Annual Report 2002

opportunities with a difference . . .

Paddy Power plc

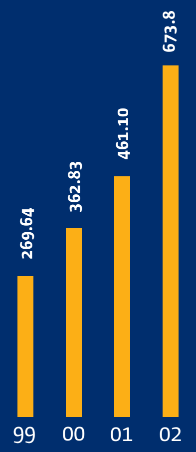
Contents

A memorable season of ups and downs was enjoyed by all in 2002, particularly the Paddy Power punters who had the opportunity to avail of many betting opportunities with a difference.

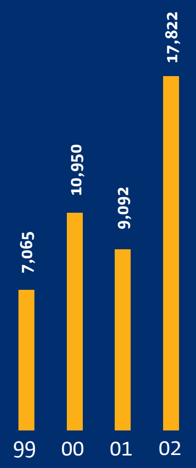
2002 Vital Statistics

	Year ended 31 December 2002 €'000	*Year ended 31 December 2001 €'000 (Restated)*
Turnover		
Licensed betting offices	448,096	370,698
Telephone betting	122,892	55,544
On-line betting	102,800	34,833
Total Group turnover	673,788	461,075
Group profit before taxation	17,822	9,092
Profit after taxation	14,793	7,555
Profits retained for the year	9,984	5,151
Earnings per Share		
Basic earnings per share	€0.3138	€0.1603
Diluted earnings per share	€0.2900	€0.1482
Dividends per Share		
Interim paid	€0.0340	€0.0170
Final proposed	€0.0680	€0.0340
Total	€0.1020	€0.0510

Total Group Turnover
(in €m)



Group Profit
(in €m)



Earnings per Share
(in €)

7/2 cup size D?

We offered betting on over 500 different novelty markets in 2002. We had betting on a diverse range of topical events from who fathered Laura's child in the Eastenders whodunnit (Garry was a 5/2 favourite), to the cup size of The Sun newspaper page 3 girl of the year. The lovely Nicola (pictured here) won this particular accolade and her cup size 'D' was returned at a price of 7/2!

Directors and Other Information

Directors

Stewart Kenny *Chairman*
John O'Reilly *Chief Executive*
Ross Ivers *Deputy Chief Executive & Group Finance Director*
Ian Armitage *Non-executive Director*
John Corcoran *Non-executive Director*
Fintan Drury *Non-executive Director*
Edward McDaid *Non-executive Director*
David Power *Non-executive Director*
Stephen Thomas *Non-executive Director*

Company Secretary and Registered Office

Charles Kelly
Airton House
Airton Road
Tallaght
Dublin 24

Stockbrokers

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4

Legal Advisers

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

Kennedy McGonagle Ballagh
20 Northumberland Road
Ballsbridge
Dublin 4

Auditors

KPMG
1 Stokes Place
St Stephen's Green
Dublin 2

Principal Bankers

AIB Bank plc
100-101 Grafton Street
Dublin 2

Registrars

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

Registered Number

16956

Chairman's Statement

To all Our Shareholders

I am delighted to report record turnover, operating profit and earnings per share for Paddy Power plc in 2002. Turnover grew by 46% to €673.8m from €461.1m in 2001 while operating profits increased by 101% to €17.1m. This reflected the strong underlying growth throughout the year in our betting shops together with the impact of cancelled sporting events in the first half of 2001 due to the foot and mouth crisis. Our On-line division continues to progress rapidly with significant improvement in turnover and gross win percentage. We are also delighted with the success of our UK phone business which generated over 16,000 new customers as it commenced its expansion into the UK in 2002. These results are discussed in detail later in this report.

Throughout the year, Paddy Power's commitment to customer service remains constant as we seek to offer innovative, entertaining and value betting opportunities that enhance the enjoyment of sporting and cultural events. This was clearly demonstrated during the World Cup in 2002 where our money-back specials led the market. As Ireland's leading betting brand, we will continue to focus on customer service and being different as the drivers of future growth.

The impetus for legislative change in the United Kingdom has increased with further deregulation being proposed. Paddy Power fully supports the deregulation of the betting office market in the UK as the current regime clearly inhibits competition and restricts customer choice. The Irish market has demonstrated that open licensing leads to a competitive market where the customer is the winner. In addition, the ability to bet on the National Lottery contributes to its popularity and has helped support National Lottery sales in Ireland while they have been in decline in the UK.

2002 saw significant changes for our customers and the Company. The introduction of the euro in January 2002 was smoothly implemented to the benefit of both the customer and Paddy Power while the tax changes in the United Kingdom at the end of 2001 gave rise to tax-free telephone betting service in Ireland in 2002. Irish punters and Paddy Power also welcomed the reduction in Irish betting taxes and charges paid by the customer from 5% to 3% (2% betting tax and 1% British Horse Racing Board bookmaker levy). The reduction in betting taxes from 5% to 2% introduced by the Minister for Finance from 1 May 2002 is not only popular with the customer but helps safeguard the employment levels within the industry. Lastly, the 5-year deal for British horse racing data and picture rights was finally agreed and implemented in May 2002. Unfortunately, given the very high cost of this deal we have had no choice but to pass most of this on to our customers via the 1% levy with Paddy Power paying a proportion of the overall cost.

