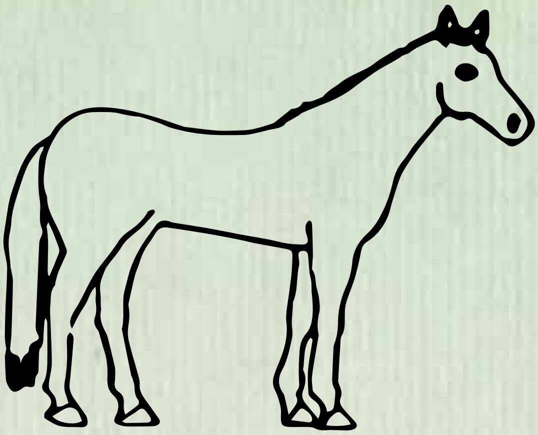


The Diary of Paddy Power

INCLUDES THE 2015 PADDY POWER BETFAIR PLC ANNUAL REPORT

PADDYPOWER.

THE BEST YEAR EVER!

Dear diary,

They say diaries can be unreliable due to the author only recording things from his or her own perspective, ignoring unpalatable truths and twisting the actual events to suit their own self-image, but I promise to avoid such pitfalls here. 2015 was THE BEST YEAR EVER! So much excitement and drama, so many times I found my heart racing like a Kardashian racing towards the opportunity of some free publicity. But before all that, let me tell you about the big news.

As history has shown us repeatedly, one sure way of making something awesome even more awesome is to pair it up with something that's also awesome. Fact. And because I base all my strategic decisions on the career of the Spice Girls, that's why, after months and months of serenading with 2 Become 1, I paired up with Betfair. Formerly rivals, now we're working in tandem to make the world a better place for punters. It's just like Batman v Superman – only really good, not total muck. By combining the companies' vast technological capabilities and operational expertise we have created a gambling superpower.

This Annual Report is a celebration of a truly extraordinary year in your company's history.

Yours tenderly,

Paddy (aged 41)

2015 Group Financial Highlights

Sportsbook amounts staked*

€8,646m +23%

2014: €7,003m

Dividends per share

180.0c +18%

2014: 152.0c

Net revenue (€m)*

€1,094.0 +24%

2014: €881.6m

Adjusted diluted earnings per share**

332.8c +12%

2014: 297.6c

Directors and Other Information

Directors

Gary McGann *Chairman*
Breon Corcoran *Chief Executive Officer*
Andy McCue *Chief Operating Officer*
Alex Gersh *Chief Financial Officer*
Ian Dyson *Senior Independent Director*
Zillah Byng-Thorne *Non-executive Director*
Michael Cawley *Non-executive Director*
Danuta Gray *Non-executive Director*
Peter Jackson *Non-executive Director*
Stewart Kenny *Non-executive Director*
Pádraig Ó Ríordáin *Non-executive Director*
Peter Rigby *Non-executive Director*

Company Secretary and Registered Office

Edward Traynor
Power Tower
Belfield Office Park
Beech Hill Road
Clonskeagh
Dublin 4

Stockbrokers

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4

Legal advisers

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

Auditor

KPMG
1 Stokes Place
St Stephen's Green
Dublin 2

Principal bankers

Allied Irish Banks p.l.c.
Barclays Bank PLC
Lloyds TSB Bank plc
National Australia Bank Limited
The Royal Bank of Scotland Group plc

Registrars

Computershare Investor Services (Ireland) Limited
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18

Registered number

16956

Contents

* Sportsbook amounts staked represent amounts received in respect of bets placed on sporting and other events that occurred during the year. Net revenue (or 'income') represents the net gain on betting transactions (stake less payout) plus the gain or loss on the revaluation of open positions at year end, net winnings on fixed odds and online casino gaming activities, and commission income and tournament fees earned from peer to peer games and business-to-business services. The costs of customer promotions and bonuses are deducted from net revenue.

** Excludes exceptional items as set out in note 6 to the consolidated financial statements.

January/February 2015

Dear diary,

Obviously I'm an incredible person, but part of being incredible is acknowledging that sometimes things don't go to plan. True perfection has to be imperfect. Someone clever said that. Einstein. Or Noel Gallagher. That's how I sum up my attempts to get David Ginola elected as FIFA President.

I'll be the first to admit it didn't go so well. In January – long before the FBI raids, multiple arrests and shocking news that FIFA actually has an ethics committee – I tried to do something about it – to run a genuine football man to stand against the regime to win back the beautiful game.

So, I teamed up with reform group Change FIFA to back a shock bid from footballing legend David Ginola. Together, we launched Team Ginola, with a manifesto based on Transparency, Integrity and Equality – and specific, radical policies for each.

And it's fair to say the whole project was a resounding success. Well, 'success' if the goal of the exercise was to get the sports media to hate us and get the typical football supporter to respond to us with indifference. What was it about the exceedingly handsome, highly toned, wealthy, Frenchman with fantastic hair that failed to resonate with your average football fan? Hmmm … I may never truly know.

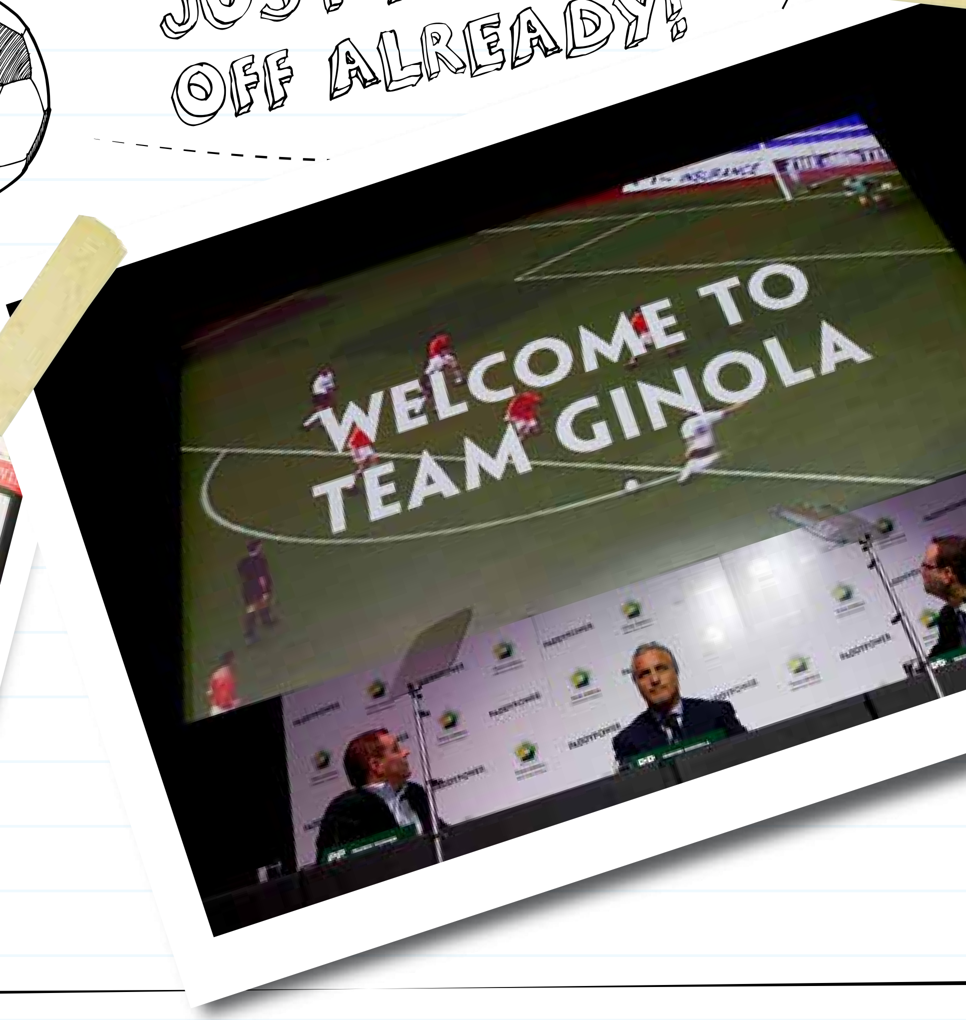
JUST F**K OFF ALREADY!

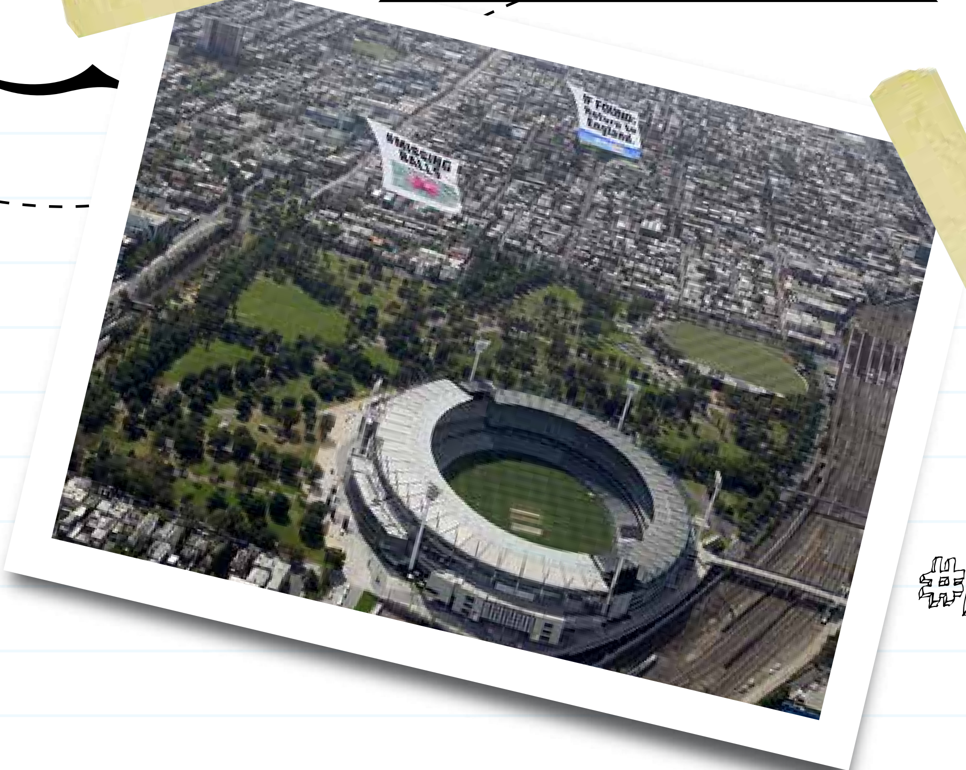

Controversial FIFA boss vows he w

Blatter: I won't quit

JUST F**K OFF ALREADY!

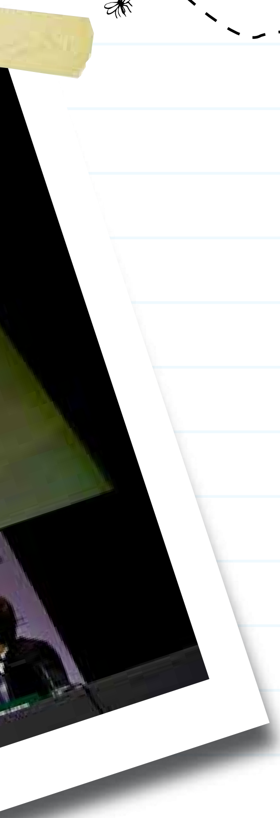
WE HEAR YOU! PADDYPOWER





#missingballs

In February I was Down Under for the start of the Cricket World Cup, just in time for Australian self-confidence to reach Kanye West levels and the arrival of England, aka the Poms. In conjunction with their New Zealand neighbours, the Aussies were hosting the tournament and they kicked off their bid for glory with a blockbusting game against their oldest, fiercest and probably moaniest cricketing enemies. That was the perfect opportunity to kick the hornets' nest. Kick it, then slog that hornets' nest over mid-wicket for six.



Playing upon the classic cricketing stereotypes of the Baggy Greens' brashness and the classic perception of the English players being a bit vanilla and lacking bottle in high-pressure situations, I brilliantly came up with the Missing Balls campaign. I went around Melbourne putting up posters which said 'MISSING: Pair of balls. If found please return to the English cricket team #missingballs'. Because the posters weren't accompanied by Sportsbet branding, there was no trouble getting social media thumbs and actual media tongues wagging about who was responsible. The ninja style stealth of the campaign sucked in people from all walks of life. Even my Australian competitors at Ladbrokes failed to guess who might have been behind the mischief, tweeting it on their own Twitter account.

If that chatter wasn't enough, the highlight came when I hired a helicopter and flew a giant banner of the poster above the ground while England trained ahead of the match and then displayed the poster on digital billboards along the route the England team bus took en route to the ground on matchday. LOLZ.

The whole campaign went down extremely well somewhat helped by the visitors producing the most underwhelming English performance on Australian soil since Lily Allen rubbed shoulders with Dr. Karl Robinson. They were hammered by 111 runs and a couple of weeks later found themselves checking in for a return flight home at the same time as such cricketing giants as Afghanistan and Scotland.

Yours Pom-bashingly,

Paddy

Chairman's Statement

Dear Shareholder,

I am delighted to update you on a truly transformational year for the Group.

Paddy Power saw continued strong growth, culminating in record revenues of €1,094m and operating profits of €180m. This was underpinned by a strong operational performance and significant strategic progress. The business attractive cash flow generation, coupled with a strong balance sheet, allowed the return of over €390m to shareholders in June via a B Share scheme.

In September we announced that the Boards of Paddy Power plc and Betfair Group plc had agreed terms on an all-share merger of the two companies. Following shareholder approval in December, the merger completed on 2 February 2016 with the formation of Paddy Power Betfair plc.

The merger has created one of the world's largest online betting and gaming companies with enlarged scale, market leading capability and distinctive, complementary brands. On a proforma basis the enlarged group had £1,318m of revenues and £229 million of underlying operating profits for the year ended 31 December 2015. Our online businesses contributed 80% of Group revenues and 87% of operating profits.

GBPm **Unaudited**	**Paddy Power Betfair Proforma 2015**
Sportsbook stakes	7,999
Total net revenue	**1,318**
Gross profit	1,007
Operating costs	(711)
Underlying EBITDA	**296**
Depreciation & amortisation	(67)
Underlying operating profit	**229**

Board & People

On 1 July 2015, I replaced Nigel Northridge as Chairman of Paddy Power plc. I would like to thank Nigel for his successful leadership of the Board of Paddy Power over six years. On 2 February 2016, following completion of the merger, the Board of Paddy Power Betfair plc was established with twelve directors, drawn equally from the 18 directors sitting on the individual company boards. Accordingly Cormac McCarthy, Tom Grace and Ulric Jerome stepped down from the Paddy Power Board. I would like to thank each of them for their valued contribution as directors and also acknowledge the contribution of Gerald Corbett (Chairman) and the other outgoing Betfair directors, Mark Brooker and Leo Quinn, to the success of Betfair. I would also like to thank David Power for his chairmanship of the Bookmaking Risk Committee during the period from his retirement as a director until completion of the merger.

Apart from myself, the Group's Board now comprises Breon Corcoran as Chief Executive Officer, Andy McCue as Chief Operating Officer, Alex Gersh as Chief Financial Officer and eight non-executive directors (four each from both Paddy Power and Betfair).

The Group currently employs over 7,000 people globally. The Board recognises the importance of the skill, experience and dedication of the Group's employees and is committed to maintaining the necessary expertise to support the Group's future success. We also note that as part of achieving the £50m of identified cost synergies from integrating the two businesses it will be necessary to rationalise some duplicated roles. The Board is committed to ensuring that people are treated equitably in this process and would like to thank departing colleagues for their contribution.

Regulation & Tax

The Group operates in a highly regulated industry across multiple geographical jurisdictions, with investment focused on sustainable markets that have been regulated. The Group makes substantial tax contributions in the countries in which it operates and also contributes significantly to sporting and racing bodies globally.

Financial Position, Capital Structure and Dividends

The Group currently has net debt excluding customer balances of approximately £63m, after allowing for the payment of costs, fees and stamp duty relating to the merger totalling £56m and dividends in 2016 to date of £146m (including special dividends).

The Board is adopting a progressive dividend policy consistent with the Group's expected growth, which balances returns to shareholders with the need to retain sufficient funds to drive growth through investment. The target payout ratio for the Group's dividend will be approximately 50% of underlying profits after tax. The efficiency of the Group's capital structure is kept under regular review by the Board. Relevant considerations include the Group's strong cash flow generation, its investment plans and general capital market conditions.

Gary McGann
Chairman

7 March 2016

Chief Executive's Statement

We were very pleased to complete the merger of two industry leading groups to form Paddy Power Betfair on 2 February 2016. The combination of two operators with significant growth momentum, aligned strategies and a strong cultural fit is hugely exciting and our belief in the strategic rationale for the deal has only been strengthened following our early days as an enlarged group.

Strong growth momentum

Both Paddy Power and Betfair have a track record of substantial growth in revenues and profits and they enter the merger with strong momentum. In 2015 Paddy Power's revenues were up 24% and operating profit increased 10%, or 50% before the impact of new taxes. In the same period, Betfair increased revenues by 17% and operating profit increased 9%, or 63% before new taxes.

Enlarged scale and enhanced capabilities

Combining two of the leading operators in the industry creates a business of significant scale with over £1.3 billion of revenues. The enlarged scale ensures the Group is better positioned to generate returns from investment in people, technology and marketing. The enhanced efficiency from operating at greater scale means we are well positioned to compete in both existing and new markets. For instance, the Group's combined marketing, technology and product spend, which totalled £429 million in 2015, can now be applied more efficiently over a larger number of customers.

Diversified Group with complementary products, channels and capabilities

The Paddy Power and Betfair businesses have highly complementary products, channels and capabilities, with successful online and retail businesses in the UK and Ireland alongside attractive international growth opportunities in Australia, the US and Europe. The Group has four well established and leading brands each with distinctive attributes.

Integration

It is early days for Paddy Power Betfair but integration of the two businesses is progressing well. We have appointed our leadership team which combines significant experience and knowledge from both Paddy Power and Betfair, and we are excited about the pool of talent we have available across the Group.

Detailed work has commenced on delivering the previously announced synergy cost savings of £50m per annum and we remain confident that this target will be achieved. While it is important to act quickly to bring the best attributes of each business together to create a stronger combined operation, it is crucial that we don't disrupt the momentum of the existing businesses.

This is particularly relevant as the merger completed at the start of a key trading period that encompasses the Cheltenham Festival, Aintree and the Euro 2016 football championships.

Outlook

We continue to operate in a highly competitive industry. We are excited however, by the opportunity to enhance our competitive position through leveraging our enlarged scale and capabilities as we integrate two leading businesses. We believe we are well placed to achieve profitable growth and deliver shareholder value and will update you further on progress and the strategy of the combined Group at our Interim Results in August.

The new financial year has started well for Paddy Power Betfair. The revenue growth momentum has continued and trading across the Group is in line with our expectations.

Breon Corcoran
Chief Executive Officer

7 March 2016

The combination of two operators with significant growth momentum, aligned strategies and a strong cultural fit is hugely exciting

March/April 2015

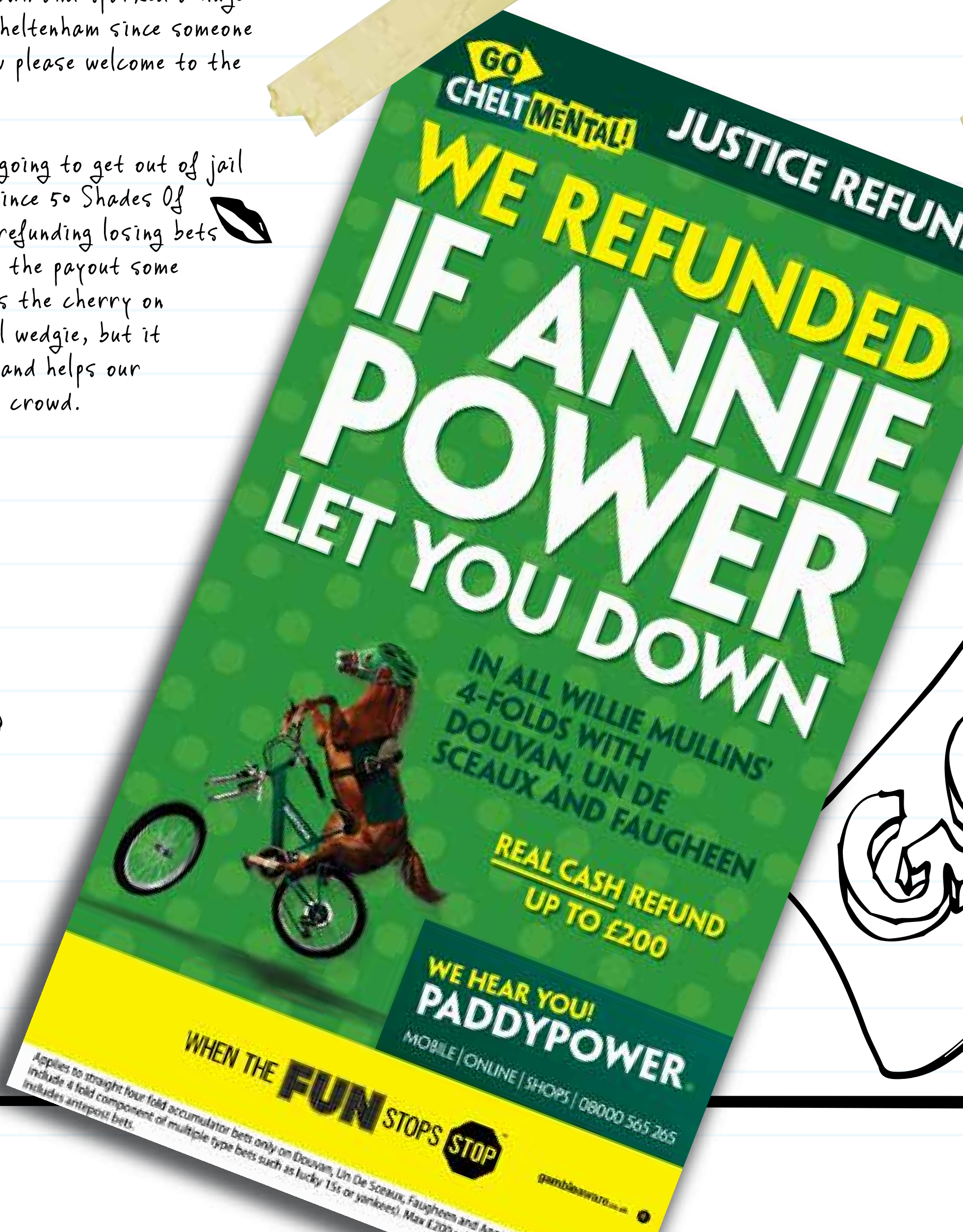
Dear diary,

If Christmas is mainly there for enjoyment and new Apple product launches are there for tech hipsters to have collective nerdgasms, then the Cheltenham Festival is sort of like my combination of both. Months and months of speculation, debate and dreaming, it's four days of horse racing brilliance from beginning to end. So brilliant in fact it makes me forget all about my dreadful betting for the week which, not for the first time, went about as successfully as the Apple iWatch.

My dismal ability to pick horses wasn't reflected by the punting public with Willie Mullins and Ruby Walsh teaming up to deliver opening day victories for heavily backed favourites Douvan in the Supreme Novices' Hurdle, Un De Sceaux in the Arkle Chase and Faugheen in the Champion Hurdle. With those three winners in the bag and cash spilling out of punters' pockets, Annie Power was sent off the red hot favourite to win the Mares' Hurdle and complete a four timer that would have flattened bookmakers. As Ruby guided Annie to the front turning for home, I gulped and braced myself for the worst. But the final hurdle came to my rescue. Annie took off too early, came crashing down and sparked a huge collective groan not heard at Cheltenham since someone uttered the dreaded words 'Now please welcome to the stage, Mr. Peter Andre'.

Just when it looked like I was going to get out of jail and avoid the worst spanking since 50 Shades Of Grey, I had the genius idea of refunding losing bets on Annie Power. It wasn't quite the payout some punters would have liked, it was the cherry on top of a fairly painful financial wedgie, but it felt like the right thing to do and helps our proposition stand out from the crowd.

Annie Power woz ere!



a Tory majority!

Not long after the dust had settled on one week of dramatic racing than it was announced we would be treated to 650 chaotic races - this time the venue being the UK's parliamentary constituencies. Prime Minister David Cameron announced the UK General Election would happen in early May. It was the perfect vehicle for some mischief. With such uncertainty about the outcome, I decided to put giant papier mache heads on four runners taking part in the London marathon. Cameron, Clegg and Miliband made it around the course fairly unscathed, but Nigel Farage endured more than his fair share of abuse from the crowds. Or maybe it was precisely his fair share of abuse. I don't really know where anyone stands these days.

Yours swinishly,

Paddy

Operating & Financial Review

Paddy Power's revenue grew 24% in 2015 and surpassed €1 billion for the first time, with double digit growth across all Online and Retail divisions. Operating profit before exceptional items[1] was up 10% on 2014 to €180m, or 50% before €66m[2] in new taxes and product fees. Fully diluted earnings per share grew by 12% to €3.33 and the regular full year dividend increased by 18% to €1.80 per share. In June 2015 an additional cash return to shareholders of €8 per share was paid.

Substantial strategic progress was made in 2015, with significant product enhancements, new marketing campaigns and efficiency gains.

€m	2015[1]	2014	% Change	% Change in CC
Sportsbook amounts staked	8,646	7,003	+23%	+18%
Sportsbook gross win %	*10.1%*	*9.9%*		
Sportsbook net revenue %	*9.3%*	*9.2%*		
Net revenue	**1,094.0**	**881.6**	**+24%**	**+19%**
Gross profit	817.7	713.9	+15%	+9%
Operating costs	(637.3)	(550.1)	+16%	+12%
Operating profit	**180.4**	**163.8**	**+10%**	**+2%**
Profit before tax	179.7	166.6	+8%	+0%
EBITDA	233.0	211.8	+10%	+3%
EPS, diluted	**332.8 cent**	**297.6 cent**	**+12%**	**+2%**
Dividend per share	180.0 cent	152.0 cent	+18%	
Net (debt)/cash at year end[3]	**(€76m)**	**€218m**		

Operating profit before exceptional items was up 10% on 2014 to €180m, or 50% before €66m in new taxes and product fees.

1. Note results throughout this 2015 Paddy Power Operating & Financial Review ('OFR') are before exceptional items (€10.2m of exceptional operating losses relating to restructuring and merger related costs. The tax credit for these costs (€0.5m) along with a €4.3m credit from the release of a historic corporation tax provision results in an overall exceptional after tax losses of €5.5m).
2. Comprises €49m from incremental UK Point of Consumption Tax ('POCT'); €3m from Irish POCT introduced from 1 August 2015, €6m from increased rates of Australian product fees, €5m from increased Machine Gaming Duty rate and €3m from the introduction of VAT on eGaming with Irish customers.
3. Excludes customer balances of €80m (2015) and €67m (2014).

Paddy Power's operations remained focused on the fast growing online betting market with 84% of total 2015 operating profits generated online (2014: 77%).

Operating Profit by Division	**2015**		**2014**		
	€m	**% of Group**	**€m**	**% of Group**	**% Change**
Online (ex Australia)	72.9	41%	75.3	46%	(3%)
Online Australia	79.5	44%	52.4	32%	+52%
UK Retail	23.4	11%	21.2	13%	+31%
Irish Retail	20.3	13%	15.6	9%	+10%
Telephone	(15.7)	(9%)	(0.7)	0%	n/a
Group Operating Profit	**180.4**	**100%**	**163.8**	**100%**	**+10%**

In 2015 Paddy Power operated in three main geographies: the UK, Australia and Ireland. In addition, we had an early stage B2C business in Italy and B2B partnerships with French, Canadian, Spanish and Slovakian operators.

Operating Profit by Geography[4]	**2015**		**2014**		
	€m	**% of Group**	**€m**	**% of Group**	**% Change**
UK	72.9	40%	91.7	56%	(21%)
Australia	79.5	44%	52.4	32%	+52%
Ireland, Italy and Rest of World	28.0	16%	19.8	12%	+42%
Group Operating Profit	**180.4**	**100%**	**163.8**	**100%**	**+10%**

Sports Results and Trading

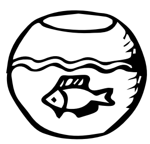
While the sportsbook gross win percentage was marginally ahead of the prior year, this increase was driven by positive structural and channel mix changes. Sports results favoured the customer, most notably in the first half where the industry was hit with three significant loss making football weeks and our Telephone channel incurred some freakish results.

But it wasn't all one way traffic and it is unpredictability that makes betting so fascinating for punters and bookies alike. In football, at the start of 2015 things seemed very predictable (…Chelsea led by the 'special one' on top of the table; Leicester City at the bottom facing relegation…) and in the first half punters benefitted from their favourites regularly delivering. But the new season showed previous form to be as reliable as a Volkswagen emission test, bringing less predictability, epitomised by Leicester's dominance and Chelsea's woes, and more bookie friendly results ensued (albeit some things became very predictable such as goalless draws at Old Trafford and Daniel Sturridge constantly 'making a comeback from injury').

In racing, Cheltenham was again dominated, to punters' delight, by Willie Mullins, with Ryan Moore also leaving bookies licking their wounds by riding a record nine winners at Royal Ascot. The Grand National result went with the bookies when AP McCoy, aboard the hotly backed favourite, missed out on a fairy tale win in his last National. Paddy Power customers did take some consolation as we were the only major multichannel operator to pay on his fifth place across all channels. In Australia, overall results across the Spring Racing Carnival favoured punters however the bigger races favoured the bookies, most notably the 100/1 outsider, Prince of Penzance, winning the Melbourne Cup with Michelle Payne bringing gender equality to the sporting pages by becoming the first 'Sheila' to win the race that stops a nation.

Equality was also a theme of our mischief activity in 2015. We reacted to newly crowned heavyweight champion Tyson Fury's well publicised comments on homosexuality and women's rights (a rant that made Donald Trump's manifesto seem refined), by welcoming him to the BBC SPOTY Awards by projecting a 100ft super camp, rainbow coloured image onto the SSE Arena containing the line "Don't be Furious, Be Fabulous!". We also weighed in on the marriage equality debate in Ireland with prominent billboards provocatively promoting our referendum odds. Our odds of 1/10 for a 'Yes' vote proved to be on the money as the 'Yes' campaign stormed to a landslide victory making Ireland the first country in the world to hold, and successfully pass, a referendum on legalising same-sex marriage.

The Rugby World Cup was also a significant event last year. Whilst it is clearly not on the same scale as the football equivalent (although England's capitulation did make it feel quite similar!) that didn't stop us showcasing our brand and product. Mischief and marketing - standout money back specials on all group games, erecting a giant statue of fallen Irish captain Paul O'Connell outside the Millennium Stadium, Danny Cipriani as brand ambassador, sponsorship of the free to air coverage in Australia - were all supported by leading product. The release of our new rugby union trading model enabled us to provide a greater number of markets, quicker bet settlement, and crucially, less bet suspension time during matches.



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

"YES

YES

YES"

TIOCFAIDH ÁR LÁ

Just want to clarify that we really dislike gay people...

May

Dear diary,

Why do birds
suddenly appear,
everytime,
you drink beer,
just like Steve,
they long to be,
toaster yoooouuuuuuu.

Tune! I'm pretty sure they're the exact words, but they didn't have the internet when it came out, so I had to piece together the lyrics from hitting play and record on my high-tech cassette recorder. Either way, that's the song that was running around my head for the majority of May. What a wonderful month. With the longer evenings, summer rolling into town and sudden change in attitude which makes drinking cider in public perfectly acceptable and not a sign of chronic alcoholism, May is already great, but this time around it was particularly pleasant.

It was the month in which Ireland gave gay people the right to be equally unhappy in marriage as their heterosexual counterparts. Having already given gay people the right to have sex without being criminals and like the music of Cher without the need for public humiliation, it was only fair that the government of the day asked the country if they were willing to let gay people go the whole hog and get married.

And the answer couldn't have been more flamboyantly resounding if it burst into the room dressed in sequins, belting out 'It's Raining Men' and telling everyone it loved what we're doing with our hair these days. Ireland said 'yes' to marriage equality and it was a great chance for me to get involved in the discussion and showcase my hilarious and sometimes edgy wit. Well, at least mum says I've hilarious wit.

I DO
I DO
I DO

Not long before the country was about to head to the polls, I did up a magnificent advert featuring two balaclava-clad men locking lips alongside the provocative slogan, 'Tiocfaidh Ár Lá'. Using the most high-tech advertising medium available to me - an ad on the back of a truck - I drove the ad all over Dublin's fair city.

Just as the debate was raging, I also threw out a tweet which read 'Just want to clarify that we really dislike gay people ...', waited for the righteous fury of Twitter's audience to rain down upon me before completing the message with a second tweet that read 'not being afforded the same rights as everyone else'. I'm just so good sometimes, it scares me.

Yours matrimonily,

Paddy

I ♥ You

...not being afforded the same rights as everyone else

Operating & Financial Review
(continued)

Online

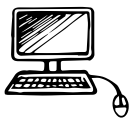
€m	2015	2014	% Change	% Change in CC
Sportsbook amounts staked	5,832	4,644	+26%	+20%
Sportsbook net revenue	541.3	412.9	+31%	+28%
Sportsbook net revenue %	*9.3%*	*8.9%*		
Gaming & other net revenue	166.0	140.5	+18%	+10%
Total net revenue	**707.3**	**553.4**	**+28%**	**+23%**
Gross profit	515.8	446.5	+16%	+11%
Operating costs	(364.2)	(319.9)	+14%	+11%
Operating profit	**151.6**	**126.6**	**+20%**	**+11%**
% of Group operating profit	84%	77%		
Active customers[5]	**2,535,270**	**2,414,439**	**+5%**	

We continued to build our online scale in 2015, with 20%[6] growth in sportsbook stakes and 23% growth in total net revenue. This growth was again driven by mobile which accounted for 68% of online revenue with 80% of active customers transacting via mobile.

Online operating profits increased by 11% to €152m, representing 84% of Group operating profit. This profit growth was achieved despite €59m of additional taxes in 2015 and was driven by continued substantial investment in differentiated product and marketing. This increased investment was successfully funded through savings generated by more focused and efficient execution.

We achieved cost savings from a range of measures which included tightly controlling costs in central functions, the consolidation of our product development activities, reduced investment in poker and bingo, and curtailing low value customer acquisition.

We continued to build our online scale in 2015, with 20% growth in sportsbook stakes and 23% growth in total net revenue.



Online (Excluding Australia)

€m	2015	2014	% Change	% Change in CC
Sportsbook amounts staked	3,226	2,763	+17%	+8%
Sportsbook net revenue	232.8	194.2	+20%	+13%
Sportsbook net revenue %	*7.2%*	*7.0%*		
Gaming & other net revenue	166.0	140.5	+18%	+10%
Total net revenue	**398.8**	**334.6**	**+19%**	**+12%**
Gross profit	288.9	280.7	+3%	(4%)
Operating costs	(216.1)	(205.4)	+5%	+1%
Operating profit – total	**72.9**	**75.3**	**(3%)**	**(16%)**
Operating loss - paddypower.it	*(7.9)*	*(14.7)*	*n/a*	*n/a*
Operating profit - ex Aus, ex Italy	*80.7*	*90.0*	*(10%)*	*(20%)*

5. Active customers throughout this statement are defined as those who have deposited real money and have bet in the year, excluding indirect B2B customers.
6. This and subsequent growth percentages in the OFR are in constant currency ('CC'), as compared to the equivalent period in the prior year, unless otherwise stated. The OFR financial tables include both nominal and constant currency growth percentages.

Online (excluding Australia) includes the B2C businesses, paddypower.com and paddypower.it, and our B2B activities.

Net revenue grew by 12% to €399m with sportsbook growth of 13% and eGaming growth of 10%. This revenue growth combined with the benefit of cost efficiency initiatives led to operating profit growth of 48% before the €55m impact of new taxes. Operating profit as a percentage of net revenue, excluding POC taxes, increased by 7 percentage points to 32%.

Active customers fell 3%, with customer acquisition down 12% due to the 2014 World Cup in the comparative period and the curtailment of low value customer acquisition, particularly during the Grand National. Excluding the impact of the 2014 World Cup and the Grand National, paddypower.com new customer acquisition grew by 11%.

Online (Ex Aus) Active Customers	2015	2014	% Change
UK	1,383,031	1,434,335	(4%)
Ireland and Rest of World	398,704	405,318	(2%)
Total	**1,781,735**	**1,839,653**	**(3%)**

Online (Ex Aus) Customers Product Usage	2015	2014	% Change
Sportsbook only	1,079,978	1,238,619	(13%)
Gaming only	157,542	157,988	(0%)
Multi product customers	544,215	443,046	+23%
Total	**1,781,735**	**1,839,653**	**(3%)**

paddypower.com

In 2015, our UK and Irish online customers saw a significant transformation in paddypower.com with substantial product enhancements and a new marketing campaign. This was the result of focusing our strategy and investment on releasing differentiated product and ensuring our marketing continues to deepen the distinctiveness of the Paddy Power brand.

We started 2015 with a sports betting app that whilst it was ground breaking when it was first launched, had become visually dated, less competitive and needed refreshing. Therefore our objective was clear, to develop and release new market leading sports betting apps. To achieve this, new apps were designed and built in-house, and focused on addressing the primary drivers of customer satisfaction with core values of simplicity, usability and speed.

In November we released our new native iOS app, delivering significantly improved customer navigation for iPhone betting with, for example, faster price updates and bet placement. This was followed in December with our new proprietary HTML5 web app which delivered similar benefits to Android and iOS web customers. The seamless launch and intuitive design of the new apps have resulted in very positive customer reaction to date. In addition, the development of proprietary platforms has laid a strong foundation for further innovation and differentiation by giving us increased agility and speed, which we will take full advantage of with the launch of new product innovations we have in development.

Our new 'You're Welcome!' marketing campaign is resonating strongly with customers, driving increased brand awareness and showcasing our significantly enhanced product offering. The campaign is reaching significant TV audiences via our strategic media assets including leading packages for football on BT Sport and Sky Sports and for racing on Channel 4.

paddypower.it

Following a strategic review, in early 2015, we have made substantial operational improvements to position our Italian business, *paddypower.it*, for long term growth and profitability. We restructured our cost base to levels appropriate to the current market opportunity, and whilst growing net revenue by 18%, we reduced operating costs by 19% and took cost of sales as a percentage of net revenue down by 14%. The operating loss reduced by €6.8m to €7.9m.

The review also highlighted that inconsistent investment in marketing had resulted in limited awareness of our brand. Accordingly, we undertook detailed market research to develop a new marketing campaign to build sustainable brand awareness, build association of the brand with key consideration attributes and ultimately drive profitable revenue growth. The new "You've Got the Power" campaign went live on TV in January 2016, encouraging Italian men to 'man-up' and take back their power, whilst also building brand trust and highlighting how our mobile product makes betting quicker, simpler and more fun.

We continue to improve and expand our overall customer proposition. In eGaming, we added our exclusive proprietary content in 2015 and also released new Casino web and native apps. Last month we increased our addressable market with the rollout of Virtuals product.

From January 2016 the Italian sports betting tax regime changed from a turnover basis to a gross gaming revenue basis at 22%. If this had been in place in 2015 we would have paid approximately €0.7m less betting tax. The change is particularly beneficial for higher volume, lower margin operators.

We continue to invest to achieve the best position for the long term in a market where the medium to long term dynamics are attractive and where mobile will be the key driver of future growth.

(A) Online Sportsbook

Sportsbook net revenue grew 13% with stakes growth of 8% to €3.2 billion and an improved year-on-year net revenue percentage. Within the stakes growth, bet volumes grew 5% to 206m, while the average stake per bet increased by 3% to €15.63. Mobile stakes grew 21% to €2.1 billion, or 66% of online stakes, with 81% of our online customers transacting with us via mobile in December.

Stakes growth was adversely impacted by the 2014 World Cup in the comparative period, the curtailment of low value customer acquisition and reduced recycling of winnings from customers with the improved year-on-year sports results. Excluding the 2014 World Cup from the comparative, sportsbook net revenue grew 23% and stakes grew 13% in paddypower.com.

Key product developments last year prior to the new app releases included the extension of 'cash-out' to each-way and multiple bets, the addition of partial 'cash-out', betting-in-running product enhancements such as improved visualisations, streaming and statistics and investment in further extending our industry leading bet settlement times.

June 2015

Dear diary,

When it comes to rivalries, there are a few that famously echo through the ages. David versus Goliath, cats versus dogs, Pamela Anderson versus the effects of gravity. All epic battles. Belonging in the same bracket is the long running rivalry between the Irish and the English. In recent years, there has been something of a thaw in hostilities as the Irish begin to fully appreciate the constant wave of British stag parties that practically kept the country aloft during the credit crunch and the English appreciate the high calibre of comedy we sent across the Irish Sea. Comedy such as Mrs. Brown's Boys. Hey, nobody said it was a fair exchange.

That thawing had arguably its most notable moment with the meeting of the Republic of Ireland and England at the Aviva Stadium. With no World Cup or European Championships to look forward to, all we were left with were meaningless end of season friendlies. But while normally we get such sporting occasions as any Irish or English players who haven't developed phantom hamstring injuries just so they can go on their summer holidays versus whoever Finland could be arsed sending over, this time we had an actual cracker with huge significance.

I ♥ You
Mrs Brown

Given that the two sides had met at Wembley only two years earlier, it wasn't especially remarkable, but given it was the English team's first visit to Dublin since Combat 18 decided to begin the demolition of Lansdowne Road about 12 years before it was needed. It was followed with hope, anxiety and lots of camera phones pointing at English fans just in case they would provide social media gold. It was a great chance for some fun and moderate bear-poking. With English football fans coming to the Irish capital for the first time in 20 years, I decided to poke fun at their previous visit. I turned the Paddy Power branch on Dublin's Baggot Street into a 'Designated England Supporters' Betting Shop'. It was pretty much the same as all my other shops, but with one substantial addition – lots and lots of bubble wrap to yob-proof it in case it all kicked off again.

To be fair, the image of England fans being thuggish hooligans largely stems from an era when Peter Beardsley was considered the height of footballing sophistication, but it's still fun to wheel out that lairy old chestnut when the situation requires it. And this was exactly the type of situation to require it. It all passed off peacefully, so peacefully that both sides didn't even want to bother each other's goalmouth in the course of the 90 minutes. One small step towards building a squad for Euro 2016, one giant leap for international relations.

Yours cordially,

Paddy

The new proprietary apps allow us to release new product features and enhancements more frequently – updates to date include PIN login and the addition of 3D Touch, Racing Post tips and more live streaming. Last week we also added 'One Touch Betting' allowing customers to enter their stake and place a bet with a single touch.

We are also continuing to ensure we are seen as being competitive on value through distinctive, simple and relevant customer acquisition and retention offers. For example, our new app launches were heavily promoted through 'PowerPlay' enhanced prices being prominently featured on the new app. The offer banners also highlight the key product benefits in typical Paddy Power fashion, with taglines such as *"Faster than a FIFA payment to Platini"* and *"Easier than selling Liverpool a donkey".*

(B) Online Gaming & B2B

Gaming and other revenue was up 10%, or 12% before the impact of the new Irish eGaming VAT introduced in 2015. Growth was driven by continued strong performance from mobile and proprietary games within our Games and Casino channels. Mobile net revenue increased by 46%, accounting for 55% of total online gaming.

eGaming active customers grew by 17%, driven by significantly stronger cross selling from sportsbook and direct customer acquisition into Games and Casino, supported by differentiated product.

Key to this differentiation are our in-house developed games which contributed 24% of total *paddypower.com* eGaming revenues (2014: 13%). Revenue per game from proprietary content averaged twice that of our externally supplied content. We are also developing a new proprietary bonus engine management system giving us the ability to use customer analytics to intelligently promote our proprietary products, which we expect will drive further revenue growth.

In B2B, during 2015 we renewed our long-term partnerships with PMU (France) and BCLC (Canada); added Reta (Spain) as a new partner; and our partnership with Niké (Slovakia) was enhanced with their expansion into the Czech market. All these partnerships reinforce our position as a global industry leader in product and betting risk management.

Online Australia - *sportsbet.com.au*

€m	2015	2014	% Change	% Change in CC
Online sportsbook amounts staked	**2,605**	**1,881**	**+39%**	**+40%**
Total sportsbook amounts staked	2,832	2,056	+38%	+39%
Net revenue	**320.8**	**226.9**	**+41%**	**+43%**
Sportsbook net revenue %	*11.3%*	*11.0%*		
Gross profit	237.0	171.3	+38%	+40%
Operating costs	(157.4)	(118.9)	+32%	+33%
Operating profit	**79.5**	**52.4**	**+52%**	**+54%**
Online active customers	753,535	574,786	+31%	

In Australia our track record of strong market share gains, top-line growth, and profit margin expansion continued in 2015, driving operating profit growth of 54%. Sportsbet became Australia's largest online brand, with accelerated stakes growth of 40% driven by 23% growth in customer acquisition and 31% growth in active customers, and the second largest operator for total stakes. Mobile stakes increased by 76% to €1.7bn or 66% of online stakes, with 87% of our online customers transacting with us via mobile. Growth in Telephone, which is predominantly a betting-in-running channel, also accelerated significantly with net revenues up 49%.

The track record of growth in Australia is driven by ongoing investment in innovative, differentiated product, and distinctive brand and marketing capabilities.

In product last year, we launched 'Punters Club', a unique betting club product that is fully integrated into our betting platform, providing a seamless social betting experience for customers which will, in turn, drive additional revenues. In December we released 'Bet Live' our new betting-in-running product which has contributed to accelerating telephone stakes growth over the last few months with, for example, January 2016 phone stakes doubling compared to the prior year comparative. The product, which utilises traditional phone service capabilities with our app, delivers a much faster and simpler live betting experience to our mobile customers. Other significant product enhancements in 2015 included 'cash-out', fingerprint login for smartphones and streaming of live Victorian racing.

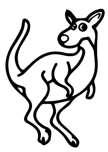
In brand, we continued to materially increase our level of investment to showcase our leading product and reinforce our number one ranking for spontaneous brand awareness at 57% for 2015, nine percentage points ahead of our nearest competitor. Total marketing spend in 2015 was more than double our 2013 spend, illustrating our substantial growth and scale.

The investment included significantly increased promotional activity over the racing Spring Carnival period, prominent TV campaigns to showcase our 'cash-out' features and in an industry first, a TV campaign to promote 'Take A Break' our innovative responsible gambling product allowing customers to choose when and how long they take a break from betting. We also secured key media deals for 2016 including leading free to air TV summer cricket assets, Fox Sports AFL game day coverage, beIN Sports soccer coverage and Network Nine NRL assets.

Product fee changes increased costs in 2015 by approximately €6m with the majority of this related to increases implemented in 2014 by racing bodies in Victoria, Western Australia, Queensland and South Australia. Rate increases announced in 2015 by Racing New South Wales and other bodies will increase costs by approximately €3m in 2016. We were encouraged by the decision of Queensland Racing to incentivise bookmakers to promote their products by implementing reductions in product fees from November 2015. Accordingly, we have increased our investment in Queensland racing products with promotions and media support (which included a prominent money back special each Saturday in December) and it was our fastest growing state in terms of stakes in December.

In November 2015, we completed a detailed submission to the Federal Government's *Review of the Impact of Illegal Offshore Wagering* in which we advocated for the removal of the outdated ban on online in-play wagering and a raft of other measures to mitigate against the impacts of Australians betting with illegal offshore operators. We expect the report and its response to be released in the coming months.

In Australia our track record of strong market share gains, **top-line growth,** and profit margin expansion continued in 2015, driving operating profit growth of **54%.**



Retail

Our retail businesses in Ireland and the UK continue to grow strongly and take market share. Top-line momentum accelerated in 2015 with like-for-like net revenue up 8%. Operating profits grew by 18% on average over the three years to 2014 and grew by a further 11% in 2015 to €44m, despite increased taxes and regulation. Ensuring our customers get the best product, service and value is central to this strong performance. In sports betting, we continue to extend our long-standing leadership position in Self Service Betting Terminals (SSBTs) both through having the leading number of terminals per shop and through continued optimisation of our already superior content and promotions. We recently added an exclusive new bet tracking feature allowing customers to place a bet on an SSBT and track it at www.trackmybet.co.uk where they can also access in-play visualisation and cash out bets directly to their online account.

Our UK machine gaming terminals carry the widest selection of games in the market and we now offer in-house developed games, which also help to deliver consistency of exclusive content across online and retail channels.

Following the introduction of self-service sign-up tablets, we are acquiring significant numbers of multichannel customers via our shops. The initiative which is now rolled out across our entire UK estate, enables us to target the online spend of multichannel bettors and early indications of it driving incremental revenues and returns are encouraging.

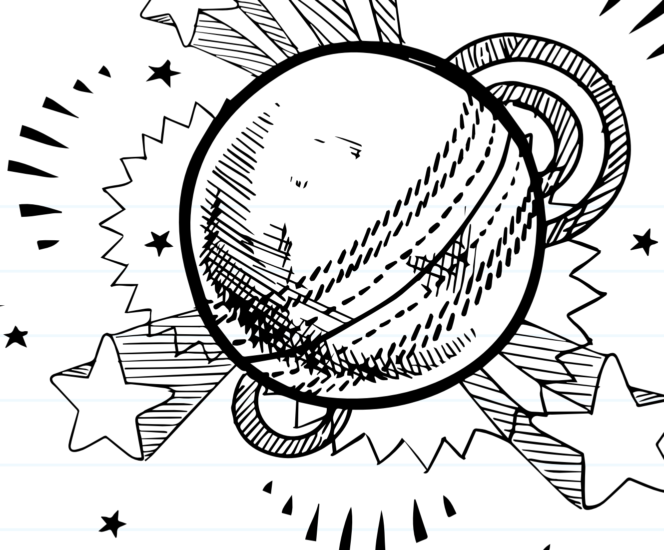
In 2015 we opened a net 34 new shops and last week we opened our 600th shop. Whilst increased taxes and regulations, coupled with our greater estate size, means the rate at which we are opening new units has declined, we are still identifying attractive locations.

UK Retail

€m	2015	2014	% Change	% Change in CC
Sportsbook amounts staked	897	710	+26%	+14%
Sportsbook net revenue	100.9	80.5	+25%	+13%
Sportsbook net revenue %	*11.3%*	*11.4%*		
Machine gaming net revenue	121.1	93.5	+30%	+17%
Total net revenue	**222.0**	**173.9**	**+28%**	**+15%**
Gross profit	157.8	129.5	+22%	+10%
Operating costs	(134.4)	(108.3)	+24%	+14%
Operating profit	**23.4**	**21.2**	**+10%**	**(8%)**
Shops at year end	341	321	+6%	

UK Retail operating profit of €23 million was up 12% before €5 million of additional Machine Gaming Duty ('MGD') payable following the rate increase from 20% to 25% from March 2015. The top-line grew strongly with total net revenue up 15% and sportsbook stakes growth of 14%. Excluding the impact of new openings, like-for-like net revenue grew by 6%, comprised of 5% in sportsbook and 6% in machine gaming.

I don't like cricket
I love it



July 2015

Dear diary,

I don't like cricket,
I love it,
Oh yeah,
At least we do when the Ashes is on.

I'd be lying if I wrote that I was the world's biggest cricket fan. On the plus side, what other event allows you the luxury of sitting in a field in the sunshine, drinking beer all day but also not have people thinking you're a urine-soaked hobo?

In the build-up to the 2015 hostilities between England and Australia, the major talking point revolved around the absence of England's favourite South African, Kevin Pietersen. As the big day rolled around, rather than representing the Three Lions, KP was busy sunbathing in the Caribbean, stopping occasionally to smash cricket balls into the stands and collect massive paycheques.

