5 March 2012

Paddy Power plc
Preliminary Results Announcement for the year to 31 December 2011

Group Highlights:

- Underlying profit before tax growth of 16% to €121.2m and adjusted diluted EPS growth of 26% to 212.3 cent;
- 40% increase in the proposed final dividend to 70 cent per share, implying full year dividend growth of 33% to 100 cent per share;
- Strong balance sheet with no debt and cash of €136m at 31 December 2011;
- 79% of operating profit from online activities; 74% from customers outside Ireland.

Online Highlights:

- Substantially increased online scale: active customers up 35% to 1.1 million, net revenue up 26% to €295m and operating profit up 26% to €95m:
    - Very strong *paddypower.com* growth: active customers up 41%, net revenue up 30% to €199m and operating profit up 29% to €74.3m;
    - Strong and accelerating Australian growth: online stakes up 15% in constant currency (growth of 7% in the first half and 23% in the second half) and operating profit up 17% to €22.8m;
    - Leading share of rapidly growing mobile market: group mobile net revenue up 299% to €43m;
- New B2B agreement with British Columbia Lottery Corporation, further endorsing our product and partnership capabilities and raising our profile in North America and with lottery operators;
- Acquisition of Bulgarian online and mobile games developer Cayetano, enhancing our product range and development capabilities;
- Announcement today of organic entry into the Italian online market during 2012.

Retail Highlights:

- UK Retail like-for-like sportsbook stakes and machine gaming net revenue both up 10% in constant currency and operating profit up 43% to €10.5m;
- UK Retail estate now 169 shops with 41 shops opened last year and a continued expectation of opening 35 to 40 shops annually*;*
- Irish Retail like-for-like stakes up 1%, direct operating costs per shop down 4% and operating profit down 38% to €10.9m, driven by adverse sports results. Market share increased to 34%.

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

"These results demonstrate the strides we've made in building an international business of scale in regulated markets. Online markets are growing at pace and Paddy Power continues to invest aggressively in talented people, product and technology to capitalise on this dynamic market. Our class leading mobile product, married to the strength of our brand and strong value offering has driven acquisition and retention, leading to 1.1 million active customers online."

Note 1: Results throughout this statement exclude net after-tax exceptional or one-off gains of €18m in 2011 and €9m in 2010.
Note 2: For consistency with online industry practice, the Group now deducts free bets, promotions and bonuses from Gross Win and reports the resulting Net Revenue amount. Profit is not affected, just the classification of costs. 2010 is shown on the same basis.

ENDS

5 March 2012

Issued on behalf of Paddy Power plc by Powerscourt

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Analyst Briefing:

The Company will host an analyst presentation at 9:00am this morning at the Merrion Hotel, Upper Merrion St, Dublin 2. A conference call facility will also be available. To participate in the conference call please dial 01296 480 100 from the UK, (01) 242 1074 from Ireland and + 44 1296 480 100 from elsewhere. The passcode is 528 454.

A presentation replay facility will be available for 21 days. To listen to the replay, callers from the UK should dial 0207 136 9233, and all other callers should dial +44 207 136 9233. The passcode is 34539438.

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to report on another successful year for Paddy Power.

The Group delivered record turnover of €4.6 billion and operating profit of €120m, despite headwinds from the economic conditions, a return to a normal run of sports results and the absence of a football World Cup. Earnings per share grew by 26% and the Board's proposed final dividend makes for a total 2011 dividend of 100 cent per share, an increase of 33% versus 2010.

€m	**2011**	**2010**	**% Change**	**% Change in Constant Currency ('CC')**
Amounts staked	4,555	3,834	+19%	+17%
Sportsbook gross win %	*8.8%*	*9.3%*		
Net revenue	**499.3**	**426.7**	**+17%**	**+16%**
Gross profit	428.2	367.9	+16%	+16%
Operating costs	(308.6)	(264.2)	+17%	+16%
Operating profit	**119.5**	**103.8**	**+15%**	**+15%**
Profit before tax	**121.2**	**104.2**	**+16%**	**+16%**
EPS, adjusted diluted	212.3 cent	168.9 cent	+26%	
Dividends	100.0 cent	75.0 cent	+33%	
Net cash, at year end	**€136m**	**€159m**		

Note 1: For consistency with online industry practice, the Group now deducts free bets, promotions and bonuses from Gross Win and reports the resulting Net Revenue amount. Profit is not affected, just the classification of costs. 2010 is shown on the same basis.
Note 2: Results throughout this statement exclude net after-tax one-off gains of €18m in 2011 and €9m in 2010.

As well as strong growth in our bottom line, there has been an equally significant increase in our scale and in our operational capabilities. For example, we opened 41 shops in the UK last year, making us one of the fastest growing retailers on the UK high street, and added 224 staff across our Online and Technology teams. This investment is paying for itself in our existing markets, whilst also positioning us for future international opportunities, such as the deal that we announced in December to supply our sports risk management expertise to British Columbia Lottery Corporation ('BCLC') in Canada.

Betting Taxation & Regulation

In line with various government announcements over recent years, we are likely to experience increased betting taxes in Ireland and the UK in the future (as further described within the Operating & Financial Review under Taxation). We urge governments when considering online taxation in particular to recognise the highly competitive nature of online betting, the challenges of enforcing taxes on rogue offshore operators and, therefore, the consumer, tax and employment protection risks such taxes can present. Examples from other parts of the world show that high-tax regimes drive consumers to non-compliant operators who are more price competitive, as they neither pay the betting tax nor observe player protection and other regulations, thereby frustrating the original public policy objectives.

Similar considerations arise where governments prohibit online betting activity. Rogue offshore operators inevitably fill the consumer demand without submitting to any local player protection regulations, paying local taxes or providing local employment. We are engaging with the Australian Government on this point as they review the legislation which precludes law-abiding operators from offering online betting-in-play and gaming.

Within the UK retail environment, we note that "*The Portas Review: An independent review into the future of our high streets*" recommended putting betting shops into a separate 'Use Class' of their own. We would be disappointed if job creation on the high street would be hampered by the introduction of anti-competitive policies without a proper body of evidence.

Paddy Power has a clear track record of operating responsibly, providing high quality jobs and making a major tax contribution to the countries in which it operates. In Ireland, the Group's total payments to the Irish Exchequer last year grew 36% to €57m and the expected extension of Irish betting tax would add some €6m to this amount in a full year based on 2011 turnover. Over the last ten years, Paddy Power has created 1,184 jobs in Ireland, taking its employees in the country to 2,023 today (with a further 1,193 people employed outside Ireland).

The Board

Fintan Drury, our former Chairman, and Brody Sweeney retired from the Board in the second half of 2011 after serving for nine and six years respectively. We would like to thank them both for their significant contribution to the development and success of Paddy Power.

Cormac McCarthy joined the Board as a non-executive director in September. Cormac brings a wealth of commercial and international experience to the Board.

Breon Corcoran resigned as a director and Chief Operating Officer in November having joined Paddy Power in 2001 and been a member of the Board since 2004. We greatly appreciate the very significant contribution that he made to the development of Paddy Power over his ten years with the Group.

Financial Position and Dividends

Profit growth at Paddy Power converts strongly into increased cash flow. Over the last five years underlying operating cashflow (after LTIP trust share purchases and estimated maintenance capex) has averaged 134% of earnings after tax and minority interests. This strong cash generation resulted in net cash at the end of 2011 of €136m, just €23m below the amount at the start of the year, despite significant investment (including over €100m in Australia) and a 27% increase in dividends paid to shareholders.

The Board is proposing an increase in the final dividend of 40% to 70.0 cent per share. This would bring the total dividend in respect of 2011 to €48.9m or 100.0 cent per share, an increase of 33% on 2010, and equivalent to a 47% payout ratio of underlying 2011 earnings.

While the Board is committed to capital discipline, as demonstrated by the upward trend in its payout ratio and share buybacks over recent years, it also continues to maintain flexibility for future growth. Such flexibility has increased in importance with the fast moving changes in the global betting industry and the turbulence in the financial markets.

Outlook

Trading in the first two months of the year has been satisfactory. Underlying momentum remains strong: net revenue is up by 16% (in constant currency versus the same period last year). We also continue to invest substantially for new opportunities. The Board remains confident of the Group's prospects and I look forward to updating you on progress at our AGM in May.

Nigel Northridge
Chairman

2 March 2012

CHIEF EXECUTIVE'S REVIEW

The Changing Industry Landscape

We are in the midst of game-changing developments in the betting industry.

Online markets continue to grow strongly. Consumers' online migration has accelerated as a result of the advent of smartphones and tablet computers. Market research indicates that the online sports betting market in the UK last year held onto the 38% surge in bettors that was driven by the World Cup in 2010, whilst in Australia, online sports betting grew by 21% in the year to June 2011. In addition, an increasing number of countries are regulating their online markets. Italy has extended the betting products it allows online, while Spain, Germany, Greece and Denmark have all progressed draft regulations. With only 9% of the €285 billion global gambling market currently online, there is clearly significant scope for continued strong market growth.

Scale is a key ingredient required to exploit this dynamic market growth. Consumers naturally migrate to the strongest products, services and brands. This in turn generates stronger revenues at the best operators facilitating reinvestment to further enhance their leadership position.

In addition, fiscal pressure on governments and the regulation of online betting markets is leading to increased taxation. This impacts the profit margins of sub-scale operators disproportionately, impacting their ability to compete effectively.

Paddy Power Positioning & Track Record

Paddy Power is taking full advantage of the opportunities that this changing landscape presents. We have achieved robust growth, in both scale and profitability, and crucially, solely in regulated markets.

Online

In 2009 we laid important foundations for online growth by expanding our B2C activities into Australia via acquisition, and by launching B2B activities in France. In the two years since then, our online business has averaged annual growth in active customers of 40%, net revenues of 41% and operating profits of 33% versus pro forma 2009 comparatives. We calculate this has made us, by revenue, the number one online bookmaker in the British & Irish market and the number one online corporate (i.e. fixed odds) bookmaker in Australia.

This significant growth in scale has allowed us to invest aggressively in both existing and new capabilities in order to drive future performance.

Since 2009 our:

- Traditional strength in product has been boosted with almost three times as many betting events, nearly 200 new online Games and the leading market position that we have achieved in the key mobile betting segment;
- TV advertising has gone from zero in the UK pre 2009 to Paddy Power being the largest advertiser of any sector on Sky Sports and running TV campaigns for all our major online businesses in 2011;
- Online and technology headcount has increased from 338 to 651 with new teams focussing on social media, customer lifecycle analysis, mobile marketing and 24/7 network operations;
- Technology investment has grown significantly, with third party development days for *paddypower.com* having more than doubled.