I would like to acknowledge the important contribution of Mr John Corcoran who acted as Chairman from 3 August 1988 until 20 June 2002 when I took over the position. John has contributed immensely to the growth of the business. His long term vision and enthusiasm have energised and hugely encouraged management during the fourteen years that he served as Chairman and I am delighted that he has agreed to stay on the Board as a non-executive Director.

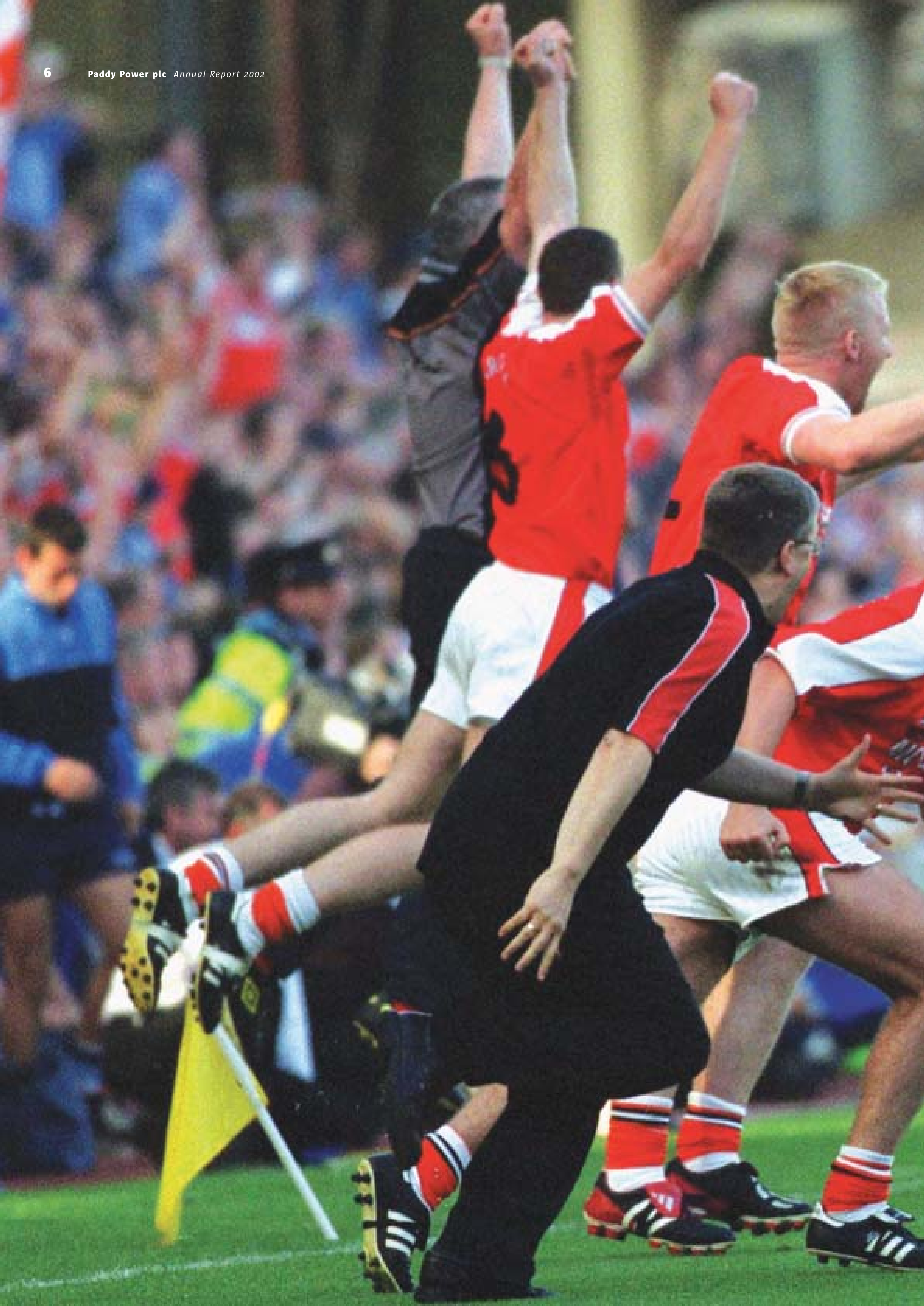
Two non-executive Directors, Mr Peter O'Grady Walshe and Mr Michael Quinn, left the Board during the course of the year and the Board wishes to acknowledge their efforts during their tenure.

I would like to take this opportunity to welcome Mr Stephen Thomas and Mr Fintan Drury who joined the Board. In their short time with us they have already made a significant contribution to the Board and I have no doubt that they will continue to be tremendous assets to the Company.

The Board is recommending a final dividend of 6.8 cent per share payable on 6 June 2003 to shareholders on the register at the close of business on 7 March 2003. This is a 100% increase on 2001 and brings the total 2002 dividend to 10.2 cent per share.