The phonecall never came and spotting an opportunity, I swooped and signed Pietersen up to air some of his famously outspoken views for Paddy Power. We made an amusing video of him riding in on a white horse to save England's Ashes bid. It was meant to be a clever metaphor for how he was going to drive the hosts on to a stirring against the odds victory, but it just turned out to be him riding a white horse because England got on just fine without him.

The Aussies displayed their customary mouthiness, but the hosts wrapped up the series win and that funny little urn with a Test match to spare, courtesy of a ferocious bowling display from Stuart Broad who saw the Aussies collapse to 60 all out – comfortably the most embarrassing Aussie performance since Nicole Kidman in BMX Bandits.

Although his ego may have been a little bit bruised by how easily his former team-mates claimed victory, KP spoke to me via the Paddy Power Blog, providing Paddy Power with some fascinating insight that was always interesting and only sometimes self-aggrandising. Either way, it made its way into the newspapers and sports sections of websites, Kevin got paid and England won the Ashes. Everyone won. Except of course the Aussies.

Yours gloriously,

Paddy

Like-for-like sportsbook stakes growth at 5% continues to outperform the market, driven in part by our SSBT leadership position. This growth comprised a 10% increase in bet volumes, partially offset by a 5% decrease in the average stake per bet to €17.26. Notwithstanding the adverse mid-single digit percentage year-on-year impact from the introduction in April of new regulations for the '£50 staking journey', like-for-like machine revenue growth was 4% in the period April to December. This growth was driven by continued strong execution of carded play and strong B3 machine growth driven by regular new game releases.

Operating costs grew 14%, driven by a 12% increase in average shop numbers and like-for-like cost growth of 3%.

We opened 21 new shops last year (of which four were acquired) and closed one unit. The average capital cost per new shop was €391,000 (£282,000) including lease premia and the costs of acquisition and refit for the acquired units. The average annualised EBITDA per shop pre central costs for the mature shops opened pre 2014 was €184,000 (£135,000), 12% lower than the comparable group of shops in the prior year, driven by increased MGD and machine regulation.

Irish Retail

€m	2015	2014	% Change	% Change in CC
Sportsbook amounts staked	1,205	1,093	+10%	+10%
Net revenue	**144.8**	**126.6**	**+14%**	**+14%**
Sportsbook net revenue %	*12.0%*	*11.6%*		
Gross profit	129.4	113.6	+14%	+14%
Operating costs	(109.1)	(98.0)	+11%	+10%
Operating profit	**20.3**	**15.6**	**+31%**	**+44%**
Shops at year end	257	243	+6%	

Irish Retail operating profits increased 44% to €20m driven by strong revenue growth in the existing estate and new shop openings.

Like-for-like net revenue grew 11% and amounts staked increased by 6%, driven by 9% growth in bet volumes, partially offset by a 2% decrease in the average stake per bet to €13.55. This strong growth was driven by our market leading customer offering, the benefit of an improving economy and new regulations allowing shops to open every evening all year round. The evening openings also contributed in part to like-for-like operating cost growth of 6%.

Following on from the 20 new shops opened in 2014, we opened a further 14 new shops last year. The average capital cost per unit of these 34 units was €568,000 (including the costs of acquisition and refit for acquired units) and they generated average annualised EBITDA of €140,000 in 2015.

Telephone

€m	2015	2014	% Change	% Change in CC
Sportsbook amounts staked	484	380	+27%	+17%
Net revenue	**7.6**	**19.5**	**(61%)**	**(64%)**
Sportsbook net revenue %	*1.7%*	*5.2%*		
Gross profit	4.5	18.9	(76%)	(77%)
Operating costs	(20.2)	(19.5)	+4%	+0%
Operating loss	**(15.7)**	**(0.7)**	**n/a**	**n/a**
Active customers	68,481	76,066	(10%)	

Our telephone channel includes betting via the phone, text and the PP Messenger App. Whilst stakes growth at 17% was strong, net revenue was significantly impacted by a freakish sequence of adverse sports results in the first half, resulting in a €16m operating loss for the year. Statistically such a run of results had less than a 1% probability of occurring and the net revenue percentage in the second half was in line with our normal expectations.

We continue to expect our Telephone channel to make an on-going positive contribution to the Group, with it sharing many common resources with our online business and allowing for the fact that phone registered customers spend a similar amount with us online as they do via the Telephone channel.

Taxation

The effective corporation tax rate before exceptional items, increased from 13% to 15%, as expected, due to changes in the mix of profits by geography.

Exceptional items

During 2015, Paddy Power incurred €10.2m of exceptional operating costs comprising €5.8m of merger advisory fees and legal costs and €4.5m of one-off costs incurred as we restructured certain parts of the business to bring them in line with the strategy set out in early 2015. In addition an exceptional €4.3m corporation tax credit was recognised following the release of a historic tax provision no longer required. The total net after tax impact of these exceptional items is €5.5m of losses.

Cashflows

Profit at Paddy Power converts strongly into cash flow. Operating cashflow (after LTIP trust share purchases and estimated maintenance capex of €19m) in 2015 was €224m or 152% of profit after tax. Estimated enhancement capex of €39m mainly related to technology spending for product development and new shop opening spend.

Andy McCue
Chief Operating Officer

Alex Gersh
Chief Financial Officer

7 March 2016

Appendix: Supplementary Disclosures

€'m	Group 2015	Group YoY % Change in CC	Online (ex Australia) 2015	Online (ex Australia) YoY % Change in CC	Online Australia[viii] 2015	Online Australia[viii] YoY % Change in CC	UK Retail 2015	UK Retail YoY % Change in CC	Irish Retail 2015	Irish Retail YoY % Change in CC	Telephone 2015	Telephone YoY % Change in CC
Sportsbook:												
Amounts staked[i]	8,646	+18%	3,226	+8%	2,832	+39%	897	+14%	1,205	+10%	484	+17%
Gross win	869.8	+21%	278.1	+15%	330.3	+41%	103.9	+14%	147.2	+15%	10.3	(57%)
Customer promotions & bonuses	(57.1)	+26%	(40.7)	+30%	(9.5)	+4%	(2.3)	+127%	(2.4)	+60%	(2.2)	+0%
Foreign exchange hedging loss[ii]	(5.8)		(4.6)		-		(0.6)		-		(0.5)	
Net revenue[iii]	806.9	+16%	232.8	+13%	320.8	+43%	100.9	+13%	144.8	+14%	7.6	(64%)
Gross win %	*10.1%*	*+0.2%*	*8.6%*	*+0.5%*	*11.7%*	*+0.2%*	*11.6%*	*+0.1%*	*12.2%*	*+0.5%*	*2.1%*	*(3.6%)*
Net revenue %[iv]	*9.3%*	*+0.2%*	*7.2%*	*+0.3%*	*11.3%*	*+0.3%*	*11.3%*	*(0.1%)*	*12.0%*	*+0.4%*	*1.7%*	*(3.5%)*
Gaming and other net revenue[iii]	287.0	+13%	166.0	+10%	-	-	121.1	+17%	-	-	-	-
Total net revenue[iii]	1094.0	+19%	398.8	+12%	320.8	+43%	222.0	+15%	144.8	+14%	7.6	(64%)
Cost of sales	276.3	+58%	109.8	+93%	83.8	+33%	64.1	+31%	15.4	+18%	3.1	+305%
- % of net revenue	*25.3%*	*+6.3%*	*27.5%*	*+11.6%*	*26.1%*	*+1.7%*	*28.9%*	*+3.5%*	*10.6%*	*+0.3%*	*40.3%*	*+36.7%*
Operating Costs	637.3	+12%	216.1	+1%	157.4	+33%						
Depreciation & amortisation	52.6	+10%	19.2	+6%	11.7	+35%						
Marketing costs	118.0	+11%	54.0	(13%)	51.8	+63%						
Other costs	466.7	+12%	142.9	+7%	93.9	+21%						
Online active customers (000's)[v]	2,535	+5%	1,782	(3%)	754	+31%						
Online new customers (000's)[vi]	1,214	(5%)		(12%)		+23%						
Total online marketing costs[vii]	135.0	+11%										
- % of online net revenue	*19%*	*(2%)*										
- Per new customer acquired (€)	*111*	*+17%*										
Mobile % of online total:												
Sportsbook amounts staked	*66%*	*+10%*										
Gaming net revenue	*55%*	*+15%*										
Total online net revenue	*68%*	*+13%*										
LFL gross win per machine per week	£1,353	+7%										

Foreign Exchange Profile	2015	2014	H1'15	H1'14	H2'15	H2'14
- GBP denominated operating profits	£126m	£142m	£55m	£55m	£70m	£87m
- AUD denominated operating profits	A$133m	A$94m	A$60m	A$39m	A$74m	A$55m
Average effective FX Rates						
€:GBP, with hedging	0.778	0.830	0.797	0.845	0.763	0.820
€:AUD	1.475	1.465	1.424	1.495	1.519	1.445

(i) Sportsbook amounts staked represents amounts received in respect of bets placed on sporting and other events that occurred during the year, including via SSBTs. This does not include income from gaming and business-to-business activities.

(ii) In line with revenue accounting policy and IFRS all foreign exchange hedging gains / losses were recorded in net revenue. Amounts staked, gross win, cost of sales and operating costs were all converted at spot rates.

(iii) Net revenue ('Income') represents the net gain on betting transactions (stake less payout) plus the gain or loss on the revaluation of open positions at year end, net winnings on fixed odds and online casino gaming activities, and commission income and tournament fees earned from peer to peer games and business-to-business services. The costs of customer promotions and bonuses are deducted when arriving at net revenue.

(iv) For ease of reference/comparison, a sportsbook net revenue % is calculated including the cost of all cash and free bet offers (calculated excluding foreign exchange hedging gains / losses from net revenue and including stakes from freebets within turnover).

(v) Active customers are defined as those who have deposited real money and have bet in the year, excluding indirect B2B customers.

(vi) New customers are defined as those who have deposited real money and have bet for the first time in the year. Excluding the impact of the World Cup and Grand National acquisition, paddypower.com new customer acquisition grew by 11% in 2015.

(vii) Total online marketing costs includes all marketing costs within operating costs and affiliate commissions and other marketing related costs reported within cost of sales.

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


PP.
BET £20
GET £10
FREE BET
ALL TELEVISED PREMIER
LEAGUE MATCHES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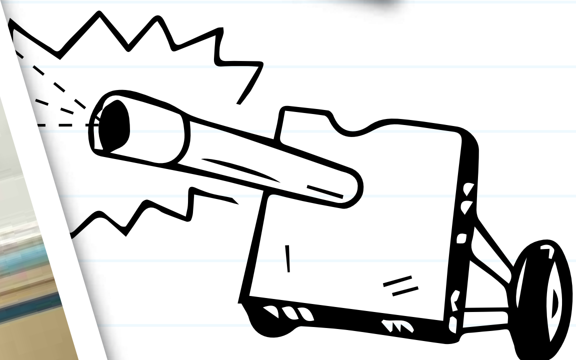
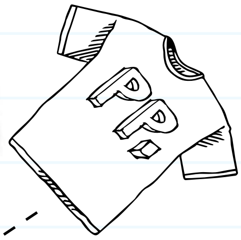
RANSOM ROAD
PP.
BET £20
GET £10
FREE BET



August/ September 2015

Dear Diary,

With the football, it's been a long, dull summer of pretending I'm really interested in where Manchester United decide to offload hugely expensive and hugely underwhelming flop, Angel Di Maria. Nearly £60 million on one alleged superstar? I haven't looked forward to something so much only to be crushingly disappointed since the second series of True Detective.



The Premier League is back this month and I for one can't wait. The way only two or three teams can realistically win the league; the need to spend hundreds of millions to be competitive; the footballing philosophy of Tony Pulis - it's undoubtedly the best league in the world. I'm so excited. Based on what's happened over recent seasons, here's my predictions for 2015/16:

(1) Chelsea will win the league by March and there will be a statue of Jose Mourinho erected outside Stamford Bridge

(2) Leicester will be relegated by January. They were lucky last season and now the horrendous error of sacking the managerial genius that is Nigel Pearson will be exposed as just what it is

(3) Brendan Rodgers will once again turn Liverpool into title contenders, never once looking like a man in the midst of a mid-life crisis or sounding like David Brent's more deluded younger brother

(4) Harry Kane will be found out as a one season wonder. No doubt.

(5) Aston Villa will be back and better than ever. Good looks, high self-confidence and good taste in touchline attire - Tim Sherwood is England's Mourinho. Without all the trophies of course.

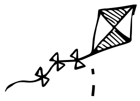
There you have it. Minimal surprises, the same names towards the top of the league table - sorry Spurs. But that doesn't dim my excitement for the new season and to celebrate, I have put together a brand-spanking new TV ad that truly captures the excitement of the Premier League while also communicating the benefits of betting with Paddy Power. 'What possible vehicle could express both of these concepts in an entertaining yet informative style?' was the question most asked of me prior to the launch to which I responded with possibly the most exciting two words in the English language - that's right 'T-SHIRT CANNON'! As the season began, I aimed the t-shirt cannon at the football public, firing generous offers in their direction. Yes, there may have been some collateral damage in the form of a burger van and a man's testicles, but telling people about the generosity of our Acca Insurance and In-Play Free Bet offers. You're welcome.

Now I'm off to plan how I'm going to spend all my winnings on Chelsea's inevitable league victory and laugh at Leicester's relegation.

Yours cinematically,

Paddy

Corporate Social Responsibility



At the core of Paddy Power Betfair's approach to corporate responsibility are the measures we take to ensure that when our customers gamble with us they do so with industry leading responsible gambling tools. Key initiatives from 2015 included the launch of our new *Take a Break* feature through a major TV campaign at Sportsbet, and working with the industry in the UK on two high profile awareness campaigns to help inform and educate our customers about staying in control.

We are a member of the community and employ over 7,000 people globally. In 2015, Paddy Power contributed €733,000 to charitable organisations around the world. In addition, our employees raised over €185,000 for our nominated *'Charities of the Year'* – Special Olympics Ireland and Special Olympics Great Britain.

We believe that high quality partnerships matter, and during 2015 we sought out charitable organisations where we could leverage our unique skill base to help make the most positive impact in the service of those who need it most.

Responsible Gambling

Building on an already well established programme of activity, we continue to invest both financial resources and technical capability in advancing our own responsible gambling practices and those of the wider industry.

Customer Awareness

Paddy Power was a founder member of the Senet Group, an industry body launched in 2014 committed to driving up standards in responsible gambling. In addition to members agreeing to voluntary restrictions on advertising, the Senet Group has a particular objective to raise awareness of responsible gambling amongst consumers. In 2015, we launched two high profile advertising campaigns featuring messages in shops, online, across social media, television and radio.

The Senet Group kicked off in early 2015 with a new campaign, *'When the Fun Stops, Stop',* which now features across all member advertising in print, online and television. This was launched to coincide with a new £2m TV campaign – *#BadBetty* – to raise awareness of the potential risks of gambling and ways to stay in control. In total, together with other member contributions, the campaign featured across 6,500 shop windows, and included up to £7.5m worth of TV and print support for our responsible gambling message.

In 2015, Paddy Power contributed €733,000 to charitable organisations around the world.

And we also closed the year with a Senet campaign. *#GambleSmart* focused specifically on raising awareness of the behaviours that all customers are recommended to adopt in order to ensure gambling is fun, such as setting limits, not betting when you are angry, and never chasing losses. Together with a full window takeover of betting shops during the campaign, a series of videos and memes were seeded via social media channels and for the first time featured on our gaming machines in shops.

Customer Control
Paddy Power deploys a range of tools, on gaming machines and online, to help customers manage the time and money they spend with us. In addition we operate a dedicated responsible gambling microsite that operates as a tool for all our customers. These information portals provide access to self-assessment questionnaires, budget calculators, information on the various forms of treatment available, relevant contact information, and advice on software to block access to gambling sites.

Data Driven
During 2015, we have been fine-tuning a data driven model that seeks to identify those customers exhibiting tendencies that indicate a propensity for problem gambling. A structured process is in place for communicating with this group of customers on an ongoing basis, for instance through our *Player Awareness System* in retail. The *Player Awareness System* has been developed in partnership with the wider industry, coordinated via our membership of the Association of British Bookmakers, and allows retail customers to be more aware of how they are playing, to reflect on their behaviour and to modify it accordingly.

We have introduced a similar messaging campaign for our online customers, employing a similarly data driven approach to identifying potential markers of harm and seeking to educate those players about their play. In addition to our commitments to campaigns under the auspices of the Senet Group and other industry bodies, we also conduct regular email awareness campaigns to our entire customer base, highlighting our suite of responsible gambling tools and directing people to our responsible gambling microsite.

Take a Break
In an industry first, Sportsbet launched an innovative responsible gambling campaign called *Take a Break*. *Take a Break* allows its customers to choose when and how long they take a break from wagering. The new product went live in September 2015 and was promoted via a national TV and radio campaign, airing during prime time from November. The advertising was specifically designed to connect with our target demographic. The impact of the campaign on awareness and utilisation of the product was immediate, with almost five times the amount of customers taking short term breaks in November, than in September and October combined.

Self-exclusion
For the vast majority of people, betting is a form of entertainment. However, there is a small percentage that encounter difficulties with their gambling. We have a range of controls to ensure customers stay in control, one of which is our self-exclusion function. Customers can take a short break for a period of between 1 and 30 days. Online customers are also offered self-exclusion timelines of 6 months, 1 year, 3 years, 5 years or life. Customers can request self-exclusion by either contacting Paddy Power Customer Services or through the self-serve option on the Paddy Power website. Retail customers are offered a self-exclusion period of a minimum of six months and a maximum of 1 year across up to five of our shops. This means they can elect to self-exclude from, for example, shops nearest to their home, their work and where they typically socialise.

In 2015, we worked closely with the industry to develop multi-operator self-exclusion schemes for retail customers. This means a customer can elect to self-exclude from a number of shops, including other operators, in a given area and not have to replicate the self-exclusion process in multiple shops. Following the completion of successful trials in Medway, London and Glasgow, the scheme was rolled out across the UK from 1 March 2016.

Third Party Relationships
We are pleased to work with a number of external partners who challenge our thinking and help shape our approach to responsible gambling and protecting vulnerable customers. We have long standing relationships with the Responsible Gambling Trust, Gamble Aware, GamCare, and Gambling Therapy, to help us better understand the issues involved with problem gambling. The relationship with GamCare commenced in 2008. Since then, GamCare has become a key partner in our responsible gambling strategy, ensuring our website is certified annually and that training received by our customer-facing employees meets their standard.

In 2015, we are particularly proud to have funded a new organisation in the UK, the Young Gamblers Education Trust. YGAM aims to enhance the UK's understanding of gambling and gambling-related harm specifically amongst young people, to raise awareness of youth gambling, and to help young people make informed choices through better understanding of gambling and its potential risks.

Corporate Social Responsibility
(continued)

Frontline and Support Staff
We employ a dedicated team of professionals with experience in responsible gambling, both in an online and retail environment. We added a Group Head of Responsible Gambling to this team to help coordinate our efforts and ensure that we were continuing to advance our practices.

Retail and customer service staff are trained to identify customers displaying indicators of problem gambling and to perform a responsible gambling interaction with the customer if required. In addition, data driven behavioural analysis is conducted on gaming machine loyalty card customers. Where appropriate, a responsible gambling interaction will be conducted, either through electronic format (text or email) or face-to-face, if required.

For all new Paddy Power employees, 10% of induction training is dedicated to responsible gambling awareness. For customer-facing staff there is a more detailed training module on responsible gambling and how to offer help and support to any customer experiencing issues with gambling, which includes GamCare certified training. This training is regularly audited to ensure customer-facing staff are up to date on our responsible gambling policies and are applying them.

Age Verification
It is illegal for anyone under the age of 18 to bet, and we have a number of measures in place to prevent underage play.

In retail, Paddy Power operates a strict *'Think 21'* policy that requires shop staff to validate the age of any customer who could be under 21. There is a defined process in place for checking ID and recording the results of that check. Any customer found to be underage is asked to leave the premises immediately. It is always the aim to check identification before a customer can place a bet but if any bets have been placed they are voided immediately.

In online, we use age verification software to carry out electronic checks when a customer creates a new account. We also work closely with age verification software providers to help develop new and better ways of verifying age as the range of payment methods increases.

Sports Integrity
We take the issue of sports integrity extremely seriously and have processes and controls in place to identify any suspicious betting patterns and deal with these accordingly. Integrity in sport is a cornerstone of our business; if sports fans don't believe in what's happening on the pitch, they'll soon stop watching and they certainly won't bet on it.

We cooperate with the industry and industry bodies in highlighting and reporting any suspicious activity quickly. These procedures are designed to ensure that, as far as is possible, customers do not bet on fixed games.

Introducing the *Power Corps*
2015 was the year we really started to evolve our approach to community investment. We reached out, made some new friends and kicked off some initiatives in the community designed to enable others to achieve their goals. The all new *Power Corps* launched a call to action to both our own people and those other organisations who were prepared to join our efforts to make the world a little bit better.

Sport for All
'Leave no one behind', that's the motto at Power Corps HQ, and nothing exemplifies that more than our two year partnership with Special Olympics Ireland and Special Olympics Great Britain – our nominated *'Charities of the Year'* – designed to help people with learning difficulties access sport in their local community, improve their health and wellbeing, and build their confidence. Total employee fundraising for these charities amounted to a whopping €185,000! Amongst other events, it took football tournaments, polar plunges, our annual cycle race from Dublin to the Galway races, our very own O'Lympics event, and even walking over hot coals to get us there, but we did it.

Adult Enterprise Programme
We came to the end of the second year of a planned three year commitment to leading east London charity, Community Links. Our latest donation of £38,000 in 2015 brings our total financial commitment to date to over £110,000. The Adult Enterprise Programme aims to promote entrepreneurship amongst people from disadvantaged backgrounds by providing a suitable environment in which to cultivate ideas, as well as helping individuals to improve the skills needed for further employment. Sixty people have already benefitted from the Paddy Power funded programme in 2015. We anticipate a further one hundred people will be supported in 2016.

Neighbourhood Action on Grot Spots
At the end of 2015 the Power Corps began an exciting new partnership with environmental education charity Groundwork London and launched Neighbourhood Action on Grot Spots ('NAGS'). We created NAGS to support charities and community groups in London who want to make improvements to the local physical environment and banish the 'grot spots' that blight the local area. Research demonstrates that improving the physical environment not only increases civic pride, but also reduces crime and increases economic activity.

The first project we have supported with a donation of £40,000 is called *The Loop*. *The Loop* will work to tackle the problem of fly tipping on housing estates near to our shops and create employment opportunities at the same time. *The Loop* will collect reusable items from residents before they are fly-tipped, upcycle or mend them if necessary, and make them available for others to purchase at reduced rates. Loop projects will be established on five housing estates across London.

Showing off for a Good Cause
Sometimes showing off is a good thing. So every November we let our brilliant Online Marketing Group out of the little room they use to count our Facebook likes, to show off to Irish charities keen to use the skills and techniques of online marketing.

Over fifty delegates from charities large and small attended our annual online marketing day in November to learn about the finer points of Search Engine Optimisation, Pay Per Click, how to avoid lunatics on Twitter, and really make the most of the tools that the modern world has created. Feedback, as always, was excellent.

And Sportsbet was No Slouch!
In 2015, Sportsbet got its game on in the name of fundraising, with 40 staff members raising over $20,000 for the Royal Children's Hospital Good Friday Appeal. Sportsbet staff also competed in the *Stadium Stomp - Australia's Ultimate Stair Climbing Challenge*, up and down the bays of the famous Melbourne Cricket Ground in aid of the Leukaemia Foundation. The cycling enthusiasts at Sportsbet also took part in the *Bupa Ride around the Bay*, racking up the kilometres to raise funds for The Smith Family.

Sportsbet also empowered its team members to help disadvantaged people through Kiva, a not-for-profit organisation that provides microloans to low-income entrepreneurs to help them grow or establish a business to benefit their communities and the environment. The Sportsbet team contributed in excess of $16,000 in microloans to entrepreneurs across the world. In addition, over 50% of Sportsbet team members took a day out of work to volunteer at a charity of their choice, from food banks to tree planting, all through Sportsbet's volunteering program.

Total employee fundraising for these charities amounted to a whopping €185,000!

Sportsbet's CEO, also took part in the Big Freeze, happily accepting to be drenched in ice cold water and raising money for the fight against Motor Neurone Disease.

Sportsbet donated over $200,000 to worthy causes including the National Jockey's Trust, EJ Whitten Foundation, Blue September, Variety Club and Cancer Council. Sportsbet's CEO, also took part in the Big Freeze, happily accepting to be drenched in ice cold water and raising money for the fight against Motor Neurone Disease. Finally, on Melbourne Cup Day, Sportsbet gave two $500 charity bets to Radio Station, KIIS FM, to place on Australia's biggest horse race. One lucky DJ decided to place their bet on rank outsider (and eventual winner!) Prince of Penzance at odds of 101 to 1, netting a massive $50,500 donation to their chosen charity, the Father Bob Maguire Foundation.

Meeting Our Obligations

Safety, Health and Welfare at Work

The Group is committed to the safety and well-being of employees at work in compliance with all relevant safety, health and welfare at work legislation. Appropriate measures have been taken to ensure that health and safety standards are complied with at all relevant locations and that all applicable Group companies meet the requirements of the legislation. The Paddy Power Health & Safety Policy states "Paddy Power is committed to managing and conducting its work activities in such a way as to ensure, so far as is reasonably practicable, the safety, health and welfare at work of its employees, including fixed term employees and temporary employees and other individuals at the place of work (not being its employees) including visitors". We place great emphasis on health and safety across our operations and monitor all health and safety related incidents that occur to ensure the reporting procedures are in line with legislative guidelines.

Paddy Power maintains health and safety management systems designed to protect employees, visitors, contractors and the public at large from injuries at our locations. All of our appointed contractors must submit an up-to-date Health and Safety Statement and proof of their public liability insurance before we award any contract. Prior to the commencement of any major works within the Group, the appointed contractor must submit detailed health and safety documentation identifying the safe work practices that will be implemented during the works. We service all of our essential emergency and fire alarm systems on a six-monthly basis to protect our staff, visitors, contractors, members of the public and to ensure we comply with relevant statutory regulations.

Environment

Paddy Power annually discloses data to the Carbon Disclosure Project ('CDP'), who hold the largest collection globally of self-reported climate change, water and forest-risk data.

In 2015, we were pleased to be able to report more comprehensive data about our environmental impact globally, and to achieve a marked increase in our CDP disclosure score in the process. Making progress on environmental performance is an ongoing activity and we hope to build on this global approach to disclosure as a way to stimulate investment in greater energy efficiency.

Business as usual initiatives include charity-administered mobile phone recycling, using only eco-friendly cleaning products in our shops, a commitment to greener washrooms by using only Certified Environmental preferred washroom products, use of more efficient, and lower cost, combined heat and power ('CHP') generated electricity in our shops in Ireland, installing smart metering in our UK shops and use of motion-sensitive lighting in our Dublin and London offices.

Paddy Power is accredited with being the first company in Ireland to successfully remove all R22 air conditioning refrigerant gas units from the Irish Retail estate which is in compliance with current legislation.

In 2015, we also completed the Energy Savings Opportunity Scheme ('ESOS') energy audit in the UK and Ireland, which is a new European initiative designed to encourage further energy efficiency in large companies.

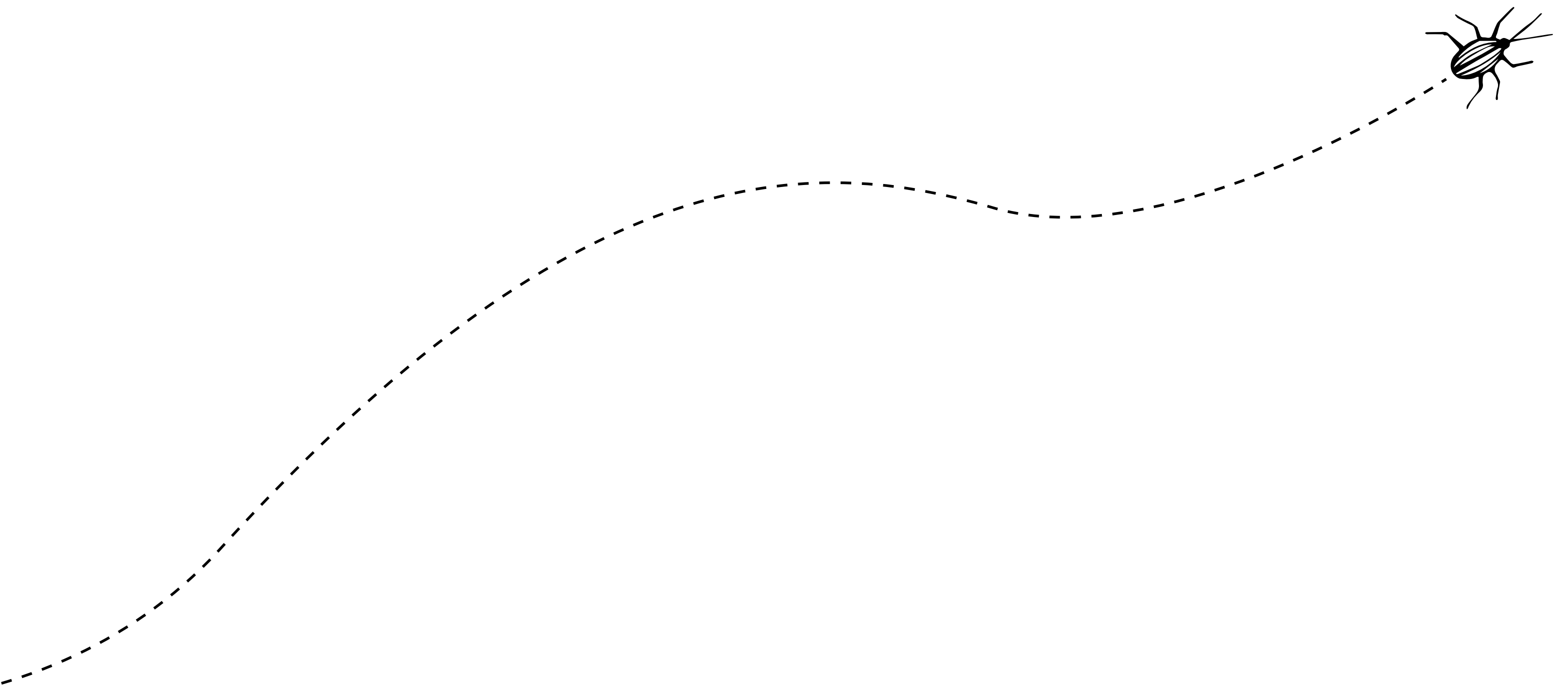
Paddy's People

It's our people who deliver the great products, brand impact and customer service that keeps our customers coming back. We invest in our people to keep them at the top of their game, through a number of training and development initiatives which expand and evolve continuously, every year.

We place a high value on the health of our people and our annual Health & Wellbeing week, encourages employees to take care of their diet, fitness and overall health.

In addition to our existing staff training curriculum, we launched our personal development programme, Gameplan, showcasing over 50 training and development events held onsite at Power Tower throughout the day, with similar events held at our offices in London, Sofia and Rome.

We also launched a new series of development courses including our very own PP Management Certificate development programme, accredited by the Irish Management Institute ('IMI') and added over 20 new flagship programmes to the training and development core curriculum.



October/November 2015

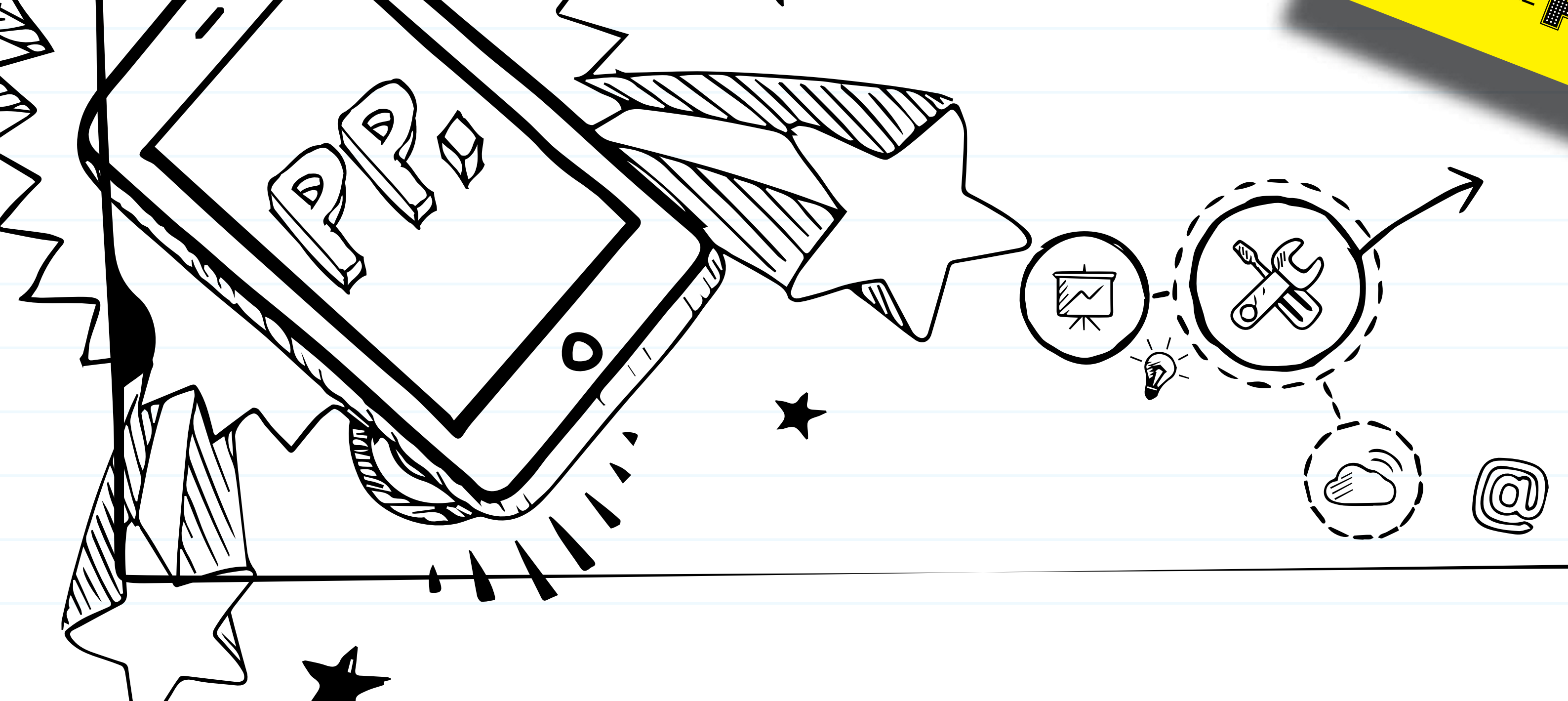
Dear diary,

I love technology. I've had the Tamagotchi, I was one of the first people on MySpace and anytime soon, I hope to hit the big 1-0-0 friends mark on Bebo. That's because I'm so popular and because I'm an early adopter. When the smartphone revolution kick started, I put down my Nokia 3210 and jumped aboard the app train. I was first in the app store with an iPhone app and I've always been quick to seize on new technology.

With technological pedigree like that, in November I realised it was time to give the Paddy Power mobile app a revamp - an e-nip and e-tuck. I looked around the world of mobile commerce and picked out all the things I wanted it to be. I wanted it to be smooth, quick, good-looking and perform consistently well, no matter where it's being used - kind of like all the best qualities I see in myself. As I've found from my patchy history of online dating, what is beautiful, simple and straightforward on the surface often has something deeply complicated and unfathomable beneath.

Using the considerable force of the Paddy Power Tech Geniuses, I set them to work, no mean feat in a time when they were ravenously devouring every single trailer and titbit of information about the latest Star Wars movie, Batman v Superman and all the superhero movies the Marvel production line are currently farting out. But all credit to them, they stopped watching Big Bang Theory repeats and shouting 'Bazinga' at each other to get the job done.

The result was glorious. After lots of e-blood, e-sweat and probably some actual tears, I released the new and very much improved Paddy Power app. Unlike previous incarnations, it's also managed entirely in-house, allowing me much greater flexibility in how I want to develop the



app and what functionality I want to include in the future. Or at least get people who are much smarter than me to develop. It's only the beginning and right now, the possibilities – much like one of Quentin Tarantino's latest releases – feel endless. In a good way, not in a 'my God, just hurry up and kill everyone because we all know that's how this ends' kind of way.

Who knows where technology will go? In what wonderful ways will people be able to place bets in the future? There's a whole new world out there and I'm in a great position to take advantage of all the opportunities.

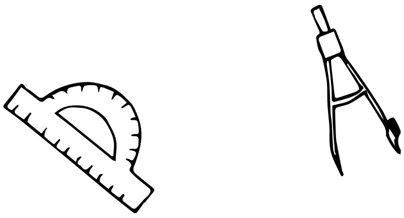
Yours futuristically,

Paddy

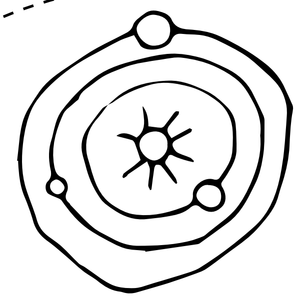
Board of Directors

Executive directors

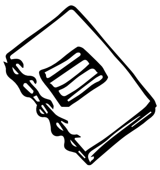
Breon Corcoran (aged 44) became Chief Executive Officer in February 2016. Breon joined Betfair Group plc as Chief Executive Officer on 1 August 2012. Prior to this, Breon was the former Chief Operating Officer at Paddy Power plc and previously was Managing Director – Non Retail and Development. He joined Paddy Power plc in 2001 having previously worked with J.P. Morgan and Bankers Trust. Breon has an MBA (INSEAD) and is a graduate of Trinity College, Dublin. Breon is also a non-executive director of Tilney Bestinvest Group.

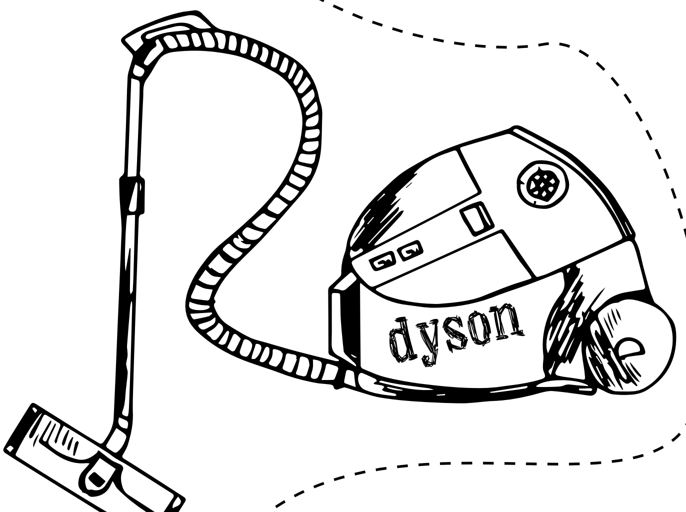


Andy McCue (aged 41) became Chief Operating Officer in February 2016. He joined Paddy Power 10 years ago having served as Chief Executive Officer of Paddy Power plc from January 2015 to February 2016, having previously led the combined retail estates and the telephone business. Prior to joining Paddy Power, he was a Principal with OC&C Strategy Consultants and a Manager at Andersen. Andy holds a MA (Hons) Economics from Cambridge University and a Masters in Finance from London Business School. He is a non-executive director of Hostelworld Group plc.



Alex Gersh (aged 52) became Chief Financial Officer in February 2016. Alex was appointed as Betfair Group plc's Chief Financial Officer in December 2012. Alex has extensive experience of working in highly competitive, international businesses. Previously, Alex was Chief Financial Officer of NDS Group, a leading supplier of technology solutions for digital pay-TV, Chief Financial Officer of Flag Telecom, a global network services provider, and Chief Financial Officer of BT Cellnet. His early career was spent with Ernst & Young. He is a qualified Certified Public Accountant.





Non-executive directors

Gary McGann (aged 65), Chairman, was appointed as a non-executive director in November 2014 and as Chairman from July 2015. Gary was Group Chief Executive Officer of Smurfit Kappa Group plc from 2002 until his retirement in September 2015. He joined the Smurfit Kappa Group in 1998 as Chief Financial Officer and also served as President and Chief Operations Officer. He had held a number of senior positions in both the private and public sectors over the previous 20 years, including Chief Executive of Gilbeys of Ireland and Aer Lingus Group. Gary is Chairman of Aon Ireland and Sicon Limited and a non-executive director of Smurfit Kappa Group plc, Green Reit plc and Multi-Packaging Solutions International Limited. He holds BA (UCD) and MSc Management (Trinity) Degrees and is a Fellow of the Association of Chartered Certified Accountants (FCCA). Gary is a member of the Nomination, Remuneration and Risk Committees since July 2015.

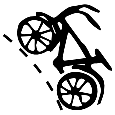
Ian Dyson (aged 53) became Senior Independent Director and a member and Chairman of the Nomination Committee and a member of the Audit Committee in February 2016. Ian was the Senior Independent Director and Chairman of the Audit Committee of Betfair Group plc since 2010. He was formerly Chief Executive Officer of Punch Taverns plc, Group Finance & Operations Director at Marks & Spencer plc and Finance Director of The Rank Group plc. Prior to this he was Group Financial Controller of Hilton Group plc. He joined Hilton from Le Meridien, a division of Forte plc, where he had been Finance Director. His early career was spent with Arthur Andersen, where he qualified as a Chartered Accountant in 1986 and became a Partner at the firm in 1994. Ian is also currently a non-executive director and the Chairman of the Audit Committee of InterContinental Hotels Group PLC and SSP Group plc and Senior Independent Director of ASOS Plc and a non-executive director of Punch Taverns plc.

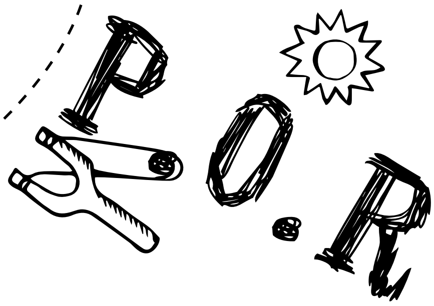
Zillah Byng-Thorne (aged 41) became a non-executive director and a member of the Audit Committee and Nomination Committee in February 2016. Zillah was appointed as a non-executive director of Betfair Group plc in September 2013. Prior to this, Zillah was Chief Financial Officer of Trader Media Group from 2009 and interim Chief Executive until July 2013, Chief Financial Officer of Fitness First Group Ltd from 2006 to 2009, and Chief Financial Officer of the Thresher Group from 2002 to 2005. Zillah has also previously held senior finance positions with GE Capital and HMV Media Group, qualified as an accountant with Nestle UK Ltd, and was a non-executive Director of Mecom Group plc from 2011 until February 2015. She is also currently Chief Executive Officer of Future plc, having previously served as Chief Financial Officer.

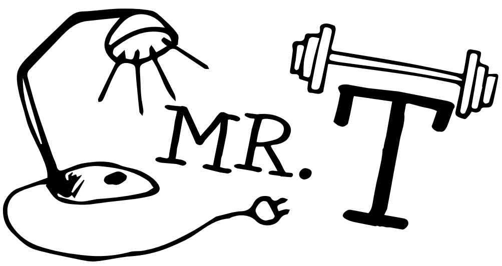
Michael Cawley (aged 61) was appointed as a non-executive director and as a member of the Audit Committee in July 2013. He was appointed Chairman of the Audit Committee in July 2014. Michael served as Deputy Chief Executive Officer and Chief Operating Officer of Ryanair from 2003 to 2014, having previously served as Ryanair's Chief Financial Officer and Commercial Director since 1997. During his time at Ryanair, the airline experienced huge international growth with profit after tax rising from c. €20 million in 1996 to c. €550 million in 2013. Prior to joining Ryanair, Michael was Group Finance Director of Gowan Group Limited, one of Ireland's largest private companies and the main distributor for Peugeot and Citroen automobiles in Ireland. He was appointed as a non-executive director of Hostelworld Group plc in October 2015. Michael holds a Bachelor of Commerce degree and is a fellow of the Institute of Chartered Accountants in Ireland. Michael was appointed as a member of the Risk Committee in February 2016.

Danuta Gray (aged 57) was appointed as a non-executive director and as a member of the Remuneration Committee in January 2013. Danuta was appointed as a member of the Audit Committee in February 2016. Danuta brings to the Board significant leadership experience as the former Chief Executive Officer of O2 Ireland, a position she held from 2001 to 2010. Prior to that, she was Senior Vice President of BT Europe in Germany and, previous to that, was General Manager at BT Mobile in the UK. She is a non-executive director of Michael Page plc and Old Mutual plc and is the Senior Independent Director of Aldermore Bank. She is also a non-executive member of the Defence Board of the U.K. Ministry of Defence. She holds a B.Sc. in Biophysics, an M.Sc. and an MBA.

Peter Jackson (aged 40) became a non-executive director and a member of the Remuneration Committee and Risk Committee in February 2016. Peter was appointed as a non-executive director of Betfair Group plc in April 2013. Prior to this, Peter was Group Chief Executive Officer of Travelex from March 2010 to March 2015, leaving following the successful sale of the business. Before Travelex, Peter was Managing Director of Consumer Banking for the Lloyds Banking Group, having previously held a number of senior roles within the retail arm of HBOS plc before its merger with Lloyds. Peter started his career at McKinsey and Co.







Stewart Kenny (aged 64) was a co-founder of Paddy Power in 1988. He has considerable experience in the betting industry and has established two successful bookmaking firms. He trained with Ladbrokes in London for two years before establishing a chain of betting shops, Kenny O'Reilly Bookmakers. He sold that business to Coral in 1986 and subsequently re-entered the business, opening ten betting shops between 1986 and 1988. He was Group Chief Executive from 1988 to 2002, and Chairman from 2002 to 2003. Stewart has been a member of the Risk Committee since June 2006 and was appointed as a member of the Nomination Committee in July 2012.

Pádraig Ó Ríordáin (aged 50) was appointed as a non-executive director in July 2008. Pádraig is an internationally recognised lawyer with extensive experience advising on regulated industries in Ireland and international markets. He is a Corporate Partner in Arthur Cox, the leading Irish law firm, where he served as Managing Partner from 2003 to 2011. In 2009, he was named European Managing Partner of the Year and received the Lifetime Achievement Award from the Managing Partners' Forum in 2012. He studied law in University College Cork and Harvard Law School and has practiced in New York and Dublin. Pádraig is Chairman of the DAA plc, which owns Dublin and Cork airports. Pádraig is Chairman of the Group's Remuneration Committee (appointed in August 2008), and is also a member of the Risk Committee (appointed in December 2011).

Peter Rigby (aged 60) became a non-executive director and a member of the Remuneration Committee and Chairman of the Risk Committee in February 2016. Peter was appointed as a non-executive director of Betfair Group plc in April 2014. Prior to this, Peter was Chief Executive Officer of Informa plc until the end of 2013. Peter first joined Informa plc in 1983 and served as Chief Executive Officer from 1988, during which time it grew to a business with revenues of £1.2bn and a market capitalisation exceeding £3bn. He previously held the role of Finance Director for Stonehart Publications. He holds a BA in Economics from Manchester University, and is a qualified accountant.

Secretary

Edward Traynor (aged 38) was appointed as Group General Counsel and Company Secretary in May 2015. A solicitor, Edward was previously a Director and Head of Legal & Regulatory Affairs for Vodafone Ireland. Having worked in private practice with both McCann FitzGerald and Eugene F. Collins, Edward moved to Vodafone in 2007 where he has held a number of positions within both the legal function and the wider business. Edward studied Law in University College Dublin and De Paul University, Chicago.

December 2015

Dear diary,

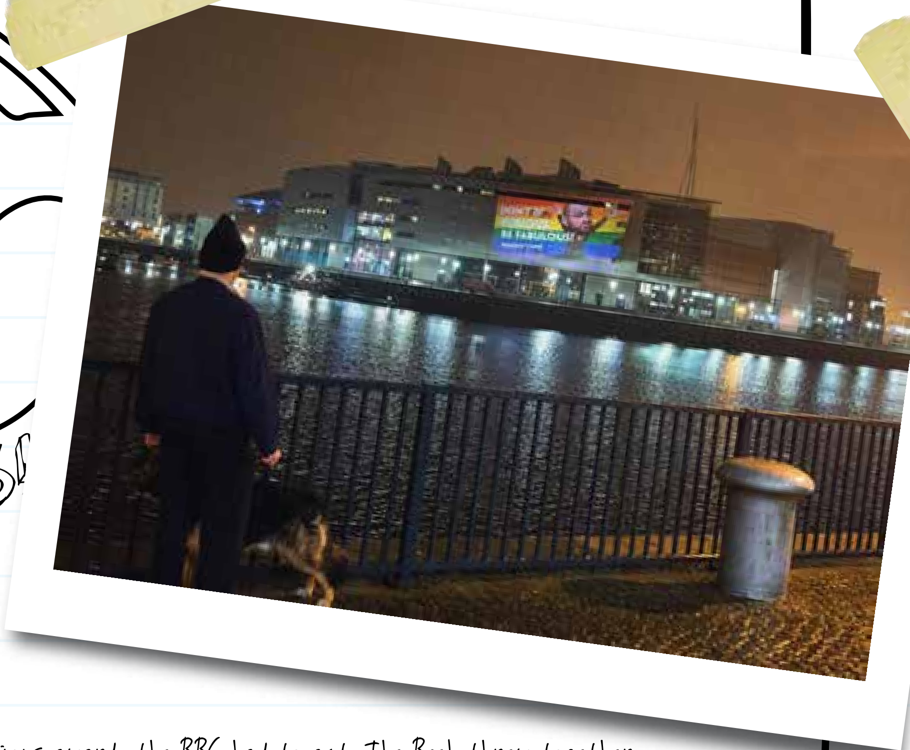
I always struggle with December. We get about 20 minutes of daylight; and just on the horizon is the festival of socially acceptable alcoholism and overpriced panic-buying that is Christmas. Thank God I've got the music of David Bowie, the films of Alan Rickman and the novels of Umberto Eco to keep me going.

My big news of the month was my sparring session with Tyson Fury. In late November, Fury beat a world heavyweight champion with an 11 year winning streak and purveyor of amusingly mis-sized relationships with Hayden Panettiere, Wladimir Klitschko. Despite the heavyweight division being as competitive as Jedward on University Challenge, it was a feat that earned a nomination for the BBC Sports Personality of the Year award. And then the fun started.

Fury let rip with some colourful comments on homosexuality and women's rights. I don't want to give them the dignity of repeating them, but essentially he thinks being gay is a sure sign the end is nigh and has views of woman's rights that makes Henry VIII seem even-handed. That way of thinking is as out of date as still thinking MySpace will make a comeback.

the end is nigh!

DON'T BE FURIOUS, BE FABULOUS!



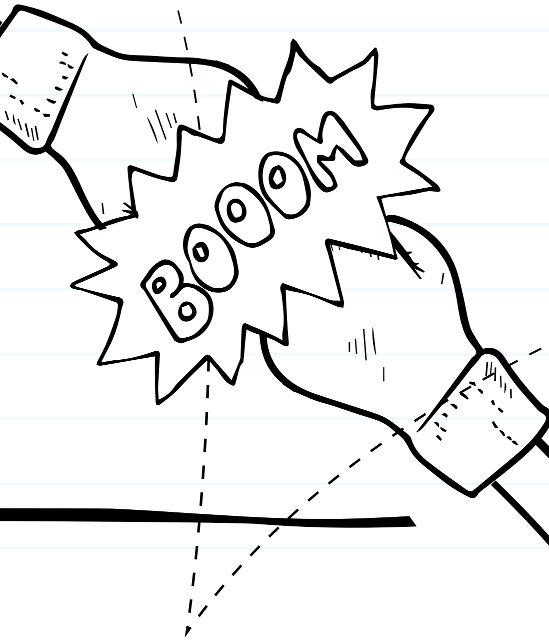
Being the sponsor of the prestigious award, the BBC had to act. The Beeb threw together a plan. They decided to pretend Andy Murray's performance in helping win the Davis Cup for Great Britain was absolutely huge and not just something middle class middle aged people cared about. Genius.