The capabilities and assets created by this investment complement each other and aggregate to create an overall proposition that is more than the sum of its parts. For example, our class leading mobile product would not be as successful without the strength of our brand, underlying betting product or exceptional customer service.

We have a rich pipeline of developments planned to improve further our products and operations. For example, mobile betting and marketing are still in their infancy, offering plenty of scope for further development.

Retail

We have opened 72 units in the UK over the last two years, taking our estate to 165 shops. Operating profit has increased eight-fold from €1.3m in 2009 to €10.5m in 2011. Top-line momentum also remains strong, with like-for-like constant currency net revenue up 6% in the first half and 7% in the second half of last year despite worse sports results and a higher VAT rate versus 2010.

The potential of this business is clear. Average cost of new units opened was £282,000 and average EBITDA per shop was £140,000 in 2011. Given that our current estate accounts for less than 2% of a market of some 8,600 shops, there are attractive opportunities for further openings. Based on the current environment, we expect to add 35 to 40 shops annually in the UK.

In Irish Retail we have faced particularly challenging economic conditions since 2008. We have met these head-on with a clear strategy of compelling value for customers combined with tight cost management. This consistent approach is working. It has ensured that our units remain profitable and open, while closures by our competitors have reduced the overall supply of the shops in the market by 16% from its peak. As a result, our market share has increased substantially from 25%-26% prior to the downturn to approximately 34% in 2011, and we expect further closures amongst competitors.

New Geographies

Last year we expanded our activities into two further geographies, Bulgaria and Canada, which will yield returns in the short term and position us strongly for future opportunities. We have also invested in a range of other opportunities including our organic entry into the Italian market which we are announcing today.

In November we acquired Bulgarian based games developer Cayetano. This provides us with proprietary online and mobile gaming product and an internal source of development expertise. In the future we could deploy Cayetano's content within other Paddy Power channels. In addition, we have the opportunity to significantly increase our development capacity beyond the 39 staff currently in Bulgaria. Paddy Power has a strong history of innovation and early adoption of new technologies as illustrated with proprietary sports betting models, mobile betting and self-service betting terminals. Cayetano can assist us in extending that track record.

In December we contracted with the Canadian provincial lottery operator, BCLC, to supply sports risk management expertise to their online business, having also successfully gained local regulatory approval. B2B business of this kind increases the return on investments we have already made in our Risk function. In addition, the BCLC deal can pave the way for other agreements as it endorses our product and partnership capabilities, reinforces our ability to secure local regulatory approval, and raises our profile in North America and with lottery operators.

Later this year, we expect to expand into the Italian online market under the Paddy Power brand with a team based in Rome supported by our central resources. We have monitored this market since its regulation in 2006 and believe it is now attractive to enter given the extension in the products allowed and the growth in Italian e-commerce and m-commerce, combined with our significantly expanded capabilities.

Summary

Bigger……

Over the course of this key period in the development of the betting industry, we have achieved strong growth in our bottom-line, while significantly increasing our scale and operational capabilities. We are driving investment because the global online betting market will continue to grow in the coming years and scale will be a pre-requisite to take advantage of that growth. Put simply, we are determined that Paddy Power will be in the 'big-get-bigger' segment of operators.

….and bolder

Investing wisely has enabled us to grow profitably in the UK, in Australia and to enter the French and Canadian markets. A strong balance sheet gives us continued financial flexibility should the right opportunities emerge, and the Group continues to monitor developments in regulated and newly regulating markets, as evidenced by today's announcement in relation to Italy.

Despite this significant expansion, we are determined to protect what has made Paddy Power successful to date: an unrelenting focus on product, value and brand. So while some changes come with growth, we won't compromise our fast response times, daring Money-Back Specials and unrelenting emphasis on entertainment, including the occasional bit of our own distinctive brand of mischief!

Conclusion

Paddy Power is strongly positioned for the substantial opportunities that exist in our markets. We have the scale, brand, operational capabilities, people and balance sheet to continue to deliver significant long-term growth and value for our shareholders.

Patrick Kennedy
Chief Executive

2 March 2012

OPERATING & FINANCIAL REVIEW

Introduction

Paddy Power is an international betting and gaming group. 79% of operating profit came from the fast growing online segment last year. In addition, the Group benefits from being a multi-channel operator in both the UK and Ireland, with its shops boosting brand recognition, trust and scale, as well as directly contributing 18% of operating profit in 2011.

In recent years the Group has become increasingly diversified geographically with online betting services now provided to consumers in Australia and to business-to-business clients globally. Customers outside Ireland accounted for 74% of total operating profit last year, up from 64% in 2010.

Operating Profit by Division (€m)	**2011**	**% of Group**	**2010**	**% of Group**
Online (ex Australia)	74.3	62%	57.5	55%
Online Australia	22.8	19%	19.5	19%
Irish Retail	10.9	9%	17.6	17%
UK Retail	10.5	9%	7.4	7%
Telephone (ex Australia)	1.1	1%	1.8	2%
Group Operating Profit	**119.5**	**100%**	**103.8**	**100%**

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

Operating Profit by Geography (€m)	**2011**	**% of Group**	**2010**	**% of Group**
UK	64.1	54%	45.7	44%
Australia	22.8	19%	19.5	19%
Ireland and Rest of World	32.6	27%	38.6	37%
Group Operating Profit	**119.5**	**100%**	**103.8**	**100%**

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

Sporting Results and Trading

The Group's sportsbook gross win percentage was in line with our normal expectations in 2011, with sporting results going customers' way in the first half of the year but swinging back to the bookie later. The Lord giveth and the Lord taketh away.

But Paddy Power giveth and then giveth some more. We gave back millions to customers last year by offering extra places on each-way bets on the Grand National, the golf majors and numerous other events. We refunded over €3m in losing bets, our largest ever Money-Back special, when Barca beat Man U in the Champions League Final. It was a remarkable run of refunds and had us sweating more than Harry Redknapp at Southwark Crown Court!

The Rugby World Cup summed up the Paddy Power approach with a 'justice payout' for backers of Wales in the semi-final after *that* controversial sending off, an 'early payout' on New Zealand following their sublime progress to the final, and a free tipping service for all serious punters, from Kevin the sheep.

As last year's ups and downs illustrate, Paddy Power's short term financial performance can be impacted by the run of sporting results, despite the benefits of an increasing diversity of betting events and geographies. More importantly for our long term success though, 2011 demonstrates how giving value to punters and being customer-led is at the core of Paddy Power's DNA. It is an approach that has served us well for nearly 25 years, and in 2011 it contributed to a 45% increase in new customer acquisition at *paddypower.com* (off a bigger base and without a football World Cup boost).

ONLINE

€m	**2011**	**2010**	**% Change**	**% Change in CC**
Sportsbook net revenue	210.3	169.0	+24%	+21%
Gaming & other net revenue	85.0	66.0	+29%	+31%
Total net revenue	**295.3**	**235.0**	**+26%**	**+24%**
Operating profit	**94.8**	**75.0**	**+26%**	**+26%**
% of Group operating profit	79%	72%		
Active customers	**1,130,912**	**838,043**	**+35%**	

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

Online activities generated €95m of operating profit last year. Online net revenue of €295m included €43m from mobile, an increase of 299% compared to 2010.

ONLINE DIVISION (Excluding Australia) - *paddypower.com*

€m	2011	2010	% Change	% Change in CC
Amounts staked	1,561	1,126	+39%	+40%
Sportsbook net revenue	114.2	87.6	+30%	+31%
Sportsbook gross win %	*8.2%*	*8.6%*		
Gaming & other net revenue	85.0	66.0	+29%	+31%
Total net revenue	**199.2**	**153.6**	**+30%**	**+31%**
Gross profit	175.1	134.4	+30%	+32%
Operating costs	(100.8)	(76.9)	+31%	+31%
Operating profit	**74.3**	**57.5**	**+29%**	**+32%**

Our UK and Irish online business, *paddypower.com*, had a stand-out year in 2011. Operating profits increased 29% to €74.3m, despite ongoing investment and less favourable sporting results.

Active customers were up 41%, amounts staked up 39% and revenues up 30%. Operating cost growth of 31% was, as expected, in line with this top line growth. Operating profit as a percentage of net revenue was therefore maintained at 37%.

Growth in UK active customers was particularly strong, at 50% (versus 56% in 2010), from a substantially higher base and without a World Cup boost. On top of year-on-year growth in new customers acquired of 45%, increased customer retention contributed significantly to this performance. For example, there has been a 31% increase over the last two years in the percentage of customers still active a year after their acquisition.

This strong customer acquisition and retention was helped by the quality of our customer service. During the year we won two Contact Centre Management Association awards, including 'best use of technology' in a contact centre, and three Egaming Review awards, including 'best customer relations operator'.

Online (Ex Aus) Active Customers	2011	2010	% Change
UK	710,043	474,617	+50%
Ireland and Rest of World	196,680	167,672	+17%
Total	**906,723**	**642,289**	**+41%**

Online (Ex Aus) Customers Product Usage	2011	2010	% Change
Sportsbook only	513,201	355,842	+44%
Gaming only	118,404	85,613	+38%
Multi-product customers	275,118	200,834	+37%
Total	**906,723**	**642,289**	**+41%**

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

(A) Online Sportsbook

The amounts staked on the online sportsbook increased by 40% in constant currency to €1.5 billion. Within this, bet volumes grew 51% to 96.1m, while the average stake per bet decreased by 7% in constant currency to €15.26. The reduction in average stake per bet is due to a combination of factors, including the significant growth in active customers and the continued challenging economic conditions. Net revenue increased by 31% in constant currency, while the gross win percentage fell 0.4% to 8.2% but remained above the upper end of our normal expected range of 7.0% to 8.0%. This represented another strong performance, notwithstanding the outstanding value we continue to offer, highlighting the quality of our operations and an attractive business mix.

Mobile continued to be a key driver of our growth as we benefited from our leadership position in this rapidly growing market, further mobile product releases every 4-5 weeks and continued mobile focussed brand advertising. Mobile turnover increased 225% to €366m, or 25% of total sportsbook stakes. In February 2012, 49% of our online sportsbook customers transacted with us via mobile. Our mobile offer is now, uniquely in the market, optimised for the four major smartphone operating systems covering some 96% of UK smartphone handsets. We have also added new features to our product such as live picture streaming, extra payment methods, customer help pages and virtual racing. In addition, we upgraded the existing functionality for free bets, live-betting, football coupons and registration.