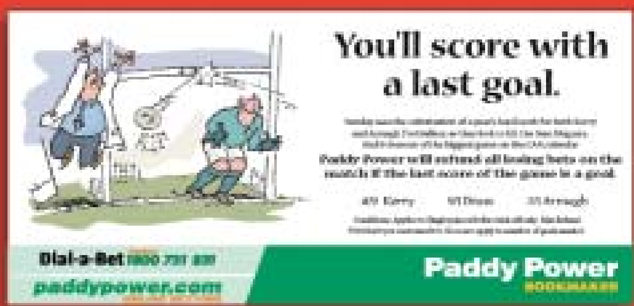
We remain positive about the prospects for Paddy Power as we continue to further expand our Irish operations while significantly increasing our operations in the United Kingdom.

Stewart Kenny
Chairman
25 February 2003



You'll score with a last goal in the All Ireland Football Final

A memorable season of upsets was enjoyed by all in 2002, particularly the Paddy Power punters who latched on to 14/1 shots Armagh winning their first ever Sam Maguire. No surprise to see the Cats of Kilkenny lift yet another Liam McCarthy, they started the season as 9/4 favourites and retained the favourites tag right through. One of the most memorable moments of the season was the supreme effort of 7/2 outsiders Waterford in defeating the Premier County to lift their first Munster title in more than 50 years. And of course, let's not mention Paidi O'Shea!



Operating Review

Paddy Power plc remains a small stake fixed odds bookmaker. Distribution is through our 129 Irish betting offices, three United Kingdom betting offices, our telephone betting service and our internet and interactive television services.

Betting Offices

The Group operates 132 betting offices throughout Ireland and the UK. (2001: 126). Five new offices were opened in Ireland in 2002 (2001: 7) with 2 relocations (2001: 2) and 1 extension (2001: nil). The Group continues to operate four racecourse outlets as well as a shop in Lansdowne Road, home of the Irish Rugby Football Union and home ground of the Football Association of Ireland. In addition to the opening, relocation and extensions of outlets the Group has also increased its level of maintenance across the estate in 2002. It is intended that every office that is not scheduled to be relocated or extended will undergo a degree of refurbishment by the end of 2004. In addition, the pipeline of new units, relocations, and extensions is at record levels.

In the UK the Group opened one new office (2001: 1). While only in operation three weeks by the year-end, it is already trading strongly. We have also been awarded licences for three further shops which are in various stages of fit out and will open in the first half of 2003. A further six licence applications have been made and will be heard in April and May 2003. The Group is actively developing a strong pipeline of properties for which licence applications will be made in 2003 and beyond. The Group will establish a UK based operational infrastructure in 2003 to support growth in 2003 and beyond.

At the year-end, the Group has no surplus property leases.

The Group has yet to install an EPOS system. Notwithstanding the administrative benefits of an EPOS system, one will only be installed when we are satisfied that it will not impact the flexibility of our trading ethos but add value to the customer.

We continue to improve our in shop broadcasting systems during 2002 so that Paddy Power now offers increased levels of live sports coverage throughout the estate.

Average stake per slip for the year was €15.29 (2001: €13.70) an increase of 12%.

Telephone Betting

The telephone betting service, which operates under the name Paddy Power Dial-a-Bet, has seen significant expansion in 2002. This has been driven by the expansion into the UK, marketed through both national print advertising and the use of teletext services. The profile of this new UK customer base clearly shows the appeal of the service and Paddy Power brand outside of an Irish customer base in the UK. The switch to tax-free betting in October 2001 has also driven significant growth in our Irish turnover.

We have continued to drive new product through the phone service offering increased levels of “betting in running” in 2002. Dial-a-Bet now offers separate racing and sports pages on teletext and is testing a “live shows” and results service. In addition, in response to customer demand, opening hours have also been extended to 10pm daily to provide facilities to bet on US sports and racing. We also regularly introduce extended hours to cater for key events. In 2002 this included the Breeders Cup where opening hours were extended to 11pm and the FIFA World Cup finals where operations commenced from 6am.

We have continued to see strong growth in the numbers of active and registered customers in 2002 in both markets.

	Registered		Active^	
	2002	2001	**2002**	2001
UK	**17,460**	1,043	**5,974**	1,043
Ireland	**28,530**	24,539	**8,600**	8,184
Total	**45,990**	25,582	**14,574**	9,227

^active customers are those that have placed a bet at least once in the last 3 months

Average stake per call was €92.89 (2001: €87.64) an increase of 6%.

In December 2002, Dial-a-Bet switched its telephone betting systems to the same software platform as the internet systems. Following a commissioning period this will allow the Group to make significant improvements to both customer service and to internal operations though the provision of a single customer account for both the On-line and Telephone channels. In addition, new call forecasting systems were also installed in late 2002 the benefits of which will be seen in 2003.

On-line

The On-line division contains both the Internet and Interactive TV channels.

This division has seen excellent growth in customer numbers and activity in 2002.