After all this controversy, I decided to use it as inspiration for an equally understated welcome for Fury on the night of the awards ceremony. I jumped in by creating a super camp, rainbow-wearing design of Fury, with the line, "Don't Be Furious, Be Fabulous!" And then projecting a 100ft version onto the side of the SSE Arena in Belfast as the athletes, celebrities and people we'll struggle to name in about six months arrived. And then ran away very quickly. As you tend to do when you've angered a 6 foot 9, 17 and a half stone heavyweight champion of the world.

After that it was time for a few weeks jammed packed with needless hangovers, regret and wondering why anyone bothers cooking Brussel sprouts. Merry Christmas everyone.

Yours festively,

Paddy



Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2015.

Principal activities

In 2015, the Group provided sports betting services through the internet ('paddypower.com', 'paddypower.it' and 'sportsbet.com.au'); through a chain of licensed betting offices ('Paddy Power Bookmaker'); and by telephone ('Dial-a-Bet'). It also provided online gaming services principally through 'paddypower.com', 'paddypowergames.com', 'paddypowercasino.com', 'paddypowerbingo.com', 'paddypowerpoker.com', and 'paddypowervegas.com'. It provided these services principally in the United Kingdom, Ireland, Australia and Italy. The Group also supplied business to business services globally.

Subsequent to the reporting date on 2 February 2016, Paddy Power plc completed an all share merger with Betfair Group plc ('The Merger') – see Note 34 to the consolidated financial statements for further information on the Merger.

On 2 February 2016, the Company changed its name to Paddy Power Betfair plc.

Results

The Group's profit for the year before exceptional items of €152.8m reflects an increase of 5% on the 2014 profit of €144.9m. Overall group profit for the year amounted to €147.3m after exceptional items amounting to €5.5m – see Note 6 to the consolidated financial statements for further details. Adjusted diluted earnings per share amounted to €3.328 compared with €2.976 in the previous year, an increase of 12%. The financial results for the year are set out in the consolidated income statement on page 84. Total equity attributable to Company equity holders at 31 December 2015 amounted to €69.3m (2014: €387.0m).

During the year, the Group secured a committed revolving credit bank loan facility of €300m provided by a syndicate of banks which expires in May 2020. At 31 December 2015, €195 million of this facility was drawn down.

Dividends

An interim dividend amounting to 60.0 cent per share or €26.4m was paid during 2015 (2014: 50.0 cent per share or €24.6m). A final dividend of 120.0 cent per share (2014: 102.0 cent per share), amounting to €52.9m (2014: €49.9m), was paid on 2 March 2016 to shareholders registered at close of business on 1 February 2016. This makes a total distribution of profit to shareholders of €79.4m in respect of the year ended 31 December 2015 (2014: €74.5m).

In addition, the Group completed a capital reorganisation during the year, which involved the conversion of existing ordinary share capital at the date of the capital reorganisation into 'intermediate' ordinary shares and B shares. The holders of B shares in issue were entitled to receive a payment of €8 per share (€391.5m) by way of a once off dividend or redemption payment. Subsequent to the dividend or redemption payment, all B shares were cancelled, and the 'intermediate' ordinary shares were consolidated into 'new' ordinary shares on a nine for ten basis.

In line with the completion of the Merger, a special dividend of €80m (181.4 cent per share) and a closing dividend representing the period from 1 January 2016 to 1 February 2016 (inclusive), of €7.9m or 18.0 cent per share were paid alongside the final dividend. The record date for the special dividend and the closing dividend was also close of business on 1 February 2016.

Business review and key performance indicators

A detailed commentary incorporating key performance indicators by channel including like-for-like growth, active customers, customer acquisition, gross win %, sportsbook net revenue %, net revenue, gross profit and operating costs is contained in the Operating & Financial Review on pages 8 to 21.

Research and development

The Group performs research and development activities to ensure that it continues to be a recognised innovator in the betting and gaming industry. These activities support the introduction of new products, the creation of new betting markets, improved online customer experience and the development of better processes and systems. Continued research and development contributes to the Group's future growth and profitability.

Market research

The Group undertakes market research across all business divisions in the UK, Ireland, Australia and Italy.

Events since the year end and future developments

Details of important events affecting the Group which have taken place since the end of the financial year are given in Note 34 to the consolidated financial statements.

Amendment of Articles of Association

The Company's Articles of Association may only be amended with the approval of a special resolution of the shareholders.

Rights and obligations attaching to the Company's shares

As at 7 March 2016, the Company had 85,672,664 shares in issue, all of which are of the same class and carry the same rights and obligations (apart from 1,965,600 shares held by the Group as treasury shares which have no voting rights and no entitlement to dividends). With regard to the Company's shares: (i) there are no restrictions on their transfer; (ii) no person holds shares carrying special rights with regard to the control of the Company; (iii) there are no shares to which an employee share scheme relates carrying rights with regard to the control of the Company; (iv) there are no restrictions on the voting rights attaching to the Company's shares; and (v) there are no agreements between shareholders that are known to the Company that may result in restrictions on the transfer of securities or on voting rights. Further information on the Company's share capital is set out in Note 19 to the consolidated financial statements.

Own shares held

The Paddy Power plc Employee Benefit Trust (the 'Trust') manages the Long Term Incentive Plan. Further information on the Long Term Incentive Plan is presented in the Directors' Remuneration Report on pages 62 and 63 and in Note 21 to the consolidated financial statements. During the year ended 31 December 2015, the Trust purchased 327,004 (2014: 70,400) Paddy Power plc shares at a cost of €30.3m (2013: €3.9m), and received €5.0m from the B share scheme return of capital to shareholders. During 2015, the Trust transferred 410,499 (2014: 352,406) ordinary shares that had vested to beneficiaries of the Trust. At 31 December 2015, the Trust held 874,890 (2014: 1,020,372) ordinary shares in Paddy Power plc, representing 1.91% (2014: 2.00%) of the issued share capital. Further information is set out in Note 21 to the consolidated financial statements.

During the year, shares held in treasury were consolidated on a nine for ten basis, reducing the number of shares held in treasury by 218,400 ordinary shares. During the year ended 31 December 2014, the Group purchased 450,000 of the Company's ordinary shares to be held as treasury shares at a cost of €23,325,000 for the shares themselves and incurred a further €280,000 in respect of stamp tax and brokerage. As of 31 December 2015, the Company's ordinary shares held in treasury totalled 1,965,600 (2014: 2,184,000) shares and represented 4.27% (2014: 4.27%) of the issued share capital. The treasury shares have no voting rights and have no entitlement to dividends. Further information is set out in Note 19 to the consolidated financial statements.

Substantial holdings

As at 31 December 2015 and 7 March 2016, details of interests of over three per cent in the ordinary share capital carrying voting rights (excluding directors) which have been notified to the Company are:

	Notified holding 31 December 2015	Notified holding 7 March 2016[1]	% Holding 7 March 2016
BlackRock Inc.	3,224,858	7,664,158	9.15%
The Capital Group Companies, Inc.[2]	3,994,204	6,875,023	8.21%
Massachusetts Financial Services Co.	2,785,639	5,952,640	7.11%
Marathon Asset Management LLP[3]	1,954,060	3,627,299	4.33%
David Power	3,472,822	3,472,822	4.15%
AXA Investment Managers S.A.	n/a	2,847,044	3.40%

1. These holdings reflect the shares issued by the Company in exchange for shares in Betfair Group plc (see Note 34 to the consolidated financial statements).
2. EuroPacific Growth Fund ('EUPAC') is a mutual fund registered in the United States and has notified the Company that it is interested in 5.21% of the Company's ordinary share capital carrying voting rights, and that its voting rights have been delegated to Capital Research and Management Company ('CRMC'). CRMC's holdings under management are reported in aggregate by The Capital Group Companies, Inc. Accordingly, EUPAC's interests are included in the 8.21% interest notified by The Capital Group.
3. Marathon Asset Management LLP has notified the Company that of its total holding of 3,627,299 ordinary shares, it has discretion authority to vote on 3,051,177 ordinary shares (3.65% of the Company's ordinary share capital).

Directors' power to purchase and allot Company shares

With the approval of a special resolution of the shareholders, the directors may (i) allot shares for cash up to five per cent of the nominal value of the Company's shares and (ii) make market purchases of the Company's shares up to ten per cent of the nominal value of the Company's shares.

Board of Directors and Company Secretary

Jack Massey retired as Company Secretary on 14 May 2015. Edward Traynor was appointed as Company Secretary on 14 May 2015. Nigel Northridge retired from the Board with effect from 30 June 2015 and Gary McGann was appointed as Chairman with effect from 1 July 2015. Cormac McCarthy, Tom Grace and Ulric Jerome resigned from the Board on 2 February 2016. Breon Corcoran, Alex Gersh, Zillah Byng-Thorne, Ian Dyson, Peter Jackson and Peter Rigby were appointed to the Board on 2 February 2016 and are proposed for election by the shareholders at the AGM to be held on 18 May 2016. In line with best practice principles set out in the UK Corporate Governance Code (September 2014) the Group has adopted a policy of annual re-election for all Board directors.

Directors' remuneration

Details of directors' remuneration are given in the Directors' Remuneration Report on page 61 and 63 and in Note 8 to the consolidated financial statements on page 108. No director or employee is entitled to any compensation for loss of office or employment occurring as a result of a takeover of the Company.

Directors' and Secretary's interests

The interests of the directors and Company Secretary (including those of their spouses and minor children) who held office at 31 December 2015 in the share capital of the Company, all of which were beneficially owned, were as follows:

	Number of ordinary shares of €0.09 each 31 December 2015	Number of ordinary shares of €0.10 each 31 December 2014 (or date of appointment if later)
Gary McGann	610	-
Andy McCue	21,938	8,446
Cormac McCarthy	16,443	2,000
Tom Grace	-	-
Ulric Jerome	-	-
Stewart Kenny	357,432	398,502
Danuta Gray	-	-
Michael Cawley	3,600	-
Pádraig Ó Ríordáin	7,200	8,000
Edward Traynor (Secretary)	-	-

There have been no changes in the above shareholdings between 31 December 2015 and the date the directors approved these financial statements.

During 2015, any shares held by the directors at 15 May 2015 were consolidated on a nine for ten basis as part of the capital reorganisation.

Share ownership and dealing

The Company has established share ownership guidelines for executive directors and the Group's executive management committee to ensure their interests are aligned with those of shareholders. Further details are set out within the Directors' Remuneration Report on page 67.

The Company has a policy on dealing in shares that applies to all directors and senior management. This policy adopts the terms of the Model Code as set out in the Listing Rules published by the UK Listing Authority and the Irish Stock Exchange. Under this policy, directors and senior management are required to obtain clearance before dealing in Paddy Power plc shares. Directors and senior management are prohibited from dealing in Paddy Power plc shares during designated close periods and at any other time when they are in possession of Inside Information (as defined by the Market Abuse (Directive 2003/6/EC) Regulations 2005).

The executive directors and the Company Secretary, who held office at 31 December 2015, held the following share options at 31 December 2014 and 31 December 2015 (all under the terms of the Company's Sharesave Scheme (see Note 21)):

	Number of options at start of year (or date of appointment if later)	Options granted during the year	Options exercised during the year	Options lapsed during the year	Number of options at end of year	Exercise price	Exercise period
Andy McCue	778	-	-	-	778	€39.60	4 December 2019 – 3 June 2020
Cormac McCarthy	676	-	-	-	676	€45.52	4 December 2018 – 3 June 2019
Edward Traynor (Secretary)	-	-	-	-	-	-	-

The market price of the Company's shares at 31 December 2015 was €123.10 and, for the year then ended, the Company's daily closing share price ranged between €61.62 and €123.10 (2014: ranged between €47.52 and €68.91 and was €68.91 at year end).

During the year ended 31 December 2015, the executive directors and the Company Secretary had the following interests and were conditionally granted the following share awards under the Long Term Incentive Plan schemes which are more fully described in the Directors' Remuneration Report on page 58 and in Note 21 to the consolidated financial statements;

	Date awards granted	Awards outstanding at start of year (or date of appointment if later)	Granted during year	Dividend shares	Vested during year	Lapsed during year	Awards outstanding at end of year	Weighted average share price at date of grant	Cost of shares vested during the year €'000
Andy McCue	2011, 2012, 2013 & 2014	73,945	-	1,353	(31,931)	-	43,367	€60.73	1,452
	3 March 2015	-	30,257	-	-	-	30,257	€72.71	-
Cormac McCarthy	2012, 2013 & 2014	72,231	-	906	(29,770)	(6,136)	37,231	€63.32	1,706
	3 March 2015	-	13,753	-	-	-	13,753	€72.71	-
Jack Massey (Secretary)	2011, 2012 & 2013	33,307	-	887	(20,667)	(361)	13,166	€54.91	930
Edward Traynor (Secretary)	1 October 2015	-	639	-	-	-	639	€103.30	-

Further details of the schemes are outlined in the Remuneration Committee Report and in detail in Note 21 to the consolidated financial statements. Included in vestings are a small number of vested shares which relate to dividends earned over the vesting period in respect of the shares vested during the year. The cost of shares vested during the year included in the table above represents the original cost of shares vested from the Long Term Incentive Plan (see Note 21) to the directors and Company Secretary during the year.

Transactions with directors and parties related to them have been disclosed in Note 8 to the consolidated financial statements on page 109. The directors and secretary have no beneficial interests in shares in any other Group companies.

Political donations

No political donations were made by the Group during the year that require disclosure in accordance with the Electoral Acts 1997 to 2002 and the Electoral Political Funding Act 2012.

Books of account

The measures which the directors have taken to ensure that adequate accounting records are kept are: the appointment of suitably qualified personnel, the adoption of suitable policies for recording transactions, assets and liabilities, and the appropriate use of computers and documentary systems. The Group and Company accounting records are kept at Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4.

Regulation 21 of SI 255/2006 'European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006'

For the purpose of Regulation 21 of Statutory Instrument 255/2006 'European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006', the information given under the following headings on pages 121 and 122 (Share capital and reserves), 32 and 33 (Board of Directors), 62 (Performance bonus), 62 and 63 (Long Term Incentive Plan), 124 to 126 (Share options), 74 and 75 (directors' service contracts) and 123 to 128 (Share schemes) is deemed to be incorporated in the Directors' Report. The Company's outsourcing contract with PMU can be terminated by PMU in some circumstances if there is a change of control in the Company.

SI 277/2007 'Transparency (Directive 2004/109/EC) Regulations 2007'

For the purposes of information required by Statutory Instrument 277/2007 'Transparency (Directive 2004/109/EC) Regulations 2007' concerning the development and performance of the Group, the following sections of the Company's Annual Report shall be treated as forming part of this report:

1. The Chairman's Statement on page 4, the Chief Executive's Statement on page 5 and the Operating & Financial Review on pages 8 to 21 which include a review of the external environment, key strategic aims and financial and other key performance measures.
2. The Directors' Statement on Corporate Governance on pages 41 to 51.
3. Details of earnings per share on page 113.
4. Details of shares purchased by the Company on pages 121 to 122.
5. Details of derivative financial instruments on pages 137 to 140.

Section 1373 of the Companies Act 2014

For the purpose of Section 1373 of the Companies Act 2014, the Directors' Statement on Corporate Governance on pages 41 to 50 is deemed to be incorporated in the Directors' Report.

Auditor

In accordance with Section 383(2) of the Companies Act 2014, the auditor, KPMG, will continue in office and a resolution authorising the directors to fix their remuneration will be proposed at the forthcoming AGM.

Going concern

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

Andy McCue
Chief Operating Officer

Alex Gersh
Chief Financial Officer

7 March 2016

Directors' Statement On Corporate Governance

The Board is committed to maintaining the highest standards of corporate governance and to continue and revise current procedures in the context of evolving best-practice. This statement describes how the Group applies the 2014 UK Corporate Governance Code (the 'UK Code') which set out principles of good governance and a code of best practice. Copies of the Code can be found on the Financial Reporting Council's website (www.frc.org.uk).

Board of Directors – role and responsibilities

Your Board has overall responsibility for the leadership, direction, control and oversight of the Group. Responsibility for the day-to-day management of the Group has been delegated by the Board to executive management. This delegation is effected through the Chief Executive Officer, who is accountable to the Board.

The functions of Chairman and Chief Executive Officer are not combined and both roles' responsibilities are clearly divided. A number of responsibilities of the Board are delegated to Committees of the Board ('Board Committees'), details of which are set out on pages 44 to 46.

Matters reserved for the Board

While the Board has delegated day-to-day responsibility for the management of the Group to the Chief Executive Officer, certain matters are formally reserved for the Board. The Board has overall responsibility for Group objectives; strategy; annual budgets; major acquisitions and capital projects; treasury policy and senior level succession. It sets governance policies, ensures implementation thereof and monitors and reviews evolving governance best-practice. It defines the roles and responsibilities of the Chairman, Chief Executive Officer, other directors and the Board Committees. In addition, the Board approves the interim management statements, half-yearly and annual financial statements, reviews the Group's systems of internal control and approves any significant changes in accounting policies. It approves all resolutions and related documentation put before shareholders at the annual general meeting and extraordinary general meetings. The Board sets the Group's dividend policy, approves the interim dividend and recommends the final dividend.

Board composition

The Board currently comprises twelve directors who are listed below.

Director	Independent / Non-independent	Tenure (in years)[1]
Gary McGann	Chairman (Independent on appointment)	1 (< 1 as Chairman)
Breon Corcoran	Non-independent (Executive)	< 1
Alex Gersh	Non-independent (Executive)	< 1
Andy McCue	Non-independent (Executive)	1
Ian Dyson	Independent	< 1
Zillah Byng-Thorne	Independent	< 1
Michael Cawley	Independent	3
Danuta Gray	Independent	3
Peter Jackson	Independent	< 1
Stewart Kenny	Non-independent (Founder)	27
Pádraig Ó Ríordáin	Independent	7
Peter Rigby	Independent	< 1

1. As the former Betfair non-executive directors only joined the Board of the Company on completion of the Merger, the tenure disclosed above does not include their tenure as directors of Betfair Group plc prior to the merger.

The composition of the Board is reviewed on a continuing basis. Throughout 2015, and as of the date of this report, the Board comprised the mix of the necessary business skills, knowledge and experience required to provide leadership, control and oversight of the management of the business and to contribute to the development and advancement of business strategy. In particular, the Board combines a group of directors with diverse backgrounds within the betting industry, technology sectors and consumer businesses, amongst others, which combine to provide the Board with rich expertise and experience to drive the continuing development of Paddy Power Betfair plc.

Board refreshment and renewal

The Board is committed to a policy of on-going Board refreshment and renewal and, through the Nomination Committee, continually reviews the composition and diversity, including gender diversity, of the Board and the skills and experience of each of the directors. The relevant skills and experience of each director are set out under individual biographies which are detailed on pages 32 to 33.

Nigel Northridge resigned as Chairman of the Board with effect from 30 June 2015 and Gary McGann was appointed as Chairman on 1 July 2015. Gary McGann was Group Chief Executive Officer of Smurfit Kappa Group plc from 2002 until his retirement in 2015. His biography is set out on page 32.

On 2 February 2016, following completion of the merger of Paddy Power plc and Betfair Group plc, Breon Corcoran was appointed as Chief Executive Officer and an executive director, and Alex Gersh was appointed as Chief Financial Officer and an executive director. On the same date, Ian Dyson was appointed as the Senior Independent Director and a non-executive director, and Zillah Byng-Thorne, Peter Jackson and

Peter Rigby were appointed as independent non-executive directors. Cormac McCarthy, Ulric Jerome and Tom Grace resigned as directors of the Board on the 2 February 2016. Having served as Chief Executive Officer of Paddy Power plc from January 2015 to February 2016, Andy McCue was appointed as Chief Operating Officer of the Company on 2 February 2016 and remains as an executive director on the Board.

Stewart Kenny, a founder member of the Group, has served on the Board for longer than nine years. In line with the principles of the UK Code, and consistent with the Group's policy on re-election, he is subject to annual re-election. The Board reviewed the appropriateness of this long-standing director continuing to serve on the Board. The Board believes that Stewart's unique experience within the industry and his interest in the sector remains central to your Group's continued development and success and that his continuance in office is in the best interests of the Group and its shareholders.

Board size

The Board currently comprises three executive directors, one non-independent non-executive director and eight independent non-executive directors (including the Chairman). The Nomination Committee has reviewed the size and performance of the Board during the year. The current Board size of twelve directors, including nine non-executive directors, is a size which functions effectively; is not so large as to be unwieldy; comprises the skills and expertise required by Paddy Power Betfair plc; and meets corporate governance best practice guidelines on independence.

Board Diversity and gender policy

The focus of the Board, through the Nomination Committee, is to maintain a Board which comprises the necessary mix of business skills, knowledge and experience to advance the Group's commercial objectives and drive shareholder value. Paddy Power Betfair recognises the benefits diversity on a board, including gender diversity, may bring.

Over the past year, five new independent directors (including the Chairman) have been appointed to the Board. Consistent with a focus on the benefits of gender diversity, one of these directors was a female director.

Directors' independence

The UK Code states that at least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent.

The Group has determined that Zillah Byng-Thorne, Michael Cawley, Ian Dyson, Danuta Gray, Peter Jackson, Pádraig Ó Ríordáin and Peter Rigby are independent. The Chairman was independent on appointment to the Board as a non-executive director in November 2014 and as Chairman in July 2015. Stewart Kenny is a founder member of the Group and has served on the Board for longer than nine years and is not considered by the Board to be independent. The Board believes that Stewarts' experience within the industry makes him a valuable Board director and is in the best interest of the Group and its shareholders. There are three executive directors on the Board (Breon Corcoran, Andy McCue and Alex Gersh).

Excluding the Chairman, the Board comprises seven independent non-executive directors, one non-independent non-executive director and three executive directors and is compliant with the UK Code such that at least half the Board, excluding the Chairman, comprises directors determined by the Board to be independent.

As part of its annual review, the Board has given particular consideration to the independence of Mr Pádraig Ó Ríordáin, given his role as a Partner with Arthur Cox, one of the Group's legal advisors. The Board has concluded that, notwithstanding this relationship, Pádraig is independent in character and judgement and is accordingly an independent non-executive director within the spirit and meaning of the UK Code. He has a demonstrated record of such independence, including his appointment in 2007 by the then Minister for Finance to the Irish Government's Advisory Forum on Financial Legislation, on which he served as Independent Chairman. He was also appointed as a member of ILEG, the advisory body to the European Commission on the future crisis management and resolution regime for the European banking sector. Pádraig has not provided any legal services to the Group since his appointment to the Board.

Re-election of directors

In accordance with the recommendations of the UK Code, all Directors will retire and seek election or re-election at each Annual General Meeting. In addition, the Group undertook an evaluation of the Board and its Committees, further detail on which is set out under 'Board performance evaluation' below.

The Chairman's role

Gary McGann has been Chairman of the Group since July 2015. The Chairman is responsible for the leadership of the Board, ensuring its continued effectiveness in carrying out its duties and setting its agenda. The Chairman is also responsible for ensuring that all directors receive accurate, timely and clear information. He facilitates the effective contribution of his non-executive colleagues, encourages openness, debate and challenge at Board meetings, and ensures constructive relationships exist between executive and non-executive directors. The Chairman is the guarantor of effective communications with shareholders and ensures that the Board is kept aware of the views of shareholders. The Chairman is available to meet shareholders on request.

The Chairman also meets with the non-executive directors independently of the executive directors. In addition, the Chairman meets regularly with the Chief Executive Officer to discuss all aspects of the business's performance and, on an occasional basis, meet with other senior members of the management team.

Senior Independent Director

Ian Dyson became the Senior Independent Director on 2 February 2016. Ian is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive Officer or Chief Financial Officer.

Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board. All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The Company Secretary ensures that the Board members receive appropriate induction and on-going training and development to enable them to discharge their duties. The Company Secretary is also responsible for advising the Board on all corporate governance matters.

Induction and development of non-executive directors

New directors are provided with extensive induction materials and are comprehensively briefed on the Group, its operations, corporate governance best practice and their duties as a director.

Non-executive directors are briefed by the executive directors and senior management on a regular basis. During 2015, at each Board meeting, senior management from various parts of the Group made presentations on the progress of and prospects for their area of responsibility. The Group's corporate brokers and other external advisors, also participated in a number of presentations to the Board. In addition, throughout the year, the directors have visited various operations of the Group and during 2015 these included retail site visits and a visit by the chairman of the Audit Committee to Australia.

Throughout the year, directors are also provided with detailed briefing materials on the performance of the Group and with feedback from institutional shareholders and analysts regarding their perspectives on the Group.

Individual directors may seek independent professional advice, at the expense of the Group, in the furtherance of their duties as a director. No such professional advice was sought by any director during the year.

The standard terms of the letter of appointment of non-executive directors are available, on request, from the Company Secretary.

External non-executive directorships

The Board believes that it is of benefit to the Group if executive directors accept appropriate non-executive directorships with other companies in order to broaden and deepen their skills, knowledge and experience. The Board has adopted a policy on external appointments. Under the Group's policy, executive directors should not normally take on more than two non-executive directorships of a public company or any chairmanship of such a company. Directors are permitted to retain any fees paid in respect of such appointments.

The Board also believes that a broadening of the skills, knowledge and experience of non-executive directors can be of benefit to the Group. The Group welcomes the participation of the non-executives on the boards of appropriate other companies. To avoid potential conflicts of interest, non-executive directors inform the Chairman before taking up any external appointments. The Chairman also annually reviews the time each non-executive director has dedicated to the Company. Details of the non-executive positions held by each director in public companies are set out under individual biographies which are detailed on pages 32 to 33.

Non-executive directors' fees

There were no changes to non-executive directors' fees during 2015.

Effective on completion of the merger of Paddy Power plc and Betfair Group plc on 2 February 2016, and in order to reflect the increased size, complexity and challenge of the larger group, changes were made to the non-executive directors' fees detailed on page 65.

Non-executive directors are not eligible to participate in the Group's bonus schemes, option plans or share award schemes. None of the remuneration of the non-executive directors contains an incentive element. The non-executive directors' fees are not pensionable and non-executive directors are not eligible to join any Group pension plans. Non-executive directors are reimbursed for their reasonable travel expenses incurred in connection with the Board and its related committees.

Board performance evaluation

It is the responsibility of the Chairman to ensure that the performance of all directors is at the levels required. The Board carried out an internal evaluation of the performance of the Board, the Chairman, the directors and each of the Board Committees in 2015.

Attendance at Board and committee meetings

The Board holds at least eight standard Board meetings each year. The Board may meet more frequently as required. The number of meetings of Board Committees each year varies by committee.

In light of the circumstances of the Merger discussions, there were eighteen full meetings of the Board in 2015. The attendance at Board and Committee meetings by the directors who held office in 2015 is set out below. The Board places considerable importance on attendance at both scheduled Board and Committee meetings. During the year, no director attended less than 75% of scheduled Board meetings which they were entitled to attend.

Nine of the ten directors of the Board who held office in May 2015 were in attendance at the 2015 AGM on 14 May 2015.

	Note	Board	Audit	Remuneration	Nomination	Bookmaking Risk
Number of meetings held in 2015		18	4	6	2	2
Attended by:						
N Northridge*	(1)	6		3	1	1
G McGann*	(2)	17	1	3	1	
T Grace*		15	3		1	
M Cawley*		18	4			
D Gray*		16		6	2	
U Jerome*		18	4		2	
S Kenny**		17			2	2
P Ó Ríordáin*		16		5	0	2
C McCarthy***		18				
A McCue***		18				
D Power****	(3)					2

* Independent non-executive director
** Non-executive director
*** Executive director
**** Chairman of the Bookmaking Risk Committee

1. Nigel Northridge resigned from the Board in June 2015. There were six Board meetings, three Remuneration Committee meetings, one Nomination Committee meeting and one Bookmaking Risk Committee meeting prior to his resignation, all of which he attended.
2. On his appointment as Chairman of the Board, Gary McGann resigned as a member of the Audit Committee in July 2015. There was one Audit Committee meeting prior to this resignation, which he attended. Gary was appointed to the Nomination, Remuneration and Bookmaking Risk Committees in July 2015. There was one Nomination Committee meeting, three Remuneration Committee meetings and one Bookmaking Risk Committee meeting after his appointment, all of which he attended.
3. David Power resigned from the Board in 2013. He remained as Chairman of the Bookmaking Risk Committee during 2015.

Board Committees

The Board has established four permanent Committees to assist in the execution of its responsibilities. These are: the Audit Committee; the Remuneration Committee; the Nomination Committee; and the newly constituted Risk Committee (which incorporates the former Bookmaking Risk Committee).

Attendance at meetings held in 2015 by each respective Board Committee's members during 2015 is set out in the table above.

Each of these has terms of reference under which authority is delegated to them by the Board. These are available on the Group's website www.paddypowerbetfair.com. The chairman of each Board Committee shall attend the Annual General Meeting and, if requested to do so by the Chairman, is available to answer shareholder questions.

The composition of the Board Committees as at 7 March 2016 was as follows:

Audit Committee
Michael Cawley (Chairman), Zillah Byng-Thorne, Ian Dyson, Danuta Gray.

Remuneration Committee
Pádraig Ó Ríordáin (Chairman), Danuta Gray, Peter Jackson, Gary McGann, Peter Rigby.

Nomination Committee
Ian Dyson (Chairman), Zillah Byng-Thorne, Stewart Kenny, Gary McGann.

Risk Committee
Peter Rigby (Chairman), Michael Cawley, Peter Jackson, Stewart Kenny, Gary McGann, Pádraig Ó Ríordáin.

Audit Committee

The Audit Committee is primarily responsible for ensuring the integrity of the Group's financial reporting and internal controls and financial risk management systems, whistleblowing, and reviewing the work of the internal and external auditors.

The report of the Audit Committee is set out on pages 52 to 57.

In line with best practice, the Audit Committee comprises four non-executive directors all of whom have been determined by the Board to be independent. As a result of Gary McGann's appointment as Chairman of the Board, he resigned as a member of the Audit Committee in July 2015. On completion of the Merger, on 2 February 2016, Tom Grace and Ulric Jerome resigned as members of the Audit Committee and Danuta Gray, Zillah Byng-Thorne and Ian Dyson were appointed to the Audit Committee.

The Board has determined that Michael Cawley, Ian Dyson and Zillah Byng-Thorne all have recent and relevant financial experience.

Remuneration Committee

The Remuneration Committee is primarily responsible for making recommendations to the Board on remuneration policy for the Group's executive directors and other senior executives. The report of the Remuneration Committee is set out on pages 58 to 78.

The Remuneration Committee currently comprises four independent non-executive directors and the Group Chairman. In line with best practice, the Committee is not chaired by the Group Chairman who was appointed as a member of the Remuneration Committee in July 2015. On completion of the Merger, on 2 February 2016, Peter Jackson and Peter Rigby were appointed as members of the Remuneration Committee.

Nomination Committee

The Nomination Committee is primarily responsible for recommending candidates to the Board for appointment as directors and ensuring that appropriate procedures are followed for all such appointments. The Nomination Committee also makes recommendations to the Board concerning plans for succession for directors and senior executives.

On behalf of the Board, the Nomination Committee also continually reviews the composition and diversity of the Board and the skills and experience of each of the directors, to ensure that Paddy Power Betfair plc has a Board which is fit for purpose and capable of protecting and creating value for shareholders. Before making an appointment, the Nomination Committee will evaluate the balance of skills, knowledge and experience on the Board and agree a preferred profile for the appointment. The relevant skills and experience of each director are set out under individual biographies which are detailed on pages 32 to 33. During 2015, Ulric Jerome (February 2015) and the Group Chairman (July 2015) were appointed as members of the Nomination Committee. On completion of the Merger, on 2 February 2016, Pádraig Ó Ríordáin, Tom Grace, Ulric Jerome and Danuta Gray resigned as members of the Nomination Committee and Ian Dyson was appointed as Chairman of the Nomination Committee and Zillah Byng-Thorne was appointed as a member.

The Nomination Committee therefore comprises of the Group Chairman, two independent non-executive directors and one non-independent, non-executive director. In line with best practice, at least half of the Committee is comprised of independent directors.

2015 review
Following the announcement made by the Company on the day of the AGM in May 2015, Nigel Northridge resigned as Chairman and as a non-executive director of Paddy Power plc on 30 June 2015. Nigel had served the Board as a non-executive director for over 11 years and had completed two three-year terms as Chairman. Gary McGann joined the Board of Paddy Power plc as a non-executive director in November 2014, and was appointed to the post of Chairman with effect from July 2015.

The possible merger of Paddy Power plc and Betfair Group plc was announced in August 2015. The merger completed on 2 February 2016 and the Company began trading as Paddy Power Betfair plc from that date. The new Board structure of the Company was confirmed in February 2016; Breon Corcoran, former CEO of Betfair, was appointed as an executive director and Chief Executive Officer of the Company, Andy McCue, former CEO of Paddy Power, was appointed Chief Operating Officer and remained as an executive director of the Company, and Alex Gersh, former CFO of Betfair, was appointed Chief Financial Officer and an executive director of the Company. Ian Dyson (former Senior Independent Director and non-executive director of Betfair) was appointed as Senior Independent Director and a non-executive director of the Company, and Zillah Byng-Thorne, Peter Jackson and Peter Rigby (former non-executive directors of Betfair) were appointed as non-executive directors of the Company. Cormac McCarthy, former executive director and CFO of Paddy Power, Tom Grace, former Senior Independent Director and non-executive director of Paddy Power and Ulric Jerome, former non-executive director of Paddy Power, resigned from the Board with effect from 2 February 2016.

Risk Committee

On Completion of the Merger, the Risk Committee was established (incorporating the former Bookmaking Risk Committee). The responsibility of the Risk Committee will be to review the reputational impact of the Group's activities and to assist with this it will review, and be updated on, areas such as compliance with regulatory licensing conditions, responsible gambling, corporate social responsibility and marketing and advertising. It will also review and monitor the Group's bookmaking risk policies and reports from the Bookmaking Risk function and approve the limits in relation to this. The Risk Committee will review the Group's Risk Register to ensure that the non-financial elements of the risk register are correctly identified, together with any appropriate mitigating initiatives, the outcome of which will be subject to review by the Audit Committee. Gary McGann was appointed as a member of the Risk Committee in July 2015. David Power resigned as Chairman of the Bookmaking Risk Committee and Peter Rigby was appointed as Chairman of the Risk Committee in February 2016. Michael Cawley and Peter Jackson were appointed as members of the Risk Committee in February 2016.

Internal control

The UK Code states that:

1. The Board should maintain a sound system of internal control to safeguard the shareholders' investment and Group assets.
2. The directors should monitor the Group's risk management and internal control systems and, at least annually, carry out a review of the effectiveness of those systems and should report to shareholders that they have done so. The review should cover all material controls, including financial, operational and compliance controls, and risk management systems.

The directors have overall responsibility for the Group's system of internal control and have delegated responsibility for the implementation of this system to executive management. This system includes financial controls which enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

The Board has also established a process of compliance which addresses the Board's responsibility to maintain, review and report on all internal controls.

The principal processes comprising the system of internal control are that:

- budgets are prepared for approval by executive management and the Board;
- income and expenditure are regularly compared to budgets;
- the consolidated financial statements are prepared subject to the oversight and control of the Chief Financial Officer. An appropriate control framework has been established to ensure that correct data is captured in respect of all Group companies, appropriate eliminations and other adjustments are recorded, and all the information required for disclosure in the consolidated financial statements has been provided;
- the Board establishes appropriate treasury policies for implementation by executive management;
- compliance with bookmaking risk limits is reported on by the risk management department and reviewed by senior management and internal audit;
- all material commitments for expenditure and payments are compared to previously approved budgets and are subject to prior approval by personnel designated by the Board of Directors;
- regular financial results are submitted to and reviewed by the Board of Directors;
- the directors, through the Audit Committee, review the effectiveness of the Group's system of internal control; and
- an internal audit department, independent of operations, undertakes internal control reviews throughout the Group. The head of this department meets regularly with the Audit Committee.

The Board, through the Audit Committee, is responsible for monitoring the effectiveness of the Group's systems of internal control and risk management, and at least annually, carrying out a review of the effectiveness of those systems. This review has been performed in respect of the year ended 31 December 2015. The directors consider that the procedures necessary to implement the FRC guidelines on internal control in the UK Corporate Governance Code have been properly established.

Principal risks and uncertainties

The Board is responsible for the Group's risk management systems, which are designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives.

Risk Management Framework

The Group risk management framework is the 'three lines of defence' model which is set out as follows:

Board, Executive Management and Audit Committee

First Line	Second Line	Third Line
Business Operations: *Management*	**Oversight Functions:** *Finance, HR, Legal & Compliance, and Risk Management*	**Independent Assurance:** *Internal/External Audit*
Establish and develop the risk and control environment Primary responsibility for day to day risk management Proactive management of continuous business process improvement	Establish Group policies and procedures within risk appetite Provide guidance and direction for their implementation Monitor the appropriate execution and application of policies and procedures	Provide independent challenge and assurance that risk is appropriately managed Systematic evaluation and monitoring of controls Identify efficiencies and process improvement opportunities

The Group and Company are exposed to a number of risks and uncertainties that could affect their operating results, financial position and / or prospects. The principal such risks and uncertainties facing the Group in the short to medium term are set out below. These should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties and additional items that are not currently known to the Board or which the Board currently deem not to be material could also arise.

Risk and uncertainty		Mitigating activities
Strategic risks and uncertainties		
Macro-economic conditions	The economic, demographic, technological, consumer behaviour and other macro factors affecting demand for the Group's products.	The Group monitors developments closely to ensure changes in the macro-economic climate are identified and adequately addressed. The Group's geographical diversity also helps mitigate this risk. The Group's financial position is strong with significant cash generation capabilities.
Competition	The intensity of competition in the Group's markets and the Group's ability to successfully compete.	The Group has a programme of brand investment and product innovation to maintain and enhance its market position. The Group also monitors competitors and their promotional offers.
New Business / acquisitions	The ability of the Group to enter new markets, launch new products or introduce new technologies or systems in a successful, cost effective and / or timely manner, either organically or via acquisition.	The Group rigorously assesses any potential acquisitions, new products and / or new technologies.
Merger	The combination of the resources of Paddy Power and Betfair that rely upon different technology platforms may prove costly and technically difficult to achieve.	A highly professional integration team has been established to ensure the groups are combined effectively and that the benefits of the merger will be achieved on a timely basis. External advisors are being retained as required.

Risk and uncertainty		Mitigating activities
Compliance risks and uncertainties		
Taxation	Changes in current tax law, interpretation or practice in the areas of betting tax, value added tax, payroll, corporation or other taxes. Increased payment obligations to racing and sporting bodies either directly or indirectly through related obligations to government authorities.	The Group has its own internal tax function which has responsibility for all tax compliance matters. The Group also engages external tax advisors for guidance on matters of compliance where appropriate. The Group engages proactively in relevant consultations with Government authorities with respect to taxation of betting and gaming or payments to sporting bodies.
Compliance	The regulatory, consumer protection or legislative environment, including interpretations or practices, applicable to the Group's activities in the various markets in which the group operates including those markets where no regulatory framework exists and the related risks from limitation of business activities or litigation by third parties or the Group.	The Group has a central Group Compliance and Regulatory function which has responsibility for guiding business units in their management of compliance matters. The Head of Compliance reports periodically to the Audit Committee the application of various laws and regulations by relevant jurisdiction to ensure they are appropriately understood and managed. The Group's internal and external auditors report the findings of their audit procedures to the Audit Committee on relevant compliance matters.
Data security	The ability to adequately protect customer and other key data and information.	The Group has a number of data protection policies in place in order to protect the privacy rights of individuals in accordance with the relevant Data Protection legislation. The Group's Legal and Compliance teams ensure the business adheres to industry best practice standards and relevant laws of data protection compliance. The Group has made significant investment in IT security resources and partners with a variety of external security specialists to ensure security arrangements and systems are up to date with emerging threats. The Group's Information and Security function continuously assesses the risks and controls around security and IT operations.

Risk and uncertainty		Mitigating activities
Operational risks and uncertainties		
Key supplier relationships	Managing relationships with and performance by key suppliers, particularly those supplying software platforms, payment processing and data to support the Group's products.	The Group has strong commercial relationships with its key suppliers. Contracts and service level agreements are in place and are regularly reviewed. Proposed new contracts are passed through a procurement process to ensure the Group is protected. The Group monitors the performance of third party suppliers in order to ensure the efficiency and quality of contract performance.
Business-to-business customer relationships	Managing relationships with and performance for business-to-business customers.	The Group has good commercial relationships with its key business-to-business customers. Contracts and agreements are in place and are regularly reviewed.
Business continuity planning and disaster recovery	The ability of the Group to maintain, develop and avoid disruption to its key information technology systems.	The Group has a Chief Information Officer and Chief Information Security Officer who monitor controls to maintain the integrity and efficiency of the Group's technology systems. An IT disaster recovery plan exists and is tested regularly with specific arrangements in place for alternative data centres (live replication) for the online sportbook.
Bookmaking risk	The performance of the Group in managing bookmaking risk so as to achieve gross win margins within expected percentage ranges.	The Group's central Risk Department has responsibility for the compilation of bookmaking odds and for sportsbook risk management. This function reports to the Group Chief Operating Officer and to the Risk Committee of the Board. Predefined limits have been set for the acceptance of sportsbook bet risks. These limits are subject to formal approval by the Risk Committee.
Disruption to sporting calendar	Disruption to the sporting calendar or the broadcasting of major sporting events due to weather or other factors.	Geographical diversification, with operations in Europe, North America and, Australia, is helping to mitigate this risk. Diversification of products also helps mitigate this risk via gaming (gaming machines, games, casino, bingo and poker), and business to business activities.
Key employees	The ability of the Group to attract and retain key employees.	Succession planning, management training and development and competitive remuneration structures have been established by the Group and are actively managed with the support of the Group HR function.
Brand and Reputation	Negative social, media or political sentiment towards the Group, its brands, reputation and its businesses.	The Group has a programme of corporate communications, brand investment and product innovation to maintain and enhance its market position.
Intellectual property	The ability of the Group to successfully defend its intellectual property rights or claims alleging infringement of the intellectual property rights of others.	Protecting, the intellectual property rights of the Group is key to its operations. The Group has invested significantly in its brand and new technologies to maintain and enhance its market position. Similarly, the Group understands and abides by the intellectual property rights of others in order to mitigate the risk of litigation and related costs.

Directors' Statement On Corporate Governance
(continued)

Risk and uncertainty		Mitigating activities
Financial Risks and Uncertainties		
Foreign exchange risk	Changes in the exchange rates between the euro and the foreign currencies in which the Group transacts business, primarily the pound sterling, US dollar and the Australian dollar.	It is Group policy to maintain a naturally hedged balance sheet by ensuring that foreign currency denominated liabilities are broadly matched by foreign currency denominated assets, primarily cash deposits. The Group uses forward contracts (subject to Investment Committee approval), to manage foreign currency exposures on expected future cash flows.
Credit risk	The performance of the Group in managing credit risk arising from treasury activities.	The Group has an established Treasury policy which places limits on cash deposits and foreign exchange forward contracts with its banking counterparts. These must typically hold a Moody's (or equivalent) long term credit rating of A3 or higher and a Moody's (or equivalent) short term credit rating of P1 unless otherwise specifically approved by the Investment Committee. The Group carefully measures counterparty risk by monitoring credit agency ratings, Credit Default Swap spread prices and other public information, and takes action to mitigate such risks as are identified.

The Board is responsible for overseeing the Group's internal control and risk management process ensuring appropriate and robust systems of internal control are in place to identify, manage and mitigate the risks to the overall viability of the Group. The directors confirm that their assessment of the principal risks facing the Group was robust.

The composition and responsibilities of the Audit Committee and Risk Committee are set out on pages 44 and 45. The Board has also established financial risk management objectives and policies which have been implemented by executive management, details of which are given in Note 3 to the consolidated financial statements on pages 100 to 103.

The development of the Group's Viability Statement considers the impact of severe events that could threaten its future business model. The identification and assessment of these potential events is facilitated by the Group's risk management process, which in turn is underpinned by the Group's risk appetite. This process is monitored and reviewed by the Group's executive, with Board oversight.

Viability statement

The Directors confirm that they have a reasonable expectation that the Combined Group will continue to operate and meet its liabilities, as they fall due, for the next three years to December 2018. This three year timeframe was selected as it corresponds with the Board's strategic planning horizon. This is based on long term plans prepared in 2015 adjusted as appropriate for Merger synergies and integration costs with sensitivity analysis performed on key financial metrics such as gross win % and amounts staked.

The Directors' assessment has been made with reference to the strong cash generation capabilities of the Combined Group, its committed debt facilities and in particular its €300 million Revolving Credit Facility which expires in May 2020, the Board's risk appetite and the principal risks and uncertainties and how they are managed, as detailed in pages 47 to 50 of this report.

They also assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties and the likely degree of effectiveness of current and available mitigating actions.

Relations with shareholders

The Group is committed to on-going and active communication with its shareholders. The Group maintains an investor relations section on its corporate website ('www.paddypowerbetfair.com'). This contains copies of investor presentations and annual reports as well as providing access to Regulatory News Service ('RNS') statements and corporate press releases. All shareholders are encouraged to attend the Annual General Meeting where they are afforded the opportunity to question the Board.

There is regular discussion between Group management and analysts, brokers and institutional shareholders, ensuring that the market is appropriately informed on business activities. Visits to the Group's headquarters are encouraged and a significant number of existing and prospective institutional shareholders visited the Group's offices in 2015. In addition, tours of our retail outlets are undertaken regularly. Feedback from major shareholders, feedback from analysts and reports by analysts are communicated to directors so that directors can, in line with the UK Code, understand the issues and concerns of shareholders.

The short-term financial performance of Paddy Power Betfair plc can be significantly influenced throughout the financial year by the run of sporting results. This is normal in the sports betting industry. For example, a disproportionate number of favourites winning at a major horse racing festival will depress short-term profitability, whereas a disproportionate number of outsiders winning will have the opposite effect. The experience of the industry is that this typically balances out over a more extended period. Accordingly, the Board does not believe that the typical levels of short-term profit volatility intrinsic to our business should significantly influence the investment decisions of an investor.

The Board and management of Paddy Power Betfair plc carefully monitor any significant variances in financial performance to assess, based on the experience of the Group, whether such variances are attributable to the run of sporting results and therefore likely to be short-term in nature or reflect a trend which may impact on the overall performance of the Group going forward. The Board considers these two categories of variances to be fundamentally different as to their likely influence on the investment decisions of an investor. The Board makes its judgements in respect of announcements to the market and its obligations under the disclosure rules to which the Group is subject against this background.

Compliance

The Directors confirm that the Group has complied throughout the accounting period with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex.

Conclusion

We would invite you all to consider the above carefully, and encourage any shareholders who have questions relating to this Corporate Governance statement to contact by email Gary.McGann@paddypowerbetfair.com or Edward.Traynor@paddypowerbetfair.com.

Gary McGann
Chairman

7 March 2016

Audit Committee Report

Role of the Audit Committee

The role, responsibilities and authorities of the Audit Committee are set out in our written Terms of Reference. The primary role of the Group's Audit Committee is to provide governance and oversight over the integrity of the Group's financial reporting and the Group's internal controls and risk management frameworks. The Committee also monitors the performance of internal and external audit. The Committee may obtain, at the Group's expense, outside legal or other professional advice needed to perform its duties.

During the year the Committee has continued its assessment of the overall risk management and internal control frameworks in place to ensure their appropriateness. The Committee has met with various members of the senior management team to secure assurance in this regard. The Committee has also engaged regularly with internal and external audit.

Membership

Members are appointed to the Committee by the Board, based on the recommendations of the Nomination Committee. During 2015 the Committee was comprised of independent non-executive directors, Tom Grace, Ulric Jerome, Gary McGann and myself as Chairman. I was appointed as Chairman of the Committee in May 2014 taking over from Tom Grace. On 30 June 2015, Nigel Northridge stepped down as Chairman of the Board of Paddy Power plc and was succeeded in that role by Gary McCann who as a result resigned from the Audit Committee.

Effective on 2 February 2016, Paddy Power plc acquired Betfair Group plc. On the same date, the Company was renamed Paddy Power Betfair plc. Following the completion of the transaction, a new Group Audit Committee was appointed comprising of a combination of former Paddy Power and Betfair Board Members. I will continue in position as Chairman of the Group Audit Committee. Further appointments to the Committee are Zillah Byng-Thorne, Ian Dyson and Danuta Gray. Tom Grace and Ulric Jerome have stepped down from their roles and I would like to thank them both for their substantial contribution to the work of the Committee in 2015.

As with other Board Committees, the Company Secretary or his deputy acts as secretary to the Committee.

All members of the Committee are expected to be financially literate, to have knowledge of financial reporting principles and accounting standards and to understand any material factors impacting the Group's financial statements. All members are also required to have an understanding of the Group's internal controls and risk management framework and the regulatory and legal environments in which the Group operates. In accordance with Provision C3.1 of the Code, the Board has determined that Zillah Byng-Thorne, Ian Dyson and myself have 'recent and relevant financial experience' as required. Further details of the members' qualifications and experience are available on pages 32 to 33.

A separate-Audit Committee operates in Australia and reports to the main Audit Committee on the integrity of Sportsbet's financial reporting and internal controls and risk management frameworks. I also sit on this Audit Committee. Further, in November 2015 I travelled to Australia and received presentations from key members of the local management team and met with the external auditor lead partner.

The Chief Financial Officer (CFO) and the Director of Internal Audit have a standing invitation to attend the Audit Committee meetings, with the exception of the limited number of instances where the Committee meets without executive management. The Chairman of the Board also attends at least one Audit Committee meeting each year and Nigel Northridge attended the February 2015 meeting. Key members of management, the external auditors and key staff in risk management functions also attend meetings by invitation.

Meetings

In accordance with the Committee Terms of Reference, the Committee meets at least three times a year. The Committee met four times in 2015. Attendance at meetings held is set out in the table on page 44.

Meetings are generally scheduled around the financial reporting cycle to allow the Committee to discharge its duties in relation to the financial statements. To discharge its functions effectively, the Audit Committee has unrestricted access to the Group's external and internal auditors, with whom it meets at least three times a year, with and without management. These meetings ensure that there are no restrictions on the scope of their audits, and allow discussion of any matters that the auditors might not wish to raise in the presence of management.

Various key members of management have reported to the Audit Committee during the year including the Chief Product Officer, the Chief Information and Security Officer, the Group Financial Controller, the Director of Tax, the Group Treasury Manager and the Head of Compliance. The CFO regularly updates the Committee on key financial matters.

In general the Committee meets in advance of Board meetings and I report to the Board on the key outcomes from each meeting. In addition, minutes of all meetings are circulated to the Board.

Main activities during the year

The activities undertaken by the Audit Committee 2015 included:

- monitoring the integrity of the financial statements and the formal announcements relating to the financial performance of the Company and Group;
- reviewing significant financial reporting judgements ;
- advising the Board as to whether, taken as a whole, the Annual Report and Financial Statements is fair, balanced and understandable and provides the necessary information to shareholders to assess the Company's performance;
- reviewing the effectiveness of the Group's internal controls;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- ensuring there is a robust process in place to monitor and evaluate the principal risks to which the Group is exposed including those that would threaten the business model, future performance, solvency or liquidity;
- considering and making a recommendation to the Board in relation to the continued appointment of the external auditor;
- approving the remuneration and terms of engagement of the external auditor;
- evaluating the performance of the external auditor, including their independence and objectivity;
- monitoring any non-audit services provided by the auditor;
- reviewing arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- reviewing processes for detecting fraud, misconduct and control weaknesses and to considering responses to any such occurrence;
- reviewing all compliance related matters;
- providing an open line of communication between the Board, internal audit and external audit; and
- reporting to the Board on how the Committee has discharged its duties.