Other product enhancement also continued unabated. We completed a major revamp of our horse-racing pages, simplifying the customer journey and adding *Racing Post* content. For football betting-in-play, we now cover 119 leagues across the world or 3,000 matches per month, more than trebling the matches offered between the start of 2010 and the end of 2011 – thereby taking full advantage of the fact that there isn't a minute of any given day where someone somewhere in the world isn't throwing themselves on the ground and theatrically grabbing a limb.

Paddy Power's leading range of novelty bets has entertained punters and interested the media for years and, via social media, the protagonists are now able to get involved too. For instance, Piers Morgan tweeted his 1.7 million followers with our betting market on the number of viewers who would tune into his first *Tonight Show* on CNN, with a re-tweet by Lord Sugar then reaching his 1.5 million followers.

(B) Online Gaming & B2B

Gaming and other revenue increased by 31% in constant currency to €85m driven by growth in Games, Casino, Bingo and B2B. After laying the groundwork with product development and the testing of Games TV advertising in 2010, we ran TV campaigns for each of Casino, Games and Bingo last year, driving 37% year-on-year growth in gaming customers.

Expansion of our Games product continues apace, and we launched 73 new games last year, taking our total selection to over 300. These new launches included 20 games for both iPhone and Android handsets, which helped increase mobile Games revenue as a proportion of total Games revenue from less than 1% in January to over 10% by December. We work with some 20 different Games suppliers to ensure we can deliver the best and freshest choice of content at attractive terms to Paddy Power. In November, we acquired Bulgarian games developer Cayetano, which gives us further flexibility and opportunity for games development – particularly for mobile.

Last year also saw significant Casino product development. In the last quarter of 2011 we changed our download and flash casino to Playtech's product after a detailed evaluation of various suppliers' products and terms. Within our Live Casino, we launched a number of new features, including the industry first of mini-live roulette alongside sports bets.

Bingo was, once again, the fastest growing part of our gaming revenues – another illustration of Paddy Power's ability to adapt its core customer, marketing and e-commerce skills to different markets. We are driving strong results across all our online businesses by applying consistent rigorous analysis and testing, at each stage of the customer lifecycle, in order to identify the optimal offers and communications. In Bingo last year, this approach increased customer acquisition and retention through improved cross selling response rates, tailored early-life customer communications and a major new loyalty programme, *Paddy's Star Rewards*.

The Poker market continues to be challenging but we maintained our gross win overall last year and grew it in the second half. Performance was boosted by new marketing initiatives, the continued popularity of our *Irish Open Poker Tournament* and *Irish Winter Festival*, and to some extent by the enforcement of the US online gambling prohibition against certain competitors.

In January 2012, PMU reported that its share of the French online sports betting market is increasing progressively and last year it doubled to its current level of nearly 20%. We added to this successful B2B relationship by concluding a partnership with BCLC. Services under the three year agreement will go-live this summer.

ONLINE AUSTRALIA DIVISION

€m	**2011**	**2010**	**% Change**	**% Change in CC**
Amounts staked	1,370	1,230	+11%	+4%
Net revenue	**107.4**	**92.6**	**+16%**	**+9%**
Sportsbook gross win %	*8.1%*	*7.9%*		
Gross profit	81.1	70.8	+14%	+8%
Operating costs	(58.3)	(51.3)	+14%	+7%
Operating profit	**22.8**	**19.5**	**+17%**	**+8%**
Active customers	226,513	198,132	+14%	

(Active customers defined as customers who have bet in the reporting period)
(The division also includes legacy telephone operations accounting for less than 10% of its gross and operating profit)

The Australian Division increased profits by 17% (or 8% in constant currency) to €22.8m and completed a range of major investments that significantly accelerated growth in the second half of last year.

The Group acquired the 39.2% minority shareholding in Sportsbet on 1 March 2011 for an initial consideration of €98.2m (AUD132.6m). Subsequent investments included the migration of Sportsbet and IAS to the same technology platform as *paddypower.com,* increased recruitment, additional marketing deals and the rollout of mobile product.

In constant currency, online turnover grew by 15% (7% in the first half and 23% in the second half) and online net revenue by 11%. Online active customers grew by 15% year-on-year. The percentage of online customers transacting via mobile increased from 5% in May 2011 to 40% in February 2012. We continue to leverage our scale and experience to make appropriate investments. In January 2012, for example, we added differentiating live streamed pictures for over 3,000 events per annum to *sportsbet.com.au*.

The overall sportsbook gross win percentage increased by 0.2% to 8.1%, helped by legacy telephone operations comprising a smaller proportion of the business mix. In constant currency, overall net revenue increased by 9% and operating costs by 7%.

Deductions between net revenue and gross profit continue to benefit from agreements reached in 2010 with certain Australian racing bodies to calculate their product fees as a percentage of gross win (rather than turnover) until at least June 2012. This issue is the subject of litigation with other Australian racing bodies, including Racing New South Wales ('RNSW'). A final decision in the RNSW case from the High Court is expected during the first half of this year, which could lead to a reduction or material increase in the product fees we pay going forward.

In January 2012, the Australian Government stated that it would release its review of the 2001 Interactive Gambling Act ('IGA') by June 2012 and introduce legislation to amend the Act by the end of 2012. The IGA currently precludes online betting-in-running and gaming. The Government also set out planned measures to reduce problem gambling. Sportsbet continues to engage with the Government to emphasise our views – based on examples from around the world – that (a) prohibition doesn't work and (b) the most effective way to achieve responsible gambling online is to have a well regulated industry within Australia that provides the products consumers demand, thereby reducing the use of unregulated offshore websites.

The Group obtained a once-off gain of €27.6m before tax from the Australia Tax Office which is included as an exceptional item. In addition, the Group has recorded a €5.4m exceptional non-cash write down of the IAS brand. While IAS continues to perform satisfactorily, the successful move of IAS customers to the same 'front-end' platform as Sportsbet facilitates their planned migration to the Sportsbet brand at a future date, and the Group has therefore ceased investing in the IAS brand.

RETAIL

Our retail businesses are uniquely well positioned in their respective markets and delivered a strong underlying performance last year in the context of headwinds from economic conditions, an adverse run of sports results and competition from online.

Retail betting has well established attractions for many customers as a way to take time-out and enjoy betting in a social environment, in and amongst all the action and odds, with the added convenience of betting in cash. And no one does retail like Paddy Power: we use the scale provided by our significantly higher turnover per shop and almost 400 units to ensure that our customers get better value and service, the best invested shops and the greatest range of product. For example, we are the only major bookmaking chain which offers our customers the same odds in our shops as we offer online.

While new technologies may pose challenges for smaller retail operators, they are a driver of growth and differentiation for Paddy Power. In July, we were the first operator to offer Self Service Betting Terminals ('SSBTs') in all our shops in Great Britain. The terminals allow customers more time to browse and see potential returns on bets, and can also instantly generate multi-legged accumulators that are tailored to a customer's preferences. For example, these multiples can comprise bets settling in the next 15 minutes, short priced favourites or bets to give desired winnings from a given stake. Other new technology rolled out in 2011 included better screen gantries, expanded virtual racing product and more gaming machine content. We now have the largest selection of games on our machines of all the major bookmakers.

Notwithstanding the strengths of our retail offer, we manage our costs tightly and choose our locations very carefully. In 2011 we achieved a further 4% reduction in direct operating costs per shop in Ireland, taking the cumulative reduction to 20% since 2007. We focus our openings on competitive prime high street locations that we are confident will remain attractive sites for the best operators, and we have also taken advantage of increased flexibility on lease terms since the economic downturn. Even with this selective attitude to new openings, there is significant scope for further expansion in the UK.

This approach has delivered market leading profitability per shop which enables our shops to withstand challenges better than competitors' units: since August 2008 our competitors have closed some 280 shops in Ireland, while we have opened 22 units and closed none.

IRISH RETAIL DIVISION

€m	**2011**	**2010**	**% Change**
Amounts staked	935	908	+3%
Net revenue	**102.8**	**109.2**	**(6%)**
Gross win %	*11.0%*	*12.1%*	
Gross profit	93.2	99.8	(7%)
Operating costs	(82.3)	(82.2)	+0%
Operating profit	**10.9**	**17.6**	**(38%)**
Shops at year end	210	207	+1%

The amounts staked within Irish Retail increased by 3% to €935m, although net revenue decreased by 6% to €103m driven by a lower gross win percentage. We opened three new shops last year. Excluding the impact of new units, like-for-like amounts staked were up 1%, net revenue was down 8% and operating costs (including central costs) were reduced by 2%. The increase in like-for-like stakes was driven by a 9% increase in like-for-like bet volumes with a fall in average stake per slip of 7% to €16.79.

UK RETAIL DIVISION

€m	2011	2010	% Change	% Change in CC
Amounts staked	377	276	+36%	+38%
Sportsbook net revenue	37.5	30.0	+25%	+27%
Sportsbook gross win %	*11.0%*	*11.9%*		
Machine gaming net revenue	34.6	24.0	+44%	+46%
Total net revenue	**72.2**	**54.0**	**+34%**	**+36%**
Gross profit	61.1	45.6	+34%	+36%
Operating costs	(50.6)	(38.2)	+32%	+34%
Operating profit	**10.5**	**7.4**	**+43%**	**+49%**
Shops at year end	165	124	+33%	

(Machine net revenue above and throughout this statement is after the deduction of VAT at 20.0% in 2011 and 17.5% in 2010)
(Sportsbook activity includes sportsbetting over-the-counter and via Self Service Betting Terminals)

UK Retail operating profit increased by 43% from €7.4m to €10.5m. The new shops we opened in 2011 and a full year impact from openings in 2010 were important drivers of this growth, but our existing shops also significantly increased their profitability despite adverse sports results.

In constant currency, turnover grew 38% to €377m while net revenue increased by 36% to €72m. Like-for-like net revenue grew 6% in constant currency, which comprised machine gaming net revenue growth of 10% and sportsbook net revenue growth of 3% on like-for-like sportsbook turnover up 10%. The average sportsbook stake per bet was flat in constant currency at €15.47, with like-for-like bets up 10%.

We opened 41 new shops last year, including five which we acquired, at an average capital cost per unit of €322,000 (£282,000) including lease premia and acquisition costs. EBITDA per shop pre central costs averaged €160,000 (£140,000).