	Registered		Active^	
	2002	2001	**2002**	2001
UK	**72,838**	15,302	**19,159**	7,077
Ireland/other	**48,489**	27,129	**10,501**	7,681
Total	**121,327**	42,431	**29,660**	14,758

^active customers are those that have placed a bet at least once in the last 3 months

Average stake per bet was €26.63 (2001: €28.20) a decrease of 6%. The On-line channel is our largest distribution channel in the UK and continues to spearhead awareness of the Paddy Power brand in the UK. As with the Dial-a-Bet business the customer profile indicates a broad acceptance of the brand well beyond those with an Irish connection. Our unusual brand approach continues to win customers and awards with our unique view on Iain Duncan Smith's job prospects for 2003 judged one of the top 10 press advertisements in the UK in 2002.

The FIFA World Cup finals generated significant new registrations particularly through our award-winning free fantasy soccer game. The site has also continued to receive accolades for both content and usability, winning awards from both The Sunday Times and Web User magazine in 2002.

Growth in the product range continues to be a key element of this channel given the inherent diversity of its target market. The nature of the channel makes it easier to promote a wide variety of betting opportunities and the paddypower.com product offering remains first class. For example, paddypower.com now offers markets on 50 football leagues from around the world and in excess of 25 sub-markets on televised football games.

An average active customer bets 13 times a month (2001: 9).

Within this channel, interactive TV performance has disappointed as market penetration by the operators, together with systems usability issues, failed to meet expectations. We continue to review the potential of this channel.

As noted earlier, with Dial-a-Bet now being on the same software platform, it offers a number of opportunities for improved customer service and operational efficiency in 2003.

John O'Reilly
Chief Executive
25 February 2003


RYDER CUP
1927 2001
THE BELFRY
EUROPEAN
TEAM
THE BELFRY

Irishman sinks winning Ryder Cup putt

A fantastic year for Ireland. Not only did we have 33/1 shot Paul McGinley hole the winning putt in the Ryder Cup, we also had a coming of age from our No. 1 Padraig Harrington. Paddy Power punters also had a bumper year which began with our offer to refund all losing bets on the Tour Players Championship at Sawgrass in March if there was a hole in one at the 17th during the tournament. As if to slap our hands Miguel Angel Jiminez duly obliged on the opening day!

Financial Review

Turnover

Turnover for the year ended 31 December 2002 was €673.8m (2001: €461.1m) an increase of 46% driven by excellent growth across all channels.

Betting office turnover grew by a total of 21% with like for like growth of 15.4% for the year as a whole. Cancellation of events in the early part of 2001 due to the foot and mouth crisis clearly impacted the like for like growth rates of 22.5% in the first half of the year making direct comparisons difficult. However, the Group continued to see like for like growth of 9% for the second half of the year.

Incremental growth was generated through the six new betting offices, two relocations, and one extension undertaken during the year together with the carry forward impact of new units opened part way through 2001.

Telephone betting saw extremely strong growth in the year with total turnover of €122.9m (2001: €55.5m) an increase of 121.3%. This growth has been fuelled by the decision to offer tax-free betting to our Irish phone business following changes to the UK betting tax regime in 2001. In addition, the penetration of the UK market which commenced in late 2001 was expanded in 2002 as the Group undertook a year long advertising campaign as well as making its prices available on teletext in the UK. Turnover from the UK contributed 31% of turnover for the Telephone channel during the year and is continuing to grow each month as a percentage of total business.

The On-line division grew by 195.1% with turnover for the year reaching €102.8m (2001: €34.8m). This business is now significantly larger in the UK than in Ireland with 58% of its turnover coming from the UK. It is the Group's largest single source of UK revenue.

Average slip values by channel

	2002	2001	Change
	€	€	%
Betting Offices	**15.29**	13.70	12
Telephones	**92.89**	87.64	6
On-line	**26.63**	28.20	(6)

Total slip volumes by channel (000's)

	2002	2001	Change
	'000	'000	%
Betting Offices	**29,313**	27,064	8
Telephones	**1,323**	634	109
On-line	**3,861**	1,238	212%

Gross Margin

Gross Margin, measured as the amount staked (excluding betting tax) less winnings returned to customers, increased by 36.5% to €77.0m (2001: €56.4m). The gross margin percentage fluctuated throughout the year within its normal ranges. However, margins for the year overall were near the mid-point of their normal trading ranges for each channel.

Total gross margin for the Group was 11.43% (2001: 12.24%) reflecting a change in mix by channel as well as changes within each channel. The betting offices saw a slight decrease in gross margin percentage averaging 13.14% (2001: 13.36%). The telephone gross margin percentage 7.93% (2001: 8.42%) also saw a decrease. However, a significant element of this was due to the lower margin obtained on the UK telephone business as it seeks to reach critical mass. The On-line division at 8.18 % (2001: 6.42%) improved its gross margin percentage as it made further inroads into the mass market.