Financial reporting and significant financial issues

The role of the Committee in relation to financial reporting is to monitor the integrity of the financial statements at half year and at year end and that of any formal announcements relating to the Group's financial performance. The Committee has considered whether accounting standards are consistently applied across the Group and whether disclosures in the financial statements are appropriate and sufficient. Following discussions with management and the external auditors the Committee has determined that the key risks of misstatement of the Group's financial statements are in relation to the following:

Matter considered	Action
Income The Group has a number of income streams across its online and retail operations with a high prevalence of cash and credit card transactions. Effective operational and fraud related controls from both an IT systems and financial control perspective assist in ensuring the accuracy and completeness of these income streams.	The Audit Committee gained comfort over this area through discussion with the CFO in relation to the operation of key financial controls such as cash and revenue reconciliations. Representations from the Chief Product Office and Chief Information and Security Officer provided additional assurance throughout the year in relation to the operating effectiveness of our IT systems. The Group Treasury Manager presented information to the Committee on treasury and bank controls in operation to ensure accuracy and integrity of funds held in Group bank accounts. There are also a number of oversight functions within the Group that assist in validating the accuracy and completeness of revenue, such as the Security and Fraud teams. The Committee also gained an understanding of and challenged the work performed by the external auditor, including their assessment of the key IT controls in operation in relation to the Group's IT systems. As a result of the above procedures the Committee is satisfied that there are appropriate controls and processes in place across the Group to ensure the completeness and accuracy of reported income.

Matter considered	Action
Compliance with laws and regulations The Group operates in a heavily regulated industry across a number of geographical jurisdictions. The area of compliance continues to evolve in all of our markets. Compliance with the laws and regulations in place in each jurisdiction that could have a direct effect on material amounts reported and disclosed in the Group's financial statements is a key risk area considered by the Committee. This includes matters such as taxation, licensing, data protection, money laundering, fraud and other legislation.	The Group's Head of Compliance presented to the Committee during the year setting out the key obligations and controls in place across the Group that are designed to prevent and detect instances of non-compliance with relevant laws and regulations. The Committee reviewed Internal Audit reports covering compliance with laws and regulations. In addition, our external auditor reports to us on the results of their procedures which are designed to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements. The above procedures provide the Committee with assurance that sufficiently robust policies and procedures are in place to prevent and detect instances of non-compliance with laws and regulations that could have a material impact on the amounts reported in the Group's financial statements. The Committee was also kept fully apprised of any engagements with regulatory authorities including a number of reviews carried out by the Gambling Commission in 2015. We engage PricewaterhouseCoopers (PwC) as our main tax advisor. Our in-house Director of Tax (together with PwC) present to the Committee periodically in relation to Group tax compliance. The combination of this independent advice, our in-house expertise and the procedures and reporting provided by our external auditor assists in providing assurance to the Committee that the processes, assumptions and methodologies used by the Group in relation to taxation amounts reported and disclosed in the Group's financial statements are appropriate.
Data Integrity and IT Security The integrity and security of our systems are key to the effective operation of the business and appropriate revenue recognition. As the Group regularly collects, processes and stores personal data through its business operations (including name, address, email, phone number and financial data such as bank details and betting history) it must ensure strict compliance with all relevant data protection and privacy related laws and regulations in all jurisdictions where it operates. The Group is potentially exposed to the risk that customer or employee personal data could be inappropriately collected, lost or disclosed, or processed in breach of data protection regulation. This could also result in formal investigations and / or possible litigation resulting in prosecution and damage to our brand and reputation.	The Group has appropriate data protection policies in place in order to protect the privacy rights of individuals in accordance with the relevant Data Protection legislation. The Group's Legal and Compliance teams ensure the business adheres to industry best practice standards and relevant laws of data protection compliance. The Group has made significant investment in IT security resources and partners with a variety of external security specialists to ensure security arrangements and systems are up to date with emerging threats. IT security is embedded in IT operations and development processes. The Group's Information and Security function continuously assesses the risks and controls around security and IT operations. The function reported to the Committee during the year. The specialist external IT auditor examined and tested the effectiveness of controls during the audit. Based on assurances from management and the external auditor the Committee is satisfied with internal controls and the residual level of risk.

Fair, balanced and understandable

The Board as a whole is responsible for ensuring that the annual report is fair, balanced and understandable. The Committee provided assistance to the Board in this regard by reviewing financial statements in advance of their consideration by the Board. Management confirmed to the Committee that they were not aware of any material misstatements made intentionally to achieve a particular presentation. The external auditor reported to the Committee the misstatements that it had found in the course of its work and noted that no material adjustments were required. The Committee confirms that it is satisfied that the external auditor has fulfilled its responsibilities with diligence and professional scepticism.

After reviewing the presentations and reporting from management and consulting where necessary with the external auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). On the basis of the above the Committee consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Internal audit

The Committee has oversight responsibilities for the internal audit function. The Committee approved the 2015 internal audit plan in December 2014. The plan was assessed to ensure it provided adequate coverage across the Group and was risk based in its approach. Changes are made to the plan based on emerging risks or changes in the business that should be addressed. All changes to the plan were reviewed and agreed by the Committee.

Progress against the plan was reported in detail to the Committee by the Director of Internal Audit at the half year end and at the end of the year. The Committee also reviewed the specifics of audit findings and the progress of the business in addressing audit recommendations. Internal Audit regularly reported to the Committee on key risk themes, methodology enhancements and on the overall risk management frameworks in the business.

The Committee made independent inquiries of the external auditor and of senior management as to the performance of internal audit and is satisfied in this regard.

Risk management

In accordance with Provision C2.1 of the Code, the Board is required to describe the principal risks to which the business is exposed and the activities undertaken to mitigate those risks. The Board must also confirm that it has carried out a robust assessment of the principal risks facing the Group including those that would threaten the business model, future performance, solvency or liquidity of the business. A summary of the key risks assessment is detailed on pages 47 to 50. The Board is also required under Provision C2.2 to explain how they have assessed the prospects of the Group, over what period they have done so, why this period is considered appropriate and state whether the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities if they fall due over the period of their assessment drawing attention to any qualifications or assumptions as necessary. The Board has reported on these requirements on page 50.

The Audit Committee supports the Board in meeting its risk management obligations. The risk management process is reviewed at least annually by the Audit Committee for its appropriateness and effectiveness in identifying the principal risks and reviews how those risks are being managed and mitigated. The Committee also relies on the work of internal and external audit to ensure that appropriate measures are taken to address risks as they are identified or as their risk profile changes. There are a number of key management functions that have a core role in the overall risk management framework. The Audit Committee met with a number of these individuals throughout the year.

There were a number of enhancements made to the risk management framework during the year and the Director of Internal Audit presented these to the Committee. The Committee believes these changes will further assist the business in identifying and managing risks which are critical to the delivery of the Group's strategic objectives.

The Group has developed policies, procedures, management systems and internal controls that are designed to prevent bribery and corruption occurring. This includes a Code of Ethics that is articulated through policies on whistleblowing, gifts and hospitality and bribery and corruption. The formalised whistle-blowing policy and procedure encourages staff to raise issues regarding possible improprieties in matters of financial reporting or other matters. It is the responsibility of the Audit Committee to monitor its effectiveness and any notifications made and the Committee is satisfied that the process is working appropriately.

External audit

There are a number of areas that the Committee considers in relation to the external auditors – their performance, their independence and objectivity, and their appointment and remuneration.

External auditor performance

In December 2015 we met with the external auditor to agree the 2015 year end audit plan. The plan provided detail on the proposed audit approach and methodology, the materiality level intended to be used during the audit and highlighted the areas considered to have a higher risk due to the level of judgement involved and the potential impact of a misstatement on the Group financial statements. The areas of highest risk were considered to be those of revenue and compliance with laws and regulations. In addition the external auditor highlighted management override of controls as a significant audit risk, as required by Auditing Standards. The Committee reviewed and appropriately challenged the conclusions reached by the external auditor before agreeing the proposed audit scope and approach.

The external auditor presented a detailed report of their audit findings to the Committee at our meeting in February 2016. During the year, the external auditors also presented their findings of the half year review procedures to the Committee and in December 2015 they presented a detailed report of their Information Technology audit findings. These findings were reviewed and questioned by the Committee, with appropriate challenge made to the work performed, assumptions made and conclusions drawn – particularly in relation to the higher risk areas as identified above.

In November 2015, the Australian Audit Committee also met with the KPMG audit partner in Australia.

The Committee took into account the following factors in assessing the performance of the Group's external auditor:

- the quality and content of the deliverables presented to the Committee;
- the ability of the external auditor to respond appropriately to challenges raised by the Committee;
- the progress achieved against the agreed audit plan, and the communication of any changes to the plan in respect of matters such as emerging risks;
- the competence with which they handled key accounting and audit judgements and the manner in which they communicate the same;
- their compliance with relevant ethical and professional guidance on the rotation of audit partners; and
- their qualifications, expertise and resources.

After taking into account all of the above factors, the Committee continues to be satisfied with the performance of KPMG.

Independence and reappointment

The Committee is responsible for ensuring that the external auditor is objective and independent. KPMG has been the Group's auditor since 2002. During this time the audit partner has been rotated every five years to ensure that independence and objectivity is maintained with the current lead audit partner being first appointed in respect of the year ended 31 December 2011. The audit was last tendered in 2011, for the year ending 31 December 2011. Following written tenders and presentations from the four leading global audit firms, it was decided to retain KPMG. The Committee meets privately with the external auditor at least annually without any members of management or the executive directors present.

KPMG are also the auditors for Betfair Group plc and, following the completion of the merger deal, KPMG will continue as auditors for Paddy Power Betfair plc in 2016.

The Committee acknowledges the EU rules in respect of audit reform which were adopted in June 2014. The rules aim to strengthen the independence of statutory audits and strengthen audit supervision across the EU. Member states have two years to implement the directive. Under the proposed transitional rules the Group will be required to put the audit out for tender by 2021. Further, KPMG can act as our auditor up to and including 2021. The Committee will continue to monitor the consultation regarding how the EU Regulations will be implemented, and will comply with any applicable new requirements.

The Committee is responsible for implementing appropriate safeguards where the external auditor also provides non-audit services to the Group. In recognition of the fact that the perceived independence and objectivity of an auditor may be compromised where they receive fees for non-audit services, a policy operated during the period formalising the process to follow when considering whether to engage the external auditor for non-audit services. It establishes a tiered approvals level if the external auditor is appointed for non-audit services and also details certain prohibited services. To assist in this regard the Committee also monitors the extent to which the external auditor is engaged to provide non-audit services. The external auditor is precluded from engaging in non-audit services that would compromise its independence, would violate any laws or regulations affecting its appointment as auditor or would lead a reasonable third party to regard the objectives of the proposed non-audit service as being inconsistent with the external audit. Upon the re-appointment of KPMG as external auditor in 2011, the Audit Committee agreed that KPMG would cease to be the primary tax advisor to the Group.

An analysis of the non-audit fees provided by the Group's auditor in 2015 is set out on page 111. For 2015, non-audit fees paid to KPMG amounted to 149% of audit related fees paid to the Irish firm and overseas offices as compared to 48% in 2014. The increase in the level of non-audit fees paid was as a result of the merger activity undertaken in 2015 and the Committee gained comfort on any such fees in advance and the safeguards in place to maintain the independence and objectivity of the auditors.

During 2015, the Committee reviewed the letter from the Group's external auditor confirming its independence and objectivity. The Committee also performed a review of the audit and non-audit services provided by the external auditor, and the fees charged for those services, to ensure there was no impairment of objectivity or independence.

Michael Cawley
Chairman of the Audit Committee

7 March 2016

Directors' Remuneration Report

Annual Statement from Remuneration Committee Chairman

As Chairman of Paddy Power Betfair's Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2015, which has been prepared by the Committee and approved by the Board.

As you know, earlier this year Paddy Power and Betfair merged to create Paddy Power Betfair, one of the world's largest online betting and gaming companies.

In advance of the Merger, the Paddy Power Remuneration Committee reviewed the Company's remuneration structure to ensure it aligns with the forward-looking strategy, supports the appropriate culture and integration, and is sufficient to motivate and retain an ambitious and highly talented executive team over the next few years. The new structure for Executive Directors, which applies from the date of completion of the Merger, 2 February 2016, is set out in the Remuneration Policy on pages 70 to 76. This policy was approved by an advisory, non-binding shareholder vote at the 2015 EGM, and is included in this report for information.

Format of report

The Committee is aware that best practice and regulatory requirements in UK executive remuneration have been evolving over recent years, including significant new legislative requirements in relation to remuneration reporting by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Whilst as an Irish-incorporated company Paddy Power Betfair is not subject to these requirements, our preference is for our remuneration policies, practices and reporting to reflect best practice corporate governance for a listed company. The Committee has therefore decided to comply with the reporting regulations on a voluntary basis.

This report is divided into three sections:

- The Annual Statement by the Remuneration Committee Chairman;
- The Annual Report on Remuneration, which focuses on the remuneration arrangements and outcomes for the year under review, and how the Committee intends to implement the Remuneration Policy in 2016 (see pages 60 to 69) – this section will be subject to an advisory vote at the forthcoming AGM; and
- The Remuneration Policy, which details Paddy Power Betfair's remuneration policies and their link to business strategy, as well as projected pay outcomes under various performance scenarios (see pages 70 to 78) – this section is included for reference.

For clarity, 2015 reporting is based on the Paddy Power structure in place during the financial year as it applied to the Paddy Power CEO, Andy McCue, and Paddy Power CFO, Cormac McCarthy. The Remuneration Policy and forward-looking statements in the Annual Report on Remuneration relate to the Paddy Power Betfair Executive Directors, namely Breon Corcoran, Andy McCue and Alex Gersh.

Remuneration decisions in 2015

Paddy Power achieved excellent results in the year to 31 December 2015, with turnover of €8.6bn and operating profit of €180m, before exceptional items. Adjusted earnings per share grew by 12% and the Board's proposed final dividend makes for a total 2015 regular dividend of €1.80 per share, an increase of 18% vs. 2014.

Following another strong year, Andy McCue and Cormac McCarthy will receive bonuses of 77% and 69% of maximum in respect of 2015. Paddy Power's profit margin and top-line performance was above target but just shy of stretch, and this is reflected in the outcome for the financial element of the bonus. Both individuals made significant contributions to the business during the year, and a summary of their key objectives is included on page 62.

Andy McCue and Cormac McCarthy were granted awards under the Paddy Power LTIP in 2013 which vest on EPS performance over the three financial years to 31 December 2015. As a result of the Merger, change-of-control vesting provisions for outstanding share awards at Betfair were automatically triggered. To support retention, the Betfair Remuneration Committee used its discretion not to release the 2013 and 2014 awards on change-of-control on a commitment from Paddy Power to make replacement awards of equivalent value which will vest in full on their original vesting dates subject to continued employment. The Paddy Power Remuneration Committee wished to provide equitable and equivalent treatment for Paddy Power executives, and considered that financial performance was deemed to be on track for the 2015 and 2016 financials years to achieve the LTIP targets. They therefore exercised discretion permitted within the rules to test performance conditions early in line with the Merger timeline. Based on performance at the time, the Committee determined that the 2013 and 2014 awards would vest in full. These awards will therefore vest in 2016 and 2017, respectively, subject to continued employment. The Committee is satisfied that the vesting level reflects Paddy Power's excellent underlying performance. Further details are provided on pages 62 and 63.

Remuneration Policy for 2016 and future years

Paddy Power Betfair's approved Remuneration Policy for Executive Directors is set out on pages 70 to 75. Paddy Power's remuneration philosophy has historically been centred on paying in line with market for fixed remuneration, and delivering upper quartile total remuneration for exceptional performance, and this will continue to be the case for Paddy Power Betfair. The new LTIP will drive the delivery of long-term shareholder value by rewarding exceptional performance and, the annual bonus will continue to incentivise the achievement of annual targets linked to strategy and encourage share ownership through mandatory bonus deferral into shares.

Information on the implementation of the policy for 2016, including details of the performance conditions in respect of the 2015 and 2016 LTIP awards, is included on pages 63 to 69.

The Committee will continue to monitor market trends and developments throughout 2016 in order to assess ongoing relevance for the Company's remuneration practices. The Committee welcomes feedback from our shareholders as we remain committed to an open and transparent dialogue, and hope to receive your support at the forthcoming AGM.

On behalf of the Remuneration Committee

Pádraig Ó Ríordáin
Chairman of the Remuneration Committee

7 March 2016

Annual Report on Remuneration

The following section provides details of remuneration outcomes for the financial year ended 31 December 2015 for Executive Directors who served at Paddy Power during the year, and how the approved Remuneration Policy for Paddy Power Betfair will be implemented for all Executive Directors in 2016.

For clarity, 2015 reporting is based on the Paddy Power structure in place during the financial year as it applied to the Paddy Power CEO, Andy McCue, and CFO, Cormac McCarthy. Remuneration in respect of 2015 is reported in Euros as this was Paddy Power's reporting currency during the year. The Remuneration Policy and forward-looking statements in the Annual Report on Remuneration relate to the Paddy Power Betfair Executive Directors, namely Breon Corcoran, Andy McCue and Alex Gersh. In respect of 2016 and future years, remuneration will be reported in Pound Sterling (except where an individual's remuneration is denominated in another currency), in line with Paddy Power Betfair's reporting currency.

The Remuneration Committee

The key responsibilities of the Remuneration Committee (the 'Committee') are to:

- Determine and monitor the Remuneration Policy for Executive Directors and such other members of the Leadership Team as it is designated to consider;
- Ensure that the Remuneration Policy and reward decisions support business strategy and sustainable long-term performance;
- Set specific remuneration packages which include salary, annual bonus, share incentives, pension and benefits;
- Review the Executive Directors' service contracts;
- Review remuneration trends across the Group; and
- Approve and operate employee share-based incentive plans and associated performance conditions and targets.

The Committee's Terms of Reference, which are reviewed regularly, are set out on the Company's website, www.paddypowerbetfair.com.

During the year and prior to the completion of the Merger with Betfair, the Paddy Power Remuneration Committee comprised the following Non-Executive Directors: Pádraig Ó Ríordáin (Committee Chairman), Danuta Gray, and Gary McGann. The new Committee as of the date of completion of the Merger, 2 February 2016, comprises the following Non-Executive Directors: Pádraig Ó Ríordáin (Committee Chairman), Danuta Gray, Peter Jackson, Gary McGann, and Peter Rigby. Gary McGann was independent on appointment to the Board as a non-executive director in November 2014 and as Chairman of the Board in July 2015. All other Committee members are considered independent within the definition set out in the UK Corporate Governance Code.

In 2015, the Committee met six times. Attendance by individual members of the Committee is disclosed in the Corporate Governance section of the Directors' Report on page 44. Only members of the Committee have the right to attend Committee meetings. The CEO, HR Director, and Company Secretary (who acts as Committee secretary) attend the Committee's meetings by invitation, but are not present when their own remuneration is discussed.

During 2015, in light of the Merger, the Committee reviewed its approach to executive remuneration to ensure it is aligned to the strategic direction, appropriate for a FTSE100 company and focussed on delivering superior shareholder returns. The Committee also reviewed salaries, assessed and approved performance outcomes for incentives in respect of performance to 31 December 2015, calibrated award levels and targets for the annual bonus and LTIP, and continued to ensure that stretch performance targets and incentives for executives were aligned.

External Advisors

During the year, in order to enable the Committee to reach informed decisions on executive remuneration, advice on market data and trends was obtained from independent consultants, Kepler, a brand of Mercer (which is part of the MMC group of companies). Kepler reported directly to the Committee Chairman, and is a signatory to and abides by the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). The fees paid to Kepler in respect of work carried out for the Remuneration Committee in 2015 totalled £40,575. Other than advice on remuneration, no other services were provided by Kepler (or any other part of the MMC group of companies) to the Company. Kepler also advised and supported Paddy Power management in relation to remuneration during the year.

The Committee undertakes due diligence periodically to ensure that Kepler remains independent of the Company and that the advice provided is impartial and objective. The Committee is satisfied that the advice provided by Kepler is independent.

Shareholder Vote at Shareholder Meetings

The following table shows the results of the advisory votes on the 2014 Paddy Power Directors' Remuneration Report at the AGM on 14 May 2015 and the Paddy Power Betfair Remuneration Policy at the EGM on 21 December 2015:

		For	Against	Total votes cast	Votes withheld
2014 Paddy Power Directors' Remuneration Report	Total number of votes	29,257,525	1,159,748	30,417,273	5,565,650
	% of votes cast	96.2%	3.8%		18.3%
Paddy Power Betfair Remuneration Policy	Total number of votes	28,157,200	6,655,486	34,812,686	597,413
	% of votes cast	80.9%	19.1%		1.7%

The Board is mindful of the shareholders who voted against the Paddy Power Betfair Remuneration Policy which related principally to the termination arrangements for Andy McCue. The Company engaged with shareholders during 2015 to discuss the remuneration arrangements in relation to the Merger and to explain the approach that had been taken to facilitate Andy's transition from CEO of Paddy Power to COO of Paddy Power Betfair, and to provide him with clarity of role and tenure. The termination arrangements, which are in line with typical practice and legal obligations in Ireland, were drafted to support shareholder interest as well as providing some quid pro quo for the individual. The Board recognises that these arrangements are unusual as part of a standard arrangement for executive exits, but felt the approach was appropriate in the highly unusual circumstances of two complex companies coming together, and the value to the merged company of both CEOs working to deliver a successful merger. The termination arrangements are therefore seen as an exception and non-standard, and do not form part of the Company's forward-looking policy.

The 18.3% vote withheld in relation to the 2014 Paddy Power Directors' Remuneration Report related primarily to retrospective annual bonus disclosure. Paddy Power engaged with shareholders in 2015 to understand their perspectives. The Committee considered the issue of bonus disclosure during the year, and has sought to address shareholder concerns through improved disclosure in this year's report (see page 62).

Total Single Figure of Remuneration for Executive Directors (Audited)

The table below sets out the total single figure remuneration received by each Executive Director who served during the year ended 31 December 2015 and the prior year:

Executive Director		Base salary[1] €'000	Benefits[2] €'000	Pension[3] €'000	Annual bonus[4] €'000	LTIP[5] €'000	Other[6] €'000	Total remuneration €'000
Andy McCue	2015	700	33	140	536	2,312	–	3,721
	2014[7]	178	11	36	107	2,240	9	2,581
Cormac McCarthy	2015	518	23	70	287	2,147	–	3,045
	2014	508	22	69	248	2,088	–	2,935

The figures in the table have been calculated as follows:

1. Base salary: amount earned for the year.
2. Benefits: comprise private medical insurance, life assurance, and car allowance.
3. Pension: the Company's pension contribution during the year of 20% and 14% of salary for the CEO and CFO, respectively.
4. Annual bonus: payment for performance during the year.
5. LTIP: the value at vesting of awards vesting on performance over the three-year periods ended 31 December 2015 and 31 December 2014. For the 2015 figure, given that vesting occurs after the Directors' Remuneration Report is finalised, the figures are based on the average share price in the last three months of 2015 of €111.44.
6. Other: includes SAYE, valued based on the embedded value at grant.
7. Andy McCue was appointed CEO designate on 4 September 2014 and was appointed to the Board on the same date. He was appointed CEO on 1 January 2015. His salary was €550,000 with effect from 4 September 2014 and increased to €700,000 with effect from 1 January 2015. The emoluments disclosed in the above table are in respect of the period he served as a Director.

Incentive Outcomes for 2015

Annual Bonus

In 2015, the maximum bonus opportunity for the CEO, Andy McCue, and CFO, Cormac McCarthy, were 100% and 80% of salary respectively. Target bonus was 50% of the maximum opportunity. These arrangements are reviewed annually by the Remuneration Committee at the start of the year; no changes were made in respect of 2015. The level of annual bonus earned in any one year depends on the Remuneration Committee's assessment of each individual's performance and the overall performance of the Group against predetermined financial targets for the year. In 2015, 70% of the bonus was based on financial performance and 30% on the achievement of personal or strategic objectives.

For the financial element, the percentage achieved was based on a matrix which took account of (a) Operating profit ('EBIT') margin performance vs. budget, and (b) sportsbook amounts staked and gaming net revenue performance ('Top line performance') vs. budget. Further details of the bonuses paid, including financial and personal targets set and performance against each of the measures, are provided in the table below.

Measure		Measure (% of max)	Performance targets Threshold	Target	Stretch	Actual performance	Bonus outcome (% of max)
Financial element	EBIT margin Top line performance	70%	1.435% €7,716m	1.888% €8,574m	2.341% €9,431m	2.012% €8,968m	46.6%
Personal element	Based on personal objectives agreed and evaluated through the performance evaluation process	30%	As agreed with the Board – see below			Dependent on individual performance as assessed through the performance evaluation process	CEO: 30.0% CFO: 22.5%
Total		100%					CEO: 76.6% CFO: 69.1%

As shown in the table above, the strong financial performance meant that the Company exceeded the targets for both financial measures, and the bonus outcome in respect of the financial element was therefore 47% of maximum.

With regards to personal performance, Andy McCue's objectives as CEO included, but were not limited to, leadership of the enterprise, delivery of financial targets, enhanced shareholder value, delivery of strategic market positioning and related competitive advantage, and risk and governance leadership. Cormac McCarthy's objectives as CFO included, but were not limited, to the leadership of finance, corporate affairs, legal, compliance, tax and audit, in addition to investor relations and external general leadership. Performance against the objectives was assessed by the Remuneration Committee at the end of the year, with input from the Board Chairman and the CEO as appropriate. In light of performance against the objectives set, the Committee determined that Andy met his objectives in full and Cormac partially met his objectives. As a result, Andy and Cormac's overall bonus outcomes were 76.6% and 69.1% of maximum, respectively.

Long-Term Incentive Plan: 2013 and 2014 Awards (Audited)

The legacy Paddy Power LTIP was first introduced in 2004 and subsequently revised and re-approved by shareholders in 2013. In 2013 and 2014, Andy McCue and Cormac McCarthy received awards of shares under the Paddy Power LTIP, as summarised in the table below.

Executive Director	Date of grant	Awards made during the year	Market price at date of award	Face value at date of award €'000	Face value at date of award (% of salary)
Andy McCue	14 May 2013	18,396	€67.00	1,233	318%
Cormac McCarthy		18,396		1,233	247%
Andy McCue	4 March 2014	18,835	€59.73	1,125	205%
Cormac McCarthy		18,835		1,125	221%

Vesting of both the 2013 and 2014 awards is dependent on growth in EPS over three years: 25% of an award vests for compound EPS growth of 7% p.a. with full vesting for compound EPS growth of 15% p.a., with sliding scale vesting in between.

Treatment of Outstanding LTIP Awards Following Merger

The Committee consulted with shareholders in December 2015 regarding the treatment of these awards following the Merger. As outlined above, in order to support retention, the Betfair Remuneration Committee had used its discretion not to release the 2013 and 2014 Betfair awards on change-of-control and had a commitment from Paddy Power to make replacement awards over Paddy Power Betfair shares of equivalent value. Therefore, rather than vesting on completion of the Merger, these replacement awards will vest in full on their original vesting dates, subject to continued employment.

In making a commitment to honour outstanding Betfair awards in full, the Paddy Power Remuneration Committee also wished to provide equitable treatment for Paddy Power executives and move to a consistent set of incentive plans at the time of the Merger. Therefore, the Committee exercised discretion permitted within the rules to test performance conditions early, and based on performance determined that the 2013 and 2014 awards would vest in full on their normal vesting dates, subject to continued employment.

Long-Term Incentive Plan: 2015 Awards (Audited)

On 3 March 2015, Andy McCue and Cormac McCarthy were granted awards under the 2013 Paddy Power LTIP of 30,257 and 13,753 shares, respectively; details are provided in the table below.

Executive Director	Date of grant	Awards made during the year	Market price at date of award	Face value at date of award €'000	Face value at date of award (% of salary)
Andy McCue	3 March 2015	30,257	€72.71	2,200	314%
Cormac McCarthy	3 March 2015	13,753	€72.71	1,000	192%

The three-year period over which performance is measured was originally 1 January 2015 to 31 December 2017, with the award eligible to vest in its entirety on the third anniversary of the date of grant (i.e. 3 March 2018), subject to EPS performance.

As discussed with our shareholders during consultation, the Committee had determined that a portion of the 2015 awards calculated based on time elapsed between grant date and change-of-control (being 2 February 2016) will vest in full on the normal vesting, subject to continued employment. The remaining portion will vest on the normal vesting date subject to Paddy Power Betfair performance over 2016 to 2017, as measured through growth in EPS (75% of the award) and growth in revenue (25%).

The Committee has reviewed performance targets for the remaining portion of the 2015 LTIP, which are summarised in the table below. The targets take into account expected delivery of synergies as well as new levies and taxes in the betting sector. The targets are no less stretching than the original targets at the time they were set, and full vesting is available only for achieving exceptional performance that drives shareholder value creation.

	Performance targets	
Performance measure	Threshold (25% vesting)	Stretch (100% vesting)
Annualised growth in EPS over the 2-year period 2016-2017 (75% of award)	12% p.a.	23% p.a.
	With sliding scale vesting in between	
Annualised growth in revenue over the 2-year period 2016-2017 (25% of award)	6% p.a.	10% p.a.
	With sliding scale vesting in between	

Total Single Figure of Remuneration for Non-Executive Directors (Audited)

The table below sets out the total single figure remuneration received by each Non-Executive Director for the year ended 31 December 2015 and the prior year:

	Base fee €'000		Additional fees[1] €'000		Total fees €'000	
Non-Executive Director	2015	2014	2015	2014	2015	2014
Michael Cawley	75	74	20	13	95	87
Tom Grace	75	74	12	20	87	94
Danuta Gray	75	74	–	–	75	74
Ulric Jerome	75	74	–	–	75	74
Stewart Kenny	75	74	–	–	75	74
Gary McGann[2]	160	8	–	–	160	8
Nigel Northridge[3]	122	243	–	–	122	243
Pádraig Ó Ríordáin	75	74	20	20	95	94

1. Additional fees relate to fees for chairing Board Committees.
2. Gary McGann was appointed as a Non-Executive Director of Paddy Power in November 2014 and as Chairman from July 2015.
3. Nigel Northridge stepped down from the Board on 30 June 2015.

Payments for Loss of Office
Cormac McCarthy, the former CFO, ceased to be employed on 2 February 2016. For loss of office, he will receive redundancy payment of €157,160 and a pro-rata annual bonus in respect of 2016 of €104,000, in addition to his contractual notice period.

Cormac will be treated as a good leaver under the Company's share plans. His 2013 LTIP award will vest in full on termination. His 2014 LTIP award will vest in full on the expiry of notice period and non-compete restrictive covenants. A portion of his 2015 LTIP award, pro-rated for time based on time elapsed from grant date to the effective date of the Paddy Power Betfair merger, will vest in full on the expiry of notice period and non-compete restrictive covenants. A second portion of the 2015 award, pro-rated for time based on time elapsed from the effective date of Paddy Power Betfair to the end of notice period, will vest on the normal vesting date of 3 March 2018, subject to meeting specified performance conditions relating to the performance of Paddy Power Betfair.

Payments to Past Directors
Patrick Kennedy, the former CEO, resigned from the Board on 31 December 2014, and left the Company's employment on 20 April 2015. In 2015, he received an annual bonus of €520,850 in respect of 2014. Patrick Kennedy was treated as a good leaver under the Company's share plans, and his outstanding LTIP awards (i.e. the 2012, 2013 and 2014 awards) will be pro-rated for time. He will receive 41,959 and 24,474 shares in respect of his 2013 and 2014 LTIPs, respectively (inclusive of estimated dividend shares), in 2016. He is also due to receive an additional 4,243 shares (inclusive of estimated dividend shares) on 8 March 2016 as a result of retesting of the 2012 awards. There is no provision for retesting in respect of LTIP awards granted after 2013.

Implementation of Remuneration Policy for 2016

Total Salary
The Committee approved the following total salaries for Executive Directors of Paddy Power Betfair, effective from the date of completion, 2 February 2016.

Executive Director	Role	2016 salary	2015 salary[1]	% change
Breon Corcoran	CEO	£700,000	n/a	n/a
Andy McCue	COO	€730,000 (c.£525,000)	€700,000	4.3%
Alex Gersh	CFO	£440,000	n/a	n/a

1. Breon Corcoran's salary as CEO of Betfair prior to the Merger was £530,450; Alex Gersh's salary as CFO of Betfair was £400,000.

Pension and Benefits
In line with the Remuneration Policy, the Executive Directors will receive pension contributions of up to 20% of salary in 2016 (15% of salary for the CEO and CFO, and 20% of salary for the COO). They will also receive benefits in line with the policy.

Annual Bonus
The maximum annual bonus opportunity for Executive Directors in 2016 will be 180% of salary, as stated in the Remuneration Policy. The bonus for 2016 will be linked to profit and revenue, weighted 50:50. The Committee has determined that performance targets will not be disclosed on a prospective basis for reasons of commercial sensitivity, but will be disclosed on a retrospective basis in next year's Annual Report on Remuneration to the extent that the Committee determines that the measures are no longer commercially sensitive.

Two-thirds of any bonus earned is paid in cash, with the remaining one-third deferred into shares under the DSIP, vesting 50% after one year and 50% after two years. Awards are eligible to receive dividend equivalents. Malus and clawback provisions apply to the annual bonus and DSIP both prior to vesting and for a period of two years post-vesting.

LTIP

The level of 2016 LTIP award will be up to 300% of salary for the CEO and 250% of salary for the COO and CFO. Awards will vest on growth in EPS and revenue measured over three years, weighted 75% EPS and 25% revenue. Awards are eligible to receive dividend equivalents.

In advance of each LTIP cycle, the Committee reviews the performance measures and corresponding targets to ensure they are appropriately stretching over the performance period. The Committee has reviewed the 2016 LTIP performance targets, and they are shown in the table below. The targets take into account expected delivery of synergies as well as new levies and taxes in the betting sector. The Committee believes the targets are very stretching, and maximum vesting is available only for exceptional performance. The awards will vest three years from grant date, subject to meeting the performance conditions and continued employment. Malus and clawback provisions apply to the LTIP both prior to vesting and for a period of two years post-vesting.

	Performance targets	
Performance measure	**Threshold (25% vesting)**	**Stretch (100% vesting)**
Annualised growth in EPS over the 3-year period 2016-2018 (75% of award)	17% p.a.	25% p.a.
	With sliding scale vesting in between	
Annualised growth in revenue over the 3-year period 2016-2018 (25% of award)	8% p.a.	13% p.a.
	With sliding scale vesting in between	

Chairman and Non-Executive Director Fees

With effect from 2 February 2016, the fees payable to the Chairman of the Board and other Non-Executive Directors are as follows:

		Fee p.a.
Chairman (Gary McGann)		€450,000
NED base fee		£65,000 or €90,000
Additional fees:	Audit Committee Chairman (Michael Cawley)	€25,000
	Remuneration Committee Chairman (Pádraig Ó Ríordáin)	€20,000
	Risk Committee Chairman (Peter Rigby)	£15,000
	Nominations Committee Chairman (Ian Dyson)	£15,000
	Senior Independent Director (Ian Dyson)	£10,000

Fees were reviewed against comparable companies of similar sector and size, in the context of Paddy Power Betfair's new size (i.e. the post-Merger market cap of the combined entity), sector and business complexity. The current aggregate annual fee for all Paddy Power Betfair NEDs, including the Chairman, is €1,270,000, which is significantly below the maximum aggregate fee allowed by the Company's Articles of Association of €2,000,000. The €2,000,000 cap is considered to be an upper limit far in excess of what is required today.

Percentage Change in CEO Remuneration

The table below shows the percentage change in the CEO's remuneration from the prior year compared to the average percentage change in remuneration for all other employees. To provide a meaningful comparison, the analysis includes only salaried UK and Ireland employees, comprising the majority of the workforce, and is based on a consistent set of employees, i.e. the same individuals appear in the 2015 and 2014 populations.

	CEO			Other employees
	2015 €'000	**2014[1] €'000**	**% change**	**Average % change**
Salary	700	778	(10%)	+3.8%
Taxable benefits	33	55	(40%)	+2%
Annual bonus	536	521	+3%	+24%

1. Based on Patrick Kennedy, who resigned as a Director, effective 31 December 2014.

Relative Importance of Spend on Pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends, share buyback and return of capital) from the financial year ended 31 December 2014 to the financial year ended 31 December 2015.

	2015 €'m	2014 €'m	% change
Dividends[1]	79	74	
Share buyback	–	23	
Return of capital[2]	391	–	
Total shareholder distributions	**470**	**97**	**+385%**
Employee remuneration[3]	**293**	**257**	**+14%**

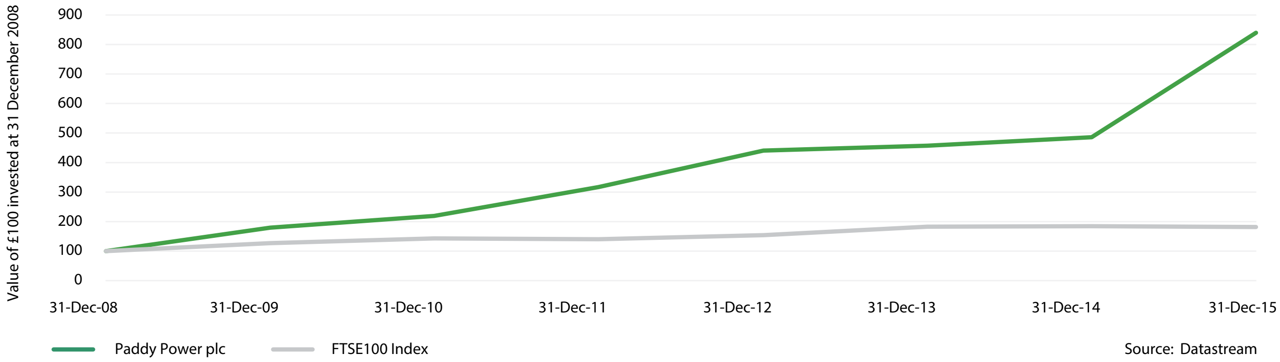
1. The dividend for 2015 includes the final dividend for the year ended 31 December 2015 of 120c per share. It excludes the special dividend of €80m and the 2016 closing dividend paid to shareholders on completion of the Merger, both of which were paid in 2016.
2. In 2015, the Group returned €391m to shareholders via a B share scheme. See note 19 to the financial statements for further detail.
3. Employee remuneration excludes exceptional costs of €4.1m as detailed in the income statement. The increase in employee remuneration is driven mainly by average full-time equivalents increasing by 10% in the period and the impact of FX rates.

Pay for Performance

The graph below shows Paddy Power's Total Shareholder Return performance (share price plus dividends paid) compared with the performance of the FTSE100 Index over the seven-year period to 31 December 2015, assuming a nominal £100 investment in Paddy Power and the FTSE100 Index at the start of the timeframe. This index has been selected because the Company believes that the FTSE100 provides a relevant and appropriate broad market comparator index for the combined entity, and includes companies of a similar size. The table below the graph details the CEO's single figure of remuneration and actual variable pay outcomes over the same period.

Historical Total Shareholder Return performance

Growth in the value of a hypothetical £100 holding over the 7 years to 31 December 2015



	2009	2010	2011	2012	2013	2014	2015
Incumbent	Patrick Kennedy	Patrick Kennedy	Patrick Kennedy	Patrick Kennedy	Patrick Kennedy	Patrick Kennedy	Andy McCue
CEO single figure of remuneration (€'000)	3,359	3,873	6,654	8,057	7,950	8,001	3,721
Annual bonus outcome (% of maximum)	74%	72%	86%	62%	55%	67%	77%
LTIP vesting outcome[1] (% of maximum)	100%	100%	100%	100%	95%[2]	83%[3]	100%

1. Before retesting – note, there is no provision for retesting in respect of LTIP awards made in 2013 and future years.
2. Retesting was applied to the unvested portion of the 2011 LTIP based on performance to 31 December 2014, and as a result an additional 4.9% of the award vested in March 2015.
3. Retesting was applied to the unvested portion of the 2012 LTIP based on performance to 31 December 2015, and as a result an additional 4.0% of the award will vest in March 2016.

Directors' Shareholding

The table below shows the shareholding of each Executive Director against their respective shareholding requirement (where relevant) as at the date of completion, 2 February 2016:

	Beneficially owned[1]	Share and option awards: Subject to performance[2]	Share and option awards: Vested but not yet exercised	Share and option awards: Subject to continued employment only[3]	Shareholding required (% total salary)	Current shareholding[4] (% of total salary)	Requirement met
Breon Corcoran	183,497	23,386	236,744	153,964	200%	2,763%	Yes
Andy McCue	21,938	25,717	–	48,685	200%	441%	Yes
Alex Gersh	–	11,757	61,692	80,018	200%	0%	No
Zillah Byng-Thorne	930	n/a					
Michael Cawley	3,600	n/a					
Ian Dyson	3,163	n/a					
Danuta Gray	–	n/a					
Peter Jackson	930	n/a					
Stewart Kenny	357,432	n/a					
Gary McGann	610	n/a					
Pádraig Ó Ríordáin	7,200	n/a					
Peter Rigby	–	n/a					

1. Includes shares held by the individual and those held by their spouses and other connected persons.
2. Includes the portion of 2015 LTIP awards for which performance is yet to be tested and includes the portion of the 2012 grant in respect of Andy McCue which is eligible for retesting.
3. Includes unvested LTIP awards for which performance has been tested (i.e. 2013, 2014 and a portion of 2015 awards plus 2012 retest for Andy McCue).
4. Based on beneficially owned shares, Paddy Power Betfair share price of £105.42 as at 2 February 2016, and salaries as at 2 February 2016.

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group. Details of Directors' outstanding share awards under Paddy Power Betfair share plans and legacy Paddy Power share plans are set out below.

Executive Directors – Summary of Outstanding Share Awards

The interests of the Executive Directors in the Company's share schemes as at the date of completion, 2 February 2016:

Executive Director	Date of original award	Date of replacement award[1]	Awards held at 1 Jan 2015	Granted during the year	Vested during the year	Awards held at 2 Feb 2016	Exercise price	Market price at date of original award[2]	Performance period	Vesting date	Expiry date
Breon Corcoran											
Share Option Agreement	1 Aug 2012	2 Feb 2016	–	–	–	212,700	£0	£18.05654	Performance has been tested	1 Aug 2015	31 Jul 2022
LTIP[3]	23 Jul 2013	2 Feb 2016	–	–	–	77,256	£0.002351	£20.91267	Performance has been tested	23 Jul 2016	22 Jul 2023
LTIP[3]	27 Jun 2014	2 Feb 2016	–	–	–	70,078	£0.002351	£22.71979	Performance has been tested	27 Jun 2017	26 Jun 2024
LTIP[3]	1 Jul 2015	2 Feb 2016	–	–	–	5,741	£0.002233	£55.29102	Performance has been tested	1 Jul 2018	30 Jun 2025
LTIP[4]	1 Jul 2015	2 Feb 2016	–	–	–	23,386	£0.002233	£55.29102	2 Feb 2016 – 31 Dec 2017	1 Jul 2018	30 Jun 2025
DSIP[5]	5 Jul 2013	2 Feb 2016	–	–	–	7,933	£0.002351	£20.36624	n/a	2 Feb 2016	4 Jul 2023
DSIP[5]	27 Jun 2014	2 Feb 2016	–	–	–	10,299	£0.002351	£22.71979	n/a	2 Feb 2016	26 Jun 2024
DSIP[5]	1 Jul 2015	2 Feb 2016	–	–	–	5,812	£0.002233	£55.29102	n/a	2 Feb 2016	30 Jun 2025
SAYE[5]	4 Oct 2013	n/a	–	–	–	468	£19.19760	£23.2134	n/a	1 Nov 2016	30 Apr 2017
SAYE[5]	7 Nov 2014	n/a	–	–	–	421	£21.34690	£29.0165	n/a	1 Dec 2017	31 May 2018
Total						**414,094**					
Andy McCue											
LTIP[6]	5 Mar 2012	n/a	35,000	–	(28,864)	6,136	n/a	€45.41	1 Jan 2012 – 31 Dec 2014	5 Mar 2015	n/a
LTIP[7]	14 May 2013	n/a	18,396	–	–	18,396	n/a	€67.95	Performance has been tested	14 May 2016	n/a
LTIP[7]	4 Mar 2014	n/a	18,835	–	–	18,835	n/a	€59.73	Performance has been tested	4 Mar 2017	n/a
LTIP[7]	3 Mar 2015	n/a	–	9,276	–	9,276	n/a	€72.71	Performance has been tested	3 Mar 2018	n/a
LTIP[8]	3 Mar 2015	n/a	–	20,981	–	20,981	n/a	€72.71	2 Feb 2016 – 31 Dec 2017	3 Mar 2018	n/a
SAYE	4 Dec 2014	n/a	778	–	–	778	€39.60	€53.33	n/a	4 Dec 2019	3 Jun 2020
Total						**74,402**					

Executive Director	Date of original award	Date of replacement award[1]	Awards held at 1 Jan 2015	Granted during the year	Vested during the year	Awards held at 2 Feb 2016	Exercise price	Market price at date of original award[2]	Performance period	Vesting date	Expiry date
Alex Gersh											
LTIP[5]	13 Dec 2012	2 Feb 2016	–	–	–	46,279	£0.002351	£7.35	Performance has been tested	13 Dec 2015	12 Dec 2022
LTIP[3]	23 Jul 2013	2 Feb 2016	–	–	–	40,003	£0.002351	£20.91267	Performance has been tested	23 Jul 2016	22 Jul 2023
LTIP[3]	27 Jun 2014	2 Feb 2016	–	–	–	36,286	£0.002351	£22.71979	Performance has been tested	27 Jun 2017	26 Jun 2024
LTIP[3]	1 Jul 2015	2 Feb 2016	–	–	–	2,886	£0.002233	£55.29102	Performance has been tested	1 Jul 2018	30 Jun 2025
LTIP[4]	1 Jul 2015	2 Feb 2016	–	–	–	11,757	£0.002233	£55.29102	2 Feb 2016 – 31 Dec 2017	1 Jul 2018	30 Jun 2025
DSIP[5]	5 Jul 2013	2 Feb 2016	–	–	–	3,105	£0.002351	£20.36624	n/a	2 Feb 2016	4 Jul 2023
DSIP[5]	27 Jun 2014	2 Feb 2016	–	–	–	7,999	£0.002351	£22.71979	n/a	2 Feb 2016	26 Jun 2024
DSIP[5]	1 Jul 2015	2 Feb 2016	–	–	–	4,309	£0.002233	£55.29102	n/a	2 Feb 2016	30 Jun 2025
SAYE[5]	7 Nov 2014	n/a	–	–	–	843	£21.34690	£23.2134	n/a	1 Dec 2017	31 May 2018
Total						**153,467**					

1. Date of completion of the Merger; these are replacement Paddy Power Betfair awards in respect of previously granted Betfair awards.
2. Betfair share prices are converted into Paddy Power Betfair share prices where appropriate, by multiplying by a factor of 2.3507 (based on exchange ratio of 1 Betfair share for 0.4254 Paddy Power Betfair share).
3. These Betfair LTIP awards were exchanged on completion for equivalent awards over Paddy Power Betfair shares. Betfair performance was assessed in the second half of 2015, and targets were deemed to have been met in full by the Betfair Remuneration Committee. Awards will vest in full on their original vesting dates subject to continued employment.
4. These Betfair LTIP awards were exchanged on completion for equivalent awards over Paddy Power Betfair shares. New targets relating to the performance of Paddy Power Betfair have been set for this portion of the LTIP award and are detailed on page 63.
5. These Betfair awards were rolled over on completion into equivalent Paddy Power Betfair awards. The number of awards and exercise price have been converted into Paddy Power Betfair equivalents on completion of the Merger.
6. For awards granted prior to April 2012, there was a 'legacy' provision for retesting performance. In 2015, retesting was applied to the unvested portion of Andy McCue's 2012 LTIP based on performance to 31 December 2015, and as a result an additional 4% of the award (1,400 shares plus dividend shares) will vest in March 2016. The remainder of Andy's 2012 LTIP will be eligible for retesting in 2016, and details will be disclosed in full in next year's report. Note, retesting does not form part of Paddy Power Betfair's forward-looking Remuneration Policy.
7. Paddy Power performance was assessed in the second half of 2015, and targets were deemed to have been met in full by the Paddy Power Remuneration Committee. Awards will vest in full on their original vesting dates subject to continued employment.
8. New targets relating to the performance of Paddy Power Betfair have been set for this portion of the LTIP award and are detailed on page 63.

Remuneration Policy

The Remuneration Policy was approved by an advisory, non-binding shareholder vote at the 2015 EGM and took effect from the date of completion of 2 February 2016. The report that follows is as disclosed in the EGM circular, updated for Non-Executive Directors' terms of appointment, and is reproduced in full for both ease of reference and in order to provide context to the decisions taken by the Remuneration Committee during the year.

The Remuneration Committee (the 'Committee') determines the Group's policy on remuneration for Executive Directors and senior executives. The objectives of the Remuneration Policy are to:

- Attract, motivate, and retain employees of the highest calibre;
- Ensure remuneration arrangements support the corporate strategy, align with shareholder value creation, and drive performance as measured by the Company's key performance indicators;
- Provide market competitive fixed remuneration, and the opportunity to earn upper quartile pay for exceptional performance;
- Provide a clear link between performance and reward, motivating employees to achieve superior performance in line with a risk appetite appropriate for the Company;
- Promote the long-term success of the Company; and
- Provide a remuneration package that is simple, transparent and easy to understand.

In line with shareholder preference, the remuneration package is weighted towards performance-related pay. In setting the policy for Executive Directors' remuneration, the Committee has taken into account developments in best practice and the pay and employment conditions within the wider Group. The Committee believes the Company's remuneration structure appropriately links pay to strategy and supports shareholder value creation.

The Remuneration Policy for Executive Directors, which is included for information only, is described in the table below:

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Total salary	To attract and retain high-calibre talent in the labour market in which the Executive Director is employed.	Generally reviewed annually but exceptionally at other times of the year. Total salaries (inclusive of any Director fees) are set with reference to individual skills, experience, responsibilities, Company performance and performance in role. Independent benchmarking is conducted on a periodic basis against companies of a similar size, complexity and operating in the same or similar sectors, although this information is used only as part of a broader review.	No maximum applies. However, increases (as a percentage of salary) will generally be in line with inflation and consistent with those offered to the wider workforce. Higher increases may be appropriate where an individual changes role, there is a material change in the responsibilities of the role, where an individual is appointed on a below-market salary with the expectation that this salary will increase with experience and performance, where there is a need to retain key individuals, or where salaries, in the opinion of the Committee, have fallen materially below the relevant market rates.
Benefits	To provide market-competitive but cost-effective benefits.	Employment-related benefits typically include (but are not limited to) private medical insurance, life assurance, income protection, critical illness cover, car allowance, relocation, tax equalisation, and / or other related expenses as required.	The value of benefits may vary from year to year in line with variances in third-party supplier costs which are outside of the Company's control.
Pension	To provide retirement benefits that are appropriately competitive within the relevant labour market.	Paid as a defined contribution and / or cash supplement.	Contribution of up to 20% of total salary (or an equivalent cash payment in lieu).