The average gross win per gaming machine per week including VAT was £1,210, an increase of 13% compared to last year. There were 655 gaming machines installed at 31 December 2011, an increase of 163 compared to the previous year as a result of new shops.

Operating costs grew 34% in constant currency driven by a 33% increase in average shop numbers. Like-for-like costs (including central costs) were up 5% in constant currency reflecting in part the 2.5% increase in UK VAT last year.

HM Treasury has stated that Machine Gaming Duty ('MGD') on gross win will be implemented in February 2013 to replace the existing VAT and AMLD regime for machine taxation. While the Treasury has stated that it intends for the change to be tax neutral, it could adversely impact efficient and expanding operators such as Paddy Power.

TELEPHONE DIVISION (Excluding Australia)

€m	2011	2010	% Change	% Change in CC
Amounts staked	312	293	+6%	+7%
Net revenue	**17.8**	**17.3**	**+3%**	**+3%**
Gross win %	*6.2%*	*6.5%*		
Gross profit	17.7	17.3	+2%	+3%
Operating costs	(16.6)	(15.5)	+7%	+8%
Operating profit	**1.1**	**1.8**	**(40%)**	**(36%)**

Our telephone channel continues to defy the challenges of competition from online and the downturn in Ireland by successfully growing its UK market share amongst both regular and higher staking customers. In constant currency, amounts staked increased by 7% last year, with a 17% increase from UK customers more than offsetting a decline of 6% from Irish customers. The average stake per bet fell 6% to €51.73. Since 2007, turnover from Irish customers is down 35%, driven by reductions in average stake per bet.

Operating costs increased by 7%, driven by the 14% growth in bet volumes and selective investments including expenditure on UK customer acquisition and a new SMS text betting service.

The gross win percentage fell by 0.3% in comparison with 2010, which was the key factor behind the €0.7m reduction in operating profit to €1.1m. In addition to this operating profit contribution, the division adds to the Group via the online spending of customers acquired by the telephone channel, enabling a 'full-service' to be offered to other customers, and its contribution towards central costs.

Telephone Channel Active Customers	2011	2010	% Change
UK	52,026	49,223	+6%
Ireland and Rest Of World	24,280	23,902	+2%
Total	**76,306**	**73,125**	**+4%**

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

Brand & Marketing

Betting with Paddy Power has always been – and always will be – about entertainment. Last year we aimed to brighten the public's day and the media's content, by changing our shop fronts to *O'Bama Power* along the route of the US President's visit to Ireland, offering 'scientific' analysis and new odds on alien life being proven (from 40/1 to 20/1) and releasing an Irish style 'Changing of the Guard' video for the Queen's Irish visit – think Riverdancing Redcoats (see this and other Paddy Power videos at http://video.paddypower.com/blog/index.php). Tasteful promotion of our massive Champions League Final Money-Back Special, using Imogen Thomas of Ryan Giggs super-injunction fame, generated the most watched UK video on YouTube the day before the game and featured on the front page of The Sun. The fact that tight `80s style football shorts looked a lot better on her than Mickey Quinn helped no end.

Such activities saw us voted Britain's Most Admired Company for the quality of our marketing in a Management Today / Accenture poll last year, and we are successfully applying the same approach in Australia: in a survey of Australian regular online bettors, Sportsbet was ranked number one for 'making betting fun', 'offering the best value for money', 'offering new and exciting products', 'really caring about their customers' and being 'a cool brand' (as was Paddy Power in the equivalent independent market research of UK bettors).

While the brand marketing of Paddy Power is highly visible, what perhaps isn't so obvious is the online marketing that is critical to leveraging the strength of that brand. Today we have over 40 staff within Online who are dedicated to applying highly analytical, technical and rigorous techniques in order to optimise the conversion of brand aware consumers to active Paddy Power customers. Their activities encompass a wide and complex range of areas through acquisition-retention-reactivation, over various customer recruitment channels and across different customer segments, using a number of different technologies and analytical techniques. (In short, it's not as easy as dressing up for a funny photo – something that Paddy still insists on doing with a model at every opportunity). Such complexity also provides plenty of opportunity for continuous improvement, as well as aggregating with our other capabilities to produce more than the sum of the parts, making it harder for others to replicate.

The efficiency of this overall approach is evident in *paddypower.com*'s class leading 37% operating profit margin.

Taxation

Excluding the impact of once-off items, the underlying effective tax rate was 13.5%, compared to an underlying rate of 15.7% in 2010. The reduced rate reflects the early achievement of the savings expected following the early buy-out of the minority shareholders in Australia and, assuming no other changes, the Group would expect a similar effective tax rate this year.

Following on from proposals first put forward in January 2010, HM Treasury is reviewing the introduction of a new betting tax regime on all remote gambling operators supplying UK consumers, irrespective of location. We continue to engage with the UK government to highlight the consumer, tax and employment protection risks these proposals present. Depending on the tax rate, this change could add significantly to our costs, although opportunities exist to mitigate the possible impact through potential market share gains from weaker operators forced to exit or compromise their offer, and by continued profitable growth in existing and new markets. We understand that any possible change is likely to be in 2014 at the earliest.

In January 2012, the Irish Minister for Finance confirmed that the Betting (Amendment) Bill 2011 was at an advanced stage of drafting and would facilitate the extension of the 1% tax on Irish retail stakes to online and telephone sportsbooks in respect of bets taken from customers in Ireland.

Cash Flow, Foreign Exchange and Cash Balances

Last year capital expenditure increased, as expected, to €41m comprising approximately €12m of maintenance capex and €29m of enhancement capex. The enhancement capex included approximately €10m related to one-off expenditure on substantial technology investments in Australia and Online, product enhancements in Retail, and the move to a new Head Office in Dublin. Operating cashflow (after LTIP trust share purchases and estimated maintenance capex) was €124m or 120% of earnings after tax and minority interests. As at 31 December 2011, the Group had net cash of €136m or €86m excluding cash balances held on behalf of customers (2010: €159m and €117m respectively).

Sterling and Australian Dollar denominated operating profits were approximately £92m and AUD35m respectively last year. 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. The impact on last year's operating profit from changes in the Sterling and Australian Dollar versus the Euro between 2010 and 2011 was immaterial with the impact of weaker Sterling offset by a stronger Australian Dollar.

Patrick Kennedy
Chief Executive

Jack Massey
Finance Director

2 March 2012

CONDENSED CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2011

	Note	Before exceptional items 2011 €'000	Exceptional items (Note 5) 2011 €'000	Total 2011 €'000	Total *Restated (Note 2)* 2010 €'000
Amounts staked by customers		**4,554,919**	**-**	**4,554,919**	3,834,316
Continuing operations					
Income		**499,330**	**-**	**499,330**	426,698
Direct betting costs	4	**(71,170)**	**27,277**	**(43,893)**	(58,762)
Gross profit		**428,160**	**27,277**	**455,437**	367,936
Employee expenses		**(143,795)**	**-**	**(143,795)**	(129,883)
Property expenses		**(36,386)**	**-**	**(36,386)**	(30,432)
Marketing expenses		**(43,336)**	**-**	**(43,336)**	(35,023)
Technology and communications expenses		**(30,931)**	**-**	**(30,931)**	(22,259)
Depreciation, amortisation and impairment		**(27,125)**	**(5,423)**	**(32,548)**	(24,278)
Other expenses, net		**(27,041)**	**363**	**(26,678)**	(22,312)
Total operating expenses		**(308,614)**	**(5,060)**	**(313,674)**	(264,187)
Operating profit		**119,546**	**22,217**	**141,763**	103,749
Financial income – on financial assets at amortised cost	6	**2,187**	**-**	**2,187**	1,779
Financial income – derivative financial instruments at fair value through profit or loss (Sportsbet buyout call options)	6	**-**	**-**	**-**	7,116
Financial expense	6	**(571)**	**-**	**(571)**	(1,344)
Profit before tax		**121,162**	**22,217**	**143,379**	111,300
Income tax expense	7	**(16,400)**	**(4,242)**	**(20,642)**	(14,566)
Profit for the year		**104,762**	**17,975**	**122,737**	96,734
Attributable to:					
Equity holders of the Company		**103,513**	**17,975**	**121,488**	90,005
Non-controlling interest		**1,249**	**-**	**1,249**	6,729
		104,762	**17,975**	**122,737**	96,734
Earnings per share					
Basic	8			**€2.553**	€1.927
Diluted	8			**€2.492**	€1.874

Notes 1 to 18 on pages 20 to 36 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Jack Massey**

2 March 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	Note	**2011**	2010
		€'000	€'000
Foreign exchange gain on translation of the net assets of foreign currency denominated subsidiaries	6	**2,829**	12,667
Deferred tax on share-based payments		**(409)**	264
Other comprehensive income recognised directly in equity		**2,420**	12,931
Profit for the year		**122,737**	96,734
Total comprehensive income for the year		**125,157**	109,665
Attributable to:			
Equity holders of the Company		**124,406**	100,718
Non-controlling interest		**751**	8,947
Total comprehensive income for the year		**125,157**	109,665

Notes 1 to 18 on pages 20 to 36 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Jack Massey**

2 March 2012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Note	**31 December 2011 €'000**	31 December 2010 €'000
Assets			
Property, plant and equipment		**95,599**	77,798
Intangible assets		**51,000**	51,510
Goodwill	9	**93,607**	76,967
Financial assets		**6,409**	9,735
Deferred tax assets		**2,594**	2,591
Trade and other receivables	11	**6,735**	-
Total non current assets		**255,944**	218,601
Trade and other receivables	11	**31,165**	15,574
Financial assets – restricted cash	12	**18,149**	21,081
Cash and cash equivalents	12	**111,139**	139,581
Total current assets		**160,453**	176,236
Total assets		**416,397**	394,837
Equity			
Issued share capital		**5,072**	4,995
Share premium		**37,826**	20,876
Treasury shares		**(34,177)**	(34,177)
Shares held by long term incentive plan trust		**(33,397)**	(33,890)
Other reserves including foreign currency translation and share-based payment reserves		**36,976**	33,699
Retained earnings		**218,086**	236,936
Total equity – attributable to equity holders of the Company		**230,386**	228,439
Non-controlling interest		**-**	15,798
Total equity		**230,386**	244,237
Liabilities			
Trade and other payables		**136,925**	115,336
Derivative financial liabilities		**9,715**	8,586
Provisions		**593**	278
Borrowings		**-**	1,885
Current tax payable		**11,408**	6,862
Total current liabilities		**158,641**	132,947
Trade and other payables		**20,347**	7,354
Derivative financial liabilities		**194**	16
Provisions		**1,649**	1,876
Borrowings		**-**	2,633
Deferred tax liabilities		**5,180**	5,774
Total non current liabilities		**27,370**	17,653
Total liabilities		**186,011**	150,600
Total equity and liabilities		**416,397**	394,837