Gross Margin %	Year to 31/12/02 %	Year to 31/12/01 %
Betting offices	**13.14**	13.36
Telephone	**7.93**	8.42
On-line	**8.18**	6.42

Betting Taxes and Levies

2002 saw a number of changes to the betting tax regime. In Ireland, betting tax was reduced from 5% to 2% effective from 1 May 2002. In the UK the 15% gross profits betting tax which was introduced in October 2001 was in force for the full year. In addition, the British Horse Racing Boards (BHB) new data rights charge was implemented from 1 May 2002 under which 10% of gross profits on British horse racing must be paid to the BHB. This has been recharged to the customer via the 1% betting levy in the Irish betting offices and is likely to result in a small cost to the Group.

Operating Profit

Operating profit increased by 101 % to €17.1m from €8.5m in 2001 reflecting the strong turnover growth together with an overall increase in the Group's absolute gross margin.

	Year ended 31/12/2002 €m	Year ended 31/12/2001 €m
Betting Offices	**19.2**	16.6
Telephones	**0.3**	1.0
On-line	**(2.4)**	(9.1)
Total	**17.1**	8.5

Operating profit leverage on the higher gross margin differed for each channel due to their different fixed and variable cost structures. The betting offices grew gross margin by €9.3m (19%) to €58.9m notwithstanding a decrease in their gross margin percentage. Given the largely fixed operating cost base and the level of new shop openings, profit grew by €2.5m (15.1%) to €19.2m. Telephone gross margin increased by €5.1m (108%) to €9.7m. However operating profit fell by €0.7m to €0.3m due to start-up costs associated with the UK operation, the lower gross margin achieved on the new UK accounts and the new gross profits taxes and BHB costs. The On-line division increased its gross margin by €6.2m (276%) to €8.4m. Given its relatively low fixed cost base and the level of discretionary marketing expenditure, operating performance improved by €6.7m in the period.

Tax Rate

The corporation tax charge for the year was €3.0m (2001: €1.5m restated) representing an effective tax rate of 17% (2001: 17% restated).

During the year, the Group adopted FRS-19 "Deferred tax" and thereby changed its accounting policy for deferred tax to a full provision basis. This had no effect on the current year tax charge. The effect on the prior year tax charge was a decrease of €226k. The effect on net assets, by way of a prior year adjustment, was a reduction at 31 December 2001 and 2000 of €571k and €797k respectively.

Cash Flow and Liquid Resources

Net cash flow from operating activities was €30.4m (2001: €11.5m). This includes net cash inflow on customer account balances which totalled €0.8m (2001: €2.6m). Fixed asset investments were €8.1m (2001: €6.4m) including freehold premises and lease acquisition costs of €3.7m together with fit out costs for the betting office estate and additional computer hardware and software for the Telephone and On-line divisions.

Cash balances at 31 December 2002 totalled €36.4m (2001:€18.3m). Customer balances amounted to €3.4m (2001: €2.6m). Cash balances are substantially invested in short-term bank deposits, all of which is available on demand.

The Group has no borrowings other than finance leases.

Employees

The average number of persons employed by the Group during 2002 was 856 (2001: 757). At the year-end, the total number of employees was 904 (2001: 799).

Share Price

The Group's shares traded in the range of €4.05 to €6.0 (Stg£2.57 to Stg£3.78) with the year high reached on 23 May 2002. The share price at 31 December 2002 was €5.08/Stg£3.23 (2001: €4.00/stg£2.55) giving a market capitalisation of €240m /Stg£152m (2001: €189m/stg£120m). The year-end free float (shares not held by the Board or their connected parties) is 68% (2001: 42%).

Risk Management

The Group manages its betting risk through a central risk management team whose role is to compile the initial odds and subsequently manage the odds throughout the life of an event. The Group does not offer credit betting.

The Group's functional currency is the euro. Foreign exchange risk is small as the majority of foreign currency transactions revenues and expenses provide a natural hedge. The Group does not use any derivative financial instruments.

Dividend

The 2002 interim and proposed final dividend total €4.8m an increase of 100% on 2001 (€2.4m). This reflects the Board's continuing optimism for the business while being mindful of the Group's expansion plans.

Outlook

The outlook remains positive. Trading since the year-end has been strong with margins well within normal trading ranges.

The Irish betting office market remains our core business and we are confident it will continue to grow through a programme of new shop openings, relocations and extensions together with underlying organic growth. The UK LBO estate, while still in its infancy, will grow in 2003 and beyond to become a significant part of Group operations.

Further growth in our Telephone business is expected in both Ireland and the UK and we continue to expect our On-line business to break even for 2003.

As awareness of the Paddy Power brand continues to grow within the UK we expect our UK distribution channels to become an increasingly important part of the Group.

We will continue to review new product opportunities in the betting industry as appropriate.

Ross Ivers
Finance Director
25 February 2003

Board of Directors

Executive Directors

Stewart Kenny (aged 51) is the Chairman and was a co-founder of Paddy Power in 1988. He has considerable experience in the betting industry, training with Ladbrokes in London for two years before establishing a chain of LBOs, Kenny O'Reilly Bookmakers. He sold that business to Coral in 1986 and subsequently re-entered the business, opening ten LBOs between 1986 and 1988.