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Annual bonus and Deferred Share Incentive Plan ('DSIP')	To incentivise and reward the successful delivery of annual performance targets.	The Committee reviews the annual bonus prior to the start of each financial year to ensure that the bonus opportunity, performance measures, targets and weightings are appropriate and in line with the business strategy at the time. Performance is determined by the Committee on an annual basis by reference to Group financial measures. The Committee may also introduce an element of performance against personal / strategic objectives; this element will not be weighted more than 25% of the total in any year. Two-thirds of any annual bonus is paid in cash, with the remaining one-third deferred into shares (under the DSIP). Any deferred element vests 50% after one year and 50% after two years from the date of grant. Malus and clawback provisions apply to the annual bonus and DSIP both prior to vesting and for a period of two years post-vesting. Dividends (or equivalent) accrue and are paid on DSIP awards that vest.	For target performance, the bonus earned is up to 120% of total salary. Maximum annual opportunity of 180% of total salary.
Long-Term Incentive Plan ('LTIP')	To attract, retain and incentivise Executive Directors to deliver the Group's long-term strategy whilst providing strong alignment with shareholders.	Annual grant of shares or nil-cost options, vesting after a minimum of three years subject to continued service and the achievement of performance conditions. The Committee reviews the performance measures, targets and weightings prior to the start of each cycle to ensure they are appropriate. For 2016, the performance conditions are growth in Earnings Per Share ('EPS') (75% of the award) and growth in revenue (25%). Specific targets will be set post-merger and will be no less stretching than targets for outstanding cycles. The performance measures and respective weightings may vary year-on-year to reflect strategic priorities. Malus and clawback provisions apply to the LTIP, which allow the Company to reduce or claw back awards within two years of an award vesting for reasons of a miscalculation resulting in higher vesting than should have occurred, material misstatement, or gross misconduct resulting in cessation of employment. Dividends (or equivalent) accrue and are paid on LTIP awards that vest.	Typically 250% to 300% of total salary, and up to 400% of total only in very exceptional circumstances (for example, of the case of critical recruitment). Threshold performance will result in no more than 25% vesting.

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Save-As-You-Earn ('SAYE')	To facilitate share ownership and provide further alignment with shareholders.	The Committee operates Save-As-You-Earn share plans for all employees (in the UK, this is an HMRC-approved and in Ireland this is an Irish Revenue-approved scheme); the Executive Directors may participate in the plan on the same basis as other employees. Participants are invited from time to time to save up to the monthly limit over a three-year period and use these savings to buy shares in the Company at up to the maximum discount allowable in the relevant jurisdiction.	Maximum opportunity is in line with HMRC and Irish Revenue limits (currently £500 and €500 per month, respectively) for UK and Irish employees, respectively. Maximum opportunity for employees in other European countries is €500 per month.

The Committee is satisfied that the above Remuneration Policy is in the best interests of shareholders and does not promote excessive risk-taking.

Notes to the Remuneration Policy Table

Discretions for Adjustments

In relation to the incentive plans, the Committee has discretion to amend a performance condition that it no longer deems appropriate, provided that it is reasonable in the circumstances and is neither materially more nor less difficult to satisfy than was originally intended. Such discretion is important to ensure that outcomes are fair to both shareholders and participants. In particular, the Committee has discretion to adjust the performance conditions to take account of significant changes to the regulatory environment in which the Group operates, e.g. material new and increased taxes and product fees specific to the betting industry. The Committee also has discretion to make adjustments in other special circumstances, including but not limited to rights issues, corporate restructuring, and special dividends.

Selection of Performance Measures

The performance measures used in the annual bonus and LTIP are selected annually to reflect the Group's main strategic objectives and key performance indicators.

Annual bonus measures for 2016 include profit and revenue. The use of revenue aligns with the Company's strategic objectives of widening the range of products and services offered, attracting new customers, increasing the activity of existing customers, and building market share in all regions in which the Company operates. The use of profit alongside revenue helps ensure a balance between growth and profitability.

The 2016 LTIP performance measures are growth in EPS and revenue. EPS captures the long-term growth in earnings, which is aligned to the overall financial performance expected by shareholders, and revenue helps ensure focus on top line growth is maintained.

Performance targets are set to be stretching and yet achievable, and maximum outcomes are available only for truly outstanding performance. Targets are set taking into account a range of reference points including the internal budgets and broker forecasts for both the Company and its peers, as well as the Group's strategic priorities and the economic environment in which the Company operates.

Remuneration Policy for Other Employees

Our approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, salary levels in comparable companies and the Company's ability to pay. Remuneration surveys are referenced, where appropriate, to establish market rates.

Below the Board level, employees receive a remuneration package that is reflective of their role and responsibilities, set by reference to internal relativities and external market data where applicable. Employees at the executive level will typically have a greater emphasis on performance-related and long-term pay compared to those below this level.

Employees below the Board are also eligible to participate in the annual bonus, though performance measures are tailored to be suitable to the nature and responsibility of the role. The Executive Directors and other senior managers are eligible to participate in the LTIP; performance conditions are consistent for all participants, while award sizes vary by level. Employees at senior management level down to team members are eligible to participate in a Medium-Term Incentive Plan ('MTIP'); performance is linked to measures including Divisional profit and revenue, and measured over two years. Employees are also eligible to participate in the SAYE; the basis of participation varies depending on geography.

Pension and benefits arrangements are tailored to local market conditions.

Recruitment Remuneration

The Committee's policy is to set pay for new Executive Directors within the existing Remuneration Policy in order to provide internal consistency. The Committee aims to ensure that the Company pays no more than is necessary to appoint individuals of an appropriate calibre.

Element	Approach	Maximum opportunity
Total salary	The total salary (inclusive of any Director fees) will be set taking into account the skills and experience of the individual, internal relativities and the market rate for the role as identified by any relevant benchmarking of companies of a comparable size and complexity. If it is considered appropriate to set the salary for a new Executive Director at a level which is below market (for example, to reflect their experience in the role) their salary may be increased to achieve the desired market positioning by way of a series of phased above-inflation increases. Any increases will be subject to the individual's continued development in the role.	n/a
Benefits	New appointees will be eligible to receive benefits on the same terms as other Executive Directors. Additionally in the case of any Executive Director being recruited overseas, or being recruited by the Company to relocate overseas to perform his duties, the Committee may offer expatriate benefits on an ongoing basis. The Committee may also approve the payment of one-off relocation-related expenses and legal fees incurred by the individual in connection with the appointment.	n/a
Pension	New appointees will be eligible to receive pension benefits.	Typically 15% of total salary, and up to a maximum of 20% of total salary
Annual bonus and DSIP	The plan as described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year employed. The Committee retains flexibility to use different performance measures and targets in the first year, depending on the timing and nature of the appointment.	180% of total salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as the Executive Directors.	Typically 250% to 300% of total salary, and up to 400% of total salary only in very exceptional circumstances (for example in the case of critical recruitment)
SAYE	New appointees will be eligible to participate in the SAYE on the same terms as other employees.	n/a

The Committee may also make an award in respect of a new appointment to 'buy out' remuneration forfeited on leaving a previous employer and may exercise the discretion available under the relevant Listing Rule to facilitate this, i.e. in the event that a different structure to those included above would be required. In doing so, the Committee will ensure that buyout awards have a fair value no higher than that of the awards or remuneration forfeited and would consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met, the delivery mechanism, and the remaining vesting period of these awards.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its original terms stipulated on grant or adjusted as considered desirable to reflect the new role, even if it is not consistent with the Remuneration Policy for Executive Directors. Incentive opportunities for below-Board employees are typically no higher than for Executive Directors, but incentive measures will vary to more closely reflect the position and responsibilities of the individual.

Share Ownership Guidelines

To ensure alignment between Executive Director interests and those of shareholders, the Company requires Executive Directors to build up and maintain a beneficial holding of shares in the Company equivalent to a minimum of 200% of total salary. Until share ownership guidelines have been met, executives will be required to retain half of post-tax vested LTIP awards.

Service Agreements, Leaver / Change of Control Provisions and Loss of Office

Each of the Executive Director's service agreements have taken effect on and from the completion of the transaction.

Andy McCue's agreement will be terminable on 12 months' notice given by either party. A summary of the termination provisions in Andy McCue's service agreement is set out in the table below:

Timing of termination	Outcome
1. Resigns in less than 12 months	Andy McCue to give 12 months' notice
2. Resigns after 12 months by reason of reduced role or employment is terminated by the Company for reasons other than gross misconduct	Andy McCue to receive cash sum in lieu of notice equal to 2.5 years' remuneration (comprising of total salary, employer's pension contribution and annual bonus) and will be treated as a good leaver for the purposes of the LTIP
3. Resigns after 12 months for reasons other than those set out at 2 above	Andy McCue to give 12 months' notice

Breon Corcoran's agreement will be terminable on 12 months' notice given by either party. His service agreement contains a provision entitling the employer to terminate his employment by payment of a cash sum in lieu of notice equal to the total base salary, contractual benefits and pension contributions that would have been payable during the notice period. He may also be entitled to a pro rata bonus for the year in which termination occurs at the discretion of the Company's Remuneration Committee. The payment in lieu of notice can be paid, at the employer's discretion, as a lump sum or in monthly instalments over the notice period. There is a mechanism to reduce the payment in lieu of notice if he commences alternative employment while any instalments remain payable from which he receives an annual salary of at least £50,000.

Alex Gersh's agreement will be terminable on 12 months' notice given by either party. His service agreement contains a provision entitling the employer to terminate his employment by payment of a cash sum in lieu of notice equal to the total base salary, contractual benefits and pension contributions that would have been payable during the notice period. He may also be entitled to a pro rata bonus for the year in which termination occurs at the discretion of the Company's Remuneration Committee. The payment in lieu of notice can be paid, at the employer's discretion, as a lump sum or in monthly instalments over the notice period. There is a mechanism to reduce the payment in lieu of notice if he commences alternative employment while any instalments remain payable from which he receives an annual salary of at least £50,000.

In addition, all of the share option and incentive schemes which will be operated by the Company will contain provisions relating to termination of employment and any share awards held by an Executive Director on termination will be governed by the rules of the relevant plan.

Each of the Executive Directors will be subject to a confidentiality undertaking without limitation in time and to non-competition, non-solicitation and non-hiring restrictive covenants for a period of 12 months after the termination of his employment. Each of the Executive Directors will have separate letters of appointment with the Company in relation to their directorships.

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

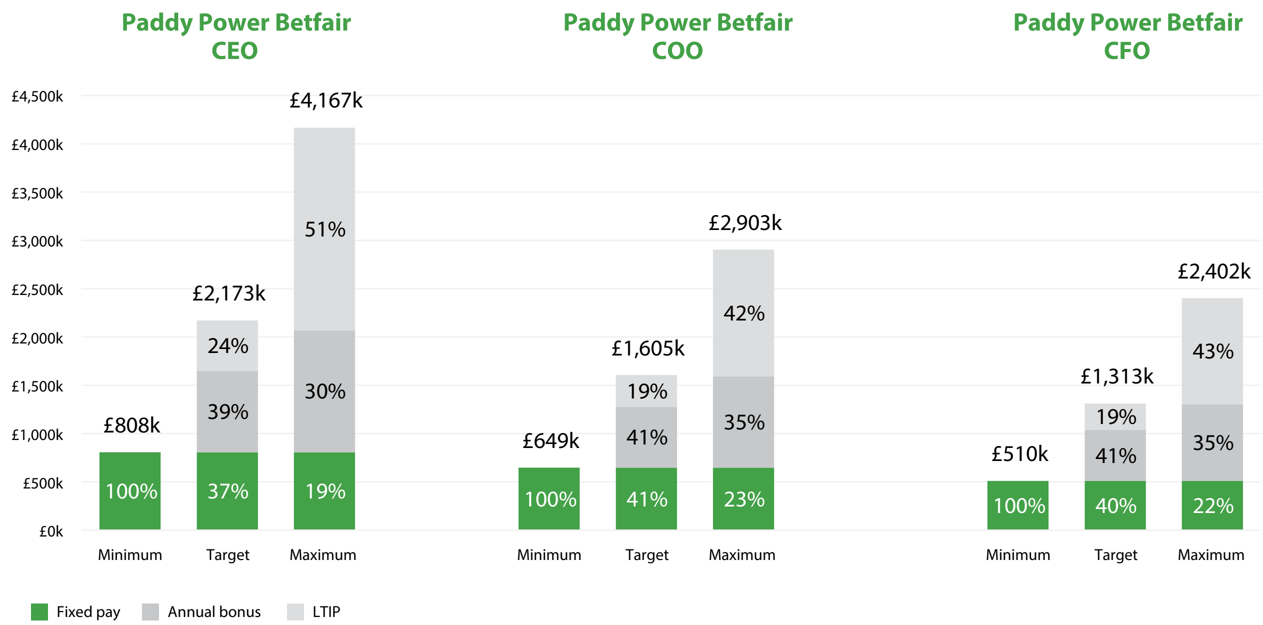
In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, outplacement services, restrictive covenants and / or consultancy arrangements. These will be used sparingly and entered into only where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

When considering termination payments under incentive plans, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus, the DSIP and the LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion.

Plan	Scenario	Timing of payment / vesting	Calculation of payment / vesting
Annual bonus	Ill health or disability, redundancy, retirement (with agreement from the Company), or any other reason the Committee may determine	Normal payment date, although the Committee has discretion to accelerate payment on a case-by-case basis in its discretion	The Committee will determine the annual bonus outcome based on circumstances and the date of leaving. Performance against targets is typically assessed immediately (in case of death) or at the end of the year in the normal way and any resulting bonus will be pro-rated for time served during the year.
	Death	Immediately	
	Change-of-control	Immediately	Performance against targets will be assessed at the point of change-of-control, and any resulting bonus will be pro-rated for time served up to the point of change-of-control.
	All other reasons	No bonus is paid	n/a
DSIP	Ill health or disability, redundancy, retirement (with agreement from the Company), or any other reason the Committee may determine	The later of the date of cessation and the expiry of any post-restrictive covenants, although the Committee has discretion to accelerate on a case-by-case basis	n/a
	Death	Immediately	n/a
	Change-of-control	Immediately	Awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.
	All other reasons	Awards lapse	n/a
LTIP	Ill health or disability, redundancy, retirement (with agreement from the Company), or any other reason the Committee may determine	The later of the normal vesting date and the expiry of any post-restrictive covenants, although the Committee has discretion to accelerate on a case-by-case basis	Any outstanding awards will normally be pro-rated for time (based on the proportion of vesting period elapsed); performance will be measured at the end of the performance period. The Committee retains discretion to dis-apply pro-rating or accelerate testing of performance conditions in exceptional circumstances.
	Death	Immediately	As above, but with performance being measured (and awards released) at the appropriate date.
	Change-of-control	Immediately	Any outstanding awards will be pro-rated for time (based on the proportion of vesting period elapsed) and performance up to the point of the change-of-control. The Committee retains discretion to dis-apply pro-rating (in whole or in part) in exceptional circumstances. Awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.
	All other reasons	Awards lapse	n/a

Pay for Performance: Scenario Analysis

The following charts provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of pay under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'. Potential reward opportunities are based on the current Remuneration Policy, applied to salaries as at commencement of Paddy Power Betfair. Note that the projected values exclude the impact of any share price movements.



Assumptions underlying the scenarios:

- Total salaries for the Executive Directors, effective from commencement of Paddy Power Betfair, are split between a fixed salary and payment in respect of their roles as Directors of the Group. Total salaries are £700k for the CEO (comprising £635k in respect of his employment and €90k in respect of his appointment as a Director of the Group), €730k (equivalent to c.£525k) for the COO (comprising €640k in respect of his employment and €90k in respect of his appointment as a Director), and £440k for the CFO (comprising £375k in respect of his employment and £65k in respect of his appointment as a Director).
- Minimum – comprises fixed pay only which includes total salary, individual pension allowances (i.e. 15%, 20% and 15% of total salary for the CEO, COO and CFO, respectively) and the value of benefits (using actual values from the last financial year as a proxy).
- On-target – comprises fixed pay plus 67% of the maximum payout under the annual bonus (i.e. 120% of salary for all Executive Directors) and 25% of the LTIP vesting (i.e. 75%, 62.5% and 62.5% of total salary for the CEO, COO and CFO, respectively).
- Maximum – comprises fixed pay plus 100% of the maximum payout under the annual bonus (i.e. 180% of salary for all Executive Directors) and 100% of the LTIP vesting (i.e. 300%, 250% and 250% of total salary for the CEO, COO and CFO, respectively).
- SAYE awards have been excluded.
- Exchange rate used: GBP 1 = EUR 1.39

Chairman and Non-Executive Directors

The services of the Non-Executive Directors, including the Chairman ('NED'), are provided for under the terms of a letter of appointment with the Company, such appointments to take effect from completion. Continuation of the NED appointments is contingent on satisfactory performance and re-election at each AGM of the Company, unless terminated earlier upon written notice by either the NED or the Company. The NEDs' appointments will terminate automatically if they are removed from office by a resolution of the shareholders of the Company or are not re-elected. The appointment letters for the NEDs provide that on termination, only fees accrued and expenses incurred up to the date of termination are payable. Details of the terms of the appointment of the current Non-Executive Directors are as follows.

Non-Executive Director	Start of current term
Zillah Byng-Thorne	2 February 2016
Michael Cawley	2 February 2016
Ian Dyson	2 February 2016
Danuta Gray	2 February 2016
Peter Jackson	2 February 2016
Stewart Kenny	2 February 2016
Gary McGann	2 February 2016
Pádraig Ó Ríordáin	2 February 2016
Peter Rigby	2 February 2016

NEDs do not receive benefits from the Company and they are not eligible to join the Company's pension scheme or participate in any bonus or share incentive plan. Any reasonable expenses, including all travel (including to / from Company offices), hotels and other expenses the NEDs reasonably incur in the furtherance of their duties may be reimbursed by the Company and grossed up for any tax payable by the individual.

Details of the policy on NED fees are set out in the table below:

Purpose and link to strategy	Operation and performance measures	Maximum opportunity
To attract and retain NEDs of the highest calibre with experience relevant to the Company.	Remuneration for NEDs, other than the Chairman, is determined by the Board, on the recommendation of the CEO in consultation with the Chairman. The Chairman's fee is determined and recommended to the Board by the Remuneration Committee. Fees are reviewed from time to time. Remuneration for NEDs, other than the Chairman, comprises a base annual fee for acting as NED of the Company and additional fees for the Senior Independent Director, and Chairmanship of the Audit, Remuneration, Risk, and Nominations Committees.	The current fees for NEDs (including the Chairman) are €1,270,000. The maximum aggregate annual fee for all NEDS, including the Chairman, allowed by the Company's Articles of Association is €2,000,000. Fee increases may be greater than those offered to wider employees (in percentage terms), reflecting that they may only be offered on a periodic basis or reflect additional responsibilities and / or time commitments. Current fee levels are disclosed in the Annual Report on Remuneration[1].

1. The aggregate limit on NED remuneration provided for is an absolute upper limit and is considerably above the current NED remuneration as described above. Anticipated increases in NED fees are planned to be conservative and in line with independent market benchmarking.

In recruiting a new Chairman or NED, the Committee will use the policy as set out in the table above. A base fee would be payable for Board membership, with additional fees payable for acting as Senior Independent Director and / or as Chairman of a Board Committee as appropriate.

Considerations of Conditions Elsewhere in the Group

The Committee considers the pay and employment conditions elsewhere in the Group when determining remuneration for Executive Directors, and the Company seeks to promote good relationships with employee representative bodies as part of its employee engagement strategy. However, the Committee does not consult specifically with employees on the Executive Director Remuneration Policy.

Considerations of Shareholder Views

The Committee maintains an open and transparent dialogue with shareholders and takes an active interest in voting outcomes. Feedback received from shareholders, at the AGM and any other meetings during the year, is considered by the Committee on a timely basis.

External Directorships

The Board acknowledges that Executive Directors may be invited to become independent Non-Executive Directors of other listed companies which have no business relationship with the Company and that these duties can broaden their experience and knowledge to the benefit of the Company. Executive Directors are permitted to accept a maximum of two such appointments with the prior approval of the Chairman. Fees paid for external appointments may be retained by the individual concerned.

Approval

This report was approved by the Board of Directors on 7 March 2016 and signed on its behalf by:

Pádraig Ó Ríordáin
Chairman of the Remuneration Committee

7 March 2016

Statement of Directors' Responsibilities
in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law, the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU, and have elected to prepare the Company financial statements in accordance with the requirements of the Companies Act 2014 and IFRS as adopted by the EU.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year. In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the EU, and as regards the Company, as applied in accordance with the Companies Act 2014; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also required by the Transparency (Directive 2004/109/EC0 Regulations 2007) and the Interim Transparency Rules of the Irish Financial Services Regulatory Authority to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company, and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS as adopted by the European Union and comply with the provision of the Companies Acts 2014, and as regards to the Group financial statements Article 4 of IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's and Company's website ('www.paddypowerbetfair.com'). Legislation in Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement as required by the Transparency Directive and UK Corporate Governance Code

Each of the directors, whose names and functions are listed on pages 32 and 33 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

- The Group financial statements, prepared in accordance with IFRS as adopted by the European Union and the Company financial statements prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act 2014, give a true and fair view of the assets, liabilities, financial position of the Group and Company at 31 December 2015 and of the profit of the Group for the year then ended;
- The Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Andy McCue
Chief Operating Officer

Alex Gersh
Chief Financial Officer

Independent Auditor's Report
to the Members of Paddy Power Betfair plc

Opinion and Conclusions arising from our Audit

1. Our opinion on the financial statements is unmodified
We have audited the financial statements of Paddy Power Betfair plc for the year ended 31 December 2015 as set out on pages 84 to 168, which comprise the Group consolidated income statement, the Group consolidated statement of comprehensive income, the Group consolidated statement of financial position, the Group consolidated statement of cash flows, the Group consolidated statement of changes in equity, the Group accounting policies and the related Notes 1 to 35; and the Company statement of financial position, the Company accounting policies and the related Notes 1 to 26. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK and Ireland).

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2015 and of its profit for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2015;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement
The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgement, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

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

Income (€1,094 million) (2014: €882 million)
Refer to page 53 (Report of the Audit Committee), page 92 (accounting policy) and Note 4 to the Group financial statements.

The risk
The Group has a number of income streams across its online and retail operations. The accuracy and completeness of these income streams, which are predominantly driven by cash and credit card transactions, is largely dependent on the effectiveness of the operational and fraud-related controls in place in the Group's IT systems and the financial controls in place in relation to cash and bank reconciliation processes.

Our response
Our audit procedures included the following:

- IT audit specialists assisted the Group audit team in assessing the effectiveness of the IT controls in place in relation to the Group's IT systems and performed various audit procedures to test the accuracy of the revenue processed by these systems;
- performing audit procedures over the effectiveness of the controls at a sample of retail betting shops in the Republic of Ireland and Great Britain;
- reviewing reports issued by the Group's Internal Audit function during the year on revenue related processes and a sample of the Group's Risk and Security department's reports which are designed to identify unusual trading activity;
- tracing a sample of betting transactions through both the retail and online betting systems and verifying that they were appropriately recorded within the financial information systems;
- testing a sample of cash and bank reconciliations in place across the various income streams;
- testing the year end income cut off and the fair value calculation of open bet positions; and
- performing substantive analytical procedures over the Group's significant revenue streams.

Compliance with laws and regulations
Refer to page 54 (Report of the Audit Committee).

The risk
The Group operates in a heavily regulated industry across multiple geographic jurisdictions. Each jurisdiction has various laws and regulations in relation to licensing, data protection, money laundering, customer identification and verification, fraud, direct and indirect taxes and other legislative matters. The risk associated with regulation increased in certain key markets during the year. It is the responsibility of management, with the oversight of those charged with corporate governance, to ensure that the Group's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provision of laws and regulation that determine the reported amounts and disclosures in the Group's financial statements.

Our response
Our audit procedures are designed to obtain sufficient appropriate audit evidence regarding compliance with the provisions of laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements.

Accordingly we have performed specified audit procedures in accordance with Auditing Standards to help identify instances of non-compliance with laws and regulations, including illegal acts, that may have a material effect of the financial statements of the Group.

Our audit procedures included assessing the controls and processes in place across the Group that may assist in the prevention and detection of non-compliance with laws and regulations, including illegal acts in each of the geographic locations in which the Group operates. Such procedures included discussions with the Group's in-house legal counsel and an assessment of policies and procedures implemented by the Group's Legal & Compliance functions; a review of the reports undertaken by the Group's Internal Audit function during the year on these areas; and testing the Group's controls and processes over new customer account set-up.

We reviewed correspondence between the Group and regulators in key jurisdictions to ensure the completeness and accuracy of any penalties or fines recorded as a liability.

Our audit procedures included using KPMG specialists to assist the Group audit team in evaluating the assumptions and methodologies used by the Group and its tax advisers in relation to the recognition of direct and indirect tax liabilities and in assessing the reasonableness of the assumptions underpinning the measurement and recognition of such amounts. We tested a sample of the Group's indirect and direct taxes calculations by reference to the relevant income streams and underlying tax rates.

3. Our application of materiality and an overview of the scope of our audit
The materiality for the Group financial statements as a whole was set at €9.0 million (2014: €8.0 million). This has been calculated using a benchmark of Group profit before taxation and exceptional items of which it represents 5% (2014: 5%), which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance. We excluded exceptional items for the purposes of calculating our materiality level on the basis that they are not considered normal recurring items.

We reported to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €450,000 (2014: €400,000), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audits covered 100% of total Group revenue, 100% of Group profit before taxation and 100% of Group total assets. With the exception of the Group's Australian operations which are accounted for by a separate finance team in Melbourne, Australia, the structure of the Group's finance function is such that the central Group finance team provides support to Group entities in relation to accounting for the majority of transactions and balances. We performed comprehensive audit procedures, including those in relation to the significant risks above, on those transactions and balances for which the central Group finance team provides accounting support at a Group level.

In relation to the Group's Australian operations, a full scope audit for Group purposes was performed in Melbourne, Australia to a local materiality level of AUD$3.7 million (€2.5 million) (2014: AUD$3.2 million (€2.3 million)). Detailed audit instructions were sent to the auditors of the Group's Australian operations. These instructions covered the significant audit areas to be covered by the audit (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported to the Group audit team. The Group audit team, including the lead engagement partner, discussed the audit findings arising from the Group's Australian operations with the KPMG Australia audit team and with Group management.

4. We have nothing to report on the disclosures of principal risks
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of principal risks and uncertainties on pages 47 to 50, concerning the principal risks, their management, and based on that statement, the directors' assessment and expectations of the Group's continuing operations over three years to 2018;
- the disclosures in Note 2 to the financial statements concerning the use of the going concern basis of accounting.

5. We have nothing to report in respect of the matters on which we are required to report by exception
ISAs (UK and Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

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

- we have identified any inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider the annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; or
- the Report of the Audit Committee does not appropriately disclose those matters that we communicated to the Audit Committee.

The Listing Rules of the Irish Stock Exchange require us to review:

- the directors' statement, set out on page 40, in relation to going concern;
- the part of the Directors' Statement on Corporate Governance on pages 41 to 50 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the provisions of the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures to shareholders by the Board in the Report on Directors' Remuneration.

In addition, the Companies Act requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

6. Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below
We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
The Company statement of financial position is in agreement with its accounting records and in our opinion adequate accounting records have been kept by the Company.

In our opinion the information given in the Directors' Report is consistent with the financial statements and the description in the Directors' Statement on Corporate Governance of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

In addition, we report in relation to information given in the Directors' Statement on Corporate Governance on pages 41 to 50 that:

- based on knowledge and understanding of the Company and its environment obtained in the course of the audit, no material misstatements in the information identified above have come to our attention.
- based on our work undertaken in the course of our audit, in our opinion:
  - the description of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements and information relating to the voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC) Regulations 2006), and specified by the Companies Act 2014 for our consideration, are consistent with the financial statements and have been prepared in accordance with the Companies Act 2014.
  - The Directors' Statement on Corporate Governance contains the information required by the Companies Act 2014.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 79, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group and Company financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK and Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK and Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expenses as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Meagher
for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

7 March 2016

Consolidated Income Statement
Year ended 31 December 2015

	Note	Before exceptional items 2015 €'000	Exceptional items (Note 6) 2015 €'000	Total 2015 €'000	2014 €'000
Sportsbook amounts staked		**8,645,522**	**-**	**8,645,522**	7,003,252
Continuing operations					
Income	4	**1,093,950**	**-**	**1,093,950**	881,640
Direct betting costs	5	**(276,273)**	**-**	**(276,273)**	(167,746)
Gross profit		**817,677**	**-**	**817,677**	713,894
Employee expenses	7	**(292,850)**	**(4,067)**	**(296,917)**	(257,286)
Property expenses		**(68,645)**	**-**	**(68,645)**	(58,410)
Marketing expenses		**(117,952)**	**-**	**(117,952)**	(100,892)
Technology and communications expenses		**(58,733)**	**-**	**(58,733)**	(48,594)
Depreciation and amortisation		**(52,601)**	**-**	**(52,601)**	(48,015)
Other expenses, net		**(46,474)**	**(6,150)**	**(52,624)**	(36,891)
Total operating expenses		**(637,255)**	**(10,217)**	**(647,472)**	(550,088)
Operating profit		**180,422**	**(10,217)**	**170,205**	163,806
Financial income	9	**1,852**	**-**	**1,852**	2,925
Financial expense	9	**(2,560)**	**-**	**(2,560)**	(166)
Profit before tax		**179,714**	**(10,217)**	**169,497**	166,565
Income tax expense	11	**(26,957)**	**4,753**	**(22,204)**	(21,656)
Profit for the year – all attributable to equity holders of the Company		**152,757**	**(5,464)**	**147,293**	144,909
Earnings per share					
Basic	12			**€3.265**	€3.011
Diluted	12			**€3.209**	€2.976

Notes 1 to 35 on pages 90 to 144 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2015

	Note	2015 €'000	2014 €'000
Profit for the year – all attributable to equity holders of the Company		**147,293**	144,909
Other comprehensive income / (expense)			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	9	**(6,187)**	(6,313)
Fair value of foreign exchange cash flow hedges transferred to income statement	9	**11,272**	5,144
Foreign exchange gain on translation of the net assets of foreign currency denominated subsidiaries	9	**3,933**	7,628
Deferred tax on fair value of cash flow hedges	22	**(636)**	147
Other comprehensive income		**8,382**	6,606
Total comprehensive income for the year – all attributable to equity holders of the Company		**155,675**	151,515

Notes 1 to 35 on pages 90 to 144 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	31 December 2015 €'000	31 December 2014 €'000
Assets			
Property, plant and equipment	13	**125,368**	126,711
Intangible assets	14	**82,095**	76,391
Goodwill	15	**108,915**	102,838
Deferred tax assets	22	**9,091**	8,246
Trade and other receivables	17	**-**	1,972
Total non-current assets		**325,469**	316,158
Trade and other receivables	17	**30,940**	32,410
Derivative financial assets	17	**2,449**	-
Financial assets – restricted cash	18	**46,942**	39,213
Financial assets – deposits	18	**-**	19,258
Cash and cash equivalents	18	**152,322**	226,513
Total current assets		**232,653**	317,394
Total assets		**558,122**	633,552
Equity			
Issued share capital	19	**4,146**	5,110
Share premium		**2,651**	44,969
Treasury shares		**(51,752)**	(57,502)
Shares held by long term incentive plan trust		**(63,143)**	(61,454)
Other reserves including foreign currency translation, cash flow hedge and share-based payment reserves		**40,916**	34,849
Retained earnings		**136,470**	421,009
Total equity attributable to equity holders of the Company		**69,288**	386,981
Liabilities			
Trade and other payables	23	**250,845**	201,419
Derivative financial liabilities	23	**16,986**	16,981
Provisions	24	**590**	497
Current tax payable		**14,864**	17,377
Borrowings	25	**263**	-
Total current liabilities		**283,548**	236,274
Trade and other payables	23	**6,816**	5,821
Derivative financial liabilities	23	**60**	128
Provisions	24	**1,307**	1,174
Deferred tax liabilities	22	**3,933**	3,174
Borrowings	25	**193,170**	-
Total non-current liabilities		**205,286**	10,297
Total liabilities		**488,834**	246,571
Total equity and liabilities		**558,122**	633,552

Notes 1 to 35 on pages 90 to 144 form an integral part of these consolidated financial statements.

On behalf of the Board

Andy McCue **Alex Gersh**

7 March 2016

Consolidated Statement of Cash Flows
Year ended 31 December 2015

	Note	2015 €'000	2014 €'000
Cash flows from operating activities			
Profit for the year – all attributable to equity holders of the Company		**147,293**	144,909
Income tax expense		**22,204**	21,656
Financial income		**(1,852)**	(2,925)
Financial expense		**2,560**	166
Depreciation and amortisation		**52,601**	48,015
Employee equity-settled share-based payments expense		**16,812**	17,229
Foreign currency exchange gain		**(2,129)**	(1,480)
Loss on disposal of property, plant and equipment and intangible assets		**306**	79
Cash from operations before changes in working capital		**237,795**	227,649
Decrease / (increase) in trade and other receivables		**504**	(91)
Increase in trade and other payables and provisions		**55,896**	13,087
Cash generated from operations		**294,195**	240,645
Income taxes paid		**(26,297)**	(25,552)
Net cash from operating activities		**267,898**	215,093
Purchase of property, plant and equipment		**(27,784)**	(38,662)
Purchase of intangible assets		**(30,158)**	(28,206)
Purchase of businesses, net of cash acquired	16	**(5,503)**	(6,432)
Payment of contingent deferred consideration	16	**(1,487)**	(5,386)
Proceeds from disposal of property, plant and equipment and intangible assets		**288**	25
Transfers from / (to) financial assets – deposits		**20,985**	(5,112)
Interest received		**2,049**	2,869
Net cash used in investing activities		**(41,610)**	(80,904)
Proceeds from the issue of new shares		**2,658**	3,335
Purchase of shares by long term incentive plan trust		**(25,312)**	(3,883)
Purchase of own shares including direct purchase related costs		**-**	(23,605)
Dividends paid	20	**(76,323)**	(68,991)
Return of capital to shareholders (including associated costs)	19	**(392,077)**	-
Net amounts drawn down on borrowings facility	25	**195,000**	-
Fees in respect of borrowings facility		**(2,489)**	-
Interest paid		**(2,075)**	(284)
Movements in current and non-current restricted cash balances		**(5,489)**	17,008
Net cash used in financing activities		**(306,107)**	(76,420)
Net (decrease) / increase in cash and cash equivalents		**(79,819)**	57,769
Cash and cash equivalents at start of year		**226,513**	161,359
Foreign currency exchange gain on cash and cash equivalents		**5,628**	7,385
Cash and cash equivalents at end of year	18	**152,322**	226,513

Notes 1 to 35 on pages 90 to 144 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Cash flow hedge reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total equity €'000
				Attributable to equity holders of the Company (see Note 19)							
Balance at 1 January 2015	*51,104,700*	5,110	44,969	(36)	(2,305)	1,240	(57,502)	(61,454)	35,950	421,009	386,981
Total comprehensive income / (expense) for the year											
Profit	-	-	-	-	-	-	-	-	-	147,293	147,293
Foreign exchange translation	-	-	-	3,933	-	-	-	-	-	-	3,933
Net change in fair value of cash flow hedge reserve (Note 9)	-	-	-	-	5,085	-	-	-	-	-	5,085
Deferred tax on cash flow hedges (Note 22)	-	-	-	-	(636)	-	-	-	-	-	(636)
Total comprehensive income for the year	-	-	-	3,933	4,449	-	-	-	-	147,293	155,675
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 19)	*77,150*	7	2,651	-	-	-	-	-	-	-	2,658
Own shares acquired by the long term incentive plan trust – net of B shares' receipt (Note 21)	-	-	-	-	-	-	-	(25,312)	-	-	(25,312)
Equity-settled transactions – expense recorded in income statement (Note 21)	-	-	-	-	-	-	-	-	16,812	-	16,812
Equity-settled transactions – vestings (Note 21)	-	-	-	-	-	-	-	23,623	(19,200)	(3,493)	930
Deferred tax on share-based payments (Note 22)	-	-	-	-	-	-	-	-	-	147	147
Transfer to retained earnings on exercise of share options (Note 19)	-	-	-	-	-	-	-	-	(873)	873	-
Return of capital to shareholders (including related costs) (Note 19)	-	-	-	-	-	-	-	-	-	(392,280)	(392,280)
Capital reduction (Note 19)	*(5,111,837)*	(971)	-	-	-	930	5,750	-	-	(5,709)	-
Dividends to shareholders (Note 20)	-	-	-	-	-	-	-	-	-	(76,323)	(76,323)
Share premium cancellation (Note 19)	-	-	(44,969)	-	-	-	-	-	-	44,969	-
Transfer to net wealth tax reserve	-	-	-	-	-	16	-	-	-	(16)	-
Total contributions by and distributions to owners of the Company	*(5,034,687)*	(964)	(42,318)	-	-	946	5,750	(1,689)	(3,261)	(431,832)	(473,368)
Balance at 31 December 2015	*46,070,013*	4,146	2,651	3,897	2,144	2,186	(51,752)	(63,143)	32,689	136,470	69,288

				Attributable to equity holders of the Company (see Note 19)							
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Cash flow hedge reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2014	*50,977,085*	5,098	41,646	(7,664)	(1,283)	1,240	(34,177)	(71,736)	31,113	346,765	311,002
Total comprehensive income / (expense) for the year											
Profit	-	-	-	-	-	-	-	-	-	144,909	144,909
Foreign exchange translation	-	-	-	7,628	-	-	-	-	-	-	7,628
Net change in fair value of cash flow hedge reserve (Note 9)	-	-	-	-	(1,169)	-	-	-	-	-	(1,169)
Deferred tax on cash flow hedges (Note 22)	-	-	-	-	147	-	-	-	-	-	147
Total comprehensive income / (expense) for the year	-	-	-	7,628	(1,022)	-	-	-	-	144,909	151,515
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 19)	*127,615*	12	3,323	-	-	-	-	-	-	-	3,335
Own shares acquired by the long term incentive plan trust – 70,400 ordinary shares (Note 21)	-	-	-	-	-	-	-	(3,883)	-	-	(3,883)
Own shares acquired by the Group – 450,000 ordinary shares (Note 21)	-	-	-	-	-	-	(23,325)	-	-	(280)	(23,605)
Equity-settled transactions – expense recorded in income statement (Note 21)	-	-	-	-	-	-	-	-	17,229	-	17,229
Equity-settled transactions – vestings (Note 21)	-	-	-	-	-	-	-	14,165	(11,546)	(2,010)	609
Deferred tax on share-based payments (Note 22)	-	-	-	-	-	-	-	-	-	(230)	(230)
Transfer to retained earnings on exercise of share options (Note 19)	-	-	-	-	-	-	-	-	(846)	846	-
Dividends to shareholders (Note 20)	-	-	-	-	-	-	-	-	-	(68,991)	(68,991)
Total contributions by and distributions to owners of the Company	*127,615*	12	3,323	-	-	-	(23,325)	10,282	4,837	(70,665)	(75,536)
Balance at 31 December 2014	*51,104,700*	5,110	44,969	(36)	(2,305)	1,240	(57,502)	(61,454)	35,950	421,009	386,981

Notes 1 to 35 on pages 90 to 144 form an integral part of these consolidated financial statements.

1. General information

Paddy Power Betfair plc (the 'Company') and its subsidiaries (together referred to as the 'Group') in 2015 provided online interactive sports betting services ('paddypower.com', 'paddypower.it' and 'sportsbet.com.au'), sports betting and machine gaming services through a chain of licensed betting offices ('Paddy Power Bookmaker'), and telephone sports betting services ('Dial-a-Bet'). In 2015, the Group also provided online gaming services through 'paddypower.com', 'paddypowergames.com', 'paddypowercasino.com', 'paddypowerbingo.com', 'paddypowerpoker.com' and 'paddypowervegas.com'. It provided these services principally in the United Kingdom, Ireland, Australia and Italy. It also provided business-to-business services.

Subsequent to the reporting date, the Company completed an all share merger with Betfair Group plc ('The Merger') – see Note 34 for further information on the Merger. The results of Betfair Group plc during the year ended 31 December 2015 are not included in these financial statements.

The Company is a public limited company incorporated and domiciled in the Republic of Ireland and has its primary listing on the London Stock Exchange. The address of its registered office is set out on the first page of this Annual Report.

The consolidated financial statements of the Group for the year ended 31 December 2015 comprise the financial statements of the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 7 March 2016.

2. Basis of preparation and summary of significant accounting policies

The consolidated financial statements are prepared on the historical cost basis except for betting transactions and foreign exchange forward contracts (which are recorded as derivative financial instruments), 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 consolidated financial statements are presented in euro, the Company's functional currency, rounded to the nearest thousand.

Further to IAS Regulation (EC1606/2002, 'Accounting standards adopted for use in the EU'), EU law requires that the annual consolidated financial statements of the Group be prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union ('EU'). The consolidated financial statements have been prepared on the basis of IFRS adopted by the EU and effective for accounting periods ending on or after 1 January 2015. The accounting policies set out below have been applied consistently by Group entities.

The accounting policies applied in the preparation of these consolidated financial statements have been applied consistently during the year and prior year, except as highlighted below in 'Recent accounting pronouncements'.

Recent accounting pronouncements
The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 31 December 2015:

- Annual Improvements to IFRSs 2011-2013 Cycle

The adoption of the above new standards and interpretations did not have a significant impact on the Group's consolidated financial statements.

Amendments to existing standards
During the period, a number of amendments to existing accounting standards became effective. These have been considered by the directors and have not had a significant impact on the Group's consolidated financial statements.

Amendments, annual improvements
The following are amendments to existing standards and interpretations that are effective for the Group's financial year from 1 January 2016:

- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010–2012 Cycle

The directors do not believe that the above amendments will have a significant impact on Group reporting.

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

New IFRSs and amendments not yet EU endorsed
The following provides a brief outline of IFRSs which have not yet been EU endorsed:

- IFRS 15, 'Revenue from Contracts with Customers'
- IFRS 9, 'Financial Instruments'
- IFRS 14, 'Regulatory Deferral Accounts'
- IFRS 16, 'Leases'
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7: Disclosure Initiative

The above standards and amendments have not yet been EU endorsed. The Group is currently considering the impact of the above interpretations and amendments on future Annual Reports.

Basis of consolidation
The Group's financial statements consolidate the financial statements of the Company 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

Judgements and estimates
The preparation of financial statements in conformity with IFRS 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes and in Note 35:

- Note 15 – measurement of the recoverable amounts of cash generating units containing goodwill and indefinite life licences and brands intangible assets.
- Note 21 – measurement of share-based payments.
- Note 30 – contingent deferred consideration and measurement of sports betting open positions.

Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Significant unobservable inputs and valuation adjustments are monitored on an on-going basis.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in the different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following note:

- Note 30 – contingent deferred consideration and measurement of sports betting open positions.

Income
The services provided by the Group comprise sports betting, fixed odds games betting, online games and casino, peer to peer games including online bingo and poker 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 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.

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.

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 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.

Sportsbook amounts staked
Sportsbook amounts staked does not represent the statutory revenue of the Group. It comprises gross takings received and receivable from sports betting.

Research and development
Expenditure on research activities is recognised in the income statement as an expense in the period in which it is incurred. Expenditure on development activities is recognised as an internally generated intangible asset only when the necessary criteria are met; including demonstrating the technical feasibility of the product and having sufficient certainty over future revenue or cost savings that will be generated from the product. The qualifying expenditure capitalised represents costs directly attributable to the development of the asset. This expenditure is capitalised from the date when they first meet the recognition criteria and until the date at which the asset is available for use. If the criteria are not met the expenditure is recognised in profit or loss as an expense in the period in which it is incurred. Capitalised development expenditure assets are amortised on a straight-line basis from the date they are available for use over their useful economic life.

Financial income
Interest income is recognised on an accruals basis by reference to the principal outstanding and the effective rate of interest. Financial income includes changes in the fair value of financial assets at fair value through profit or loss.

Financial expense
Financial expense comprises interest expense on borrowings (except in respect of borrowing costs relating to qualifying assets), interest on guarantee contracts entered into with third parties, and the unwinding of the discount on provisions and other non-current liabilities.

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

Operating segment reporting
Operating segments are distinguishable components of the Group that have been established based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker (the Board of Directors) in order to assess each segment's performance and to allocate resources to them. Geographical segments provide services within a particular economic environment that are subject to risks and rewards that are different from those components operating in alternative economic environments. The Group has determined that its operating segments of Online (ex Australia), Online Australia, UK Retail, Irish Retail and Telephone are its reportable operating segments. See Note 4 for further information on operating segments.

Foreign currency
Functional and presentation currency
The Group and Company financial statements are presented in euro which is also the Company's functional currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, which is primarily the euro, pound sterling and Australian dollar.

Foreign currency transactions
Transactions in foreign currencies are translated at the relevant foreign exchange rate ruling at the date of the transaction. Non-monetary assets that are carried at historical cost are not subsequently retranslated. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to functional currencies at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Gains and losses arising on the retranslation of cash and cash equivalent balances are included within 'other expenses' in the income statement rather than as financial income or expense, as the directors consider that the gains or losses arising relate to operations, as the Group broadly matches its foreign currency denominated assets and liabilities to ensure that foreign exchange gains and losses are minimised. Gains and losses on retranslation of non-cash assets and liabilities are also dealt with as operating items. Gains and losses on foreign currency retranslation are separately analysed into their components in the statement of cash flows.

Foreign currency translation of foreign operations
To the extent that the Group's foreign operations are considered to have functional currencies which are different from the Group's presentation currency, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation and long term intra-group loans that are part of the net investment because repayment is not planned or foreseen, are translated to euro at the foreign exchange rates ruling at the reporting date. The revenues and expenses of these foreign operations are translated to euro at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in the consolidated statement of comprehensive income and presented in the foreign currency translation reserve within equity.

Business combinations
Acquisitions of subsidiaries are accounted for using the acquisition method. The value of acquisition is measured at the date of purchase and represents the aggregate of the fair values of assets given, liabilities incurred or assumed and any equity instruments issued by the Group in exchange for control of the acquiree and fair value of previously held equity interests. The identifiable assets and liabilities of the acquiree are recognised at their fair values at the date of acquisition.

Goodwill recognised subsequent to 1 January 2004, representing the excess of purchase consideration over the fair value of net identifiable assets acquired defined in accordance with IFRS 3, 'Business Combinations (2008)', is capitalised. Goodwill is initially recognised as an asset at cost and is thereafter measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually. Any impairment in the value of goodwill is dealt with in the income statement in the period in which it arises. Goodwill is recognised only when control of the acquiree is initially achieved. Following the acquisition of control, no goodwill is recognised on subsequent purchases of equity interests in the acquiree and instead the difference between the cost of such acquisitions and the fair values of the relevant net assets acquired is dealt with through retained earnings.

Costs relating to the acquisition of businesses that occurred since 1 January 2010 are expensed to the income statement when incurred. Costs related to the acquisition of non-controlling interests are recognised directly in retained earnings.

Amounts payable in respect of deferred contingent consideration are recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the profit or loss.

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

Property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing items and restoring the sites on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Previously, the Group would have immediately recognised all borrowing costs as an expense.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'total operating expenses' in profit or loss.

Depreciation is calculated to write off the cost less estimated residual value of property, plant and equipment on a straight line basis over their useful lives, as follows:

Land	Not depreciated
Buildings: Freehold	50 years
Buildings: Leasehold improvements	Unexpired term of the lease, except for leases with an initial term of ten or less years, which are depreciated over the unexpired term of the lease plus the renewal length of the lease if there is an unconditional right of renewal
Fixtures and fittings	3 – 7 years
Computer equipment	3 – 5 years
Motor vehicles	3 – 5 years

Assets in the process of construction are stated at cost less impairment losses. Depreciation of these assets begins when the assets are ready for their intended use.

The residual value of property, plant and equipment, if not insignificant, is reassessed annually.

Intangible assets
Intangible assets, principally comprising computer software, licences and brands, are capitalised and amortised over their estimated useful economic lives on a straight line basis.

Computer software includes the costs incurred in acquiring and bringing specific software programs into use and the fair value of software acquired in business combinations. Maintenance costs relating to computer software programs are expensed to the income statement when incurred.

Licences comprise the costs of acquiring retail bookmaking licences, the rents incurred in respect of the period prior to each shop opening for business (as the existence of a premises is a pre-requisite for obtaining such licences) and licences for electronic point of sale ('EPOS') system software.

Brands represent the fair value of brands and trade mark assets acquired in business combinations.

The estimated useful economic lives of intangible assets, according to which amortisation is calculated, are as follows:

Computer software	3 – 5 years
Licences – shop licences and EPOS software licences	5 – 20 years

The licences intangible assets recognised on the acquisition of the D McGranaghan Limited business in 2008, the acquisition of an additional betting shop in Northern Ireland in 2011 and the brands intangible assets recognised on the acquisition of Sportsbet Pty Limited and International All Sports Limited in 2009 are not amortised for the reasons set out in Note 14.

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

Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives (such as certain licences and brands) or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash generating unit', or 'CGU'). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Borrowings

Borrowings are recorded at the fair value of the proceeds received, net of any directly attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

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

Other non-derivative financial instruments
Other non-derivative financial instruments comprise cash and cash equivalents, restricted cash, deposits, trade and other receivables and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual right to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents for the purpose of the statement of cash flows comprise cash and call deposits with an original maturity of three months or less.

Restricted cash represents cash held by the Group but which is ring fenced or used as security for specific arrangements (such as cash held in client funds accounts or as collateral for a bank guarantee), and to which the Group has restricted access for a period of time. Restricted cash is classified as held to maturity and carried at amortised cost. Restricted cash balances are further classified as current or non-current depending on when the restriction first ends.

Deposits represent term deposits with an original maturity of greater than three months. In accordance with IAS 7, 'Statement of Cash Flows', these deposits do not qualify as a cash equivalent for the purposes of the statement of cash flows as the maturity is greater than three months from the date of the original deposit.

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated impaired losses.

Subsequent to initial recognition, cash and cash equivalents, restricted cash, deposits and trade and other payables are measured at amortised cost.

Derivative financial instruments
The Group holds certain derivative financial instruments which are initially recognised at fair value.

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

Hedge accounting
The Group uses derivative financial instruments, specifically foreign exchange forward contracts, to hedge its exposure to foreign currency exchange risks arising from operational activities (pound sterling denominated transactions). The Group does not enter into speculative transactions.

Derivative financial instruments are measured at fair value at each reporting date. The fair value of foreign exchange forward contracts is calculated by reference to current forward foreign exchange rates for contracts with similar maturity profiles and equates to the market price at the statement of financial position date.

Gains or losses on re-measurement to fair value are recognised immediately in the income statement except where derivatives are designated and qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Derivative financial instruments entered into by the Group are, for the purposes of hedge accounting, classified as cash flow hedges which hedge exposure to fluctuations in future cash flows derived from a particular risk associated with a highly probable forecast transaction.

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of hedged items and whether the actual results of each hedge are within a range of 80 to 125 per cent.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecasted transaction that could affect profit or loss, the effective part of any changes in the fair value of the derivative financial instrument is recognised in other comprehensive income and presented in the cash flow hedge reserve within equity. Any ineffective portion of changes in fair value is recognised in the income statement. The associated gains or losses that had previously been recognised in other comprehensive income are transferred to the income statement at the same time as the hedged item affects the profit or loss. Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, is terminated or exercised, or no longer qualifies for hedge accounting. If the hedged transaction is still expected to occur, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecast transaction occurs, with future changes in fair value recognised in the income statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is reclassified to the income statement in the period.

Leases
Operating lease rentals payable are recognised as an expense in the income statement on a straight line basis over the lease term unless another systematic basis is more appropriate.