Notes 1 to 18 on pages 20 to 36 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Jack Massey**

2 March 2012

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2011

	Note	Before exceptional items 2011 €'000	Exceptional items (Note 5) 2011 €'000	Total 2011 €'000	Total 2010 €'000
Cash flows from operating activities					
Profit before tax		**121,162**	**22,217**	**143,379**	111,300
Financial income		**(2,187)**	**-**	**(2,187)**	(8,895)
Financial expense		**571**	**-**	**571**	1,344
Depreciation, amortisation and impairment		**27,125**	**5,423**	**32,548**	24,278
Cost of employee share-based payments		**10,323**	**-**	**10,323**	13,427
Foreign currency exchange (gain) / loss		**(2,438)**	**-**	**(2,438)**	177
Loss / (gain) on disposal of property, plant and equipment and intangible assets		**94**	**-**	**94**	(12)
Other adjustments		**-**	**-**	**-**	123
Cash from operations before changes in working capital		**154,650**	**27,640**	**182,290**	141,742
(Increase) / decrease in trade and other receivables		**(10,109)**	**(11,025)**	**(21,134)**	1,886
Increase / (decrease) in trade and other payables and provisions		**17,813**	**(1,103)**	**16,710**	29,776
Cash generated from operations		**162,354**	**15,512**	**177,866**	173,404
Income taxes paid		**(16,588)**	**-**	**(16,588)**	(13,159)
Net cash from operating activities		**145,766**	**15,512**	**161,278**	160,245
Cash flows from investing activities					
Purchase of property, plant and equipment		**(33,532)**	**-**	**(33,532)**	(16,431)
Purchase of intangible assets		**(7,634)**	**-**	**(7,634)**	(7,278)
Purchase of businesses, net of cash acquired	10	**(7,779)**	**-**	**(7,779)**	(10,460)
Acquisition expenses paid	10	**-**	**-**	**-**	(212)
Proceeds from disposal of property, plant and equipment and intangible assets		**81**	**-**	**81**	208
Interest received		**2,120**	**-**	**2,120**	1,902
Net cash used in investing activities		**(46,744)**	**-**	**(46,744)**	(32,271)
Cash flows from financing activities					
Proceeds from the issue of new shares under option arrangements		**3,734**	**-**	**3,734**	3,186
Purchase of shares by long term incentive plan trust		**(9,623)**	**-**	**(9,623)**	(9,048)
Purchase of non-controlling interest	10	**(85,311)**	**-**	**(85,311)**	(8,561)
Dividends paid	14	**(38,944)**	**-**	**(38,944)**	(30,769)
Movements in current and non current restricted cash balances		**(518)**	**-**	**(518)**	(12,808)
Repayment of non-controlling shareholder loans		**(1,038)**	**-**	**(1,038)**	(3,067)
Payment of dividends to non-controlling shareholders		**(9,244)**	**-**	**(9,244)**	-
Secured bank loan repayments		**(2,197)**	**-**	**(2,197)**	(10,906)
Finance lease repayments		**(1,206)**	**-**	**(1,206)**	(961)
Interest paid		**(445)**	**-**	**(445)**	(1,229)
Net cash used in financing activities		**(144,792)**	**-**	**(144,792)**	(74,163)
Net (decrease) / increase in cash and cash equivalents		**(45,770)**	**15,512**	**(30,258)**	53,811
Cash and cash equivalents at start of year		**139,581**	**-**	**139,581**	80,576
Foreign currency exchange gain in cash and cash equivalents		**1,816**	**-**	**1,816**	5,194
Cash and cash equivalents at end of year	12	**95,627**	**15,512**	**111,139**	139,581

Notes 1 to 18 on pages 20 to 36 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Jack Massey**

2 March 2012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2011

	Attributable to equity holders of the Company (see Note 13)											
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation €'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 2011	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
Total comprehensive income for the year												
Profit	-	-	-	-	-	-	-	-	121,488	121,488	1,249	122,737
Foreign exchange translation	-	-	-	3,327	-	-	-	-	-	3,327	(498)	2,829
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	(409)	(409)	-	(409)
Total comprehensive income for the year	-	-	-	3,327	-	-	-	-	121,079	124,406	751	125,157
Transactions with owners of the Company, recognised directly in equity												
Shares issued (Note 13)	770,907	77	16,950	-	-	-	-	-	-	17,027	-	17,027
Own shares acquired by the long term incentive plan trust – 240,587 ordinary shares	-	-	-	-	-	-	(9,623)	-	-	(9,623)	-	(9,623)
Purchase of non-controlling interest – Sportsbet (Note 10)	-	-	-	-	-	-	-	-	(101,451)	(101,451)	(7,271)	(108,722)
Discount on loans from non-controlling interest	-	-	-	(26)	21	-	-	-	5	-	-	-
Repayment of non-controlling interest loans	-	-	-	-	(53)	-	-	-	-	(53)	(34)	(87)
Other	-	-	-	-	-	-	-	-	(50)	(50)	-	(50)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	10,323	-	10,323	-	10,323
Equity-settled transactions – vestings (Note 13)	-	-	-	-	-	-	10,116	(9,218)	(586)	312	-	312
Transfer to retained earnings on exercise of share options (Note 13)	-	-	-	-	-	-	-	(1,097)	1,097	-	-	-
Dividends to shareholders (Note 14)	-	-	-	-	-	-	-	-	(38,944)	(38,944)	(9,244)	(48,188)
Total contributions by and distributions to owners of the Company	770,907	77	16,950	(26)	(32)	-	493	8	(139,929)	(122,459)	(16,549)	(139,008)
Balance at 31 December 2011	50,725,021	5,072	37,826	13,873	1,185	(34,177)	(33,397)	21,918	218,086	230,386	-	230,386

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2011

	Attributable to equity holders of the Company (see Note 13)											
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation €'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 translation	-	-	-	10,449	-	-	-	-	-	10,449	2,218	12,667
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	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 13)	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 10)	-	-	-	-	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 13)	-	-	-	-	-	-	7,016	(5,934)	(741)	341	-	341
Transfer to retained earnings on exercise of share options (Note 13)	-	-	-	-	-	-	-	(551)	551	-	-	-
Dividends to shareholders (Note 14)	-	-	-	-	-	-	-	-	(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

Notes 1 to 18 on pages 20 to 36 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Jack Massey**

2 March 2012

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', 'paddypowergames.com', 'paddypowercasino.com', 'paddypowerbingo.com' and 'paddypowerpoker.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 2011, prepared in accordance with International Financial Reporting Standards ('IFRSs') 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 2011 comprise the financial statements of the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 2 March 2012.

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 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), contingent deferred consideration 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 2010.

Recent accounting pronouncements

The IASB and the International Financial Reporting Interpretations Committee ('IFRIC') have issued the following standards and interpretations which were effective for the Group in the year ended 31 December 2011:

<u>Revised IAS 24 'Related Party Disclosures'</u>

From 1 January 2011, the Group has applied Revised IAS 24, 'Related Party Disclosures'. The change in accounting policy has been applied retrospectively. This revised standard simplifies the definition of related parties and provides a partial exemption from the disclosure requirements for government-related entities. This standard has not had a significant impact on the Group's consolidated financial statements.

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:

- Amendments to IFRS 7, 'Financial Instruments: Disclosures – Transfers of Financial Assets', (effective for the Group's 2012 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.

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

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 18.

Changes in accounting policies and restatement of comparatives

The Group has reviewed its revenue recognition policy and the treatment of customer bonus schemes and other promotions. The changes do not impact the Group's reported operating profit, amounts reported in the statement of financial position or cash flows. The treatment of these items has developed over the past few years and the Group has revised its presentation of these items in line with current industry practice for comparability purposes. The Group now recognises the costs of additional customer promotions and bonuses as deductions from income rather than as operating expenses, as the Group believes that this conveys the underlying nature of the transaction. As a result of these changes, a number of lines within the consolidated income statement have been restated. Where adjustments have been made to comparative information in respect of the year ended 31 December 2010 the relevant financial statement or note is headed up as *'Restated'*.

The revised accounting policy for income is as follows:

Income

The services provided by the Group comprise sports betting, fixed odds games betting, online casino and games, peer to peer games including online poker and bingo, financial spread betting and business-to-business services. Income is stated exclusive of value added tax. The costs of customer promotions (including free bets) and bonuses are deducted from income.

The Group's betting and gaming activities, with the exception of peer to peer games and financial spread betting on which commission income and tournament fees are earned and business-to-business services on which fees are earned, are classified as derivative financial instruments.

Income from online sportsbook, retail and telephone betting activities represents the net gain or loss from betting activities in the period plus the gain or loss on the revaluation of open positions at period end, and is stated net of the cost of customer promotions and bonuses incurred in the period.

Income from fixed odds games and the online casinos represents net winnings ('customer drop'), being amounts staked net of customer winnings, and is stated net of the cost of customer promotions and bonuses incurred in the period.

Income from peer to peer games and financial spread betting represents commission income ('rake') and tournament fees earned from games completed by the period end, and is stated net of the cost of customer promotions and bonuses incurred in the period. Income from business-to-business services represents fees charged for the services provided in the period.

These derivatives are recognised initially at fair value and subsequently at fair value through profit or loss, within the income line as this represents the Group's principal activity. Commission and other fee income earned is also recorded within income but is analysed separately in the notes to the financial statements.