John O'Reilly (aged 52) is the Chief Executive. He joined the Group in 1988 as Financial Controller and Company Secretary, positions he held until March 2000. Over this period of time, he has built up considerable industry and Company-specific knowledge. He is responsible for expanding the Group's On-line business and was appointed a Director in March 2000. He is a Fellow of the Institute of Chartered Accountants in Ireland.

Ross Ivers (aged 40) is the Finance Director and Deputy Chief Executive. He joined the Group in July 2001. He has considerable international business and listed company experience gained from his previous roles with PricewaterhouseCoopers, Jardine Matheson plc and Astec (BSR) plc in Dublin, Hong Kong and internationally. He is a Fellow of the Institute of Chartered Accountants in Ireland.

Non-executive Directors

Ian Armitage (aged 47) was appointed a non-executive director in June 2000. He is Managing Director of Hg Capital and oversaw their investment in Paddy Power in May 2000. He has extensive experience in venture capital and private equity in the UK and Ireland.

John Corcoran (aged 73) is a non-executive director. He was one of the co-founders of Paddy Power and previously controlled the P Corcoran Bookmaker chain of LBOs, which merged to form Paddy Power in 1988. He is the founder and former Chief Executive of Green Property plc, a property investment company whose shares were listed on the Irish and London Stock Exchanges.

Fintan Drury (aged 43) was appointed a non-executive director in August 2002. He is Chairman of sports management company DSMI and a director of a number of other private companies. He is a non-executive director of Anglo Irish Bank plc. A former news journalist with RTE, Mr Drury founded Drury Communications, a leading corporate communications consultancy, in 1988. He retired from this business in 1999 when he sold his controlling interest in the company.

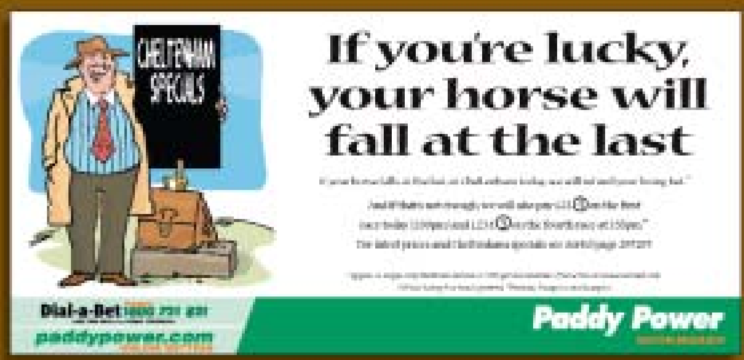
Edward McDaid (aged 53) was appointed a non-executive director in 1993. He is a former executive director of ICC Venture Capital Limited where he managed the equity investment of ICC Venture Capital in Paddy Power. He is Managing Director of McDaid & Sons Limited (a soft drinks bottler).

David Power (aged 56) co-founded Paddy Power in 1988 and has been a non-executive director since that date. He merged a significant proportion of the betting shops controlled by him and trading as Richard Power Bookmakers with Paddy Power in 1988. He is an on-course bookmaker.

Stephen Thomas (aged 49) was appointed a non-executive director in August 2002. He has extensive experience of the UK leisure sector and is Chief Executive Officer of Luminar plc. He co-founded Luminar in 1997, which today is the largest independent operator of late night entertainment venues in the UK comprising over 280 UK based businesses including national brands such as; Chicago Rock Café, Jumpin Jaks, Liquid, The Orange House, and The Jam House. Prior to this he held senior positions with a number of UK based leisure companies including Whitbread & Co plc, Grosvenor Leisure Limited and Rank Leisure Services.

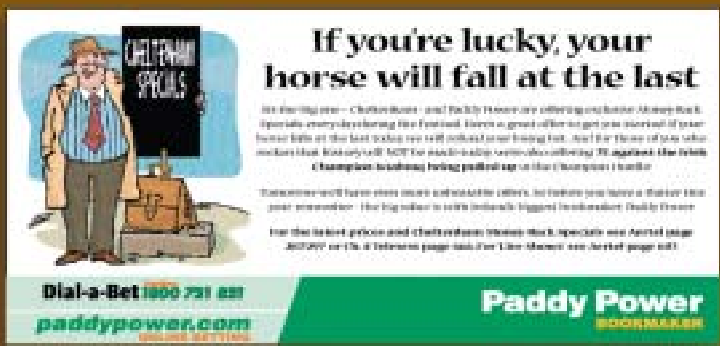
Istabraq is pulled up in the Champion Hurdle

What a year for Paddy Power punters, with an average of six racing specials every day. One that definitely caught the eye was the 7/1 we offered about Istabraq being pulled up in the Champion Hurdle at Cheltenham. This was mentioned by John McCririck on Channel 4 Racing just before the off of the race, and lots of pessimistic punters latched on to what turned out to be cracking value!