Income tax
Income tax in the income statement comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of the previous year.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset to the extent that they relate to income taxes levied by the same taxation authority.

Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is considered probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Long service leave
The provision for long service leave (that arises under the provisions of Australian state legislation) is measured at the present value of expected future payments to be made in respect of services rendered by employees of the Online Australia operating segment up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

Lease reinstatement
Where there exists a legal obligation for properties held under operating leases to be reinstated to their original condition on expiry of the lease, a provision is established to recognise the estimated cost of such reinstatement work on a straight line basis over the term of the lease.

Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived from a contract by the Group are less than the unavoidable costs of meeting its obligations under the terms of the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Employee benefits
Pensions
The Group operates a number of defined contribution schemes under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions are recognised as an expense in the income statement as the obligation falls due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Long term incentive bonus plans
The Group accounts for obligations relating to long term incentive bonus plans for employees at the present value of the defined benefit obligation at the reporting date. The service cost relating to such plans is allocated to the financial years over which service under the plan is rendered by the employee. The income statement expense represents the increase in the present value of the defined benefit obligation resulting from employee service in the current period, in addition to any associated finance costs where material.

Share-based payments
The Group operates equity-settled long term incentive plans for selected senior executives and other key management under which they are conditionally awarded shares which vest upon the achievement of predetermined earnings targets and / or future service periods. The fair value is measured at the award grant date and is spread over the period during which the employees become unconditionally entitled to the shares with a corresponding increase in the share-based payment reserve in equity. The fair value of the shares conditionally granted is measured using the market price of the shares at the time of grant.

The Group operates an equity-settled share save scheme ('SAYE') for employees under which employees acquire options over Company shares at a discounted price subject to the completion of a savings contract. The fair value of share options granted is recognised as an employee benefit cost with a corresponding increase in the share-based payment reserve in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The Group has operated equity-settled share option schemes for employees under which employees acquired options over Company shares. The fair value of share options granted is recognised as an employee benefit cost with a corresponding increase in the share-based payment reserve in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The Group operates certain cash-settled long term incentive plans for selected senior executives (other than directors) and other key management under which they are conditionally awarded notional Company shares which vest upon the achievement of predetermined earnings targets and future service periods. The estimated costs of the awards are spread over the period during which the employees become unconditionally entitled to the payment. The beneficiaries are paid in cash based on the Company's share price on the date of vesting and the liability is re-measured at each reporting date using the closing share price on that day.

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

Share capital

Ordinary shares

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

Shares held by long term incentive plan trust

The costs of purchases of the Company's shares by the long term incentive plan trust, which have been conditionally awarded to executives under the terms of the share award schemes, are shown separately as deductions from equity in the consolidated statement of financial position.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. The repurchased shares are classified as treasury shares and are presented as a deduction from total equity. Transaction costs relating to the purchase by the Company of its own shares are recognised directly in retained earnings. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is recognised in retained earnings.

Where the Company purchases its own shares and subsequently cancels those shares, the cost of the shares cancelled is written off directly to retained earnings. The nominal value of the shares cancelled is transferred from share capital to the capital redemption reserve fund.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders, or, in the case of the interim dividend, when it has been approved by the Board of Directors and paid. Dividends declared after the reporting date are disclosed in Note 34.

Earnings per share

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

Bank and credit card charges

Bank and credit card charges and fees that are considered integral to the operations of the Group's business are recognised in 'total operating expenses' in the consolidated income statement. Bank and credit card charges and fees that are related to the Group's financing activities are recognised in 'financial expense' in the consolidated income statement.

Exceptional items

The Group applies an income statement format which seeks to highlight exceptional items within Group profit or loss for the period. Exceptional items are those that in management's judgement need to be disclosed by virtue of their size or incidence. Such items are included within the income statement caption to which they relate, and are separately disclosed either on the face of the consolidated income statement or in the notes thereto.

3. Financial risk management

The Group has the following risk exposures in relation to its use of financial instruments:

- Market risk;
- Interest rate risk;
- Credit risk; and
- Liquidity risk.

Set out below is information on the Group's exposure to each of the above risks, and what its objectives, policies and processes are for measuring and managing those risks. Information is also provided on how the Group manages its capital. Quantitative disclosures in respect of these risks are included throughout these consolidated financial statements and, in particular, in Notes 26 to 31.

General
The Board of Directors has overall responsibility for the management of the Group's risks. This responsibility is delegated to a number of committees over which the Board has oversight. The primary Board committees set up to manage risks are the Risk Committee and the Audit Committee. Both these Committees report regularly to the Board on their activities. The oversight of the Group's treasury operations is performed by an Investment Committee, chaired by the Chief Financial Officer, who reports in turn to the Board on its activities.

Market risk
Market risk relates to the risk that changes in prices, including sports betting prices/ odds, foreign currency exchange rates and interest rates (see also 'Interest rate risk' section below), will impact the Group's income or the value of its financial instruments. Market risk management has the function of managing and controlling the Group's exposures to market risk to within acceptable limits, while at the same time ensuring that returns are optimised.

The management of market risk is performed by the Group under the supervision of the Risk Committee and the Investment Committee and according to the guidelines approved by them. The Group will utilise hedges where there is an identified requirement to manage profit or loss volatility.

Sports betting prices/ odds
Managing the risks associated with sportsbook bets is a fundamental part of the Group's business. The Group has a separate Risk Department which has responsibility for the compilation of bookmaking odds and for sportsbook risk management. This function reports directly to the Group Chief Executive and to the Risk Committee of the Board. The Risk Department is responsible for the creation and pricing of all betting markets and the trading of those markets through their lives. A mix of traditional bookmaking approaches married with risk management techniques from other industries is applied, and extensive use is made of mathematical models and information technology. The Group has set predefined limits for the acceptance of sportsbook bet risks. Stake and loss limits are set by reference to individual sports, events and bet types. These limits are subject to formal approval by the Risk Committee. Risk management policies also require sportsbook bets to be hedged with third parties in certain circumstances to minimise potential losses. The profits and losses recorded on sportsbook hedging activities are recorded in 'income' in the income statement.

Foreign currency risk
The Group is exposed to currency risk in respect of income, expenses, receivables, cash and cash deposits, and other financial assets and financial liabilities (primarily trade payables and accruals and customer balances) that are denominated in currencies that are not the functional currency of the entities in the Group. The currencies in which transactions are primarily denominated are the euro ('EUR'), the pound sterling ('GBP'), the Australian dollar ('AUD') and the US dollar ('USD'). In 2015, the Group did not accept business from residents of the United States of America and USD transactions arise primarily from USD-denominated poker customer play.

It is Group policy to ensure that foreign currency denominated liabilities are broadly matched by foreign currency denominated assets, primarily cash deposits. This is generally achieved by monthly sales of net foreign currency inflows into euro (or the subsidiaries' functional currency) at spot rates. Foreign exchange impacts therefore arise on the retranslation of their income and expense into euro for Group reporting purposes. Subject to Investment Committee approval, the Group may make use of forward contracts, intentional imbalances between foreign currency denominated liabilities and assets, and other derivatives to manage foreign currency exposures on expected future cash flows. The Group's Australian activities are conducted by separate subsidiaries whose functional currency is AUD.

3. Financial risk management (continued)

While the Group generally maintained a naturally hedged balance sheet, as described in the preceding paragraph, it remains exposed to exchange rate risk in respect of its expected future foreign currency denominated income and expenses in its foreign operations. In both 2014 and 2015, the Group entered into foreign exchange forward contracts. The contracts were to hedge a portion of expected GBP cash flows in the relevant years in order to reduce the volatility to which the Group was exposed. The average EUR-GBP rate at which the 2015 contracts were entered into was 0.7978 (2014: 0.8387), which compares to the actual average EUR-GBP rate of 0.7259 for the same period (2014: 0.8061). At 31 December 2015, the Group had hedged GBP74.8m of expected 2016 cash flows at an average EUR-GBP rate of 0.7199 (2014: the Group had hedged GBP71.7m of expected 2015 cash flows at an average EUR-GBP rate of 0.8041). At 31 December 2015, a derivative financial asset of €2,449,000 (2014: derivative financial liability €2,636,000) in respect of foreign exchange forward contracts due to mature in 2016 (2014: due to mature in 2015) has been recorded in the Group's consolidated statement of financial position (see Note 17).

The average GBP exchange rate against the euro increased by approximately 10% in 2015 versus 2014 (increased by 5% in 2014 versus 2013), while the AUD exchange rate was in line with 2014 (decreased by 6% in 2014 versus 2013) and the USD exchange rate increased by approximately 16% in 2015 versus 2014 (2014 was in line with 2013). The movement in the value of the euro against these currencies positively impacted the Group's profit for the year ended 31 December 2015, and overall drove a profit increase of €16.2m in the year (2014: a weakening in the value of the euro positively impacted the Group's profit with a currency movement-driven profit increase of €4.6m being recorded).

The Group's foreign currency translation exposure in relation to its Australian subsidiaries, whose functional currency is the Australian dollar, are not hedged. Transactions by these subsidiary companies are primarily AUD denominated. Gains and losses on the retranslation of the Group's net investment in AUD and GBP functional currency subsidiaries are included in the foreign exchange translation reserve in equity.

The gain on retranslation of cash and cash equivalent balances in the year ended 31 December 2015 was €5,628,000 (2014: gain of €7,385,000). Within the cash retranslation gains / losses are gains of €5,075,000 (2014: gains of €4,213,000) that have been included within 'other expenses' in the income statement rather than as a financial expense, as the directors consider that the loss or gain relates to operations because the Group broadly matches its foreign currency denominated assets and liabilities to ensure that foreign exchange gains and losses are minimised (as described above). Losses and gains on retranslation of non-cash and cash equivalent assets and liabilities are also dealt with as operating items. Included within the retranslation of non-cash and cash equivalent assets and liabilities is a loss of €2,946,000 in 2015 (2014: loss of €2,733,000). Gains and losses on foreign currency retranslation are separately analysed into their components in the consolidated statement of cash flows, with further analysis presented in Notes 9 and 10.

Interest rate risk

Interest rate risk arises primarily from the Group's borrowings which are at a floating rate. The Group may manage this risk through the use of interest rate derivatives as appropriate. At 31 December 2015, the Group was not party to any such derivative. Excess cash funds are invested in interest-bearing bank deposits on which the interest rate is fixed for the term of the deposit. Group treasury policy imposes limits on the terms over which cash can be placed on deposit.

Credit risk

The Group's credit risk represents the risk that a financial loss may result in the event that a counterparty to a financial instrument, a trading partner or customers of (primarily) the Australian businesses fail to meet their contractual obligations.

Trade and other receivables

The Group's sports betting and gaming businesses (excluding Australia) are predominantly cash and credit card/ debit card businesses where there is a requirement that the customer pays in advance when a transaction is entered into. An option for customers to avail of credit is normal practice in the Australian online and telephone sports betting markets and, accordingly, the Australian sports betting business model is one where credit is sometimes granted to customers. Trade receivables (after provisions for impairment) amounted to €5,600,000 at 31 December 2015 (2014: €5,588,000); included in this balance are receivables from credit betting customers (primarily in Australia) of €3,367,000 (2014: €4,137,000) (see Note 17). Credit lines are provided to customers on a case by case basis for higher value customers or based on credit ratings for smaller value customers. Individual credit limits are decided upon by the credit control function in the first instance after taking into account credit and background reference checks. The collectability of outstanding trade receivable balances is closely monitored by reference to aged receivables and other reports and any receivable balances considered to be uncollectible are provided against when identified. Trade and other receivables impairment allowances are established against individual receivable balances when there is objective evidence that such balances are likely to be uncollectible, either in full or in part. The impairment allowance also includes a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. There is no material concentration of sales with individual customers.

3. Financial risk management (continued)

Cash investments and foreign exchange forward contracts

It is Group treasury policy to limit investments in cash deposits and foreign exchange forward contracts to counterparties that have a Moody's (or equivalent) long term credit rating of A3 or higher and a Moody's (or equivalent) short term credit rating of P1, unless otherwise specifically approved by the Investment Committee (as at the date of this report there are specific approvals for a number of lower rated banks where they have been invested in by the Irish state or by the UK government and / or are perceived by the Investment Committee to be systemically important).

A list of approved counterparties is maintained by the Group. There are also limits on the percentage of total cash on deposit that can be invested with any individual counterparty. Management does not expect any counterparty to fail to meet its obligations as of the reporting date and the date of this report. There are also restrictions on the types of cash products that can be invested in.

The Group continues to carefully measure counterparty risk by monitoring credit agency ratings, Credit Default Swap spread prices and other public information, and to take action to mitigate such risks as are identified. The Group has accordingly restricted its cash deposit investments to counterparties that had higher credit ratings and has, when required, shortened the maturities of deposits placed. At times, the maturity profile of deposits is lengthened in order to achieve higher interest returns subject to appropriate counterparty risk, and deposit financial assets (representing deposits with original maturities of greater than three months) totalling €nil (2014: €19,258,000) were recorded on the Group consolidated statement of financial position as of 31 December 2015 (see Note 18).

Guarantees

The Group's policy is generally to provide guarantees only in respect of certain commitments of wholly-owned subsidiaries of the Group. The guarantees entered into are primarily in respect of certain third party obligations of subsidiaries, such as overdraft and bank guarantee facilities. As of 31 December 2015, there were no amounts outstanding in the consolidated financial statements under these guarantees (2014: €nil).

The Group has bank guarantees: (1) 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; and (2) in respect of certain third party rental, other property commitments, merchant facilities and third party letter of credit facilities. Some of these guarantees (which are more fully described in Note 31) are required by the terms of gambling licences and have in the past covered the value of player funds held by certain Group companies. The Group now utilises client funds bank accounts to guarantee payment of player funds (see Note 18). The Group also has bank guarantees in respect of certain third party rental, other property commitments and merchant facilities and third party letter of credit facilities.

The Australian corporate sports bookmaking licences issued to Sportsbet and IAS require those companies to hold sufficient liquid funds to cover monies owed to customers. At 31 December 2015, the total amount of relevant customer balances attributable to the Online Australia operating segment was €34,747,000 (AUD51,762,000) (2014: €32,770,000 (AUD48,595,000)) and total cash balances amounted to €56,101,000 (AUD83,573,000) at that date (2014: €65,895,000 (AUD97,716,000)).

The Group has a committed revolving credit bank loan facility. Borrowings under this facility are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

Liquidity risk

This represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy for liquidity management is to ensure that there is sufficient liquidity in place to meet its liabilities as they fall due, both under normal or potential adverse conditions, and without resulting in undue loss or damage to the Group.

The Group performs regular cash projections to ensure that there is sufficient cash on hand to meet its expected obligations as they fall due. The nature of the Group's business and the potential volatility in sporting results can result in significant differences between expected and actual short term cash flows. Consequently, a conservative approach is applied to cash forecasting and flexibility is built into the forecast to cover potentially adverse sporting results. Cash deposit placement time periods are decided upon by reference to cash inflows forecast and expected requirements in respect of the Group's financial obligations. The Group's treasury policy sets a maximum maturity on deposits of up to six months. Information on the overall maturity of deposits at 31 December 2015 and 2014 is set out in Note 18. It is the directors' belief that the Group's cash deposit balances can be withdrawn without significant penalty.

3. Financial risk management (continued)

The Group has the following lines of credit:

- A committed revolving credit bank loan facility ('RCF') of €300m obtained from a syndicate of banks in 2015 which expires in May 2020. At 31 December 2015, €195m of this facility was drawn down. Borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries. Borrowings under the RCF incur interest at EURIBOR plus a margin of between 1.10% and 1.95%. A commitment fee, equivalent to 35% of the margin, is payable in respect of available but undrawn borrowings.
- Unsecured uncommitted bank overdraft facilities for working capital purposes totalling €7.0m. Interest is payable thereon at the bank's prime overdraft rate plus 0.5%. Bank overdraft facilities for certain subsidiaries of the Company are guaranteed by way of a Letter of Guarantee issued by Paddy Power plc in favour of Allied Irish Banks p.l.c.
- Unsecured uncommitted bank overdraft facilities for working capital purposes totalling GBP6.5m (€8.9m). Interest is payable thereon at the bank's sterling base rate plus 3.5%. Bank overdraft facilities for certain subsidiaries of the Company are guaranteed by way of a Letter of Guarantee issued by Paddy Power plc in favour of AIB Group (UK) p.l.c.

At 31 December 2015 and 31 December 2014, none of the bank overdraft facilities were being utilised.

Capital management

The efficiency of the Group's capital structure is kept under regular review by the Board. Relevant considerations include the Group's strong cash flow generation, its investment plans and general capital market conditions.

In line with this policy in 2015, the Group returned €391.5m to shareholders via a B share scheme, and completed a capital reorganisation which involved the consolidation of its ordinary share capital on a nine for ten basis. The transaction involved a number of steps. The existing ordinary shares in issue at the date of the capital reorganisation of 51,118,370 of €0.10 each were converted into 51,118,370 'intermediate' ordinary shares of €0.081 each and 51,118,370 B shares of €0.019 each. 2,184,000 B shares were issued to the Company and certain of its subsidiaries as a result of treasury shares held. Such shares were not entitled to receive a dividend or redemption payment. The holders of the remaining B shares in issue of 48,934,370 were entitled to receive a payment of €8 per share by way of a once off dividend or a redemption payment. Subsequent to the dividend or redemption payment, all B shares were cancelled. The 'intermediate' ordinary shares were consolidated and sub-divided into 46,006,533 'new' ordinary shares of €0.09 each.

The Board is adopting a progressive dividend policy consistent with the Group's expected growth, which balances returns to shareholders with the need to retain sufficient funds to drive growth through investment. The target payout ratio for the Group's dividend will be approximately 50% of underlying profits after tax.

The Group has the authority to buy back up to ten per cent of the Company's issued share capital between the dates of its Annual General Meetings ('AGM's), subject to the annual approval of its shareholders at the Company's AGM. During the year ended 31 December 2015, the Group purchased nil (2014: 450,000) of the Company's ordinary shares to be held as treasury shares. Shares bought back may either be cancelled or held in treasury. The Company's ordinary shares are also acquired on the market periodically by the Paddy Power plc Employee Benefit Trust (the 'Trust') to meet the Trust's obligations under share award schemes. These shares are held by the Trust and ownership is transferred to the Trust's beneficiaries if and when the related share awards vest.

At 31 December 2015 and 31 December 2014, neither the Company nor any of its subsidiaries were subject to externally imposed capital requirements.

4. 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.

Income
Income for the years ended 31 December 2015 and 2014 is analysed as follows:

	2015 €'000	2014 €'000
Income in respect of sportsbook and gaming activities	**1,079,934**	868,821
Other commission and fee revenue (included in Online (ex Australia) and Online Australia income)	**14,016**	12,819
Total income	**1,093,950**	881,640

As more fully described in our accounting policies, betting activities are considered to be derivative financial instruments as set out in IAS 39, 'Financial Instruments: Recognition and Measurement'. Other commission and fee revenue is earned from peer to peer gaming and business-to-business services and, as these activities do not involve customers taking a direct position against the Group, such revenue is not classified as income from derivative financial instruments.

The Group's operating 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 and these operating segments are the Group's reportable segments.

(a) Reportable business segment information
The Group considers that its reportable segments are as follows:

- Online (ex Australia);
- Online Australia;
- UK Retail;
- Irish Retail; and
- Telephone.

The Online (ex Australia), UK Retail, Irish Retail and Telephone segments all derive their revenues primarily from sports betting and / or gaming (gaming machines, games, casino, bingo and poker). Online (ex Australia) services are delivered primarily through the internet, Telephone through the public telephony system and UK and Irish Retail through licensed bookmaking shop estates. The Online (ex Australia) and Telephone segments derive their revenues primarily from the UK and Ireland, UK Retail from retail outlets in Great Britain and Northern Ireland, and the Irish Retail segment from retail outlets in the Republic of Ireland. The Online 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), UK Retail, Irish Retail and Telephone segments. The Online Australia segment manages its own treasury function under Group Treasury oversight. 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 analysed by reportable segment.

4. Operating segments (continued)

Reportable business segment information for the year ended 31 December 2015:

	Online (ex Australia) €'000	Online Australia €'000	UK Retail €'000	Irish Retail €'000	Telephone €'000	Total €'000
Income from external customers	**398,753**	**320,802**	**221,955**	**144,823**	**7,617**	**1,093,950**
Direct betting costs	**(109,839)**	**(83,827)**	**(64,134)**	**(15,403)**	**(3,070)**	**(276,273)**
Gross profit	**288,914**	**236,975**	**157,821**	**129,420**	**4,547**	**817,677**
Depreciation and amortisation	**(19,192)**	**(11,737)**	**(13,020)**	**(7,710)**	**(942)**	**(52,601)**
Other operating expenses	**(196,858)**	**(145,712)**	**(121,407)**	**(101,370)**	**(19,307)**	**(584,654)**
Reportable segment profit / (loss) before exceptional items	**72,864**	**79,526**	**23,394**	**20,340**	**(15,702)**	**180,422**
Exceptional item – restructuring costs	**(4,461)**	**-**	**-**	**-**	**-**	**(4,461)**
Reportable segment profit / (loss)	**68,403**	**79,526**	**23,394**	**20,340**	**(15,702)**	**175,961**
Exceptional item – merger costs						**(5,756)**
Operating profit						**170,205**

Reportable business segment information for the year ended 31 December 2014:

	Online (ex Australia) €'000	Online Australia €'000	UK Retail €'000	Irish Retail €'000	Telephone €'000	Total reportable segments €'000
Income from external customers	334,639	227,016	173,940	126,605	19,440	881,640
Inter-segment trading	-	(96)	-	-	96	-
Total income	334,639	226,920	173,940	126,605	19,536	881,640
Direct betting costs	(53,961)	(55,608)	(44,450)	(13,051)	(676)	(167,746)
Gross profit	280,678	171,312	129,490	113,554	18,860	713,894
Depreciation and amortisation	(18,114)	(8,730)	(11,452)	(8,720)	(999)	(48,015)
Other operating expenses	(187,242)	(110,216)	(96,823)	(89,275)	(18,517)	(502,073)
Reportable segment profit / (loss)	75,322	52,366	21,215	15,559	(656)	163,806

Reconciliation of reportable segments to Group totals:

	2015 €'000	2014 €'000
Income		
Total income from reportable segments, being total Group income	**1,093,950**	881,640
Profit and loss		
Operating profit	**170,205**	163,806
Unallocated amounts:		
Financial income – non-Online Australia [1]	**423**	439
Financial income – Online Australia	**1,429**	2,486
Financial expense – non-Online Australia [1]	**(2,376)**	(62)
Financial expense – Online Australia	**(184)**	(104)
Profit before tax	**169,497**	166,565

1. Non-Online Australia above comprises the Online (ex Australia), UK Retail, Irish Retail and Telephone operating segments. Financial expense relating to these segments is primarily in respect of interest on borrowings, guarantee and facility fees payable, other interest amounts payable, and the unwinding of discounts on provisions and other non-current liabilities.

4. 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, online gaming from Irish and rest of world customers and B2B services provided to 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:

	2015 €'000	2014 €'000
UK	**512,468**	429,968
Australia	**320,802**	227,016
Ireland and rest of world	**260,680**	224,656
Total	**1,093,950**	881,640

Revenues are attributed to geographical location on the basis of the customer's location.

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

	2015 €'000	2014 €'000
UK	**140,249**	140,648
Australia	**85,909**	83,698
Ireland and rest of world	**90,220**	83,566
Total	**316,378**	307,912

5. Direct betting costs

Direct betting costs comprise:

	2015 €'000	2014 €'000
Betting taxes	**152,607**	72,287
Software supplier costs	**34,521**	30,794
Other direct betting costs	**89,145**	64,665
Direct betting costs	**276,273**	167,746

Betting taxes comprise betting taxes levied on gross win and amounts staked (including the UK online and telephone Point of Consumption tax which was introduced on 1 December 2014, and the Irish Remote Betting Duty which was introduced on 1 August 2015), machine gaming duty, and Goods and Services Tax on Online Australia segment gross win.

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

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

6. Exceptional items

	2015 €'000	2014 €'000
Merger costs	**(5,756)**	-
Restructuring costs	**(4,461)**	-
Operating profit impact of exceptional items	**(10,217)**	-
Income tax credit on exceptional items	**497**	-
Corporation tax provision	**4,256**	-
Total exceptional items	**(5,464)**	-

Merger costs
On 2 February 2016, the Company completed an all-share merger with Betfair Group plc. Advisory fees and legal costs of €5.8m incurred in 2015 associated with the Merger that were not contingent on completion of the Merger have been expensed as exceptional items in the year. See Note 34 for further detail in respect of fees that were subject to the successful completion of the Merger.

Restructuring costs
During the year, certain parts of the businesses were restructured to bring them in line with the Group's strategy as set out at the start of 2015. Costs of €4.5m, the vast majority of which were employee related, were expensed during the year.

Corporation tax provision
The Group has released a specific historic provision of €4.3m that is no longer required.

7. Employee expenses and numbers

	2015 €'000	2014 €'000
Wages and salaries	**226,224**	198,072
Social security costs	**21,557**	19,149
Defined contribution pension and life assurance costs	**9,783**	8,314
Share-based payments costs	**17,092**	16,666
Other staff costs	**18,194**	15,085
	292,850	257,286
Exceptional item – employee restructuring costs (Note 6)	**4,067**	-
	296,917	257,286

	2015	2014
The average number of persons employed by the Group (including executive directors), all of whom were involved in the provision of sports betting and gaming services, during the year was	**5,069**	4,856

8. Directors' emoluments and transactions with key management personnel

Included in directors' emoluments are the following emoluments in respect of directors who were in office during the year and prior year:

	Fees €'000	Salary €'000	Pension costs €'000	Benefits €'000	Annual bonus €'000	Total 2015 €'000	Total 2014 €'000
Executive							
Andy McCue [1]	**-**	**700**	**140**	**33**	**536**	**1,409**	332
Cormac McCarthy [2]	**-**	**518**	**70**	**23**	**287**	**898**	847
Patrick Kennedy [3]	**-**	**-**	**-**	**-**	**-**	**-**	1,563
Non-executive							
Gary McGann [4]	**160**	**-**	**-**	**-**	**-**	**160**	8
Nigel Northridge [5]	**122**	**-**	**-**	**-**	**-**	**122**	243
Tom Grace [6]	**87**	**-**	**-**	**-**	**-**	**87**	94
Michael Cawley [7]	**95**	**-**	**-**	**-**	**-**	**95**	87
Danuta Gray	**75**	**-**	**-**	**-**	**-**	**75**	74
Ulric Jerome	**75**	**-**	**-**	**-**	**-**	**75**	74
Stewart Kenny	**75**	**-**	**-**	**-**	**-**	**75**	74
Pádraig Ó Ríordáin [8]	**95**	**-**	**-**	**-**	**-**	**95**	94
	784	**1,218**	**210**	**56**	**823**	**3,091**	3,490
Cost of shares vested from Long Term Incentive Plan [9]						**3,158**	3,333
	784	**1,218**	**210**	**56**	**823**	**6,249**	6,823

1. Andy McCue was appointed Chief Executive designate on 4 September 2014 and was appointed to the Board on the same date. He was appointed Chief Executive on 1 January 2015. His salary was €550,000 with effect from 4 September 2014 and increased to €700,000 with effect from 1 January 2015. The emoluments disclosed in the above table are in respect of the period he served as a director. He was appointed as a non-executive director of Hostelworld Group plc on 14 October 2015 and he received fees of €20,000 which includes fees in relation to his chairmanship of the Remuneration Committee.
2. Cormac McCarthy was also a non-executive director of BWG Limited until his resignation on 6 August 2014 for which he received fees of €33,333 during 2014. His salary was increased to €520,000 with effect from 1 March 2015.
3. Patrick Kennedy resigned as a director effective 31 December 2014.
4. Gary McGann was appointed to the Board on 24 November 2014, and as Chairman of the Company on 1 July 2015.
5. Nigel Northridge was Chairman of the Company until 30 June 2015 when he resigned as both Chairman and director of the Company.
6. Tom Grace is the Senior Independent Director and was Chairman of the Audit Committee until May 2014.
7. Michael Cawley was appointed Chairman of the Audit Committee in May 2014.
8. Pádraig Ó Ríordáin is Chairman of the Remuneration Committee.
9. The cost of shares vested from the Long Term Incentive Plan relate to the period that the individuals have served as executive directors.

The pension for Cormac McCarthy is the value of cash paid to him in lieu of contributions. Benefits provided to executive directors include provision of a company car or car allowance, and life and medical insurance. Not included in the above table are accruals made in respect of share-based payment costs in respect of unvested shares in the Group's Long Term Incentive Plan (see Note 21). Details of the number and value of shares vested to executive directors from the Long Term Incentive Plan during the year are set out in the Directors' Report on page 39.

8. Directors' emoluments and transactions with key management personnel (continued)

Other transactions with directors

The Company has a policy of not lending to directors and consequently there were no loans outstanding to any director at any time during the year. Details of directors' interests in share awards and share options are set out on page 39. Other related party transactions between the Group and the directors, all of which were conducted on an arm's length basis and on normal commercial terms, are set out below.

In addition to the directors' emoluments disclosed above, in the year ended 31 December 2015, directors were paid the following:

- Stewart Kenny received €200,000 (2014: €200,000) in respect of consulting fees. This consultancy arrangement ceased at the end of 2015.
- Pádraig Ó Ríordáin is a Partner in Arthur Cox. During the year ended 31 December 2015, the Group incurred fees of €1,682,574 (2014: €404,425) relating to legal and taxation advice received from Arthur Cox.
- The Group engages in transactions with David Power in his capacity as a bookmaker. In aggregate, during 2015, Richard Power On-Course Bookmakers placed bets with the Group losing €68,436 (2014: winning €25,094) and the Group placed bets with Richard Power On-Course Bookmakers winning €11,302 (2014: losing €35,500). In addition, the Group paid rent of €38,727 (2014: €38,727) during the year for retail properties owned by David Power and occupied by the Group under long term leases. At 31 December 2015, the Group owed Richard Power On-Course Bookmakers €1,391,492 (2014: Richard Power On-Course Bookmakers owed the Group €18,515). The amount owed was settled in full in January 2016.

Transactions with key management personnel, comprising executive directors, non-executive directors and other members of the Group's Executive Management Committee

Key management personnel compensation is as follows:

	2015 €'000	2014 €'000
Short-term employee benefits	**7,687**	8,249
Non-executive directors fees	**784**	748
Post-employment benefits	**474**	463
Share-based payments costs	**8,127**	11,678
	17,072	21,138

In April 2014, the Group provided an unsecured interest free loan of €609,526 to a member of the Group's Executive Management Committee due to circumstances arising from the transfer of that individual to an overseas role with the Group. The loan was repaid in full in March 2015.

9. Financial income and expense

	2015 €'000	2014 €'000
Recognised in profit or loss:		
Financial income:		
On financial assets at amortised cost		
Interest income on short term bank deposits	**1,755**	2,799
Unwinding of the discount on non-current assets	**97**	126
	1,852	2,925
Financial expense:		
On financial liabilities at amortised cost		
Interest on borrowings, bank guarantees and bank facilities and other interest payable	**2,383**	62
Unwinding of the discount on provisions and other non-current liabilities	**177**	104
	2,560	166

	2015 €'000	2014 €'000
Recognised in other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	**(6,187)**	(6,313)
Fair value of foreign exchange cash flow hedges transferred to income statement	**11,272**	5,144
Net change in fair value of cash flow hedge reserve	**5,085**	(1,169)
Foreign exchange gain on translation of the net assets of foreign currency denominated subsidiaries	**3,933**	7,628
	9,018	6,459

No amounts were recorded in the income statement in respect of ineffective cash flow hedges in the year ended 31 December 2015 (2014: €nil).

10. Statutory and other information

	2015 €'000	2014 €'000
Directors' emoluments	**6,249**	6,823
Auditor's remuneration for audit and other assurance services	**999**	429
Depreciation – owned assets	**28,062**	27,451
Amortisation of intangible assets	**24,539**	20,564
Loss on disposal of property, plant and equipment and intangible assets	**306**	79
Foreign currency exchange gain – cash and cash equivalents	**(5,075)**	(4,213)
Foreign currency exchange loss – other monetary items	**2,946**	2,733
Operating lease rentals, principally premises	**34,228**	29,786
Research and development	**3,164**	5,114
Operating lease income (representing sub-lease income)	**(477)**	(448)

10. Statutory and other information (continued)

Remuneration to Group external auditors (KPMG Ireland)

In accordance with the requirements of Regulation 120 of Statutory Instrument 220/2010, 'European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010', the auditor's remuneration figures presented below represent fees paid to KPMG Ireland only and are exclusive of value added tax. Audit relates to the audit of the Group financial statements only. Audit fees in relation to the audit of subsidiary companies by KPMG Ireland are classified as other assurance services.

	2015 €'000	2014 €'000
Audit	**180**	170
Other assurance services – audit of subsidiaries	**40**	40
Other assurance services – miscellaneous	**453**	13
Tax advisory services	**-**	7
Total	**673**	230

Included in 'Other assurance services – miscellaneous' are fees of €410,000 paid to KPMG for work performed in respect of the merger with Betfair Group plc. Further analysis of the total fees paid to the Group auditor, KPMG, worldwide for audit and non-audit services is presented below:

Analysis of total auditor's remuneration for audit and other assurance services

	2015 €'000	2014 €'000
Audit of Group (KPMG Ireland)	**180**	170
Audit of subsidiaries (KPMG Ireland)	**40**	40
Value added tax on audit fees – Group and subsidiaries (KPMG Ireland)	**51**	48
Audit of subsidiaries (other KPMG offices)	**147**	138
Other assurance services – miscellaneous (KPMG Ireland and other offices)	**473**	33
Value added tax on other assurance services (KPMG Ireland)	**108**	-
Total	**999**	429

Analysis of amounts paid to the auditor in respect of non-audit services

	2015 €'000	2014 €'000
Tax advisory services (KPMG Ireland)	**-**	7
Value added tax on fees – tax advisory services (KPMG Ireland)	**-**	1
Tax advisory services (other KPMG offices)	**76**	128
Total	**76**	136

11. Income tax expense

	2015 €'000	2014 €'000
Recognised in profit or loss:		
Current tax charge	**28,522**	25,150
Prior year over provision	**(5,421)**	(2,870)
Total current tax	**23,101**	22,280
Deferred tax credit	**(2,001)**	(2,840)
Prior year under provision	**1,104**	2,216
Decrease in net deferred tax liability (Note 22)	**(897)**	(624)
Total income tax expense in income statement	**22,204**	21,656

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:

		2015 €'000		2014 €'000
Profit before tax		**169,497**		166,565
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5%	**12.5%**	**21,187**	12.5%	20,821
Depreciation on non-qualifying property, plant and equipment	**0.9%**	**1,515**	0.9%	1,494
Effect of different statutory tax rates in overseas jurisdictions	**3.3%**	**5,569**	1.6%	2,585
Other permanent differences	**(1.1%)**	**(1,831)**	(1.6%)	(2,628)
Interest income taxable at higher rates	**0.0%**	**81**	0.0%	38
Over provision in prior year	**(2.5%)**	**(4,317)**	(0.4%)	(654)
Total income tax expense	**13.1%**	**22,204**	13.0%	21,656

Total income tax expense for 2015 includes a credit for exceptional items amounting to €4.8m (2014: €nil) (see Note 6).

Tax rates

No significant changes are expected to statutory tax rates in Ireland or Australia. A reduction in the UK corporation tax rate to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. The UK deferred tax balances at 31 December 2015 have been calculated based on the UK corporation tax rate of 19% (effective from 1 April 2017).

12. 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:

	2015	2014
Numerator in respect of basic and diluted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**147,293**	144,909
Numerator in respect of adjusted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**147,293**	144,909
Add: Exceptional items (See Note 6)	**5,464**	-
Profit for adjusted earnings per share calculation	**152,757**	144,909
Denominator in respect of basic earnings per share:		
Ordinary shares in issue at the beginning of the year	**51,104,700**	50,977,085
Adjustments for weighted average number of:		
– ordinary shares issued during year	**19,612**	48,591
– ordinary shares held in treasury	**(2,047,575)**	(1,844,440)
– ordinary share consolidation	**(3,193,147)**	-
– ordinary shares held by long term incentive plan trust	**(768,450)**	(1,058,093)
Weighted average number of ordinary shares in issue during the year	**45,115,140**	48,123,143
Basic earnings per share	**€3.265**	€3.011
Adjusted basic earnings per share	**€3.386**	€3.011
Adjustments to derive denominator in respect of diluted earnings per share (in '000s):		
Weighted average number of ordinary shares in issue during the year	**45,115,140**	48,123,143
Dilutive effect of the Share Option Scheme, Sharesave Scheme, share award schemes and shares held by long term incentive plan trust	**779,941**	567,701
Adjusted weighted average number of ordinary shares in issue during the year	**45,895,081**	48,690,844
Diluted earnings per share	**€3.209**	€2.976
Adjusted diluted earnings per share	**€3.328**	€2.976

No options and awards at 31 December 2015 and 31 December 2014 were excluded from the diluted weighted average number of ordinary shares calculation due to their effect being anti-dilutive.

13. Property, plant and equipment

	Land, buildings & leasehold improvements €'000	Fixtures & fittings €'000	Computer equipment €'000	Motor vehicles €'000	Total €'000
Cost					
Balance at 1 January 2014	80,387	130,471	61,243	558	272,659
Additions	9,418	17,534	9,575	-	36,527
Additions – business combinations (Note 16)	-	592	-	-	592
Disposals	(460)	(735)	(263)	(60)	(1,518)
Transfers (Note 14)	306	(20)	193	11	490
Foreign currency translation adjustment	30	94	595	(9)	710
Balance at 31 December 2014	89,681	147,936	71,343	500	309,460
Additions	**4,643**	**11,780**	**10,273**	**-**	**26,696**
Additions – business combinations (Note 16)	**-**	**729**	**-**	**-**	**729**
Disposals	**(337)**	**(1,862)**	**(10,069)**	**(188)**	**(12,456)**
Foreign currency translation adjustment	**(28)**	**(12)**	**(92)**	**-**	**(132)**
Balance at 31 December 2015	**93,959**	**158,571**	**71,455**	**312**	**324,297**
Depreciation and impairment					
Balance at 1 January 2014	29,381	84,368	42,473	221	156,443
Depreciation charges	4,102	12,009	11,239	101	27,451
Disposals	(413)	(704)	(259)	(39)	(1,415)
Transfers (Note 14)	-	(17)	-	8	(9)
Foreign currency translation adjustment	25	86	169	(1)	279
Balance at 31 December 2014	33,095	95,742	53,622	290	182,749
Depreciation charges	**4,341**	**12,640**	**11,051**	**85**	**28,117**
Disposals	**(99)**	**(1,559)**	**(10,069)**	**(137)**	**(11,864)**
Foreign currency translation adjustment	**(12)**	**(2)**	**(59)**	**-**	**(73)**
Balance at 31 December 2015	**37,325**	**106,821**	**54,545**	**238**	**198,929**
Net book value					
At 31 December 2015	**56,634**	**51,750**	**16,910**	**74**	**125,368**
At 31 December 2014	56,586	52,194	17,723	208	126,711

The net book value of land, buildings and leasehold improvements at 31 December 2015 includes €50.0m (2014: €51.5m) in respect of leasehold improvements.

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

14. Intangible assets

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

	Computer software €'000	Licences €'000	Brands €'000	Total €'000
Cost				
Balance at 1 January 2014	82,288	27,562	15,302	125,152
Additions	25,821	284	-	26,105
Disposals	(400)	(7)	-	(407)
Transfers (Note 13)	(500)	10	-	(490)
Foreign currency translation adjustment	422	1,671	613	2,706
Balance at 31 December 2014	107,631	29,520	15,915	153,066
Additions	**28,850**	**117**	**-**	**28,967**
Disposals	**(29)**	**(8)**	**-**	**(37)**
Foreign currency translation adjustment	**(226)**	**1,425**	**(73)**	**1,126**
Balance at 31 December 2015	**136,226**	**31,054**	**15,842**	**183,122**
Amortisation and impairment				
Balance at 1 January 2014	47,322	4,171	4,474	55,967
Amortisation charges	20,171	393	-	20,564
Disposals	(399)	(7)	-	(406)
Transfers (Note 13)	-	9	-	9
Foreign currency translation adjustment	355	7	179	541
Balance at 31 December 2014	67,449	4,573	4,653	76,675
Amortisation charges	**24,167**	**372**	**-**	**24,539**
Disposals	**(29)**	**(1)**	**-**	**(30)**
Foreign currency translation adjustment	**(137)**	**1**	**(21)**	**(157)**
Balance at 31 December 2015	**91,450**	**4,945**	**4,632**	**101,027**
Net book value				
At 31 December 2015	**44,776**	**26,109**	**11,210**	**82,095**
At 31 December 2014	40,182	24,947	11,262	76,391

The value of betting shop licences of €24,667,000 (2014: €23,244,000) acquired as a result of the purchase of D McGranaghan Limited in 2008 and an additional betting shop in Northern Ireland in 2011 are not being amortised as the directors consider these licences to have an indefinite life because:

- existing law in Northern Ireland restricts entry of new competitors;
- there exists a proven and future expected demand for bookmaking services and products; and
- Paddy Power has a track record of renewing its betting permits and licences at minimal cost.

The value of brand intangible assets recognised on application of fair value accounting to the purchase of Sportsbet and IAS in 2009 (amounting to €15,842,000 at 31 December 2015 (2014: €15,915,000)) are not being amortised as the directors consider that the relevant brands have indefinite lives because:

- the directors intend to utilise the brands in the businesses for the foreseeable future (with the exception of the IAS brand – see below); and
- substantial sums are invested annually in the form of marketing expenditure expensed through profit or loss to maintain and to enhance the value of these brands.

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

In 2011, the directors reviewed the carrying value of the IAS brand of AUD6,900,000 and determined, on the basis of future plans, that an impairment provision was required against the value of that brand at 31 December 2011. A similar review was performed at 31 December 2014 and at 31 December 2015 (when the euro equivalent value of the brand was €4,653,000 and €4,632,000, respectively) which indicated that there had been no changes in the circumstances that gave rise to the impairment provision and that continued provision was appropriate.

15. 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:

	Online (ex Australia) €'000	Online Australia €'000	UK Retail €'000	Irish Retail €'000	Total €'000
Balance at 1 January 2014	13,303	50,049	18,316	10,886	92,554
Arising on acquisitions during the year (Note 16)	-	-	2,070	5,632	7,702
Foreign currency translation adjustment	-	2,005	577	-	2,582
Balance at 31 December 2014	13,303	52,054	20,963	16,518	102,838
Arising on acquisitions during the year (Note 16)	**-**	**-**	**514**	**5,260**	**5,774**
Foreign currency translation adjustment	**-**	**(238)**	**541**	**-**	**303**
Balance at 31 December 2015	**13,303**	**51,816**	**22,018**	**21,778**	**108,915**

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. Cayetano develops games for the online and mobile gaming markets.

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

Goodwill on UK Retail 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 since 2010 (see Note 16).

Goodwill on Irish Retail 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 since 2009 (see Note 16).

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 2015.

For the purpose of impairment testing, the Group's operating segments include amounts in respect of goodwill and indefinite life intangible assets (comprising licences acquired as part of the purchase of the D McGranaghan Limited business in 2008 and a shop acquisition in 2011, and brands acquired as part of the purchase of Sportsbet and IAS in 2009 – see Note 14).

The details of the impairment reviews in respect of the operating segments above as of 31 December 2015 are presented below:

	31 December 2015 €'000	31 December 2014 €'000
Online (ex Australia) – goodwill	**13,303**	13,303

The recoverable amount of the Online (ex Australia) operating segment underlying cash generating unit was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by management covering a three year period. The terminal growth rate for the extrapolated period (following the initial three year period) is projected to be approximately 3% (2014: 3%) per annum and is based on a weighted average income growth rate of 3% (2014: 3%), which is based on experience and is consistent with management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by management in light of the recent performance of the segment and the Group's targeted performance over the next three years. A pre-tax discount rate of 13% (2014: 13%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the Online (ex Australia) segment goodwill recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

15. Goodwill (continued)

	31 December 2015 €'000	31 December 2014 €'000
Online Australia – goodwill and brands	**67,658**	67,969
Less: IAS brand impairment provision	**(4,632)**	(4,653)
Online Australia – goodwill and brands net of impairment provision	**63,026**	63,316

The recoverable amount of the Online Australia operating segment underlying cash generating unit was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by management covering a three year period. The terminal growth rate for the extrapolated period (following the initial three year period) is projected to be approximately 3% (2014: 3%) per annum and is based on a weighted average income growth rate of 3% (2014: 3%) and a gross win rate of 12% (2014: 12%), which are based on experience and are consistent with management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by management in light of the recent performance of the Group and the Group's targeted performance over the next three years. A pre-tax discount rate of 13% (2014: 14%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the Online Australia operating segment goodwill and brands recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts (with the exception of the IAS brand amounting to €4,632,000 at 31 December 2015 (2014: €4,653,000) – see Note 14).

	31 December 2015 €'000	31 December 2014 €'000
UK Retail – goodwill and licences	**46,685**	44,207

The recoverable amount of the UK Retail operating segment underlying cash generating unit was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by management covering a three year period. The terminal growth rate for the extrapolated period (following the initial three year period) is projected to be approximately 2% (2014: 2%) per annum and is based on a weighted average income growth rate of 2% (2014: 2%) and a gross win rate of 12% (2014: 12%), which are based on experience and are consistent with management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by management in light of the recent performance of the segment and the Group's targeted performance over the next three years. It is assumed, and management have no reason to expect otherwise, that the Group will continue to trade in locations currently occupied by the underlying cash generating units for the foreseeable future. A pre-tax discount rate of 10% (2014: 10%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the UK Retail operating segment goodwill and licences recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts.

	31 December 2015 €'000	31 December 2014 €'000
Irish Retail – goodwill	**21,778**	16,518

The recoverable amount of the Irish Retail operating segment underlying cash generating unit was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by management covering a three year period. The terminal growth rate for the extrapolated period (following the initial three year period) is projected to be approximately 2% (2014: 2%) per annum and is based on a weighted average income growth rate of 2% (2014: 2%) and a gross win rate of 12% (2014: 12%), which are based on experience and are consistent with management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by management in light of the recent performance of the Group and the Group's targeted performance over the next three years. It is assumed, and management have no reason to expect otherwise, that the Group will continue to trade in locations currently occupied by the underlying cash generating units for the foreseeable future. A pre-tax discount rate of 10% (2014: 10%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the Irish Retail operating segment goodwill recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

15. Goodwill (continued)

The discount rates applied to each cash generating unit's cash flows is based on the risk free rate for government bonds with a maturity in excess of ten years, adjusted for a risk premium that reflects both the increased risk of investing in equities and the systemic risk of the cash generating units. The risk premium is calculated using the equity market risk premium (being the increased return required by investors in the equity market as a whole over and above the risk free rate available) and the risk adjustment applied to reflect the risk of the specific cash generating unit relative to the market as a whole. The discount rates reflect the market conditions applicable to the Group and to the particular cash generating units being reviewed.

Based on the reviews as described above, with the exception of the IAS brand impairment of AUD6,900,000 initially provided for in 2011 (see Note 14), no impairment has arisen.

16. Business combinations

Year ended 31 December 2015

Shop property business acquisitions
In 2015, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Great Britain and Ireland.

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

	Provisional fair values 31 December 2015 €'000
Identifiable net assets acquired:	
Property, plant and equipment	**729**
Goodwill arising on acquisition – UK Retail and Irish Retail	**5,774**
Consideration	**6,503**
The consideration is analysed as:	
Cash consideration	**5,503**
Contingent deferred consideration	**1,000**
	6,503

The principal factors contributing to the UK Retail and Irish Retail goodwill balances 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 sportsbook amounts staked, income, operating profit and cash flows for the acquired businesses in the period from acquisition and for the year ended 31 December 2015 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed financial targets for the 12 months following the date of acquisition. The contingent deferred consideration amount of €1,000,000 at 31 December 2015 represents management's best estimate of the fair value of the amounts that will be payable.

During 2015, the Group settled deferred consideration liabilities of €1,350,000 and €137,000 respectively in respect of prior years' Irish Retail and UK Retail acquisitions (see below).

16. Business combinations (continued)

Year ended 31 December 2014

Shop property business acquisitions
In 2014, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Great Britain and Ireland.

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

	Fair values 31 December 2014 €'000
Identifiable net assets acquired:	
Property, plant and equipment	592
Goodwill arising on acquisition – UK Retail and Irish Retail	7,702
Consideration	8,294
The consideration is analysed as:	
Cash consideration	6,432
Contingent deferred consideration	1,862
	8,294

The principal factors contributing to the UK Retail and Irish Retail goodwill balances 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 sportsbook amounts staked, income, operating profit and cash flows for the acquired businesses in the period from acquisition and for the year ended 31 December 2014 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed financial targets for the 12 months following the date of acquisition. The contingent deferred consideration amount of €1,867,000 at 31 December 2014 represents management's best estimate of the fair value of the amounts that will be payable.

During 2014, the Group also paid €3,195,000 in respect of contingent deferred consideration for the 2011 Online (ex Australia) acquisition, €1,852,000 relating to the purchase of the remaining 39.2% of Sportsbet Pty Limited in 2011 and €330,000 and €9,000 respectively in respect of 2013 Irish Retail and UK Retail acquisitions (see below).

Net cash outflow from purchase of businesses

	31 December 2015 €'000	31 December 2014 €'000
Cash consideration – acquisitions in the period	**5,503**	6,432
Cash consideration – acquisitions in previous periods	**1,487**	5,386
	6,990	11,818
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses	**5,503**	6,432
Payment of contingent deferred consideration	**1,487**	5,386
	6,990	11,818

17. Trade and other receivables and derivative financial assets

Non-current assets

	31 December 2015 €'000	31 December 2014 €'000
Prepayments and accrued income	-	1,972

Current assets

	31 December 2015 €'000	31 December 2014 €'000
Trade and other receivables		
Trade receivables – credit betting customers	**3,367**	4,137
Trade receivables – other sports betting counterparties	**2,233**	1,451
Trade receivables	**5,600**	5,588
Other receivables	**1,562**	1,720
Value added tax and goods & services tax	-	1,288
Prepayments and accrued income	**23,778**	23,814
	30,940	32,410
Derivative financial assets		
Foreign exchange forward contracts – cash flow hedges (Note 30)	**2,449**	-

Trade and other receivables
Trade and other receivables are non-interest bearing.

Foreign exchange forward contracts – cash flow hedges
The notional principal amount of outstanding foreign exchange forward contracts at 31 December 2015 was GBP74.8m. Gains and losses recognised in the cash flow hedge reserve in equity at 31 December 2015 on foreign exchange forward contracts designated as cash flow hedges under IAS 39, 'Financial Instruments: Recognition and Measurement', will be released to the income statement at various dates during the year ending 31 December 2016.

18. Financial assets and cash and cash equivalents

	31 December 2015 €'000	31 December 2014 €'000
Current		
Financial assets – restricted cash	**46,942**	39,213
Financial assets – deposits	-	19,258
Cash and cash equivalents	**152,322**	226,513
Total	**199,264**	284,984

Cash and cash equivalents consist of the following for the purposes of the statement of cash flows:

	31 December 2015 €'000	31 December 2014 €'000
Cash	**138,229**	76,930
Short term bank deposits – with an original maturity of less than three months	**14,093**	149,583
Cash and cash equivalents in the statement of cash flows	**152,322**	226,513

The effective interest rate on bank deposits at 31 December 2015 was 1.78% (2014: 1.05%); these deposits have an average original maturity date of 12 days (2014: 41 days). The bank deposits also have an average maturity date of 4 days from 31 December 2015 (2014: 19 days).