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

The impact of the changes, by reporting segment, on the major components of operating profit in 2011 are as follows:

	Online (ex Australia) €'000	Australia €'000	Irish retail €'000	UK retail €'000	Telephone (ex Australia) €'000	Total Group €'000
Income						
As reported under previous accounting policies	**212,366**	**110,627**	**103,240**	**72,562**	**19,316**	**518,111**
Restatement – customer promotions and bonuses	**(13,204)**	**(3,226)**	**(449)**	**(370)**	**(1,532)**	**(18,781)**
As reported under new accounting policies	**199,162**	**107,401**	**102,791**	**72,192**	**17,784**	**499,330**
Direct betting costs (other direct betting costs)						
As reported under previous accounting policies	**(26,057)**	**(26,342)**	**(9,599)**	**(11,056)**	**(99)**	**(73,153)**
Restatement – customer promotions and bonuses	**1,983**	**-**	**-**	**-**	**-**	**1,983**
As reported under new accounting policies	**(24,074)**	**(26,342)**	**(9,599)**	**(11,056)**	**(99)**	**(71,170)**
Operating expenses (marketing expenses)						
As reported under previous accounting policies	**(112,007)**	**(61,527)**	**(82,754)**	**(50,968)**	**(18,156)**	**(325,412)**
Restatement – customer promotions and bonuses	**11,221**	**3,226**	**449**	**370**	**1,532**	**16,798**
As reported under new accounting policies	**(100,786)**	**(58,301)**	**(82,305)**	**(50,598)**	**(16,624)**	**(308,614)**
Impact on operating profit	**-**	**-**	**-**	**-**	**-**	**-**

The impact of the changes, by reporting segment, on the major components of operating profit in 2010 are as follows:

	Online (ex Australia) €'000	Australia €'000	Irish retail €'000	UK retail €'000	Telephone (ex Australia) €'000	Total Group €'000
Income						
As reported under previous accounting policies	163,662	97,037	109,637	54,220	18,971	443,527
Restatement – customer promotions and bonuses	(10,057)	(4,474)	(473)	(194)	(1,631)	(16,829)
As reported under new accounting policies	153,605	92,563	109,164	54,026	17,340	426,698
Direct betting costs (other direct betting costs)						
As reported under previous accounting policies	(20,666)	(21,762)	(9,315)	(8,443)	(70)	(60,256)
Restatement – customer promotions and bonuses	1,494	-	-	-	-	1,494
As reported under new accounting policies	(19,172)	(21,762)	(9,315)	(8,443)	(70)	(58,762)
Operating expenses (marketing expenses)						
As reported under previous accounting policies	(85,532)	(55,785)	(82,696)	(38,412)	(17,097)	(279,522)
Restatement – customer promotions and bonuses	8,563	4,474	473	194	1,631	15,335
As reported under new accounting policies	(76,969)	(51,311)	(82,223)	(38,218)	(15,466)	(264,187)
Impact on operating profit	-	-	-	-	-	-

As the above adjustments to comparative information had no impact on 1 January 2010 balances, the statement of financial position at the beginning of the earliest comparative period (1 January 2010) has not been included in these financial statements.

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

Amounts staked
Amounts staked does not represent the statutory revenue of the Group. It comprises gross takings received and receivable from sports betting and business to business activities and gross win received and receivable from gaming machine and online gaming activities in the period.

3. Operating segments

The income, operating profit and net assets of the Group relate to the provision of betting and gaming activities, the vast 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 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 described in the summary of significant accounting policies set out in Note 2 above. 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.

3. Operating segments (continued)

Reportable business segment information for the year ended 31 December 2011:

	Online (ex Australia)	**Australia**	**Irish retail**	**UK retail**	**Telephone (ex Australia)**	**Total reportable segments**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Income from external customers	**199,162**	**107,401**	**102,791**	**72,153**	**17,823**	**499,330**
Inter-segment trading	**-**	**-**	**-**	**39**	**(39)**	**-**
Total income	**199,162**	**107,401**	**102,791**	**72,192**	**17,784**	**499,330**
Direct betting costs	**(24,074)**	**(26,342)**	**(9,599)**	**(11,056)**	**(99)**	**(71,170)**
Gross profit	**175,088**	**81,059**	**93,192**	**61,136**	**17,685**	**428,160**
Depreciation and amortisation	**(5,217)**	**(5,180)**	**(9,780)**	**(5,834)**	**(1,114)**	**(27,125)**
Other operating expenses	**(95,569)**	**(53,121)**	**(72,525)**	**(44,764)**	**(15,510)**	**(281,489)**
Reportable segment profit before exceptional items	**74,302**	**22,758**	**10,887**	**10,538**	**1,061**	**119,546**
Exceptional items	**-**	**22,217**	**-**	**-**	**-**	**22,217**
Reportable segment profit	**74,302**	**44,975**	**10,887**	**10,538**	**1,061**	**141,763**

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

	Online (ex Australia)	Australia	Irish retail	UK retail	Telephone (ex Australia)	Total reportable segments
	Restated	*Restated*	*Restated*	*Restated*	*Restated*	*Restated*
	€'000	€'000	€'000	€'000	€'000	€'000
Income from external customers, being total income	153,605	92,563	109,164	54,026	17,340	426,698
Direct betting costs	(19,172)	(21,762)	(9,315)	(8,443)	(70)	(58,762)
Gross profit	134,433	70,801	99,849	45,583	17,270	367,936
Depreciation and amortisation	(4,451)	(4,040)	(9,215)	(5,470)	(1,102)	(24,278)
Other operating expenses	(72,518)	(47,271)	(73,008)	(32,748)	(14,364)	(239,909)
Reportable segment profit before exceptional items	57,464	19,490	17,626	7,365	1,804	103,749
Exceptional items	-	-	-	-	-	-
Reportable segment profit	57,464	19,490	17,626	7,365	1,804	103,749

Reconciliation of reportable segments to Group totals:

	2011	2010
		Restated
	€'000	€'000
Income		
Total income from reportable segments, being total Group income	**499,330**	426,698
Profit and loss		
Total profit and loss from reportable segments	**141,763**	103,749
Unallocated amounts:		
Financial income – non-Australia (1)	**555**	411
Financial income – Australia	**1,632**	1,368
Financial income – Australia – Sportsbet buyout call options (2)	**-**	7,116
Financial expense – non-Australia (1)	**(156)**	(235)
Financial expense – Australia	**(415)**	(1,109)
Profit before tax	**143,379**	111,300

(1) 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.

(2) Included in financial income in 2010 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 Note 6.

3. Operating segments (continued)

(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	**2011**	2010
		Restated
	€'000	€'000
UK	**220,140**	159,443
Australia	**107,401**	92,563
Ireland and rest of world	**171,789**	174,692
Total	**499,330**	426,698

(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.

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

Non current assets	**2011**	2010
	€'000	€'000
UK	**89,531**	64,491
Australia	**93,302**	86,829
Ireland and rest of world	**64,108**	54,955
Total	**246,941**	206,275

4. Direct betting costs

Direct betting costs comprise:

	Before exceptional items	**Exceptional items (Note 5)**	**Total**	Total
				Restated
	2011	**2011**	**2011**	2010
	€'000	**€'000**	**€'000**	€'000
Betting taxes	**25,492**	**(27,277)**	**(1,785)**	22,420
Software supplier costs	**16,553**	**-**	**16,553**	12,580
Other direct betting costs	**29,125**	**-**	**29,125**	23,762
Direct betting costs	**71,170**	**(27,277)**	**43,893**	58,762

Betting taxes comprise betting taxes levied on gross win, betting taxes levied on Irish retail and Australia segment amounts staked and Goods and Services 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 retail betting machines.

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, customer bad debt charges and other miscellaneous direct betting costs.

5. Exceptional items

	2011 €'000	2010 €'000
Goods and Services Tax ('GST') refund	**27,277**	-
GST refund – related interest and legal costs	**363**	-
Provision against carrying value of IAS brand	**(5,423)**	-
Operating profit impact of exceptional items	**22,217**	-
Income tax expense on GST refund	**(8,180)**	-
Release of deferred tax liability – Sportsbet brand	**3,938**	-
Income tax expense impact of exceptional items	**(4,242)**	-
Total exceptional items	**17,975**	-

GST refund
On 26 July 2011, the Federal Court of Australia found in favour of Sportsbet and IAS in a case brought by them against the Australian Commissioner of Taxation relating to the interpretation and application of certain legislation pertaining to Australian Goods and Services Tax ('GST'). The judgement related to the calculation of GST for relevant tax periods between 2005 and 2009, with the relevant legislation being changed in April 2010 to remove the uncertainty of interpretation at issue. The Commissioner of Taxation subsequently decided not to appeal the decision to a higher court.

Income of €27.6m (AUD35.9m) in respect of the GST refund, interest and related legal costs has been recognised as an exceptional item. This income is taxable at the standard Australian corporation tax rate of 30%, with a related income tax charge of €8.2m being recognised as part of the exceptional item. During 2011, Sportsbet and IAS received €16.4m (AUD21.3m) in the form of cash in respect of court-ordered GST repayments (plus associated interest) and revised GST returns for the period December 2009 to November 2010; after deduction of associated costs and expenses, the net cash receipt in 2011 amounted to €15.5m (AUD20.1m). The remainder of the exceptional item is composed of amounts expected to be received as credits against future GST payments over the next five years approximately and an estimate of interest and legal costs to be awarded.

Provision against value of IAS brand
The Group has decided to cease investing in and trading under the IAS brand. It is intended that existing customers of IAS will be migrated to the existing Sportsbet brand at a point in the future. Accordingly, full provision has been made against the carrying value of the IAS brand at 31 December 2011, which amounted to €5,423,000 (AUD6,900,000) at that date. There is no tax impact arising from this provision.

Release of deferred tax liability – Sportsbet brand
Following a restructuring of the Group's Australian operations after the acquisition by the Group in March 2011 of the non-controlling interest in Sportsbet (see Note 10), the deferred tax liability initially recognised on the acquisition of 51% of Sportsbet in July 2009 (€3,938,000 or AUD5,010,000) has been derecognised due to a change in the Australian tax base of the related Sportsbet assets.