Istabraq is pulled up in the Champion Hurdle

What a year for Paddy Power punters, with an average of six racing specials every day. One that definitely caught the eye was the 7/1 we offered about Istabraq being pulled up in the Champion Hurdle at Cheltenham. This was mentioned by John McCririck on Channel 4 Racing just before the off of the race, and lots of pessimistic punters latched on to what turned out to be cracking value!



Directors' Report

The Directors submit their report together with the financial statements for the year ended 31 December 2002.

Principal Activities

The Group provides sports betting services through a chain of licensed betting offices ('Paddy Power Bookmaker') together with telephone betting ('Dial-a-Bet') and On-line interactive betting services ('paddypower.com'). It provides its service in Ireland (c. 85% of turnover) and the United Kingdom.

Results

Group profit after taxation at €14.8 million for 2002 increased by 96% over 2001. Basic earnings per share amounted to €0.3138 compared with €0.1603 in the previous year, an increase of 96%. The financial results for the year are set out in the Profit and Loss Account on page 30.

The retained profit for the year amounted to €10 million (2000: €5.1 million). Shareholders funds at 31 December 2002 amounted to €40.1 million (2001: €30.2)

Dividends

An interim dividend amounting to 3.4 cent per share was paid during 2002. The Directors recommend that a final dividend of 6.8 cent per share, amounting to €3.2 million be paid on 6 June 2003 to shareholders registered at close of business on 7 March 2003. This would make a total distribution of profit to shareholders of €4.8 million in respect of the year ended 31 December 2002 (2001: €2.4 million). No further dividends or transfers to reserves were recommended by the Directors.

Business Review and Outlook

A detailed commentary is contained in the Operating and Financial Reviews on pages 8 to 14.

Research and Development

The Group carries out ongoing market research into the betting market in Ireland and abroad.

Events Since the Year End and Future Developments

There have been no significant events affecting the Group since the year end and the Directors do not anticipate any substantial changes to the nature of the business.

Substantial Holdings

Details of interests of over 3% in the ordinary share capital which have been notified to the Company are set out below:

Name	Holding at 31 December 2002	%
SKC Nominees	**1,479,284**	3.14
Merrill Lynch	**3,947,601**	8.37
Fidelity Investments Ltd	**4,241,940**	9.00
Bank of Ireland	**12,016,386**	25.00

Board of Directors

Messrs Peter O'Grady Walshe and Michael Quinn retired from the Board on 29 August 2002. Mr Fintan Drury and Mr Stephen Thomas were appointed to the board on 29 August 2002 and are proposed for re-appointment at the Annual General Meeting to be held on 3 June 2003. None of the existing Directors retire by rotation in 2003.

Directors' Remuneration

Details of Directors' remuneration are given in Note 5 to the financial statements on page 37.

Directors' and Secretary's Interests

The interests of the Directors and Secretary who held office at 31 December 2002 in the share capital of Paddy Power plc, all of which were beneficial, were as follows:

Number of ordinary shares of €0.10 each	31 December 2002	31 December 2001 (or date of appointment if later)
John Corcoran	**5,090,176**	6,877,347
Stewart Kenny	**1,859,832**	3,479,832
John O'Reilly	**613,888**	613,889
Ross Ivers	**1,007**	-
Edward McDaid	**34,613**	74,613
David Power	**4,898,788**	4,898,788
Ian Armitage[1]	**32,502**	32,502
Fintan Drury	**11,500**	-
Stephen Thomas	**-**	-
Charles Kelly (Secretary)	**20,000**	30,000

1 *In addition, Rowan Nominees Limited holds 3,098,105 shares for funds managed by Mercury Private Equity, of which Ian Armitage is Managing Director. Mercury Private Equity was, until December 2000, a division of Merrill Lynch Investment Managers Limited and is now the trading name of MPE Investment Managers Limited.*

There have been no changes in the above shareholdings between 31 December 2002 and the date the Directors approved these financial statements.

The following share options have been granted to executive Directors:

	No. of options at beginning and end of year	Exercise price per share	Exercise period
Stewart Kenny	720,000	€1.16	1 May 2003 - 1 May 2006
Ross Ivers	322,466	€3.59	1 August 2004 - 1 August 2007
John O'Reilly	900,000	€1.16	1 May 2003 - 1 May 2006

The share price during the year ended 31 December 2002 ranged from €4.05 to €6.00 and was €5.08 at year end. Transactions with Directors and parties related to them have been disclosed in Note 23 to the financial statements. The Directors and Secretary have no interests in shares in any other Group companies.

Safety, Health and Welfare at Work Act, 1989

Paddy Power plc pursues an active policy of providing safe systems and places of work for its employees and visitors to its premises. The above Act imposes certain obligations on employers and appropriate measures have been taken to ensure that health and safety standards are complied with at all relevant locations and that all relevant Group companies meet the requirements of the Act. Safety statements have been circulated to all of the Group's premises.

