.

The Group has a bank guarantee in favour of the Isle of Man Gambling Supervision Commission as security for player funds owed by Paddy Power Isle of Man Limited to its customers. This guarantee is required as part of Paddy Power Isle of Man Limited's Online Gambling Licence. The maximum amount of the guarantee at 31 December 2010 was GBP17,000,000 (euro equivalent of €19,750,000) (2009: GBP16,000,000 and euro equivalent of €18,016,000). No claims had been made against the guarantee as of 31 December 2010 (2009: €nil). The guarantee is secured by counter indemnities from Paddy Power plc and Paddy Power Isle of Man Limited, and, at 31 December 2010, was secured by a cash deposit of €21,081,000 (2009: GBP8,015,000 (euro equivalent €9,025,000)) over which the guaranteeing bank holds a floating charge. The fair value accounting impact of this guarantee is deemed to be immaterial.

The Group has a bank guarantee in favour of the Lotteries & Gaming Authority – Malta as security for player funds owed by Paddy Power Bookmakers (Malta) Limited to its customers. This guarantee is required as part of Paddy Power Bookmakers (Malta) Limited's Remote Gaming Licence. The maximum amount of the guarantee at 31 December 2010 was €300,000 (2009: €300,000). No claims had been made against the guarantee as of 31 December 2010 (2009: €nil). The guarantee is secured by counter indemnities from Paddy Power plc and Paddy Power Bookmakers (Malta) Limited. The fair value accounting impact of this guarantee is deemed to be immaterial.

The Australian corporate sports bookmaking licences issued to Sportsbet and IAS require those companies to hold sufficient cash funds to cover monies owed to customers. At 31 December 2010, the total value of relevant customer balances attributable to the Australia business segment was €23,562,000 (AUD30,951,000) (2009: €15,943,000 (AUD25,522,000)) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €31,001,000 (AUD40,723,000) (2009: €19,114,000 (AUD30,598,000)).

The Australia operating segment had €2,757,000 (AUD3,622,000) of cash-backed bank issued guarantees outstanding at 31 December 2010 (2009: €1,581,000 (AUD2,531,000)), comprised as follows:

- amounts of €305,000 (AUD400,000) (2009: €500,000 (AUD800,000)) guaranteed to the Northern Territory Racing and Gaming Authority; and
- guarantees of €1,310,000 (AUD1,722,000) (2009: €925,000 (AUD1,481,000)) outstanding in respect of rental and other property commitments and a merchant facility guarantee of €1,142,000 (AUD1,500,000) (2009: €nil). At 31 December 2009, there were other guarantees of €156,000 (AUD250,000) primarily relating to Sportsbet's outsourced payroll services provider.

The Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group. The Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(b) Capital commitments
Capital expenditure contracted for at the statement of financial position date but not yet incurred was as follows:

	31 December 2010 €'000	31 December 2009 €'000
Property, plant and equipment	**1,380**	3,055
Intangible assets	**5,149**	121
	6,529	3,176

(c) Operating leases
The Group leases various licensed betting and other offices under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The leases typically run for a period of ten years, with a right of renewal after that date. Lease rentals are typically reviewed every five years to reflect market rental rates or changes in general inflation rates.

At 31 December 2010 and 2009, the Group had the following rent commitments in respect of non-cancellable operating leases on properties where the lease terms expire as follows:

	31 December 2010		31 December 2009	
	Annual commitment €'000	**Total commitment €'000**	Annual commitment €'000	Total commitment €'000
Within 1 year	**2,644**	**2,644**	2,402	2,402
Between 2 and 5 years	**2,022**	**7,890**	1,487	4,758
After 5 years	**12,895**	**173,871**	11,236	158,432
	17,561	**184,405**	15,125	165,592

The Group has a small number of shop properties that are sublet. Sublease payments of €316,000 are expected to be received during the year ended 31 December 2011.

21. Commitments and contingencies (continued)

During 2010, an amount of €16,181,000 was recognised in profit or loss in respect of operating leases (2009: €13,525,000). Contingent rent expense in profit or loss amounted to a credit of €325,000 (2009: credit of €256,000). Sublease income (netted against operating lease expense on the basis of immateriality) amounted to €278,000 in 2010 (2009: €141,000).

Operating leases for licensed betting and other offices are entered into as combined leases of land and buildings. Since the title to the land does not pass, the rent paid to the landlord of the building is increased to market rent at regular intervals and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the offices are with the landlord. As such, the Group determined that the leases are operating leases.

22. Related parties

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

There were no transactions with related parties during the years ended 31 December 2010 and 2009 that materially impacted the financial position or performance of the Group.

23. Events after the statement of financial position date

Dividend
In respect of the current year, the directors propose that a final dividend of 50.00 cent per share (2009: 38.90 cent per share) will be paid to shareholders on 20 May 2011. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 18 March 2011. The total estimated dividend to be paid amounts to €24,340,000 (2009: €18,686,000).