6. Financial income and expense

	2011 €'000	2010 €'000
Recognised in profit or loss:		
Financial income:		
On financial assets at amortised cost:		
Interest income on short term bank deposits	**2,187**	1,779
	2,187	1,779
On derivative financial instruments at fair value through profit or loss:		
Increase in fair value of Sportsbet buyout call options	**-**	7,116
	-	7,116
Financial income	**2,187**	8,895
Financial expense:		
On financial liabilities at amortised cost:		
Bank loans	**349**	783
Bank guarantees	**75**	132
Finance leases	**59**	198
Unwinding of the discount on provisions and other non current liabilities	**88**	231
Financial expense	**571**	1,344

6. Financial income and expense (continued)

	2011 €'000	2010 €'000
Recognised in other comprehensive income:		
Foreign exchange gain on translation of the net assets of foreign currency denominated subsidiaries	**2,829**	12,667
	2,829	12,667

7. Income tax expense

	2011 €'000	2010 €'000
Recognised in profit or loss:		
Current tax charge	**21,059**	16,969
Prior year under / (over) provision	**747**	(24)
	21,806	16,945
Deferred tax charge / (credit)	**827**	(1,573)
Prior year over provision	**(1,991)**	(806)
Decrease in net deferred tax liability	**(1,164)**	(2,379)
Total income tax expense in income statement	**20,642**	14,566

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:

		2011 €'000		2010 €'000
Profit before tax		**143,379**		111,300
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5%	12.5%	**17,922**	12.5%	13,912
Depreciation on non-qualifying property, plant and equipment	0.3%	**392**	0.8%	872
Effect of different statutory tax rates in overseas jurisdictions	2.3%	**3,327**	1.3%	1,417
UK tax loss deferred tax asset recognised	-	**-**	(1.6%)	(1,770)
UK tax loss deferred tax asset utilised in year	0.7%	**994**	0.7%	776
Brands and licences	(2.1%)	**(2,948)**	-	-
Other differences	1.5%	**2,143**	0.1%	154
Interest income taxable at higher rates	0.0%	**56**	0.0%	35
Over provision in prior year	(0.9%)	**(1,244)**	(0.7%)	(830)
Total income tax expense	14.4%	**20,642**	13.1%	14,566

Recognition of UK deferred tax asset in 2010

In 2010, given the improved profitability performance of the Great Britain retail ('GB retail') business in that year, the directors considered it appropriate to recognise the previously unrecognised deferred tax asset in respect of trading losses accumulated in prior years. Accordingly, a deferred tax amount of €1,770,000 was credited to the income statement in the year ended 31 December 2010. During 2011, €994,000 (2010: €776,000) of this asset was utilised against taxable GB retail profits arising in the year and the deferred tax asset amounted to €nil at 31 December 2011 (2010: €994,000).

Tax rates

No significant changes are expected to statutory tax rates in Ireland. The UK Budget in March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted in July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted in March 2011 and July 2011 respectively. This will reduce the group's future current tax charge accordingly. UK deferred tax balances have been calculated based on the rate of 25% substantively enacted at the balance sheet date. 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.

8. 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:

	2011	2010
Numerator in respect of basic and diluted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**121,488**	90,005
Numerator in respect of adjusted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**121,488**	90,005
Less: Exceptional items (Note 5)	**(17,975)**	-
Less: Sportsbet buyout call options value change (Note 6)	**-**	(7,116)
Less: UK tax losses deferred tax asset recognition (Note 7)	**-**	(1,770)
Profit for adjusted earnings per share calculation	**103,513**	81,119
Denominator in respect of basic earnings per share:		
Ordinary shares in issue at beginning of year	**49,954,114**	49,767,339
Adjustments for weighted average number of:		
– ordinary shares issued during year	**417,314**	64,992
– ordinary shares purchased and cancelled or held in treasury	**(1,734,000)**	(1,734,000)
– ordinary shares held by long term incentive plan trust	**(1,054,758)**	(1,387,159)
Weighted average number of ordinary shares	**47,582,670**	46,711,172
Basic earnings per share	**€2.553**	€1.927
Adjusted earnings per share	**€2.175**	€1.737
Denominator in respect of diluted earnings per share:		
Basic weighted average number of ordinary shares in issue during year	**47,582,670**	46,711,172
Adjustments for dilutive effect of share option schemes, sharesave scheme, share award schemes and shares held by long term incentive plan trust	**1,170,636**	1,329,728
Weighted average number of ordinary shares	**48,753,306**	48,040,900
Diluted earnings per share	**€2.492**	€1.874
Adjusted diluted earnings per share	**€2.123**	€1.689

9. 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**	**Online (ex Australia) €'000**	**Australia €'000**	**Total €'000**
Balance at 1 January 2010	7,067	8,248	-	48,196	63,511
Arising on acquisitions during the year (Note 10)	1,140	1,517	-	-	2,657
Foreign currency translation adjustment	-	231	-	10,568	10,799
Balance at 31 December 2010	8,207	9,996	-	58,764	76,967
Arising on acquisitions during the year (Note 10)	**-**	**1,201**	**13,303**	**-**	**14,504**
Foreign currency translation adjustment	**-**	**229**	**-**	**1,907**	**2,136**
Balance at 31 December 2011	**8,207**	**11,426**	**13,303**	**60,671**	**93,607**

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 2009 and 2010 (see Note 10).

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 and 2011 (see Note 10).

The online (ex Australia) segment goodwill amount arose from the acquisition by the Group in November 2011 of CT Networks Limited (Cayetano), a games developer based in the Isle of Man and Bulgaria. CT Networks develops games for the online and mobile gaming markets (see Note 10).

The Australia segment goodwill amount arose from the acquisition by the Group of an initial 51% interest in Sportsbet Pty Limited ('Sportsbet') and the acquisition of International All Sports Limited ('IAS') by Sportsbet, both in 2009.

9. Goodwill (continued)

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 2011. Based on these reviews, with the exception of the impairment of the IAS brand of €5,423,000, no impairment has arisen.

10. Business combinations and purchase of non-controlling interest

Year ended 31 December 2011

Acquisition of additional 39.2% of Sportsbet Pty Limited
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 (€98.2m) consideration payable for the acquisition was satisfied by: AUD110.6m (€81.8m) in cash from the Group's existing cash reserves; the assumption and payment of a pre-existing AUD4.0m (€2.9m) obligation of the non-controlling shareholders to certain Sportsbet employees; and 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-euro exchange rate shortly prior to acquisition completion). The non-controlling shareholder loans with a face value of AUD1.4m (€1.0m) were also repaid as part of the transaction.

Additional consideration is payable to the extent that the EBITDA (post Group central cost allocations) of the Group's Australian operations for the year ended 31 December 2013 exceeds AUD65.0m (€51.1m). The maximum additional consideration of AUD25.0m (€19.6m) is payable in the event that 2013 EBITDA exceeds AUD80.0m (€62.9m). An amount of €3.2m has been provided in respect of this contingent deferred consideration as of 31 December 2011.

	€'000
Purchase consideration – cash	84,749
Purchase consideration – Paddy Power plc ordinary shares (Note 13)	13,438
Contingent deferred consideration	2,989
Sportsbet buyout call options	6,978
Acquisition expenses	568
Total purchase consideration	108,722
Net assets acquired from non-controlling interest	(7,271)
Decrease in retained earnings	101,451

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	84,743
Acquisition expenses paid	568
Purchase of non-controlling interest	85,311

Included in the cash purchase consideration of €84.7m is an amount of €2.9m that the non-controlling shareholders requested be paid to certain employees of Sportsbet as part of the purchase transaction. This payment related 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.

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

Business combinations in 2011

In 2011, the Group, in the absence of available comparable sites for organic shop openings, acquired three retail licensed bookmaking businesses in Great Britain and one in Northern Ireland, comprising five shops in total. The Group also acquired CT Networks Limited (Cayetano), a games developer based in the Isle of Man and Bulgaria. CT Networks has developed a range of games for the online and mobile gaming markets.

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

	Book values on acquisition €'000	Provisional fair value adjustments €'000	Provisional fair values 31 December 2011 €'000
Identifiable net assets acquired:			
Property, plant and equipment	653	-	653
Intangible assets – computer software	38	744	782
Intangible assets – licences	436	-	436
Current assets (excluding cash and cash equivalents)	30	-	30
Current liabilities	(43)	-	(43)
Corporation tax payable	(2)	-	(2)
	1,112	744	1,856
Goodwill arising on acquisition – total			14,504
Consideration			16,360
The consideration is analysed as:			
Cash consideration			7,729
Contingent deferred consideration			8,631
			16,360
The net cash consideration is analysed as:			
Cash consideration before acquisition expenses			7,729
Acquisition expenses paid			-
Net cash consideration for acquisition			7,729

The principal factors contributing to the UK retail goodwill balance 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. The principal factor contributing to the CT Networks goodwill balance is that the acquisition provides a new internal source of games development expertise which will allow the Group to expand its existing online and mobile gaming offerings and so grow revenues in the future.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired businesses in respect of the period from acquisition and for the year ended 31 December 2011 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the various acquired businesses' performance against agreed targets and Group performance over the next four years. The contingent deferred consideration amount of €8.8m at 31 December 2011 represents management's best estimate of the fair value of the amounts that will be payable (discounted as appropriate).

During 2011, the Group also paid €50,000 in respect of contingent deferred consideration for a 2010 Irish retail acquisition.

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

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 contingent deferred consideration for the Company's initial 51% acquisition of Sportsbet on 1 July 2009. 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 contingent deferred consideration for the Irish retail 2009 bookmaking business acquisition.

Net cash outflow from contingent 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

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

Shop property acquisition
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 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
Contingent deferred 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.

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

	2011 €'000	2010 €'000
Cash consideration	**92,522**	18,941
Acquisition expenses paid	**568**	292
Purchase of businesses and acquisition expenses paid	**93,090**	19,233
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses, net of cash acquired	**7,779**	10,460
Acquisition expenses paid	**-**	212
Purchase of non-controlling interest, including acquisition expenses paid	**85,311**	8,561
	93,090	19,233

11. Trade and other receivables

Current assets

	31 December 2011 €'000	31 December 2010 €'000
Trade receivables – credit betting customers	**5,927**	3,986
Trade receivables – other	**1,367**	1,522
Trade receivables	**7,294**	5,508
Other receivables	**3,565**	1,342
Prepayments and accrued income	**20,306**	8,724
	31,165	15,574

Trade and other receivables are non-interest bearing.

Included in other receivables and prepayments and accrued income at 31 December 2011 are amounts of €1,629,000 and €2,240,000, respectively, relating to costs receivable and accrued GST refunds arising from the Australian GST court case as more fully described in Note 5.

Non current assets

	31 December 2011 €'000	31 December 2010 €'000
Prepayments and accrued income	**6,735**	-

The amount in non-current prepayments and accrued income represents accrued GST refunds arising from the Australian GST court case as more fully described in Note 5.