18. Financial assets and cash and cash equivalents (continued)

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

Financial assets (restricted cash and deposits) and cash and cash equivalents are analysed by currency as follows:

	31 December 2015 €'000	31 December 2014 €'000
Euro	**36,009**	119,596
GBP	**104,582**	95,531
AUD	**56,110**	65,649
USD	**2,490**	3,478
Other	**73**	730
	199,264	284,984

Financial assets

Included in current financial assets – restricted cash at 31 December 2015 are bank deposits totalling €46,942,000 (2014: €39,213,000) which were restricted at that date as they represented client funds balances securing player funds held by the Group.

Included in current financial assets – deposits at 31 December 2014 are bank deposits totalling €19,258,000 which had an initial cost of €18,893,000. The maturity of these investments falls outside the three months' timeframe for classification as cash and cash equivalents under IAS 7, 'Statement of Cash Flows', and accordingly, the related balance has been separately reported in the consolidated statement of financial position. At 31 December 2015, no such balances existed.

19. Share capital and reserves

The total authorised share capital of the Company comprises 150,000,000 ordinary shares of €0.09 each (2014: 70,000,000 ordinary shares of €0.10 each). During the year, the Company's shareholders approved an increase in authorised share capital to 150,000,000 ordinary shares. 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.

The movement in the number of issued ordinary shares during the period was as follows:

	Number of shares	**Nominal value €**	**Share capital €**
At 1 January 2015 – 51,104,700 ordinary shares of €0.10 each	51,104,700	0.10	5,110,470
Issue of ordinary shares	13,670	0.10	1,367
	51,118,370	0.10	5,111,837
Share capital reorganisation			
- 51,118,370 'intermediate' ordinary shares of €0.081 each	51,118,370	0.081	4,140,588
- 51,118,370 'B' ordinary shares of €0.019 each	51,118,370	0.019	971,249
Share capital consolidation			
- 51,118,370 'intermediate' ordinary shares of €0.081 each	(51,118,370)	0.081	(4,140,588)
- 51,118,370 'new' ordinary shares of €0.09 each consolidated on a 9 for 10 basis	46,006,533	0.09	4,140,588
Share capital cancellation			
- 51,118,370 'B' ordinary shares of €0.019 each	(51,118,370)	0.019	(971,249)
Issue of ordinary shares	63,480	0.09	5,713
At 31 December 2015 – 46,070,013 ordinary shares of €0.09 each	**46,070,013**	**0.09**	**4,146,301**

During the year, the Group returned €391.5m to shareholders via a B share scheme, and completed a capital reorganisation which involved the consolidation of its ordinary share capital on a nine for ten basis. The transaction involved a number of steps. The existing ordinary shares in issue at the date of the capital reorganisation of 51,118,370 of €0.10 each were converted into 51,118,370 'intermediate' ordinary shares of €0.081 each and 51,118,370 B shares of €0.019 each. An amount of 2,184,000 B shares were issued to the Company and certain of its subsidiaries as a result of treasury shares held. Such shares were not entitled to receive a dividend or redemption payment. The holders of the remaining B shares in issue of 48,934,370 were entitled to receive a payment of €8 per share by way of a once off dividend or a redemption payment. Subsequent to the dividend or redemption payment all B shares were cancelled during the year. The 'intermediate' ordinary shares were consolidated and sub-divided into 46,006,533 'new' ordinary shares of €0.09 each.

19. Share capital and reserves (continued)

During the year, 13,670 ordinary shares of €0.10 each and 63,480 ordinary shares of €0.09 each (2014: 112,615 ordinary shares of €0.10 each) were issued as a result of the exercise of share options granted to employees of the Group under the terms of the Share Option and Sharesave Schemes, for a total consideration of €2,658,000 (2014: €2,468,000) and giving rise to a share premium of €2,651,000 (2014: €2,457,000). In 2014, a further 15,000 ordinary shares of €0.10 each were issued for a total consideration of €867,000 and giving rise to a share premium of €866,000.

Following shareholder approval at the Annual General Meeting on 14 May 2015 and court approval on 6 November 2015, the Company cancelled a portion of its share premium account and transferred €44,969,000 to the retained earnings account within reserves.

A total of 1,965,600 ordinary shares were held in treasury as of 31 December 2015 (31 December 2014: 2,184,000). During the year, shares held in treasury were consolidated on a nine for ten basis, reducing the number of shares held in treasury by 218,400 ordinary 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 €51,752,000 as of 31 December 2015 (31 December 2014: €57,502,000). The cost of treasury shares held by the Company at 31 December 2015 was €5,377,000 (2014: €5,975,000), with a further €46,375,000 of shares being held by the Company's subsidiaries (2014: €51,527,000).

During the year ended 31 December 2014, the Group purchased on the market a total of 450,000 ordinary shares of €0.10 each at prices ranging from €48.50 to €53.50 (average price of €51.83). The total cost of the shares purchased was €23,605,000, comprised of €23,325,000 for the shares themselves and a further €280,000 for other purchase related costs. The other purchase related costs have been written off directly to retained earnings. No such purchases were made during the year ended 31 December 2015.

At 31 December 2015, the Company held a further 874,890 (2014: 1,020,372) of its own shares, which were acquired at a total cost of €63,143,000 (2014: €61,454,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan (see Note 21). The Company's distributable reserves at 31 December 2015 are further restricted by this cost amount. In the year ended 31 December 2015, 410,499 shares with an original cost of €23,623,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2014: 352,406 shares with an original cost of €14,165,000). During the year ended 31 December 2015, the Trust purchased 327,004 Paddy Power plc ordinary shares for a total consideration of €30,271,000 and received €4,959,000 from the B share scheme return of capital to shareholders. (2014: 70,400 Paddy Power plc ordinary shares for a total consideration of €3,883,000) (see Note 21).

The foreign exchange translation reserve at 31 December 2015 of €3,897,000 (2014: €36,000) arose from the retranslation of the Group's net investment in AUD and GBP functional currency subsidiary companies. The movement in the foreign exchange translation reserve for the year ending 31 December 2015 reflects the movement of GBP and AUD against the euro in the period.

Other reserves comprise a capital redemption reserve fund, a capital conversion reserve fund and a net wealth tax reserve. The capital redemption reserve fund of €1,806,000 (2014: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled, and in 2015 the nominal value of shares in the Company cancelled as part of the return of capital to shareholders. The capital conversion reserve fund of €260,000 (2014: €260,000) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro. An amount of €16,000 was transferred to the net wealth tax reserve from retained earnings in the year ended 31 December 2015 (2014: €nil) and the reserve had a balance of €120,000 at 31 December 2015 (2014: €104,000).

The cash flow hedge reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred at that date. The Group has entered into foreign exchange forward contracts to hedge a portion of GBP exposures expected to arise from GBP denominated income in the year ended 31 December 2016. The fair value gain of €2,144,000 at 31 December 2015 (2014: fair value loss of €2,305,000), which is stated after applicable deferred taxation of €305,000 (2014: €331,000), arises as the applicable forward contract EUR-GBP rates were stronger than the relevant forward foreign exchange rate ruling at 31 December 2015 (31 December 2014: the applicable EUR-GBP rates were weaker than the relevant forward foreign exchange rate ruling at 31 December 2014).

In 2015, an amount of €873,000 (2014: €846,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of €147,000 of deferred tax relating to the Group's share-based payments was credited to retained earnings in 2015 (2014: charge of €230,000) – see also Note 22.

As permitted by section 304 of the Companies Act 2014, no separate profit and loss account is presented in respect of the Company. The Company recorded a profit for the year of €323.9m (2014: €112.4m), which includes dividends receivable from subsidiary companies amounting to €298.7m (2014: €88.3m).

20. Dividends paid on ordinary shares

	2015 €'000	2014 €'000
Ordinary shares:		
- final paid of 102.0 cent per share (2014: 90.0 cent)	**49,881**	44,392
- interim paid of 60.0 cent per share (2014: 50.0 cent)	**26,442**	24,599
Amounts recognised as distributions to equity holders in the year	**76,323**	68,991
Ordinary shares:		
- final dividend of 120.0 cent per share (2014: 102.0 cent)	**52,930**	49,881
- special dividend of 181.4 cent per share (2014: nil)	**80,000**	-
- closing dividend of 18.0 cent per share (2014: nil)	**7,940**	-
Amounts authorised after the reporting date	**140,870**	49,881

The final dividend of 120.0 cent per share, special dividend of €80m (181.4 cent per share) and the closing dividend, representing the period from 1 January 2016 to 1 February 2016 (inclusive), of 18.0 cent per share had a record date of close of business on 1 February 2016. The three dividends were paid on 2 March 2016. See Note 34 for further detail.

21. Share schemes

Summary of equity-settled share-based payments expense
The equity-settled share-based payments expense in the income statement in respect of the Group's share schemes is comprised as follows:

	2015 €'000	2014 €'000
Sharesave Scheme	**890**	785
Long Term Incentive Plan ('LTIP')	**15,922**	16,444
	16,812	17,229

All of the above schemes are treated as equity-settled in the financial statements as all can only be settled by the allocation of shares purchased in the market or by the issue of new shares.

General
The aggregate number of shares which may be utilised under the employee share schemes in any ten year period may not exceed ten per cent of the Company's issued ordinary share capital. The percentage of share capital which can be utilised under these schemes comply with guidelines issued by the Irish Association of Investment Managers in relation to such schemes.

21. Share schemes (continued)

Summary of options outstanding

The total number of options outstanding at 31 December 2015 was 239,200 (2014: 348,127). These options had exercise prices ranging from €14.40 to €55.58 (2014: €14.40 to €52.37).

For the year ended 31 December 2015:	**Options outstanding at 1 January 2015**	**Options granted during year**	**Options lapsed during year**	**Options exercised during year**	**Options outstanding at 31 December 2015**
Share Option Scheme	**30,500**	**-**	**-**	**(11,000)**	**19,500**
Sharesave Scheme	**317,627**	**-**	**(31,782)**	**(66,145)**	**219,700**
Total	**348,127**	**-**	**(31,782)**	**(77,145)**	**239,200**

For the year ended 31 December 2014:	Options outstanding at 1 January 2014	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2014
Share Option Scheme	47,000	-	-	(16,500)	30,500
Sharesave Scheme	310,380	142,475	(39,113)	(96,115)	317,627
Total	357,380	142,475	(39,113)	(112,615)	348,127

The Group has the following employee share schemes:

The Paddy Power plc November 2000 Share Option Scheme (the 'Share Option Scheme')

The Share Option Scheme was adopted by shareholders on 21 November 2000 and modified by the shareholders on 22 June 2004. The Share Option Scheme was open to directors, other than non-executive directors, and employees. Options could be granted within a period of ten years from 7 December 2000 at the higher of nominal and current market value. No further options can or have been granted under this scheme since 7 December 2010. Share Options lapse ten years after the date of grant.

A total of 1,600,472 options were granted over the life of the scheme. Since November 2000, options over 1,376,106 shares have been exercised and options over 204,866 shares have lapsed. Options over 19,500 shares were outstanding at 31 December 2015 (2014: 30,500), all of which were exercisable at 31 December 2015 and 31 December 2014.

Movements in the share options under this scheme during the year and prior year were as follows:

Year ended 31 December 2015

Options outstanding at 1 January 2015	**Options exercised during year**	**Options outstanding at 31 December 2015**	**Earliest exercise date**	**Latest exercise date**	**Exercise price**	**Market price at date of exercise**
4,000	**-**	**4,000**	October 2009	October 2016	€14.40	-
26,500	**(11,000)**	**15,500**	September 2010	September 2017	€24.17	€97.36 – €100.00
30,500	**(11,000)**	**19,500**				

Year ended 31 December 2014

Options outstanding at 1 January 2014	Options exercised during year	Options outstanding at 31 December 2014	Earliest exercise date	Latest exercise date	Exercise price	Market price at date of exercise
4,000	-	4,000	October 2009	October 2016	€14.40	-
43,000	(16,500)	26,500	September 2010	September 2017	€24.17	€51.96 – €62.37
47,000	(16,500)	30,500				

21. Share schemes (continued)

The Paddy Power plc Sharesave Scheme (the 'Sharesave Scheme')
The Sharesave Scheme was adopted by shareholders on 21 November 2000 and was subsequently approved by the Revenue Commissioners.

All employees (including executive directors) who have not less than six months continuous service with the Company or any subsidiary nominated to join the Sharesave Scheme may be invited to apply for options to acquire shares. Options will normally be granted to all eligible employees in the 42 day period after the announcement of the interim or final results of the Company. The purchase price for each ordinary share in respect of which an option is granted shall not be less than 75 per cent of the closing price of the shares on the Irish Stock Exchange on the dealing day last preceding the date of grant of the option or its nominal value. The aggregate maximum monthly contribution payable by an employee in connection with the scheme is €500 / £500.

Movements in the share options under this scheme during the year and prior year were as follows:

Year ended 31 December 2015

Options outstanding at 1 January 2015	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2015	Earliest exercise date*	Exercise price	Market price at date of exercise
3,599	**-**	**-**	**(3,599)**	**-**	December 2012 & December 2014	€14.90	€63.92 – €78.63
6,274	**-**	**-**	**(4,943)**	**1,331**	December 2013 & December 2015	€19.87	€119.30 – €120.80
1,036	**-**	**-**	**(1,036)**	**-**	December 2013 & December 2015	£17.62	€120.80
21,247	**-**	**(753)**	**(11,259)**	**9,235**	December 2014 & December 2016	€27.79	€62.53 – €106.20
1,706	**-**	**(177)**	**(359)**	**1,170**	December 2014 & December 2016	£25.99	€62.53
66,516	**-**	**(5,075)**	**(41,370)**	**20,071**	December 2015 & December 2017	€41.36	€98.00 – €120.80
4,614	**-**	**(901)**	**(2,645)**	**1,068**	December 2015 & December 2017	£35.61	€104.30 – €120.80
60,798	**-**	**(7,005)**	**-**	**53,793**	December 2016 & December 2018	€45.52	-
9,453	**-**	**(1,425)**	**(359)**	**7,669**	December 2016 & December 2018	£40.79	€93.00 – €120.30
116,437	**-**	**(12,204)**	**(97)**	**104,136**	December 2017 & December 2019	€39.60	€98.00 – €102.00
25,947	**-**	**(4,242)**	**(478)**	**21,227**	December 2017 & December 2019	£33.76	€93.00 – €120.30
317,627	**-**	**(31,782)**	**(66,145)**	**219,700**			

* Share options lapse 3.5 and 5.5 years after date of grant.

21. Share schemes (continued)

Year ended 31 December 2014

Options outstanding at 1 January 2014	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2014	Earliest exercise date*	Exercise price	Market price at date of exercise
159	-	(159)	-	-	December 2010 & December 2012	£14.36	-
21,215	-	-	(21,215)	-	December 2011 & December 2013	€9.45	€51.96 – €62.60
2,093	-	(2,093)	-	-	December 2011 & December 2013	£8.00	-
16,498	-	(61)	(12,838)	3,599	December 2012 & December 2014	€14.90	€55.44 – €66.40
1,540	-	-	(1,540)	-	December 2012 & December 2014	£14.13	€64.99 – €66.40
11,374	-	1,238	(6,338)	6,274	December 2013 & December 2015	€19.87	€47.65 – €61.67
30	-	1,036	(30)	1,036	December 2013 & December 2015	£17.62	€53.10
75,462	-	(3,535)	(50,680)	21,247	December 2014 & December 2016	€27.79	€64.99 – €66.40
4,381	-	773	(3,448)	1,706	December 2014 & December 2016	£25.99	€55.44 – €66.40
76,823	-	(10,307)	-	66,516	December 2015 & December 2017	€41.36	-
5,689	-	(1,053)	(22)	4,614	December 2015 & December 2017	£35.61	€55.44
83,574	-	(22,776)	-	60,798	December 2016 & December 2018	€45.52	-
11,542	-	(2,085)	(4)	9,453	December 2016 & December 2018	£40.79	€55.44
-	116,528	(91)	-	116,437	December 2017 & December 2019	€39.60	-
-	25,947	-	-	25,947	December 2017 & December 2019	£33.76	-
310,380	142,475	(39,113)	(96,115)	317,627			

* Share options lapse 3.5 and 5.5 years after date of grant.

There were no share options granted in 2015. The fair value of share options granted during 2014 was determined using a Black Scholes model and amounted to €1,714,000. The significant inputs into the model were the share price of €53.33 at the grant date, the exercise prices of €39.60 and £33.76, the volatility of expected share price returns over both the three year and five year option lives of 22%, the option lives disclosed above and annual risk free rates of -0.06% and 0.12%. The volatility measured as the standard deviation of expected share price returns is based on a statistical analysis of the Company's share price over the last three and five years, respectively. The cost of these options is being expensed in the Group income statement over the expected vesting period of the options granted.

21. Share schemes (continued)

Long Term Incentive Plan

Summary of share awards outstanding

The total number of share awards outstanding under the Long Term Incentive Plan at 31 December 2015 was 923,532 (2014: 1,227,724). The movements in share awards during the years ended 31 December 2015 and 2014 (excluding related dividends awarded as shares) were as follows:

For the year ended 31 December 2015:	**Share awards outstanding at 1 January 2015**	**Share awards granted during year**	**Share awards lapsed during year**	**Share awards vested during year**	**Share awards outstanding at 31 December 2015**
2004 LTIP scheme	**477,029**	**-**	**(35,306)**	**(394,828)**	**46,895**
2013 LTIP scheme	**750,695**	**250,145**	**(124,203)**	**-**	**876,637**
Total	**1,227,724**	**250,145**	**(159,509)**	**(394,828)**	**923,532**

For the year ended 31 December 2014:	Share awards outstanding at 1 January 2014	Share awards granted during year	Share awards lapsed during year	Share awards vested during year	Share awards outstanding at 31 December 2014
2004 LTIP scheme	845,750	-	(28,250)	(340,471)	477,029
2013 LTIP scheme	406,879	371,666	(27,850)	-	750,695
Total	1,252,629	371,666	(56,100)	(340,471)	1,227,724

2004 Long Term Incentive Plan

On 22 June 2004, the 2004 Long Term Incentive Plan ('2004 LTIP') for senior executives was adopted by the shareholders, under which the Remuneration Committee could make conditional awards of a number of Company shares to executives. LTIP awards made prior to 2013 are subject to the rules of the 2004 scheme. In accordance with the rules, the awards vest if the growth target (EPS growth at least equal to the compound growth in CPI plus 12% per annum) is achieved over a minimum vesting period of three years. To the extent the award has not vested on or before the latest vest date, the award will automatically lapse in its entirety immediately following such date. The relevant growth target in relation to the awards made in 2012 was partially (82%) achieved in 2014 and accordingly, in accordance with the plan rules, 82% of the awards vested in March 2015. In addition, the relevant growth target in relation to the 5% of 2011 awards that did not vest in March 2014 was met and accordingly, in accordance with the plan rules, these awards also vested in March 2015. In relation to the remaining awards made in 2012, the relevant growth target in relation to these awards was partially (4%) achieved in 2015 and accordingly, in accordance with the plan rules, a proportion of the remaining 2012 awards is expected to vest in March 2016.

2013 Long Term Incentive Plan

On 14 May 2013, the shareholders adopted the 2013 Long Term Incentive Plan ('2013 LTIP') for senior executives, under which the Remuneration Committee can also make conditional awards of a number of Company shares to executives. LTIP awards made from 2013 onwards are subject to the rules of this scheme. In accordance with the rules, the awards vest proportionately to the achievement of an EPS compound growth target of between 7% and 15% over the vesting period of three years. Full vesting of the awards will only occur if EPS growth of at least 15% per annum is achieved over the vesting period. A minimum annual compound EPS growth target of 7% over the vesting period must be achieved to trigger 25% award vesting, with vesting occurring on a sliding scale ranging from 25% of awards (if the minimum EPS compound growth target of 7% per annum is met) to 100% of awards (if the EPS compound growth target of 15% per annum is met). Under the terms of the merger of Paddy Power plc with Betfair plc, awards made in 2013 and 2014 will vest in their entirety on the normal scheduled vesting dates in 2016 and 2017, respectively, and are not subject to the EPS growth target testing as outlined above. Awards made in 2015 will vest based on (1) 100% as applied to the awards balance calculated based on the time pro-rata proportion of the three year vesting period (from date of grant) that has elapsed at the date of merger completion (1 February 2016) (the 'Paddy Power Fixed Vesting Level') and (2) the balance of the awards not reflected in the Paddy Power Fixed Vesting Level will remain outstanding and will be capable of vesting in 2018 according to the extent to which specified performance conditions relating to the performance of the combined Paddy Power plc and Betfair plc group are satisfied.

Until the vesting of the award in accordance with the rules of the schemes, the award holder will have no rights over or in respect of the shares subject to the award and, on vesting, the award holder's rights are limited to those shares in respect of which the growth target has been achieved in accordance with the rules of the schemes. The awards are not transferable. Upon the vesting of a share award, as part of the award holders' rights they also receive a small number of additional shares in respect of dividends on those shares between the award and vesting dates, regarded as a de facto part of the original share award.

21. Share schemes (continued)

During the year, awards of 120,583 shares, 17,516 shares, 10,334 shares, 98,381 shares and 3,331 shares (2014: 167,002 shares, 203,570 shares and 1,094 shares) were granted to senior management (including executive directors) under the terms of the 2013 LTIP. The share prices at the dates of award were €72.71, €78.50, €80.75, €103.30 and €105.15, respectively (2014: €59.73, €61.57 and €64.23 respectively).

The cost of these awards is being expensed in the Group income statement over the expected vesting periods of the awards. The operating profit for the year ended 31 December 2015 is stated after an LTIP charge of €15,922,000 (2014: €16,444,000). During 2015, 159,509 share awards lapsed (2014: 56,100 awards lapsed).

During 2015, a total of 18,371 shares in respect of LTIP awards made in 2011 and a total of 392,128 shares in respect of LTIP awards made in 2012 (2014: 352,406 shares in respect of LTIP awards made in 2011) including related dividends (amounting to 15,671 shares (2014: 11,935 shares)) were vested from the Trust to executives.

Paddy Power plc Employee Benefit Trust
The Paddy Power plc Employee Benefit Trust (the 'Trust') manages the Long Term Incentive Plan. Purchases of Paddy Power plc ordinary shares from 1 January 2014 to 31 December 2015, and shares vested from the Trust during that period, are shown below:

	Number of Paddy Power plc ordinary shares	Cost of purchase €'000
Shares held by the Trust at 1 January 2014	1,302,378	71,736
Purchased – April 2014	49,500	2,727
Purchased – May 2014	20,900	1,156
Purchased – 2014	70,400	3,883
Vested from the Trust in 2014	(352,406)	(14,165)
Shares held by the Trust at 31 December 2014	1,020,372	61,454
Purchased – May 2015	**20,005**	**1,605**
Purchased – June 2015	**179,999**	**14,304**
Purchased – October 2015	**43,000**	**4,307**
Purchased – November 2015	**7,500**	**797**
Purchased – December 2015	**76,500**	**9,258**
Purchased – 2015	**327,004**	**30,271**
Redemption of B shares	**(61,987)**	**(4,959)**
Vested from the Trust in 2015	**(410,499)**	**(23,623)**
Shares held by the Trust at 31 December 2015	**874,890**	**63,143**

The results of the Trust are included in the Paddy Power plc Company financial statements. The shares held by the Trust at the reporting date are shown as a deduction from equity in the consolidated statement of financial position in accordance with the Group's accounting policy (see Note 19).

Other
The Group also operates cash-settled share-based bonus schemes for some executives (excluding directors) whereby they may earn a level of cash remuneration based on the Company's share price at a future date, subject to the achievement of stretching long term performance targets and continued employment with the Group.

22. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 December 2015			31 December 2014		
	Assets €'000	**Liabilities €'000**	**Total €'000**	Assets €'000	Liabilities €'000	Total €'000
Property, plant and equipment	**2,383**	**-**	**2,383**	1,824	-	1,824
Business combinations – licences intangible assets	**-**	**(4,592)**	**(4,592)**	-	(4,555)	(4,555)
Employee benefits	**7,050**	**-**	**7,050**	6,956	-	6,956
Derivative financial (assets) / liabilities	**-**	**(305)**	**(305)**	331	-	331
Other	**622**	**-**	**622**	516	-	516
Net assets / (liabilities)	**10,055**	**(4,897)**	**5,158**	9,627	(4,555)	5,072
Analysed by corporation tax jurisdiction:						
Irish corporation tax	**5,108**	**(305)**	**4,803**	5,251	-	5,251
UK corporation tax	**659**	**(4,592)**	**(3,933)**	1,381	(4,555)	(3,174)
Australian corporation tax	**4,288**	**-**	**4,288**	2,995	-	2,995
Net assets / (liabilities)	**10,055**	**(4,897)**	**5,158**	9,627	(4,555)	5,072

Deferred tax assets and liabilities have been offset at 31 December 2015 and 2014 where there is a legally enforceable right to such set-off.

Included in the statement of financial position is a deferred tax asset of €9,091,000 (2014: €8,246,000) representing the Irish and Australia net deferred tax assets and a deferred tax liability of €3,933,000 (2014: €3,174,000) representing the UK net deferred tax liability.

Movement in temporary differences during the year

	Property plant and equipment €'000	**Business combinations - licences intangible assets €'000**	**Employee benefits €'000**	**Derivative financial liabilities / (assets) €'000**	**Other €'000**	**Total €'000**
Balance at 1 January 2014	1,751	(4,256)	6,139	184	892	4,710
Recognised in income	96	-	963	-	(435)	624
Recognised in other comprehensive income	-	-	-	147	-	147
Recognised directly in equity	-	-	(230)	-	-	(230)
Foreign currency translation adjustment	(10)	(299)	84	-	46	(179)
Balance at 31 December 2014	1,837	(4,555)	6,956	331	503	5,072
Recognised in income	**540**	**243**	**(15)**	**-**	**129**	**897**
Recognised in other comprehensive income	**-**	**-**	**-**	**(636)**	**-**	**(636)**
Recognised directly in equity	**-**	**-**	**147**	**-**	**-**	**147**
Foreign currency translation adjustment	**6**	**(280)**	**(38)**	**-**	**(10)**	**(322)**
Balance at 31 December 2015	**2,383**	**(4,592)**	**7,050**	**(305)**	**622**	**5,158**

Unrecognised deferred tax assets
There were no unrecognised deferred tax assets at 31 December 2015 or 31 December 2014.

Unrecognised deferred tax liabilities
At 31 December 2015, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised is €11.8m (2014: €10.6m). This has been calculated based on the temporary differences arising between the group accounting base and tax base of each investment.

23. Trade and other payables and derivative financial liabilities

Current liabilities

	31 December 2015 €'000	31 December 2014 €'000
Trade and other payables		
Trade payables	**16,465**	11,348
Customer balances	**79,537**	67,133
PAYE and social security	**6,401**	5,804
Value added tax and goods & services tax	**4,192**	-
Betting duty, data rights and product & racefield fees	**35,602**	16,182
Employee benefits	**35,260**	31,138
Contingent deferred consideration – business combinations (Note 30)	**1,082**	1,977
Accruals and other liabilities	**72,306**	67,837
	250,845	201,419
Derivative financial liabilities		
Foreign exchange forward contracts – cash flow hedges (Note 30)	**-**	2,636
Sports betting open positions (Note 30)	**16,986**	14,345
	16,986	16,981

Non-current liabilities

	31 December 2015 €'000	31 December 2014 €'000
Trade and other payables		
PAYE and social security	**178**	255
Employee benefits	**5,645**	4,958
Contingent deferred consideration – business combinations (Note 30)	**-**	111
Accruals and other liabilities	**993**	497
	6,816	5,821
Derivative financial liabilities		
Sports betting open positions (Note 30)	**60**	128

Sports betting open positions

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

The carrying amount of the liabilities is not significantly different from the amount that the Group is expected to pay out at maturity of the financial instruments. Sports bets are non-interest bearing. There is no interest rate or credit risk associated with open sports bets.

24. Provisions

Current

	31 December 2015 €'000	31 December 2014 €'000
Employee benefits (long service leave)	**392**	298
Accruals and other liabilities (lease reinstatement and onerous contracts)	**198**	199
	590	497

Non-current

	31 December 2015 €'000	31 December 2014 €'000
Employee benefits (long service leave)	**687**	427
Accruals and other liabilities (lease reinstatement and onerous contracts)	**620**	747
	1,307	1,174

The movements in provisions during 2014 and 2015 were as follows:

Current

	Long service leave €'000	Lease reinstatement €'000	Onerous contracts €'000	Total €'000
Balance at 1 January 2014	189	112	214	515
Transfers from non-current liabilities	-	-	51	51
Charged / (credited) to the income statement:				
- Additional provisions recognised	248	-	-	248
- Unused amounts reversed	(145)	-	-	(145)
Amounts used during the year	-	-	(185)	(185)
Foreign currency translation adjustment	6	-	7	13
Balance at 31 December 2014	298	112	87	497
Transfers from non-current liabilities	**-**	**47**	**80**	**127**
Charged / (credited) to the income statement:				
- Additional provisions recognised	**96**	**47**	**-**	**143**
- Unused amounts reversed	**-**	**(94)**	**-**	**(94)**
Amounts used during the year	**-**	**-**	**(81)**	**(81)**
Foreign currency translation adjustment	**(2)**	**-**	**-**	**(2)**
Balance at 31 December 2015	**392**	**112**	**86**	**590**

Non-current

	Long service leave €'000	Lease reinstatement €'000	Onerous contracts €'000	Total €'000
Balance at 1 January 2014	373	93	649	1,115
Transfers to current liabilities	-	-	(51)	(51)
Charged to the income statement:				
- Additional provisions recognised	39	48	-	87
Foreign currency translation adjustment	15	8	-	23
Balance at 31 December 2014	427	149	598	1,174
Transfers to current liabilities	**-**	**(47)**	**(80)**	**(127)**
Charged to the income statement:				
- Additional provisions recognised	**263**	**-**	**-**	**263**
Foreign currency translation adjustment	**(3)**	**-**	**-**	**(3)**
Balance at 31 December 2015	**687**	**102**	**518**	**1,307**

24. Provisions (continued)

Long service leave
This provision represents the amounts provided in respect of the long service leave entitlements of Australian employees under the provisions of relevant Australian state legislation. The long service leave liability is measured as the present value of expected future payments to be made in respect of services rendered up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The timing and amount of long service leave cash outflows are primarily dependent on when staff employed at the balance sheet date avail of their entitlement to leave and their expected salaries at that time. As of 31 December 2015, it was expected that cash outflows would occur primarily within the following five years (2014: within the following five years).

Lease reinstatement
Included in this category are amounts provided by the Group for the reinstatement of properties held under operating leases to their original condition when the leases were taken out. These costs are generally provided for over the expected term of the relevant leases. The timing and amount of lease reinstatement cash outflows is dependent on the expected dates on which leased premises will be exited and the existence of provisions in the lease contracts requiring reinstatement. The cash outflows are expected to occur at various stages over the next 25 years as longer term leases are not renewed (2014: the next 26 years).

Onerous contracts
The onerous contracts provision primarily relates to operating leases where the Group is not occupying properties for which it still has a present and future obligation to make lease payments. The provision represents the future expected net cash outflows under these leases discounted at an interest rate appropriate to the timing of these net cash outflows. Future cash outflows in respect of onerous contracts are dependent on the relevant lease expiry dates and the timing of break provisions in the lease contracts. It is expected that the provisions will unwind over a 16 year period (2014: 17 year period).

25. Borrowings

Current liabilities

	31 December 2015 €'000	31 December 2014 €'000
Accrued interest on borrowings	**263**	-

Non-current liabilities

	31 December 2015 €'000	31 December 2014 €'000
Revolving credit facility	**195,000**	-
Less: expenses relating to revolving credit facility	**(1,830)**	-
	193,170	-

During the year ended 31 December 2015, the Group secured a committed revolving credit bank loan facility ('RCF') of €300m provided by a syndicate of banks which expires in May 2020. At 31 December 2015, €195m of this facility was drawn down.

Borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries. Borrowings under the RCF incur interest at EURIBOR plus a margin of between 1.10% and 1.95%. A commitment fee, equivalent to 35% of the margin, is payable in respect of available but undrawn borrowings.

Upfront participation and arrangement fees plus associated costs incurred in arranging the RCF have been capitalised and offset against the loan in the consolidated statement of financial position and are being amortised to the income statement over the expected life of the facility.

It is the directors' opinion that due to the Group's bank borrowings being subject to floating interest rates and the proven cash generation capability of the Group, there is no significant difference between the book value and fair value of the Group's borrowings.

25. Borrowings (continued)

Under the terms of the RCF, the Group is required to comply with the following financial covenants on a semi-annual basis.

- **Net Leverage Ratio:** Consolidated net borrowings shall not be more than 3.0 times consolidated EBITDA. Consolidated net borrowings for the purposes of the covenants comprises the RCF, customer balances, financial assets – restricted cash, and financial assets – cash and cash equivalents. Consolidated EBITDA for the purposes of the covenants excludes exceptional items.

- **Interest Cover Ratio:** Consolidated EBITDA shall not be less than 4.0 times net finance charges.

During the year ended 31 December 2015, all covenants have been complied with.

26. Credit risk

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

	Carrying amount	
	31 December 2015 €'000	31 December 2014 €'000
Restricted cash	**46,942**	39,213
Deposits	**-**	19,258
Trade receivables	**5,600**	5,588
Other receivables	**1,562**	1,720
Derivative financial assets	**2,449**	-
Cash and cash equivalents	**152,322**	226,513
	208,875	292,292

The maximum exposure to credit risk for trade and other receivables by geographic region at 31 December was:

	31 December 2015 €'000	31 December 2014 €'000
Australia	**3,170**	3,643
United Kingdom	**1,416**	1,162
Ireland	**1,914**	1,864
Other	**662**	639
	7,162	7,308

The maximum exposure to credit risk for trade and other receivables by type of counterparty at 31 December was:

	31 December 2015 €'000	31 December 2014 €'000
Trade receivables – credit betting customers	**3,367**	4,137
Trade receivables – other sports betting counterparties	**2,233**	1,451
Other receivables	**1,562**	1,720
	7,162	7,308

Significant customers
There were no individual customers at 31 December 2015 or 2014 that represented over ten per cent of trade receivables.

26. Credit risk (continued)

Impairment losses
The ageing of trade receivables (stated net of impairment provisions) at 31 December was as follows:

	31 December 2015 €'000	31 December 2014 €'000
Not past due	**3,929**	3,407
Past due 0 days to 30 days	**1,244**	1,503
Past due 31 days to 120 days	**228**	560
Past due 121 days to 365 days	**199**	118
More than one year	**-**	-
	5,600	5,588

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015 €'000	2014 €'000
Balance at 1 January	**2,433**	2,264
Impairment losses recognised	**541**	653
Impairment losses written off	**(1,703)**	(569)
Foreign currency translation adjustment	**-**	85
Balance at 31 December	**1,271**	2,433

27. Liquidity risk

The following are the contractual maturities of financial liabilities as at 31 December:

	31 December 2015						
	Carrying amount €'000	**Contractual cash flows €'000**	**6 months or less €'000**	**6 to 12 months €'000**	**1 to 2 years €'000**	**2 to 3 years €'000**	**3 years and over €'000**
Non-derivative financial liabilities							
Trade and other payables	**256,579**	**256,919**	**247,972**	**1,131**	**5,545**	**1,225**	**1,046**
Contingent deferred consideration	**1,082**	**1,082**	**382**	**700**	**-**	**-**	**-**
Borrowings	**195,263**	**206,400**	**1,655**	**1,671**	**3,341**	**3,341**	**196,392**
	452,924	**464,401**	**250,009**	**3,502**	**8,886**	**4,566**	**197,438**
Derivative financial liabilities							
Sports betting open positions	**17,046**	**17,046**	**16,766**	**220**	**60**	**-**	**-**
	469,970	**481,447**	**266,775**	**3,722**	**8,946**	**4,566**	**197,438**

27. Liquidity risk (continued)

	31 December 2014						
	Carrying amount €'000	Contractual cash flows €'000	6 months or less €'000	6 to 12 months €'000	1 to 2 years €'000	2 to 3 years €'000	3 years and over €'000
Non-derivative financial liabilities							
Trade and other payables	205,152	205,533	197,006	2,562	3,956	1,243	766
Contingent deferred consideration	2,088	2,088	1,810	167	111	-	-
	207,240	207,621	198,816	2,729	4,067	1,243	766
Derivative financial liabilities							
Sports betting open positions	14,473	14,473	13,847	498	127	1	-
Cash flow hedges:							
- Inflows	-	(89,172)	(48,520)	(40,652)	-	-	-
- Outflows	2,636	91,808	50,586	41,222	-	-	-
	224,349	224,730	214,729	3,797	4,194	1,244	766

The contingent deferred consideration payable represents management's best estimate of the fair value of the amounts that will be payable, and may vary depending on the future performance of the acquired businesses and the Group as a whole.

28. Currency risk

Currency risk exposure

As of 31 December 2015 and 2014, the Group's foreign currency risk exposure, based on the functional currencies of its operations, was as follows:

	31 December 2015					31 December 2014				
	EUR €'000	**GBP €'000**	**AUD €'000**	**USD €'000**	**Other €'000**	EUR €'000	GBP €'000	AUD €'000	USD €'000	Other €'000
Trade receivables	**-**	**1,476**	**-**	**-**	**-**	-	1,193	-	115	2
Other receivables	**-**	**70**	**-**	**-**	**-**	18	68	-	-	-
Financial assets – current restricted cash	**-**	**46,942**	**-**	**-**	**-**	-	9,681	-	-	-
Financial assets – deposits	**-**	**-**	**-**	**-**	**-**	-	19,258	-	-	-
Cash and cash equivalents	**87**	**57,016**	**366**	**2,490**	**73**	142	65,975	218	3,478	730
Trade payables	**-**	**(3,713)**	**(4)**	**(249)**	**(1)**	(20)	(1,405)	-	(217)	(12)
Customer balances	**(90)**	**(36,015)**	**-**	**(3,083)**	**(259)**	(94)	(26,992)	-	(2,768)	(166)
Other payables	**(155)**	**(53,714)**	**-**	**(183)**	**-**	(77)	(39,111)	-	(613)	-
Intercompany payables	**(8,916)**	**(13,873)**	**29,626**	**-**	**-**	(6,556)	(11,227)	19,607	-	-
Contingent deferred consideration	**-**	**(32)**	**-**	**-**	**-**	-	(388)	-	-	-
Sports betting open positions	**-**	**(9,637)**	**-**	**-**	**-**	-	(7,971)	-	-	-
Gross statement of financial position exposure	**(9,074)**	**(11,480)**	**29,988**	**(1,025)**	**(187)**	(6,587)	9,081	19,825	(5)	554

At 31 December 2015, the Group had hedged GBP74.8m of its expected 2016 GBP cash flows at an average EUR-GBP rate of 0.7199 (2014: hedged GBP71.7m of expected 2015 cash flows at an average EUR-GBP rate of 0.8041). A derivative financial asset of €2,449,000 (2014: derivative financial liability of €2,636,000) in respect of foreign exchange forward contracts due to mature in 2016 (2014: due to mature in 2015) has been recorded in the Group's consolidated statement of financial position (see Notes 17 and 30).

28. Currency risk (continued)

The following are the significant exchange rates that applied during the year:

To 1 Euro:	Average rate		31 December (mid-spot rate)	
	2015	2014	**2015**	2014
GBP	**0.726**	0.806	**0.734**	0.779
AUD	**1.478**	1.472	**1.490**	1.483
USD	**1.110**	1.329	**1.089**	1.214

Sensitivity analysis
A ten per cent increase and decrease in the value of the euro against the following currencies at 31 December 2015 and 2014 would have increased / (decreased) profit and equity by the amounts below as a consequence of the retranslation of foreign currency denominated financial assets and liabilities at those dates. It is assumed that all other variables, especially interest rates, remain constant in the analysis.

	Profit		Equity	
	10% increase €'000	10% decrease €'000	10% increase €'000	10% decrease €'000
31 December 2015				
GBP	**908**	**(1,110)**	**(3,301)**	**4,034**
AUD	**(2,385)**	**2,916**	**(8,516)**	**10,408**
USD	**86**	**(105)**	**-**	**-**
31 December 2014				
GBP	(716)	875	(3,023)	3,694
AUD	(1,577)	1,927	(8,502)	10,391
USD	20	(24)	-	-

29. Interest rate risk

Profile
At 31 December 2015 and 31 December 2014 the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount	
	31 December 2015 €'000	31 December 2014 €'000
Variable rate instruments		
Financial assets – current restricted cash	**46,942**	39,213
Financial assets – deposits	**-**	19,258
Financial assets – cash	**138,229**	76,930
Financial assets – short term bank deposits	**14,093**	149,583
Borrowings	**(195,000)**	-
	4,264	284,984

Cash flow sensitivity analysis for variable rate instruments
An increase and decrease of 50 basis points ('bps') in interest rates at 31 December 2015 and at 31 December 2014 would have (decreased) / increased profit for a full year and equity by the amounts set out in the table below. It is assumed that all other variables, including foreign currency exchange rates, remain constant.

	Profit		Equity	
	50 bps increase €'000	50 bps decrease €'000	50 bps increase €'000	50 bps decrease €'000
31 December 2015				
Variable rate instruments	**(387)**	**481**	**-**	**-**
31 December 2014				
Variable rate instruments	874	(874)	-	-

30. Fair values

Fair values versus carrying amounts

The following are the fair values and carrying amounts of financial assets and liabilities in the statement of financial position:

	31 December 2015		31 December 2014	
	Carrying amount €'000	**Fair value €'000**	Carrying amount €'000	Fair value €'000
Carried at fair value				
Assets				
Derivative financial assets – forward contract cash flow hedges	**2,449**	**2,449**	-	-
Liabilities				
Derivative financial liabilities – sports betting open positions	**(17,046)**	**(17,046)**	(14,473)	(14,473)
Derivative financial liabilities – forward contract cash flow hedges	**-**	**-**	(2,636)	(2,636)
Non-derivative financial liabilities – contingent deferred consideration	**(1,082)**	**(1,082)**	(2,088)	(2,088)
	(18,128)	**(18,128)**	(19,197)	(19,197)
Net	**(15,679)**	**(15,679)**	(19,197)	(19,197)
Carried at amortised cost				
Assets				
Trade receivables	**5,600**	**5,600**	5,588	5,588
Other receivables	**1,562**	**1,562**	1,720	1,720
Value added tax and goods & services tax	**-**	**-**	1,288	1,288
Restricted cash – current	**46,942**	**46,942**	39,213	39,213
Deposits	**-**	**-**	19,258	19,258
Cash and cash equivalents	**152,322**	**152,322**	226,513	226,513
	206,426	**206,426**	293,580	293,580
Liabilities				
Trade and other payables	**(256,579)**	**(256,579)**	(205,152)	(205,152)
Borrowings	**(195,263)**	**(195,263)**	-	-
	(451,842)	**(451,842)**	(205,152)	(205,152)
Net	**(245,416)**	**(245,416)**	88,428	88,428
Total	**(261,095)**	**(261,095)**	69,231	69,231

30. Fair values (continued)

Fair value hierarchy
Financial instruments at 31 December which are carried at fair value are analysed by valuation method below. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2015			
	Level 1 €'000	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Derivative financial assets	**-**	**2,449**	**-**	**2,449**
Derivative financial liabilities	**-**	**-**	**(17,046)**	**(17,046)**
Non-derivative financial liabilities	**-**	**-**	**(1,082)**	**(1,082)**
	-	**-**	**(18,128)**	**(18,128)**

	31 December 2014			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Derivative financial liabilities	-	(2,636)	(14,473)	(17,109)
Non-derivative financial liabilities	-	-	(2,088)	(2,088)
	-	(2,636)	(16,561)	(19,197)

Basis for determining fair values
The following are the significant methods and assumptions used to estimate the fair values of the financial instruments above:

Financial instruments carried at amortised cost
Trade and other receivables (Level 2)
The fair value of trade and other receivables is estimated using the present value of future cash flows discounted at the market rate of interest at the reporting date. Amounts due within three months are not discounted.

Financial assets and cash and cash equivalents (Level 2)
The fair values of restricted cash, deposits and cash and cash equivalents are based on the nominal value of the relevant cash and bank deposit balances, as all are held at variable interest rates.

Trade and other payables (Level 2)
The fair value of trade and other payables is estimated using the present value of future cash flows discounted at the market rate of interest at the reporting date. Amounts due within three months are not discounted.

Borrowings (Level 2)
The fair value of borrowings is estimated using the present value of future cash flows discounted at the market rate of interest at the reporting date.

30. Fair values (continued)

Financial instruments carried at fair value

Derivative financial instruments

Derivative financial instruments comprise foreign exchange forward contracts (Level 2) and sports betting open positions (Level 3).

The fair value of foreign exchange forward contracts is determined using quoted forward foreign currency exchange rates at the balance sheet date.

The fair value of open sports bets at the year end has been calculated using the latest available prices on relevant sporting events. The fair value calculation also includes the impact of any hedging activities in relation to these open positions.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The contingent deferred consideration payable represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential payout scenarios. The significant unobservable inputs are the performance of the acquired businesses.

Sensitivity analysis in respect of Level 3 financial instruments carried at fair value

The following sensitivity analysis has been performed for the Level 3 financial liabilities carried at fair value at 31 December 2015 and 2014:

Sports betting open positions

The fair value of sports betting open positions is primarily based on expectations as to the results of sporting and other events on which bets are placed. Changes in those expectations and ultimately the actual results when the events occur will result in changes in fair value. While it is unlikely that the results of all sporting events would vary against expectation in a similar linear manner, a 10% positive and negative (from the viewpoint of the results of the Group) movement in the overall probability estimate of relevant sporting event outcomes would result in a €1,278,000 decrease and €1,162,000 increase, respectively, in the value of open sports bets at 31 December 2015 (2014: decrease of €1,085,000 and increase of €987,000, respectively).

Contingent deferred consideration

The fair value of contingent deferred consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof. An increase and decrease of 10% in management's expectation as to the amounts that will be paid out would increase and decrease the value of contingent deferred consideration at 31 December 2015 by €108,000 and €108,000, respectively (2014: increase and decrease of €204,000 and €209,000, respectively).

Movements in the year in respect of Level 3 financial instruments carried at fair value

The movements in respect of the financial assets and liabilities carried at fair value in the year to 31 December are as follows:

	Sports betting open positions €'000	Contingent deferred consideration €'000	Total €'000
Balance at 1 January 2014	(15,851)	(8,076)	(23,927)
Arising on acquisition (Note 16)	-	(1,862)	(1,862)
Recognised in the income statement	(868,821)	2,882	(865,939)
Settlements	870,199	5,386	875,585
Foreign currency translation adjustment	-	(418)	(418)
Balance at 31 December 2014	(14,473)	(2,088)	(16,561)
Arising on acquisition (Note 16)	**-**	**(1,000)**	**(1,000)**
Recognised in the income statement	**(1,079,934)**	**550**	**(1,079,384)**
Settlements	**1,077,361**	**1,487**	**1,078,848**
Foreign currency translation adjustment	**-**	**(31)**	**(31)**
Balance at 31 December 2015	**(17,046)**	**(1,082)**	**(18,128)**

30. Fair values (continued)

Sports betting open positions
The amounts recognised in the income statement represent the Group's net revenue in respect of sports betting positions and other derivatives that have been included in income in the year (see Note 4). The settlements in the year are the net amounts received and receivable from customers in respect of those sports betting positions. All gains and losses have been recognised in the income statement in 2015 and 2014.

Contingent deferred consideration
Of the total contingent deferred consideration amount of €1,082,000 (2014: €2,088,000), €1,082,000 (2014: €1,977,000) is due within one year and €nil (2014: €111,000) is due in the following year.

31. Commitments and contingencies

(a) Guarantees
The Group has uncommitted working capital overdraft facilities of €15.9m (2014: €14.2m) with Allied Irish Banks p.l.c. These facilities are secured by a Letter of Guarantee from Paddy Power plc.

The Group has bank guarantees: (1) 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; and (2) in respect of certain third party rental and other property commitments, merchant facilities and third party letter of credit facilities. The maximum amount of the guarantees at 31 December 2015 was €15,268,000 (2014: €14,856,000). No claims had been made against the guarantees as of 31 December 2015 (2014: €nil). The guarantees are secured by counter indemnities from Paddy Power plc and certain of its subsidiary companies. There were no guarantees secured by cash deposits at 31 December 2015 (2014: nil) over which the guaranteeing banks hold security.

The Group has cash amounts totalling €46,942,000 (2014: €39,213,000) deposited in client funds accounts held for the benefit of certain gaming regulatory authorities, of which the Isle of Man Gambling Supervision Commission is the most significant, as security for player funds owed by certain Group companies and as required under the terms of relevant gambling licences.

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 2015, the total value of relevant customer balances attributable to the Online Australia business segment was €34,747,000 (AUD51,762,000) (2014: €32,770,000 (AUD48,595,000)) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €56,101,000 (AUD83,573,000) (2014: €65,895,000 (AUD97,716,000)).

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.

As mentioned in Note 25, borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

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

	31 December 2015 €'000	31 December 2014 €'000
Property, plant and equipment	**890**	1,189
Intangible assets	**-**	548
	890	1,737

31. Commitments and contingencies (continued)

(c) Operating leases

The Group leases various licensed betting and other offices under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The leases have, on average, approximately seven years left to run (if the Group was to exercise available break options), with a right of renewal after that date. Lease rentals are typically reviewed every five years to reflect market rental rates or changes in general inflation rates.

At 31 December 2015 and 2014, the future minimum rentals payable under non-cancellable operating leases on properties were as follows:

	31 December 2015 €'000	31 December 2014 €'000
Within one year	**33,779**	30,052
Between two and five years	**105,663**	87,699
After five years	**70,632**	74,388
	210,074	192,139

The Group has a small number of shop properties that are sublet. Sublease payments of €549,000 (2014: €435,000) are expected to be received during the year ended 31 December 2016.

During 2015, an amount of €34,885,000 was recognised in profit or loss in respect of operating leases (2014: €30,376,000). Contingent rent expense in profit or loss amounted to a credit of €657,000 (2014: credit of €590,000). Sublease income (netted against operating lease expense on the basis of immateriality) amounted to €477,000 in 2015 (2014: €448,000).

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

32. Related parties

The principal related party transactions requiring disclosure under IAS 24 Related Party Transactions relate to the existence of subsidiaries and transactions with these entities entered into by the Group and the identification and compensation of key management personnel.

Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. A listing of the subsidiaries is provided in Note 33. Transactions to and from subsidiaries have been eliminated in the preparation of the consolidated financial statements.

Key management personnel compensation

Key management personnel compensation is set out in Note 8.

There were no other related party transactions save those disclosed in Note 8.

33. Group entities

The Company had the following 100% subsidiary undertakings carrying on businesses which materially affect the profits and assets of the Group at 31 December 2015:

Name	Equity interest at 31 December 2015	Country of incorporation	Activity	Registered office
Power Leisure Bookmakers Limited *	100%	England	Bookmaker	OneustonSq, 40 Melton Street, London, NW1 2FD.
Paddy Power Isle of Man Limited	100%	Isle of Man	Bookmaker	1st Floor, 12-14 Ridgeway Street, Douglas, Isle of Man, IM1 1EN.
Paddy Power Online Limited	100%	Isle of Man	Bookmaker	1st Floor, 12-14 Ridgeway Street, Douglas, Isle of Man, IM1 1EN.
D McGranaghan Limited	100%	Northern Ireland	Bookmaker	Victoria House, Gloucester Street, Belfast, BT1 4LS, Northern Ireland
Sportsbet Pty Limited	100%	Australia	Bookmaker	Fannie Bay Racecourse, Playford Street, Fannie Bay, Darwin, Northern Territory 0820.
International All Sports Limited	100%	Australia	Bookmaker	Fannie Bay Racecourse, Playford Street, Fannie Bay, Darwin, Northern Territory 0820.
CT Networks Limited	100%	Isle of Man	Games developer	1st Floor, 12-14 Ridgeway Street, Douglas, Isle of Man, IM1 1EN.
Paddy Power Services Limited	100%	Alderney	Bookmaker	Inchalla, Le Val, Alderney, Channel Islands, GY9 3UL.
Paddy Power Australia Pty Limited	100%	Australia	Holding company	Level 3, 367 Collins Street, Melbourne, Victoria 3000.
Paddy Power Holdings Limited *	100%	Isle of Man	Holding company	1st Floor, 12-14 Ridgeway Street, Douglas, Isle of Man, IM1 1EN.