Buyout of non-controlling interest in Sportsbet
On 1 March 2011, the Company acquired the remaining 39.2% non-controlling shareholdings in Sportsbet following the granting of approval by shareholders at an EGM held on 22 February 2011. The initial AUD132.6m (€98.0m) consideration payable for the acquisition was satisfied by: AUD110.6m (€81.6m) in cash from Paddy Power’s existing cash reserves; the issue of AUD18.0m (€13.4m) of new Paddy Power plc ordinary shares (totalling 455,535 ordinary shares and calculated by reference to a share price of €29.17 per share and the AUD exchange rate shortly prior to acquisition completion); and the assumption of an AUD4.0m (€3.0m) obligation to certain Sportsbet employees. This obligation relates to a long term incentive plan put in place for the benefit of those employees by the non-controlling shareholders at the time of the original acquisition by the Company of 51% of Sportsbet. The non-controlling shareholder loans with a face value of €1.1m (AUD1.4m) were also repaid as part of the transaction.

Additional consideration is payable to the extent the EBITDA (post Group central cost allocations) of Paddy Power’s Australian operations for the year ended 31 December 2013 exceeds AUD65.0m (€48.0m). The maximum additional consideration of AUD25.0m (€18.4m) is payable in the event that 2013 EBITDA exceeds AUD80.0m (€59.0m). As part of the discussions surrounding the acquisition it was agreed that a special dividend, in excess of that payable pursuant to Sportsbet's ongoing dividend policy, be paid to all Sportsbet shareholders out of available fully franked dividend capacity prior to completion of the acquisition. The element of the special dividend payable to the non-controlling shareholders amounted to AUD8.5m (€6.3m) and was paid on 1 March 2011. The total maximum potential consideration for the acquisition totals AUD166.1m (€122.7m) which comprises the initial consideration (including the cash and shares elements and the assumption of the liability to Sportsbet employees), the special dividend and the maximum additional consideration.

24. Accounting estimates and judgements

Key sources of estimation uncertainty and critical accounting judgements in applying the Group’s accounting policies

Goodwill of €76,967,000 (2009: restated balance of €63,511,000) continues to be carried in the Group statement of financial position as the directors believe that there has been no impairment in the fair value of the net identifiable assets of the acquired businesses. Retail shop acquisitions in Ireland and the UK in 2010 contributed additional goodwill of €1,140,000 and €1,517,000 to the Irish retail and UK retail operating segments, respectively. During the year ended 31 December 2009, the acquisition by the Group of 51% of Sportsbet and Sportsbet’s subsequent acquisition of IAS contributed goodwill of €58,764,000 (2009: €48,196,000), including €3,814,000 (2009: €3,128,000) of deferred tax on the value of brands intangible assets recognised on the application of fair value accounting to the acquisition, and brands intangible assets of €17,966,000 (2009: €14,742,000). During 2008, the acquisition of the D McGranaghan Limited business in Northern Ireland contributed goodwill of €7,503,000 (2009: €7,272,000), including €5,771,000 (2009: €5,593,000) of deferred tax on the value of licences intangible assets recognised on the application of fair value accounting to the acquisition, and €20,610,000 (2009: €19,975,000) of licences intangible assets. The directors believe that this goodwill and the licences and brands intangible assets have not been impaired as of 31 December 2010.

The share-based payment reserve, which includes amounts in relation to the share award schemes and various share option schemes, amounted to €21,910,000 at 31 December 2010 (2009: €14,968,000). The fair value of share options granted after 7 November 2002 has been determined using a Black Scholes valuation model. The significant inputs into the model include certain management assumptions with regard to the standard deviation of expected share price returns, expected option life and annual risk free rates.

24. Accounting estimates and judgements (continued)

The fair value of the Group's sports betting open positions amounted to €8,602,000 at 31 December 2010 (2009: €5,464,000) and the Group considers such arrangements to be derivatives. The Group performs a revaluation of sports betting open positions at each statement of financial position date. The revaluation takes into account the expected probability of such open positions resulting in a gain or loss to the Group in the future, and is dependent on factors that cannot always be reliably predicted.

The fair value of the Group's Sportsbet buyout call options at 31 December 2010 was an asset of €6,978,000 (2009: liability of €138,000 as restated). The valuation of these embedded derivative financial instruments has been performed by an independent advisor. The valuation is sensitive to a number of assumptions, including the future expected profitability of Sportsbet, the estimated current market value of Sportsbet, risk free rates, volatility rates, future dividend yields and probabilities of individual options being exercised. The directors believe that the value attributed to the Sportsbet buyout call options at 31 December 2010 is reasonable and appropriate.

The majority of the Group's retail premises are held under operating leases. Under accounting standards there is a requirement for management to examine the buildings element within such operating leases to determine if the lease meets the definition of a finance lease and, if so, it should be accounted for as such. This review involves determining the fair value of each property at the inception of the lease and analysing the minimum lease payments between their 'land' and 'buildings' elements. Based on management's review of operating leases for the years ended 31 December 2010 and 2009, all retail premises leases qualify as operating leases.

Included in trade receivables at 31 December 2010 of €5,508,000 (2009: €6,391,000) are gross receivable balances of €7,802,000 (2009: €7,782,000), stated net of an impairment provision for bad and doubtful accounts of €2,294,000 (2009: €1,391,000). Management believes that the impairment provision represents their best estimate of the value of receivable balances at 31 December 2010 that may not be recoverable from customers, and that the carrying value of trade receivables is their fair value.