12. Cash and cash equivalents

	31 December 2011 €'000	31 December 2010 €'000
Cash	**21,855**	18,054
Short term bank deposits	**113,842**	145,365
	135,697	163,419
Less: Financial assets – current restricted cash deposits (see below)	**(18,149)**	(21,081)
Less: Financial assets – non current restricted cash deposits (see below)	**(6,409)**	(2,757)
Cash and cash equivalents in the statement of cash flows	**111,139**	139,581

The effective interest rate on short term bank deposits was 2.35% (2010: 1.28%); these deposits have an average original maturity date of 42 days (2010: 48 days). The short term bank deposits also have an average maturity date of 26 days from 31 December 2011 (2010: 19 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 2011 €'000	31 December 2010 €'000
Euro	**40,837**	101,452
GBP	**27,786**	14,916
AUD	**42,896**	26,737
USD	**2,323**	2,260
	113,842	145,365

Financial assets

Included in short term bank deposits at 31 December 2011 are amounts totalling €18,149,000 (2010: €21,081,000) which were restricted at that date and up to 3 January 2012 (2010: 14 January 2011) as they either (1) 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 or (2) represented client balances securing those player funds (see Note 15). This balance has been shown as a current financial asset in the consolidated statement of financial position.

12. Cash and cash equivalents (continued)

Included in short term bank deposits at 31 December 2011 are amounts totalling €2,409,000 (AUD3,064,000) (2010: €2,757,000 (AUD3,622,000)) which are restricted at that date and beyond 31 December 2012. 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 €157,000 (2010: €305,000), (2) are in respect of certain obligations entered into by the Group for office accommodation held under operating leases of €1,073,000 (2010: €1,310,000) and (3) are in respect of merchant facility and other certain other services provided to the Group of €1,179,000 (2010: €1,142,000). An additional €4,000,000 (2010: €nil) was restricted at that date and beyond 31 December 2012 as it formed part of guarantees issued in favour of certain gaming regulatory authorities to guarantee the payment of player funds, prizes and taxes due by the Group (see Note 15). These balances, totalling €6,409,000 at 31 December 2011 (2010: €2,757,000), have been shown as non current financial assets in the consolidated statement of financial position (see Note 15).

13. Share capital and reserves

The total authorised share capital of the Company comprises 70,000,000 ordinary shares of €0.10 each (2010: 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, 315,372 ordinary shares of €0.10 each (2010: 186,775 ordinary shares of €0.10 each) were issued as a result of the exercise of share options, for a total consideration of €3,589,000 (2010: €2,885,000) and giving rise to a share premium of €3,557,000 (2010: €2,867,000). As part of the purchase of the remaining 39.2% of Sportsbet on 1 March 2011, 455,535 ordinary shares of €0.10 each, with a total value of €13,438,000 and giving rise to a share premium of €13,393,000, were issued to the vendors of Sportsbet on that date (see Note 10). All other ordinary shares issued during the years ended 31 December 2011 and 2010 were in respect of the exercise of share options granted to employees of the Group under the terms of the Share Option and Sharesave Schemes. The total number of ordinary shares issued at 31 December 2011 was 50,725,021 (2010: 49,954,114), those shares having a total nominal value of €5,072,000 (2010: €4,995,000).

The total number of shares held in treasury at 31 December 2011 was 1,734,000 shares (2010: 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 2011 (2010: €34,177,000). The value of treasury shares held by the Company at 31 December 2011 was €5,975,000 (2010: €5,975,000), with the remaining €28,202,000 of shares being held by Paddy Power Isle of Man Limited (2010: €28,202,000).

At 31 December 2011, the Company held a further 1,178,069 of its own shares (2010: 1,456,407), which were acquired at a total cost of €33,397,000 (2010: €33,890,000), 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 2011 are further restricted by this cost amount. In the year ended 31 December 2011, 518,925 shares originally valued at €10,116,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2010: 336,804 shares originally valued at €7,016,000).

The foreign exchange translation reserve at 31 December 2011 was a balance of €13,873,000 (2010: €10,572,000) 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 (2010: €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 (2010: €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 €nil (2010: €32,000) arose on initial recognition of the Group's share of the discount on the non-controlling shareholder loans (which were non-interest bearing) and was eliminated when the loans were repaid in March 2011. The net wealth tax reserve had a balance of €49,000 at 31 December 2011 (2010: €49,000).

In 2011, an amount of €1,097,000 (2010: €551,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of €409,000 of deferred tax relating to the Group's share-based payments was charged against retained earnings in 2011 (2010: credit of €264,000).

14. Dividends paid on ordinary shares

	2011 €'000	2010 €'000
Ordinary shares:		
- final paid of 50.0 cent per share (2010: 38.9 cent)	**24,340**	18,750
- interim paid of 30.0 cent per share (2010: 25.0 cent)	**14,604**	12,019
	38,944	30,769
Proposed final dividend of 70.0 cent (2010: 50.0 cent) per share (see Note 17)	**34,295**	24,340

Immediately prior to the acquisition by the Group of the remaining 39.2% of Sportsbet on 1 March 2011 (see Note 10), Sportsbet paid an interim dividend to its shareholders. The non-controlling shareholders' share of this dividend, which has been treated as a deduction from the non-controlling interest balance, was €9,244,000.

15. Commitments and contingencies

(a) Guarantees
The Group has uncommitted working capital overdraft facilities of €15.3m (2010: €15.1m) with Allied Irish Banks plc. These facilities are secured by a Letter of Guarantee from Paddy Power plc.

The Group had a secure non-recourse bank loan facility from National Australia Bank with an undrawn balance of €6.6m (AUD8.7m) at 31 December 2010. The facility was fully repaid in June 2011 and was terminated early by the Group in October 2011, having had an original expiry date of September 2012. While the facility was in place, the Group could from time to time draw down amounts under the loan facility up to the amount of the then current facility limit.

The Group has a bank guarantee in favour of the Isle of Man Gambling Supervision Commission as security for player funds owed by certain of the Group's Isle of Man Companies to their customers. This guarantee is required as part of the Group's Online Gambling Licence. The maximum amount of the guarantee at 31 December 2011 was GBP18,000,000 (euro equivalent of €21,549,000) (2010: GBP17,000,000 and euro equivalent of €19,750,000). No claims had been made against the guarantee as of 31 December 2011 (2010: €nil). The guarantee is secured by counter indemnities from Paddy Power plc and certain of its Isle of Man subsidiary companies, and, at 31 December 2011, was secured by a cash deposit of €9,288,000 (2010: €21,081,000) 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 further €8,861,000 (2010: €nil) in client accounts held for the benefit of the Isle of Man Gambling Supervision Commission as security for player funds owed by relevant Group companies.

The Group has bank guarantees in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Group companies. The maximum amount of the guarantees at 31 December 2011 was €4,475,000 (2010: €300,000). No claims had been made against the guarantees as of 31 December 2011 (2010: €nil). The guarantees are secured by counter indemnities from Paddy Power plc and certain of its subsidiary companies, and, at 31 December 2011, were also secured by a cash deposit of €4,000,000 (2010: €nil) over which the guaranteeing bank holds a floating charge. The fair value accounting impact of these guarantees 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 2011, the total value of relevant customer balances attributable to the Australia business segment was €24,790,000 (AUD31,541,000) (2010: €23,562,000 (AUD30,951,000)) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €43,939,000 (AUD55,904,000) (2010: €31,001,000 (AUD40,723,000)).

The Australia operating segment had €2,409,000 (AUD3,064,000) of cash-backed bank issued guarantees outstanding at 31 December 2011 (2010: €2,757,000 (AUD3,622,000)), comprised as follows:

- amounts of €157,000 (AUD200,000) (2010: €305,000 (AUD400,000)) guaranteed to the Northern Territory Racing and Gaming Authority; and
- guarantees of €1,073,000 (AUD1,364,000) (2010: €1,310,000 (AUD1,722,000)) outstanding in respect of rental and other property commitments and a merchant facility guarantee of €1,179,000 (AUD1,500,000) (2010: €1,142,000 (AUD1,500,000)).

The Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the 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 2011 €'000	31 December 2010 €'000
Property, plant and equipment	**1,213**	1,380
Intangible assets	**866**	5,149
	2,079	6,529

16. 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 2011 and 2010 that materially impacted the financial position or performance of the Group.

17. Events after the statement of financial position date

Dividend
In respect of the current year, the directors propose that a final dividend of 70.0 cent per share (2010: 50.0 cent per share) will be paid to shareholders on 25 May 2012. 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 16 March 2012. The total estimated dividend to be paid amounts to €34,295,000 (2010: €24,340,000).

18. Accounting estimates and judgements

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

Goodwill of €93,607,000 (2010: €76,967,000) 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. The acquisition of CT Networks Limited in November 2011 contributed €13,303,000 to the online (ex Australia) operating segment. Retail shop acquisitions in Great Britain and Northern Ireland in 2011 contributed goodwill of €1,201,000 and licences of €436,000 to the UK retail operating segment. In 2010, retail shop acquisitions in Ireland and the UK 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 €60,671,000 (2010: €58,764,000) and brands intangible assets of €18,549,000 (2010: €17,966,000). Other acquisitions and amalgamations in 2009 and prior years contributed goodwill of €15,775,000 (2010: €15,546,000), including €5,309,000 (2010: €5,771,000) of deferred tax on the value of licences intangible assets recognised on the application of fair value accounting to the acquisitions, and €21,238,000 (2010: €20,610,000) of licences intangible assets. The directors believe that, with the exception of the IAS brand intangible of €5,423,000, this goodwill and the licences and brands intangible assets have not been impaired as of 31 December 2011.

The share-based payment reserve, which includes amounts in relation to the share award schemes and various share option schemes, amounted to €21,918,000 at 31 December 2011 (2010: €21,910,000). 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.

The fair value of the Group's sports betting open positions amounted to €9,909,000 at 31 December 2011 (2010: €8,602,000) 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 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 2011 and 2010, all retail premises leases qualify as operating leases.

Included in trade receivables of €7,294,000 at 31 December 2011 (2010: €5,508,000) are gross receivable balances of €11,434,000 (2010: €7,802,000), stated net of an impairment provision for bad and doubtful accounts of €4,140,000 (2010: €2,294,000). Management believes that the impairment provision represents their best estimate of the value of receivable balances at 31 December 2011 that may not be recoverable from customers, and that the carrying value of trade receivables is their fair value.

Included in trade and other payables at 31 December 2011 are contingent deferred consideration amounts of €12,472,000 (2010: €350,000) relating to certain business combinations and the purchase of non-controlling interests. Contingent deferred consideration is payable to vendors by reference to the acquired businesses' performance against various agreed targets over the next four years. The contingent deferred consideration amount of €12,472,000 at 31 December 2011 represents management's best estimate of the fair value of the amounts that will be payable (discounted as appropriate).