* These companies are held directly by Paddy Power plc.

The above subsidiary undertakings had the same year end date as the Company in 2015 and 2014. All subsidiary undertakings have been included in the Group consolidated financial statements.

In addition to the above subsidiary undertakings, the Group utilises an employee trust, Paddy Power plc Employee Benefit Trust, with a registered address at PO Box 76, Wests Centre, St Helier, Jersey, JE4 8PQ, and which holds the shares under the share award schemes.

34. Events after the reporting date

Merger

On 2 February 2016, the Company completed an all share merger with Betfair Group plc. The merger resulted in the holders of Paddy Power plc shares owning 52% of the Company, and the holders of Betfair Group plc shares owning 48% of the Company, on a fully diluted basis taking into account existing share options and award schemes for both companies as at the date of agreement (8 September 2015). In addition, immediately prior to completion of the Merger, holders of Paddy Power plc shares received a special dividend of €80m.

Under the terms of the Merger, holders of Betfair Group plc shares received 0.4254 shares in the Company in exchange for each Betfair Group plc share. The Company issued 39,590,574 shares in exchange for 93,066,700 shares in Betfair Group plc. The consideration was €5.5bn based on the value of the Company ordinary shares issued to Betfair Group plc shareholders.

Costs incurred in 2015 of €5.8m associated with the Merger have been expensed as exceptional items in the year (see Note 6). In 2016, the Group has also incurred additional professional fees of €19m and stamp duty of €27m, the vast majority of which were subject to completion of the Merger. This does not include any professional fees incurred by Betfair Group plc in relation to the merger.

The initial estimate of fees to be incurred by Paddy Power plc in connection with the Merger were set out in the Betfair Group plc Scheme Circular published on 27 November 2015. The aggregate fees and expenses incurred by Paddy Power plc in connection with the Merger (excluding any applicable VAT) were:

	€m
Financial and corporate broking advice	**17.2**
Legal advice	**3.8**
Accounting advice	**0.4**
Public relations advice	**0.1**
Other professional services	**0.8**
Other costs and services	**0.9**
Total	**23.2**

The acquisition-date fair value accounting exercise had not been completed on the date of signing of the financial statements.

Dividend

In respect of 2015, a final dividend of 120.0 cent per share (2014: 102.0 cent per share) was paid to all shareholders on the Register of Members on 1 February 2016. The final dividend amounted to €52,930,000 (2014: €49,881,000). In accordance with the completion terms of the Merger, a special dividend of €80m (181.4 cent per share) and a closing dividend, representing the period from 1 January 2016 to 1 February 2016 (inclusive), of 18.0 cent per share were also paid to shareholders. The record date for the special dividend and the closing dividend was close of business on 1 February 2016. The three dividends were paid on 2 March 2016.

35. Accounting estimates and judgements

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

Goodwill of €108,915,000 (2014: €102,838,000) and indefinite life intangible assets of €35,877,000 (2014: €34,506,000) continues to be carried in the Group consolidated 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 with the exception of the IAS brand intangible described more fully in Note 15. The key assumptions made in respect of goodwill and indefinite life intangible assets are set out in Note 15.

The share-based payment reserve, which includes amounts in relation to the LTIP and various share option schemes, amounted to €32,689,000 at 31 December 2015 (2014: €35,950,000). The significant assumptions made in accounting for share-based payments are set out in Note 21.

The fair value of the Group's sports betting open positions amounted to €17,046,000 at 31 December 2015 (2014: €14,473,000) and the Group considers such arrangements to be derivatives. The Group performs a revaluation of sports betting open positions at each reporting 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.

Included in trade and other payables at 31 December 2015 are contingent deferred consideration amounts of €1,082,000 (2014: €2,088,000) relating to certain business combinations. Contingent deferred consideration is payable to vendors by reference to the performance of the acquired businesses. The contingent deferred consideration amount of €1,082,000 at 31 December 2015 represents management's best estimate of the fair value of the amounts that will be payable.

Company Statement of Financial Position
As at 31 December 2015

	Note	31 December 2015 €'000	Restated (Note 25) 31 December 2014 €'000
Assets			
Property, plant and equipment	6	**39,237**	37,335
Intangible assets	7	**40**	60
Goodwill	8	**18,678**	13,418
Financial assets	9	**78,555**	64,890
Deferred tax assets	13	**425**	879
Total non-current assets		**136,935**	116,582
Current assets			
Trade and other receivables	11	**564,827**	732,992
Derivative financial assets	11	**2,449**	-
Cash and cash equivalents	12	**20,708**	107,867
Total current assets		**587,984**	840,859
Total assets		**724,919**	957,441
Equity			
Issued share capital	14	**4,146**	5,110
Share premium	14	**2,651**	44,969
Capital redemption reserve fund	14	**1,842**	876
Capital conversion reserve fund	14	**260**	260
Treasury shares	14	**(5,377)**	(5,975)
Shares held by long term incentive plan trust	14	**(63,143)**	(61,454)
Share-based payment reserve	14	**32,689**	35,950
Retained earnings	14	**277,584**	380,492
Shareholders' funds – all equity interests	14	**250,652**	400,228
Liabilities			
Trade and other payables	16	**276,513**	550,192
Derivative financial liabilities	16	**2,081**	4,707
Borrowings	17	**263**	-
Total current liabilities		**278,857**	554,899
Trade and other payables	16	**2,240**	2,314
Borrowings	17	**193,170**	-
Total non-current liabilities		**195,410**	2,314
Total liabilities		**474,267**	557,213
Total equity and liabilities		**724,919**	957,441

Notes 1 to 26 on pages 149 to 168 form an integral part of these financial statements.

On behalf of the Board

Andy McCue **Alex Gersh**

7 March 2016

Company Statement of Cash Flows

Year ended 31 December 2015

	Note	2015 €'000	Restated (Note 25) 2014 €'000
Cash flows from operating activities			
Profit for the year – all attributable to equity holders of the Company		**323,927**	112,444
Income tax expense		**3,480**	563
Dividends from subsidiaries		**(298,673)**	(88,317)
Financial income		**(108)**	(189)
Financial expense		**2,376**	23
Depreciation and amortisation		**6,467**	7,115
Employee equity-settled share-based payments expense		**3,427**	6,751
Foreign currency exchange loss / (gain)		**788**	(11,374)
Loss on disposal of property, plant and equipment and intangible assets		**155**	82
Cash from operations before changes in working capital		**41,839**	27,098
Decrease / (increase) in trade and other receivables		**163,575**	(122,244)
(Decrease) / increase in trade and other payables and provisions		**(276,979)**	132,193
Cash (used in) / generated from operations		**(71,565)**	37,047
Income taxes paid		**(1,267)**	(563)
Net cash (used in) / from operating activities		**(72,832)**	36,484
Purchase of property, plant and equipment		**(9,003)**	(10,961)
Purchase of businesses, net of cash acquired	10	**(4,975)**	(4,357)
Payment of contingent deferred consideration	10	**(1,350)**	(2,182)
Proceeds from disposal of property, plant and equipment and intangible assets		**215**	-
Dividends from subsidiaries		**298,673**	88,317
Interest received		**132**	165
Net cash from investing activities		**283,692**	70,982
Proceeds from the issue of new shares		**2,658**	3,335
Purchase of shares by long term incentive plan trust		**(25,312)**	(3,883)
Dividends paid	15	**(76,323)**	(68,991)
Return of capital to shareholders (including associated costs)	14	**(392,077)**	-
Net amounts drawn down on borrowings facility	17	**195,000**	-
Fees in respect of borrowings facility		**(2,489)**	-
Interest paid		**(2,071)**	(19)
Net cash used in financing activities		**(300,614)**	(69,558)
Net (decrease) / increase in cash and cash equivalents		**(89,754)**	37,908
Cash and cash equivalents at start of year		**107,867**	68,758
Foreign currency exchange gain on cash and cash equivalents		**2,595**	1,201
Cash and cash equivalents at end of year	12	**20,708**	107,867

Notes 1 to 26 on pages 149 to 168 form an integral part of these financial statements.

Company Statement of Changes in Equity

Year ended 31 December 2015

	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Capital redemption reserve fund €'000	Capital conversion reserve fund €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total equity €'000
	Attributable to equity holders of the Company (see Note 14)									
Balance at 1 January 2015	*51,104,700*	5,110	44,969	876	260	(5,975)	(61,454)	35,950	380,492	400,228
Profit	-	-	-	-	-	-	-	-	323,927	323,927
Shares issued (Note 14)	*77,150*	7	2,651	-	-	-	-	-	-	2,658
Own shares acquired by the long term incentive plan trust – net of B shares' receipt (Note 14)	-	-	-	-	-	-	(25,312)	-	-	(25,312)
Equity-settled transactions – expense recorded in income statement (Note 14)	-	-	-	-	-	-	-	16,812	-	16,812
Equity-settled transactions – vestings (Note 14)	-	-	-	-	-	-	23,623	(19,200)	(3,493)	930
Transfer to retained earnings on exercise of share options (Note 14)	-	-	-	-	-	-	-	(873)	873	-
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	12	12
Return of capital to shareholders (including related costs) (Note 14)	-	-	-	-	-	-	-	-	(392,280)	(392,280)
Capital reduction (Note 14)	*(5,111,837)*	(971)	-	966	-	598	-	-	(593)	-
Dividends to shareholders (Note 15)	-	-	-	-	-	-	-	-	(76,323)	(76,323)
Share premium cancellation (Note 14)	-	-	(44,969)	-	-	-	-	-	44,969	-
Total contributions by and distributions to owners of the Company	*(5,034,687)*	(964)	(42,318)	966	-	598	(1,689)	(3,261)	(426,835)	(473,503)
Balance at 31 December 2015	*46,070,013*	4,146	2,651	1,842	260	(5,377)	(63,143)	32,689	277,584	250,652

Company Statement of Changes in Equity

Year ended 31 December 2015 (continued)

Attributable to equity holders of the Company (see Note 14)

	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Capital redemption reserve fund €'000	Capital conversion reserve fund €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Restated (Note 25) Retained earnings €'000	Restated (Note 25) Total equity €'000
Balance at 1 January 2014	*50,977,085*	5,098	41,646	876	260	(5,975)	(71,736)	31,113	338,313	339,595
Profit (Restated) (Note 25)	-	-	-	-	-	-	-	-	112,444	112,444
Shares issued (Note 14)	*127,615*	12	3,323	-	-	-	-	-	-	3,335
Own shares acquired by the long term incentive plan trust – 70,400 ordinary shares (Note 14)	-	-	-	-	-	-	(3,883)	-	-	(3,883)
Equity-settled transactions – expense recorded in income statement (Note 14)	-	-	-	-	-	-	-	17,229	-	17,229
Equity-settled transactions – vestings (Note 14)	-	-	-	-	-	-	14,165	(11,546)	(2,010)	609
Transfer to retained earnings on exercise of share options (Note 14)	-	-	-	-	-	-	-	(846)	846	-
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	(110)	(110)
Dividends to shareholders (Note 15)	-	-	-	-	-	-	-	-	(68,991)	(68,991)
Total contributions by and distributions to owners of the Company	*127,615*	12	3,323	-	-	-	10,282	4,837	(70,265)	(51,811)
Balance at 31 December 2014	*51,104,700*	5,110	44,969	876	260	(5,975)	(61,454)	35,950	380,492	400,228

Notes 1 to 26 on pages 149 to 168 form an integral part of these financial statements.

Notes to the Company Financial Statements

1. Basis of preparation and summary of significant accounting policies

Irish GAAP accounting standards were withdrawn for financial years beginning on or after 1 January 2015. Accordingly, the financial statements of the Company for the financial year ending 31 December 2015 have been prepared in euro in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). An explanation of how the transition to IFRS as adopted by the EU has affected the financial position and financial performance of the Company is provided in Note 25.

The impact on the financial statements of new but not yet effective IFRSs is set out in Note 2 to the consolidated financial statements.

As permitted by section 304 of the Companies Act 2014, no separate profit and loss account is presented in respect of the Company. The Company recorded a profit for the year of €323.9m (2014: €112.4m), which includes dividends receivable from subsidiary companies amounting to €298.7m (2014: €88.3m).

Income

The services provided by the Company comprise sports betting and business-to-business services as well as services provided to other group companies. Income is stated exclusive of value added tax. The costs of customer promotions (including free bets) and bonuses are deducted from income.

The Company's activities, with the exception of business-to-business services and services to other group companies on which fees are earned, are classified as derivative financial instruments.

Income from 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.

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 Company's principal activity. Commission and other fee income earned is also recorded within income.

Income from business-to-business services and services to other group companies represents fees charged for the services provided in the period.

Financial assets

Interests in subsidiary undertakings are stated in the Company statement of financial position as financial fixed assets, at cost less, where necessary, provisions for impairment.

Included within financial fixed assets are capital contributions representing share-based payment awards made to employees of certain of the Company's subsidiaries.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing items and restoring the sites on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'total operating expenses' in profit or loss.

Depreciation is calculated to write off the cost less estimated residual value of property, plant and equipment on a straight line basis over their useful lives, as follows:

Land	Not depreciated
Buildings: Freehold	50 years
Buildings: Leasehold improvements	Unexpired term of the lease, except for leases with an initial term of ten or less years, which are depreciated over the unexpired term of the lease plus the renewal length of the lease if there is an unconditional right of renewal
Fixtures and fittings	3 – 7 years
Computer equipment	3 years
Computer software	3 – 5 years
Motor vehicles	5 years

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

Assets in the process of construction are stated at cost less impairment losses. Depreciation of these assets begins when the assets are ready for their intended use.

The residual value, if not insignificant, is reassessed annually.

Goodwill
Acquisitions of subsidiaries are accounted for using the acquisition method. The value of acquisition is measured at the date of purchase and represents the aggregate of the fair values of assets given, liabilities incurred or assumed and any equity instruments issued by the Group in exchange for control of the acquiree and fair value of previously held equity interests. The identifiable assets and liabilities of the acquiree are recognised at their fair values at the date of acquisition.

Goodwill recognised under Irish Generally Accepted Accounting Practice ('GAAP') prior to the date of transition to IFRS is stated at net book value as at the transition date. Goodwill recognised subsequent to 1 January 2014, representing the excess of purchase consideration over the fair value of net identifiable assets acquired defined in accordance with IFRS, is capitalised. Goodwill is initially recognised as an asset at cost and is thereafter measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually. Any impairment in the value of goodwill is dealt with in the income statement in the period in which it arises. Goodwill is recognised only when control of the acquiree is initially achieved. Following the acquisition of control, no goodwill is recognised on subsequent purchases of equity interests in the acquiree and instead the difference between the cost of such acquisitions and the fair values of the relevant net assets acquired is dealt with through retained earnings.

Costs relating to the acquisition of businesses that occurred since 1 January 2014 are expensed to the income statement when incurred.

Amounts payable in respect of deferred contingent consideration are recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the profit or loss.

Intangible assets
Intangible assets, principally comprising licences, are capitalised at cost and amortised over their estimated useful economic lives on a straight line basis.

Licences comprise the costs of acquiring retail bookmaking licences, the rents incurred in respect of the period prior to each shop opening for business and licences for electronic point of sale ('EPOS') system software.

The estimated useful economic lives of intangible assets, according to which amortisation is calculated, are as follows:

Licences – shop licences and EPOS software licences	5 years

Impairment
Financial assets (including receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Company considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives (such as certain licences and brands) or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash generating unit', or 'CGU'). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Borrowings

Borrowings are recorded at the fair value of the proceeds received, net of any directly attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

Other non-derivative financial instruments

Other non-derivative financial instruments comprise cash and cash equivalents, restricted cash, deposits, trade and other receivables and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual right to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents for the purpose of the statement of cash flows comprise cash and call deposits with an original maturity of three months or less.

Restricted cash represents cash held by the Company but which is ring fenced or used as security for specific arrangements (such as cash held in client funds accounts or as collateral for a bank guarantee), and to which the Company has restricted access for a period of time. Restricted cash is classified as held to maturity and carried at amortised cost. Restricted cash balances are further classified as current or non-current depending on when the restriction first ends.

Deposits represent term deposits with an original maturity of greater than three months. In accordance with IAS 7, 'Statement of Cash Flows', these deposits do not qualify as a cash equivalent for the purposes of the statement of cash flows as the maturity is greater than three months from the date of the original deposit.

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated impaired losses.

Subsequent to initial recognition, cash and cash equivalents, restricted cash, deposits and trade and other payables are measured at amortised cost.

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

Leases
Operating lease rentals payable are recognised as an expense in the income statement on a straight line basis over the lease term unless another systematic basis is more appropriate.

Employee benefits
Pensions
The Company operates a number of defined contribution schemes under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions are recognised as an expense in the income statement as the obligation falls due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Share-based payments
The Company operates equity-settled long term incentive plans for selected senior executives and other key management under which they are conditionally awarded shares which vest upon the achievement of predetermined earnings targets and / or future service periods. The fair value is measured at the award grant date and is spread over the period during which the employees become unconditionally entitled to the shares with a corresponding increase in the share-based payment reserve in equity. The fair value of the shares conditionally granted is measured using the market price of the shares at the time of grant.

The Company operates an equity-settled share save scheme ('SAYE') for employees under which employees acquire options over Company shares at a discounted price subject to the completion of a savings contract. The fair value of share options granted is recognised as an employee benefit cost with a corresponding increase in the share-based payment reserve in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The Company has operated equity-settled share option schemes for employees under which employees acquired options over Company shares. The fair value of share options granted is recognised as an employee benefit cost with a corresponding increase in the share-based payment reserve in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The Company operates certain cash-settled long term incentive plans for selected senior executives (other than directors) and other key management under which they are conditionally awarded notional Company shares which vest upon the achievement of predetermined earnings targets and future service periods. The estimated costs of the awards are spread over the period during which the employees become unconditionally entitled to the payment. The beneficiaries are paid in cash based on the Company's share price on the date of vesting and the liability is re-measured at each reporting date using the closing share price on that day.

Foreign currency
Transactions denominated in foreign currencies are translated at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date. The resulting profits and losses are dealt with in the profit and loss account.

Income tax
Income tax in the income statement comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of the previous year.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset to the extent that they relate to income taxes levied by the same taxation authority.

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

Dividends
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders, or, in the case of the interim dividend, when it has been approved by the Board of Directors and paid. Dividends declared after the reporting date are disclosed in Note 34 to the consolidated financial statements.

2. Financial risk management

The Company's risk exposures, and what its objectives, policies and processes are for managing those risks, are set out in Notes 18 to 21, and Note 3 to the consolidated financial statements.

3. Employee expenses and numbers

	2015 €'000	2014 €'000
Wages and salaries	**38,480**	34,888
Social security costs	**3,965**	3,648
Defined contribution pension and life assurance costs	**574**	633
Share-based payments (see below)	**3,427**	6,751
Other staff costs	**1,566**	1,928
	48,012	47,848

	2015	2014
The average number of persons employed by the Company (including executive directors), all of whom were involved in the provision of betting services, during the year was	**1,320**	1,165

Details of transactions with key management personnel, comprising the executive and non-executive directors of the Company, are set out in Note 8 to the consolidated financial statements.

Summary of share-based payments expense
The share-based payments expense in the profit and loss account in respect of the Company's share schemes is comprised as follows:

	2015 €'000	2014 €'000
Sharesave Scheme	**276**	236
Long Term Incentive Plan	**3,151**	6,515
	3,427	6,751

Summary of options outstanding to employees of the Company
The total number of options outstanding at 31 December 2015 was 66,123 (2014: 95,705). These options had exercise prices ranging from €14.90 to €45.52 (2014: €14.90 to €45.52).

For the year ended 31 December 2015:	**Options outstanding at 1 January 2015**	**Options granted during year**	**Options lapsed during year**	**Options exercised during year**	**Options outstanding at 31 December 2015**
Sharesave Scheme	**95,705**	**-**	**(6,074)**	**(23,508)**	**66,123**
Total	**95,705**	**-**	**(6,074)**	**(23,508)**	**66,123**

For the year ended 31 December 2014:	Options outstanding at 1 January 2014	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2014
Sharesave Scheme	98,614	41,739	(9,681)	(34,967)	95,705
Total	98,614	41,739	(9,681)	(34,967)	95,705

3. Employee expenses and numbers (continued)

Summary of share awards outstanding under the Long Term Incentive Plan
The total number of share awards outstanding to Company employees at 31 December 2015 was 193,703 (2014: 333,432). The movements in share awards during the years ended 31 December 2015 and 2014 (excluding related dividends awarded as shares) were as follows:

For the year ended 31 December 2015:	**Share awards outstanding at 1 January 2015**	**Share awards granted during year**	**Share awards lapsed during year**	**Share awards vested during year**	**Share awards outstanding at 31 December 2015**
2004 LTIP scheme	**164,109**	**-**	**(6,136)**	**(136,498)**	**21,475**
2013 LTIP scheme	**169,323**	**44,010**	**(41,105)**	**-**	**172,228**
Total	**333,432**	**44,010**	**(47,241)**	**(136,498)**	**193,703**

For the year ended 31 December 2014:	Share awards outstanding at 1 January 2014	Share awards granted during year	Share awards lapsed during year	Share awards vested during year	Share awards outstanding at 31 December 2014
2004 LTIP scheme	292,500	-	-	(128,391)	164,109
2013 LTIP scheme	81,009	88,314	-	-	169,323
Total	373,509	88,314	-	(128,391)	333,432

4. Financial income and expense

	2015 €'000	2014 €'000
Recognised in profit or loss:		
Financial income:		
On financial assets at amortised cost		
Interest income on short term bank deposits	**108**	189
Financial expense:		
On financial liabilities at amortised cost		
Interest on borrowings, bank guarantees and bank facilities and other interest payable	**2,376**	23

5. Statutory information

	2015 €'000	2014 €'000
Directors' remuneration	**6,249**	6,823
Auditor's remuneration	**220**	210

The auditor's remuneration of €220,000 (2014: €210,000) relates to the audit of group and subsidiary financial statements. It comprises €80,000 (2014: €80,000) for the audit of the Company. Further details on auditor's remuneration is disclosed in note 10 to the consolidated financial statements.

5. Statutory information (continued)

Auditor remuneration to Company external auditors (KPMG Ireland)
In accordance with the requirements of Regulation 120 of Statutory Instrument 220/2010, 'European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010', the auditor's remuneration figures presented below represent fees paid to KPMG Ireland only and are exclusive of value added tax. Audit relates to the audit of the Company financial statements only. Audit fees borne by the Company in relation to the audit by KPMG Ireland of the Group and subsidiary companies are classified as other assurance services.

	2015 €'000	2014 €'000
Audit	**25**	25
Other assurance services	**648**	198
Tax advisory services	**-**	7
Total	**673**	230

Other assurance services includes €180,000 (2014: €170,000) in respect of fees incurred by the Company for the audit of the Group financial statements, €15,000 (2014: €15,000) in respect of fees relating to the audit of subsidiary companies which have been borne by the Company, €410,000 (2014: €nil) in respect of fees relating to assurance services provided in relation to the merger with Betfair Group plc, and fees for other miscellaneous assurance work of €43,000 (2014: €13,000).

6. Property, plant and equipment

	Land, buildings & leasehold improvements €'000	**Fixtures, fittings & equipment €'000**	**Computer equipment €'000**	**Computer software €'000**	**Motor vehicles €'000**	**Total €'000**
Cost						
Balance at 1 January 2014	38,784	62,654	6,728	3,556	118	111,840
Additions (including business combinations)	2,727	5,829	850	280	-	9,686
Disposals	(111)	(553)	(23)	-	-	(687)
Balance at 31 December 2014	41,400	67,930	7,555	3,836	118	120,839
Additions (including business combinations)	**1,873**	**4,594**	**1,744**	**373**	**-**	**8,584**
Transfers	**-**	**-**	**134**	**-**	**-**	**134**
Disposals	**(209)**	**(1,425)**	**(95)**	**-**	**(93)**	**(1,822)**
Balance at 31 December 2015	**43,064**	**71,099**	**9,338**	**4,209**	**25**	**127,735**
Depreciation						
Balance at 1 January 2014	19,456	49,404	5,154	2,970	34	77,018
Charge for year	1,608	4,072	1,089	297	23	7,089
Disposals	(61)	(519)	(23)	-	-	(603)
Balance at 31 December 2014	21,003	52,957	6,220	3,267	57	83,504
Charge for year	**1,669**	**3,566**	**912**	**290**	**10**	**6,447**
Disposals	**(92)**	**(1,219)**	**(91)**	**-**	**(51)**	**(1,453)**
Balance at 31 December 2015	**22,580**	**55,304**	**7,041**	**3,557**	**16**	**88,498**
Net book value						
At 31 December 2014	20,397	14,973	1,335	569	61	37,335
At 31 December 2015	**20,484**	**15,795**	**2,297**	**652**	**9**	**39,237**

The net book value of land, buildings and leasehold improvements at 31 December 2015 includes €15.6m (2014: €15.3m) in respect of leasehold improvements.

The directors do not consider the remaining useful lives of tangible fixed assets to be materially different from the period over which the assets are being depreciated.

7. Intangible assets

The movements during the year in respect of intangible assets, which comprise licences, were as follows:

	Licences €'000
Cost	
Balance at 1 January 2014	1,534
Disposals	(7)
Balance at 31 December 2014	1,527
Balance at 31 December 2015	**1,527**
Amortisation	
Balance at 1 January 2014	1,448
Amortisation for year	26
Disposals	(7)
Balance at 31 December 2014	1,467
Amortisation for year	**20**
Balance at 31 December 2015	**1,487**
Net book value	
At 31 December 2014	60
At 31 December 2015	**40**

8. Goodwill

	€'000
Cost	
Balance at 1 January 2015	18,035
Additions (Note 10)	**5,260**
Balance at 31 December 2015	**23,295**
Amortisation	
Balance at 1 January 2015	4,617
Amortisation for year	**-**
Balance at 31 December 2015	**4,617**
Net book value	
At 31 December 2014	13,418
At 31 December 2015	**18,678**

The goodwill balance as at 1 January 2015 arose from the assets acquired as part of the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988 and subsequent acquisitions of licenced book making shops made in Ireland. Additional goodwill in 2015 arose on the acquisition of 15 licenced bookmaking shops in Ireland (through three separate acquisitions). The goodwill balance as at 31 December 2015 is attributable to the Irish Retail cash generating unit, being the lowest level of asset for which there are separately identifiable cash flows (see Note 15 to the consolidated financial statements).

The Company transitioned to reporting under IFRS during 2015. An adjustment of €708,000 relating to the amortisation of goodwill was required in the transition from Irish GAAP to IFRS as, under Irish GAAP, goodwill was amortised over its expected useful life whereas under IFRS goodwill is not amortised but is instead tested for impairment annually (See Note 25). The most recent test for impairment was performed at 31 December 2015 and is detailed in Note 15 to the consolidated financial statements.

9. Financial assets

	Unlisted investments in subsidiary companies €'000	Capital contributions €'000	Total €'000
Balance at 1 January 2015	313	64,577	64,890
Share-based payments	**-**	**13,665**	**13,665**
Balance at 31 December 2015	**313**	**78,242**	**78,555**

In the opinion of the directors, the value to the Company of the unlisted investments in and capital contributions to subsidiary companies at 31 December 2015 is not less than the carrying amount of €78,555,000 (2014: €64,890,000). The Company's principal subsidiaries are listed in Note 33 to the consolidated financial statements.

Capital contributions represent amounts included in the Company's share-based payment reserve relating to share-based payment awards made to employees of certain of the Company's subsidiary undertakings.

10. Business combinations

Year ended 31 December 2015

Shop property business acquisitions
In 2015, the Company, in the absence of available comparable sites for organic shop openings, acquired 15 licensed bookmaking shops in Ireland.

Goodwill arising on the acquisitions amounted to €5,260,000. Property, plant and equipment acquired amounted to €715,000. The consideration was comprised of €4,975,000 cash consideration and €1,000,000 contingent deferred consideration.

The principal factors contributing to the Irish Retail goodwill balance are the well-established nature of the acquired shops within the location in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired shops within the Paddy Power group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired business in respect of the period from acquisition and for the year ended 31 December 2015 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed financial targets for the 12 months following the date of acquisition. The contingent deferred consideration amount of €1,000,000 at 31 December 2015 represents management's best estimate of the fair value of the amounts that will be payable.

During 2015, the Group settled deferred consideration liabilities of €1,350,000.

Year ended 31 December 2014

Shop property business acquisitions
In 2014, the Company, in the absence of available comparable sites for organic shop openings, acquired 17 licensed bookmaking shops in Ireland.

Goodwill arising on the acquisitions amounted to €5,632,000. Property, plant and equipment acquired amounted to €425,000. The consideration was comprised of €4,357,000 cash consideration and €1,700,000 contingent deferred consideration.

The principal factors contributing to the Irish Retail goodwill balance are the well-established nature of the acquired shops within the location in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired shops within the Paddy Power group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired business in respect of the period from acquisition and for the year ended 31 December 2014 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed financial targets for the 12 months following the date of acquisition. The contingent deferred consideration amount of €1,700,000 at 31 December 2014 represents management's best estimate of the fair value of the amounts that will be payable.

11. Trade and other receivables and derivative financial assets

	31 December 2015 €'000	31 December 2014 €'000
Trade and other receivables		
Prepayments and accrued income	**3,800**	3,280
Amounts owed by fellow Group companies	**561,027**	643,743
Loan receivable from Paddy Power Australia	**-**	85,969
	564,827	732,992
Derivative financial assets		
Foreign exchange forward contracts	**2,449**	-

All of the above debtors fall due within one year. Amounts owed by fellow Group companies are unsecured, interest free and repayable on demand.

12. Cash and cash equivalents

At 31 December 2015 the company held restricted cash balances of €nil (2014: €nil).

Cash and cash equivalents consist of the following for the purposes of the statement of cash flows:

	31 December 2015 €'000	31 December 2014 €'000
Cash	**12,917**	15,599
Short term bank deposits – with an original maturity of less than three months	**7,791**	92,268
Cash and cash equivalents in the statement of cash flows	**20,708**	107,867

The effective interest rate on bank deposits at 31 December 2015 was 0.08% (2014: 0.11%); these deposits have an average original maturity date of 10 days (2014: 27 days). The bank deposits also have an average maturity date of 3 days from 31 December 2015 (2014: 16 days).

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

13. Deferred tax assets

	2015 €'000	2014 €'000
Cost		
Balance at 1 January	**879**	542
(Charged) / credited to the profit and loss account for year	**(466)**	447
Credited / (charged) to retained earnings in respect of share-based payments	**12**	(110)
Balance at 31 December	**425**	879

Deferred tax at 31 December 2015 and 2014 is analysed by category as follows:

	31 December 2015 €'000	31 December 2014 €'000
Capital allowances	**135**	76
Employee benefits	**26**	33
Share schemes	**271**	789
Capitalised rents	**(49)**	(14)
Other	**42**	(5)
Deferred tax asset	**425**	879

All of the above deferred tax balances are in respect of Irish corporation tax.

14. Share capital and reserves

The total authorised share capital of the Company comprises 150,000,000 ordinary shares of €0.09 each (2014: 70,000,000 ordinary shares of €0.10 each). During the year, the Company's shareholders approved an increase in authorised share capital to 150,000,000 ordinary shares. 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, the Company completed a capital reorganisation which involved the consolidation of its ordinary share capital on a nine for ten basis. The transaction involved a number of steps. The existing ordinary shares in issue at the date of the capital reorganisation of 51,118,370 of €0.10 each were converted into 51,118,370 'intermediate' ordinary shares of €0.081 each and 51,118,370 B shares of €0.019 each. An amount of 2,184,000 B shares were issued to the company and certain of its subsidiaries as a result of treasury shares held. Such shares were not entitled to receive a dividend or redemption payment. The holders of the remaining B shares in issue of 48,934,370 were entitled to receive a payment of €8 per share by way of a once off dividend or a redemption payment. Subsequent to the dividend or redemption payment all B shares were cancelled during the year. The 'intermediate' ordinary shares were consolidated and sub-divided into 46,006,533 'new' ordinary shares of €0.09 each.

During the year, 13,670 ordinary shares of €0.10 each and 63,480 ordinary shares of €0.09 each (2014: 112,615 ordinary shares of €0.10 each) were issued as a result of the exercise of share options granted to employees of the Group under the terms of the Share Option and Sharesave Schemes, for a total consideration of €2,658,000 (2014: €2,468,000) and giving rise to a share premium of €2,651,000 (2014: €2,457,000). In 2014, a further 15,000 ordinary shares of €0.10 each were issued for a total consideration of €867,000 and giving rise to a share premium of €866,000.

Following shareholder approval at the Annual General Meeting on 14 May 2015 and court approval on 6 November 2015, the Company cancelled a portion of its share premium account transferring €44,969,000 to the retained earnings account within reserves.

A total of 225,000 ordinary shares were held in treasury as of 31 December 2015 (31 December 2014: 250,000). During the year, shares held in treasury were consolidated on a nine for ten basis, reducing the number of shares held in treasury by 25,000 ordinary 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 Company's distributable reserves are restricted by the value of the treasury shares, which amounted to €5,377,000 as of 31 December 2015 (31 December 2014: €5,975,000).

At 31 December 2015, the Company held a further 874,890 (2014: 1,020,372) of its own shares, which were acquired at a total cost of €63,143,000 (2014: €61,454,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan (see Note 21 to the consolidated financial statements). The Company's distributable reserves at 31 December 2015 are further restricted by this cost amount. In the year ended 31 December 2015, 410,499 shares with an original cost of €23,623,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2014: 352,406 shares with an original cost of €14,165,000).

The capital redemption reserve fund of €1,842,000 (2014: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled, and in 2015 the nominal value of shares in the Company cancelled as part of the return of capital to shareholders. The capital conversion reserve fund of €260,000 (2014: €260,000) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro.

In 2015, an amount of €873,000 (2014: €846,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of €12,000 of deferred tax relating to the Company's share-based payments was credited to retained earnings in 2015 (2014: charge of €110,000) – see Note 13.

15. Dividends paid on ordinary shares

Dividends paid on ordinary shares are disclosed in Note 20 to the consolidated financial statements.

16. Trade and other payables

Current liabilities

	31 December 2015 €'000	31 December 2014 €'000
Trade and other payables		
Trade payables	**2,217**	1,950
PAYE and social welfare	**1,416**	1,227
Value added tax	**705**	401
Betting duty	**3,055**	2,675
Corporation tax payable	**1,554**	-
Amounts owed to fellow Group companies	**248,448**	528,851
Contingent deferred consideration for business combinations	**1,000**	1,700
Accruals and other liabilities	**18,118**	13,388
	276,513	550,192
Derivative financial liabilities		
Foreign exchange forward contracts	**-**	2,636
Sports betting open positions	**2,081**	2,071
	2,081	4,707

Non-current liabilities

	31 December 2015 €'000	31 December 2014 €'000
Trade and other payables		
Accruals and other liabilities	**2,240**	2,314

17. Borrowings

Current liabilities

	31 December 2015 €'000	31 December 2014 €'000
Accrued interest on borrowings	**263**	-

Non-current liabilities

	31 December 2015 €'000	31 December 2014 €'000
Revolving credit facility	**195,000**	-
Less: expenses relating to revolving credit facility	**(1,830)**	-
	193,170	-

See Note 25 to the consolidated financial statements for further information on the terms of the borrowings.

18. Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

	Carrying amount	
	31 December 2015 €'000	31 December 2014 €'000
Derivative financial assets	**2,449**	-
Cash and cash equivalents	**20,708**	107,867
	23,157	107,867

19. Liquidity risk

The following are the contractual maturities of financial liabilities as at 31 December:

				31 December 2015			
	Carrying amount €'000	**Contractual cash flows €'000**	**6 months or less €'000**	**6 to 12 months €'000**	**1 to 2 years €'000**	**2 to 3 years €'000**	**3 years and over €'000**
Non-derivative financial liabilities							
Trade and other payables	**277,753**	**277,753**	**274,951**	**562**	**977**	**867**	**396**
Contingent deferred consideration	**1,000**	**1,000**	**300**	**700**	**-**	**-**	**-**
Borrowings	**195,263**	**206,400**	**1,655**	**1,671**	**3,341**	**3,341**	**196,392**
	474,016	**485,153**	**276,906**	**2,933**	**4,318**	**4,208**	**196,788**
Derivative financial liabilities							
Sports betting open positions	**2,081**	**2,081**	**2,071**	**10**	**-**	**-**	**-**
	476,097	**487,234**	**278,977**	**2,943**	**4,318**	**4,208**	**196,788**

				31 December 2014			
	Carrying amount €'000	Contractual cash flows €'000	6 months or less €'000	6 to 12 months €'000	1 to 2 years €'000	2 to 3 years €'000	3 years and over €'000
Non-derivative financial liabilities							
Trade and other payables	550,806	550,806	548,463	29	923	955	436
Contingent deferred consideration	1,700	1,700	1,700	-	-	-	-
	552,506	552,506	550,163	29	923	955	436
Derivative financial liabilities							
Sports betting open positions	2,071	2,071	1,647	424	-	-	-
Foreign exchange forward contracts							
- Inflows	-	(89,172)	(48,520)	(40,652)	-	-	-
- Outflows	2,636	91,808	50,586	41,222	-	-	-
	557,213	557,213	553,876	1,023	923	955	436

The contingent deferred consideration payable represents management's best estimate of the fair value of the amounts that will be payable, and may vary depending on the future performance of the acquired businesses and the Group as a whole.

20. Currency risk

Currency risk exposure
As of 31 December 2015 and 2014, the Company's foreign currency risk exposure was as follows:

	31 December 2015				31 December 2014			
	GBP €'000	**AUD €'000**	**USD €'000**	**Other €'000**	GBP €'000	AUD €'000	USD €'000	Other €'000
Cash and cash equivalents	**1,067**	**174**	**1,480**	**375**	30,741	144	3,567	413
Trade payables	**750**	**-**	**69**	**-**	160	-	63	-
Gross statement of financial position exposure	**1,817**	**174**	**1,549**	**375**	30,901	144	3,630	413

At 31 December 2015, the Company had hedged GBP74.8m of the expected 2016 GBP Group cash flows at an average EUR-GBP rate of 0.7199 (2014: hedged GBP71.7m of expected 2015 Group cash flows at an average EUR-GBP rate of 0.8041). A derivative financial asset of €2,449,000 (2014: derivative financial liability of €2,636,000) in respect of foreign exchange forward contracts due to mature in 2016 (2014: due to mature in 2015) has been recorded in the Company's statement of financial position (see Notes 11 and 22).

The following are the significant exchange rates that applied during the year:

To 1 Euro:	**Average rate**		**31 December (mid-spot rate)**	
	2015	2014	**2015**	2014
GBP	**0.726**	0.806	**0.734**	0.779
AUD	**1.478**	1.472	**1.490**	1.483
USD	**1.110**	1.329	**1.089**	1.214

Sensitivity analysis
A ten per cent increase and decrease in the value of the euro against the following currencies at 31 December 2015 and 2014 would have increased / (decreased) profit by the amounts below as a consequence of the retranslation of foreign currency denominated financial assets and liabilities at those dates. It is assumed that all other variables, especially interest rates, remain constant in the analysis.

	Profit	
	10% increase €'000	**10% decrease €'000**
31 December 2015		
GBP	**(26)**	**31**
AUD	**(112)**	**137**
USD	**(13)**	**16**
31 December 2014		
GBP	**(2,433)**	**2,974**
AUD	**(279)**	**341**
USD	**(11)**	**14**

21. Interest rate risk

Profile

At 31 December 2015 and 31 December 2014 the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount	
	31 December 2015 €'000	31 December 2014 €'000
Variable rate instruments		
Financial assets – cash	**20,708**	107,867
Borrowings	**(195,000)**	-
	(174,292)	107,867

Cash flow sensitivity analysis for variable rate instruments

An increase and decrease of 50 basis points ('bps') in interest rates at 31 December 2015 and at 31 December 2014 would have (decreased) / increased profit for a full year by the amounts set out in the table below. It is assumed that all other variables, including foreign currency exchange rates, remain constant.

	Profit	
	50 bps increase €'000	**50 bps decrease €'000**
31 December 2015		
Variable rate instruments	**(699)**	**726**
31 December 2014		
Variable rate instruments	370	(370)

22. Fair values

Fair values versus carrying amounts
The following are the fair values and carrying amounts of financial assets and liabilities in the statement of financial position:

	31 December 2015		31 December 2014	
	Carrying amount €'000	Fair value €'000	Carrying amount €'000	Fair value €'000
Carried at fair value				
Assets				
Derivative financial assets – forward contracts	**2,449**	**2,449**	-	-
Liabilities				
Derivative financial liabilities – sports betting open positions	**(2,081)**	**(2,081)**	(2,071)	(2,071)
Derivative financial liabilities – forward contracts	-	-	(2,636)	(2,636)
Non-derivative financial liabilities – contingent deferred consideration	**(1,000)**	**(1,000)**	(1,700)	(1,700)
	(3,081)	**(3,081)**	(6,407)	(6,407)
Net	**(632)**	**(632)**	(6,407)	(6,407)
Carried at amortised cost				
Assets				
Cash and cash equivalents	**20,708**	**20,708**	107,867	107,867
	20,708	**20,708**	107,867	107,867
Liabilities				
Trade and other payables	**(277,753)**	**(277,753)**	(550,806)	(550,806)
Borrowings	**(195,263)**	**(195,263)**	-	-
	(473,016)	**(473,016)**	(550,806)	(550,806)
Net	**(452,308)**	**(452,308)**	(442,939)	(442,939)
Total	**(452,940)**	**(452,940)**	(449,346)	(449,346)

Fair value hierarchy
Financial instruments at 31 December which are carried at fair value are analysed by valuation method below. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2015			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Derivative financial assets	-	**2,449**	-	**2,449**
Derivative financial liabilities	-	-	**(2,081)**	**(2,081)**
Non-derivative financial liabilities	-	-	**(1,000)**	**(1,000)**
	-	-	**(3,081)**	**(3,081)**

22. Fair values (continued)

	31 December 2014			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Derivative financial liabilities	-	(2,636)	(2,071)	(4,707)
Non-derivative financial liabilities	-	-	(1,700)	(1,700)
	-	(2,636)	(3,771)	(6,407)

Basis for determining fair values
The following are the significant methods and assumptions used to estimate the fair values of the financial instruments above:

Financial instruments carried at amortised cost
Financial assets and cash and cash equivalents (Level 2)
The fair values of restricted cash, deposits and cash and cash equivalents are based on the nominal value of the relevant cash and bank deposit balances, as all are held at variable interest rates.

Trade and other payables (Level 2)
The fair value of trade and other payables is estimated using the present value of future cash flows discounted at the market rate of interest at the reporting date. Amounts due within three months are not discounted.

Borrowings (Level 2)
The fair value of borrowings is estimated using the present value of future cash flows discounted at the market rate of interest at the reporting date.

Financial instruments carried at fair value
Derivative financial instruments
Derivative financial instruments comprise foreign exchange forward contracts (Level 2) and sports betting open positions (Level 3).

The fair value of foreign exchange forward contracts is determined using quoted forward foreign currency exchange rates at the balance sheet date.

The fair value of open sports bets at the year end has been calculated using the latest available prices on relevant sporting events. The fair value calculation also includes the impact of any hedging activities in relation to these open positions.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The contingent deferred consideration payable represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential payout scenarios. The significant unobservable inputs are the performance of the acquired businesses.

Sensitivity analysis in respect of Level 3 financial instruments carried at fair value
The following sensitivity analysis has been performed for the Level 3 financial liabilities carried at fair value at 31 December 2015 and 2014:

Sports betting open positions
The fair value of sports betting open positions is primarily based on expectations as to the results of sporting and other events on which bets are placed. Changes in those expectations and ultimately the actual results when the events occur will result in changes in fair value. While it is unlikely that the results of all sporting events would vary against expectation in a similar linear manner, a 10% positive and negative (from the viewpoint of the results of the Company) movement in the overall probability estimate of relevant sporting event outcomes would result in a €156,000 decrease and €142,000 increase, respectively, in the value of open sports bets at 31 December 2015 (2014: decrease of €155,000 and increase of €141,000, respectively).

Contingent deferred consideration
The fair value of contingent deferred consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof. An increase and decrease of 10% in management's expectation as to the amounts that will be paid out would increase and decrease the value of contingent deferred consideration at 31 December 2015 by €100,000 and €100,000, respectively (2014: increase and decrease of €165,000 and €170,000, respectively).

22. Fair values (continued)

Movements in the year in respect of Level 3 financial instruments carried at fair value
The movements in respect of the financial assets and liabilities carried at fair value in the year to 31 December are as follows:

	Sports betting open positions €'000	Contingent deferred consideration €'000	Total €'000
Balance at 1 January 2014	(1,510)	(250)	(1,760)
Arising on acquisition	-	(1,700)	(1,700)
Recognised in the income statement	(128,121)	(80)	(128,201)
Settlements	127,560	330	127,890
Balance at 31 December 2014	(2,071)	(1,700)	(3,771)
Arising on acquisition	**-**	**(1,000)**	**(1,000)**
Recognised in the income statement	**(157,123)**	**350**	**(156,773)**
Settlements	**157,113**	**1,350**	**158,463**
Balance at 31 December 2015	**(2,081)**	**(1,000)**	**(3,081)**

Sports betting open positions
The amounts recognised in the income statement represent the Company's net revenue in respect of sports betting positions and other derivatives that have been included in income in the year. The settlements in the year are the net amounts received and receivable from customers in respect of those sports betting positions. All gains and losses have been recognised in the income statement in 2015 and 2014.

Contingent deferred consideration
The total contingent deferred consideration amount of €1,000,000 (2014: €1,700,000) is due within one year.

23. Pension arrangements

The Company operates defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the Company in independently administered funds.

Pension costs for the year were €508,000 (2014: €529,000) and the amount due to the schemes at 31 December 2015 amounted to €54,000 (2014: €75,000).

24. Commitments and contingencies

(a) Guarantees
The Company has uncommitted working capital overdraft facilities of €7.0m (2014: €9.4m) with Allied Irish Banks p.l.c. These facilities are secured by cross-guarantees within the Group.

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.

As mentioned in Note 25 to the consolidated financial statements, borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

24. Commitments and contingencies (continued)

(b) Capital commitments

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

	31 December 2015 €'000	31 December 2014 €'000
Property, plant and equipment	**230**	113

(c) Operating lease commitments

The Company leases various licensed betting and other offices under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The leases have, on average, approximately eight years left to run (if the Company was to exercise available break options), with a right of renewal after that date. Lease rentals are typically reviewed every five years to reflect market rental rates or changes in general inflation rates.

At 31 December 2015 and 2014, the future minimum rentals payable under non-cancellable operating leases on properties were as follows:

	31 December 2015 €'000	31 December 2014 €'000
Within one year	**10,304**	12,040
Between two and five years	**32,691**	30,770
After five years	**36,935**	36,705
	79,930	79,515

The Group has a small number of shop properties that are sublet. Sublease payments of €152,000 (2014: €123,000) are expected to be received during the year ended 31 December 2016.

During 2015, an amount of €10,521,000 was recognised in profit or loss in respect of operating leases (2014: €10,392,000). Contingent rent expense in profit or loss amounted to a credit of €657,000 (2014: credit of €590,000). Sublease income (netted against operating lease expense on the basis of immateriality) amounted to €133,000 in 2015 (2014: €154,000).

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

25. Explanation of transition to IFRS from old Irish GAAP

As stated in Note 1, these are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies are set out in Note 1 and have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening IFRS balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (Irish GAAP). An explanation of how the transition from Irish GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following table.

	1 January 2014			31 December 2014		
	Irish GAAP €'000	**Effect of transition to IFRS €'000**	**IFRS €'000**	Irish GAAP €'000	Effect of transition to IFRS €'000	IFRS €'000
Assets						
Property, plant and equipment	**34,822**	**-**	**34,822**	37,335	-	37,335
Intangible assets	**86**	**-**	**86**	60	-	60
Goodwill	**7,786**	**-**	**7,786**	12,710	708	13,418
Financial assets	**54,412**	**-**	**54,412**	64,890	-	64,890
Deferred tax assets	**542**	**-**	**542**	879	-	879
Non-current assets	**97,648**	**-**	**97,648**	115,874	708	116,582
Trade and other receivables	**612,286**	**-**	**612,286**	732,992	-	732,992
Cash and cash equivalents	**68,758**	**-**	**68,758**	107,867	-	107,867
Total current assets	**681,044**	**-**	**681,044**	840,859	-	840,859
Total assets	**778,692**	**-**	**778,692**	956,733	708	957,441
Equity						
Issued share capital	**5,098**	**-**	**5,098**	5,110	-	5,110
Share premium	**41,646**	**-**	**41,646**	44,969	-	44,969
Capital redemption reserve fund	**876**	**-**	**876**	876	-	876
Capital conversion reserve fund	**260**	**-**	**260**	260	-	260
Treasury shares	**(5,975)**	**-**	**(5,975)**	(5,975)	-	(5,975)
Shares held by long term incentive plan trust	**(71,736)**	**-**	**(71,736)**	(61,454)	-	(61,454)
Share-based payment reserve	**31,113**	**-**	**31,113**	35,950	-	35,950
Retained earnings	**338,313**	**-**	**338,313**	379,784	708	380,492
Shareholders' funds – all equity interests	**339,595**	**-**	**339,595**	399,520	708	400,228
Trade and other payables	**435,152**	**-**	**435,152**	550,192	-	550,192
Derivative financial liabilities	**2,977**	**-**	**2,977**	4,707	-	4,707
Total current liabilities	**438,129**	**-**	**438,129**	554,899	-	554,899
Trade and other payables	**968**	**-**	**968**	2,314	-	2,314
Total non-current liabilities	**968**	**-**	**968**	2,314	-	2,314
Total liabilities	**439,097**	**-**	**439,097**	557,213	-	557,213
Total equity and liabilities	**778,692**	**-**	**778,692**	956,733	708	957,441

An adjustment of €708,000 relating to the amortisation of goodwill was required in the transition from Irish GAAP to IFRS as, under Irish GAAP, goodwill was amortised over its expected useful life whereas under IFRS goodwill is not amortised but is instead tested for impairment annually.

26. Approval of financial statements

The financial statements of the Company for the year ended 31 December 2015 were approved for issue by the Board of Directors on 7 March 2016.

Five Year Financial Summary

Financial information for the Group reported under IFRS for the five years ended 31 December 2015 is set out below.

	2015 €'000	2014 €'000	2013 €'000	2012 €'000	2011 €'000
Sportsbook amounts staked	**8,645,522**	7,003,252	6,013,923	5,555,082	4,425,375
Income	**1,093,950**	881,640	745,195	653,750	499,330
Operating profit (before exceptional items)	**180,422**	163,806	137,386	136,000	119,546
Profit before tax	**169,497**	166,565	141,030	139,155	143,379
Profit for the year – attributable to equity holders of the Company	**147,293**	144,909	123,184	120,999	121,488
Net cash inflow from operating activities	**267,898**	215,093	182,886	212,902	161,278
Total equity – attributable to equity holders of the Company	**69,288**	386,981	311,002	277,656	230,386

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