Books of Account

The measures which the Directors have taken to ensure that proper books of account are kept are; the adoption of suitable policies for recording transactions, assets and liabilities and the appropriate use of computers and documentary systems. The Company and Group books of accounts are kept at Airton House, Airton Road, Dublin 24.

Auditors

The former Auditors, Arthur Andersen, have retired. The Directors have appointed KPMG in accordance with Section 160 (7) of the Companies 1963, and KPMG have indicated their willingness to continue in office in accordance with Section 160 (2) of that Act.

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

Stewart Kenny

Ross Ivers
25 February 2003

Corporate Governance

The Directors are committed to maintaining high standards of corporate governance as set out in 'The Combined Code: Principles of Good Governance and Code of Best Practice' (the 'Combined Code'). The principles of good governance adopted by the Company have been applied as follows:

Board

The Board comprises three executive and six non-executive Directors. Directors are selected through a formal process overseen by the Nominations Committee, and Directors' appointments are approved by the Board and the shareholders. On appointment, each director received training, as appropriate, from the Group's advisors. Directors are initially appointed for a three year term and may be re-appointed for a further three year term. All Directors must re-submit themselves for re-election every three years.

The agreed list of matters which the Board has formally reserved to itself for decision include overall Group strategy, acquisition policy, approval of major capital expenditure projects and associated matters such as Group funding and treasury policy. It also reviews the strategic direction of the Group's operations and monitors Group performance against agreed objectives. The Board agrees a schedule of regular meetings to be held in each calendar year and also meets on other occasions as necessary. The Board meets at least nine times annually. Full Board papers are sent to each Director in sufficient time before Board meetings, and any further supporting papers and information are readily available to all Directors on request. There is an agreed procedure for Directors to take independent professional advice, at the Group's expense. The Board has a process whereby each year every Director meets the Chairman to review the conduct of Board meetings and the general corporate governance of the Group.

The roles of the Chairman and Chief Executive are separate with defined roles attached to each. The non-executive Directors are independent of management and have no material interests, save as disclosed in the Directors' Report and Note 23 to the financial statements, or other relationship with the Group. All of the Directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards.

The Board is assisted in the discharge of its duties by Board committees, whose purpose is to consider in greater depth than is practicable at Board meetings, matters for which the full Board retains full responsibility.

Audit Committee

The audit committee, which comprised Edward McDaid (Chairman), David Power and Ian Armitage, at year end, is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, and for overseeing the operation of internal financial controls appropriate to the size and operations of the Group. Michael Quinn retired from the committee in August 2002. The audit committee reviews reports from management regarding the financial statements and internal control systems of the Group and considers draft interim and annual accounts. The audit committee has unrestricted access to the Group's external auditors.

Remuneration Committee

The remuneration committee, which at year end comprises Fintan Drury (Chairman), Ian Armitage and Steve Thomas, is primarily responsible for making recommendations to the Board on remuneration policy for the Group's executive directors and selected senior management. The report of the remuneration committee is set out on page 23. John Corcoran retired from this committee during the year.

Nominations Committee

The nominations committee, which comprises John Corcoran (Chairman), Ian Armitage and Stewart Kenny is primarily responsible for making recommendations of candidates to the Board for appointment as Directors and ensuring a formal and transparent procedure regarding any such appointments.

Relations with Shareholders

The Group is committed to ongoing communication with its shareholders. At the annual general meeting individual shareholders are afforded the opportunity to question the Board.

Internal Control

The Combined Code contained in the listing rules of the Irish Stock Exchange and the UK Listing Authority states that:

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

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 wider responsibility to maintain, review and report on all internal controls, including financial, operational and compliance risk management.

Among the processes applied in reviewing the effectiveness of the system of internal controls are the following:

- Budgets are prepared for approval by executive management and inclusion in a Group budget approved by the Board.
- Expenditure and income are regularly compared to previously approved budgets.
- The Board establishes treasury risk policies as appropriate, for implementation by executive management.
- 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.
- A Security department, independent of operations, monitor the activities of the betting operations, including the verification of winning bets.

A review of the effectiveness of the system of internal control was carried out during the year to 31 December 2002. The Directors considered that the procedure necessary to implement the Turnbull guidelines on the Combined Code have been properly established.

Compliance

The Directors confirm that the Company has complied throughout the accounting period with the provisions of Combined Code, except that a senior non-executive director has not been appointed. This matter is under consideration by the Board.

Remuneration Committee Report

This report on directors' remuneration and interests has been prepared by the remuneration committee on behalf of the Board of Directors in accordance with the requirements of the Irish Stock Exchange's Combined Code on Corporate Governance.

Remuneration Committee

This committee is responsible for the formulation on the Group's policy on remuneration in relation to all executive directors and other senior executives. The remuneration of the executive directors is determined by the Board of Directors on the recommendations of the remuneration committee. The recommendations of the remuneration committee are considered and approved by the Board.

Remuneration Policy

The remuneration policy adopted by the Group is to reward its executive directors in a manner that ensures that they are properly rewarded and motivated to perform in the best interests of the shareholders. The policy is based heavily on rewarding performance. The Group Chief Executive is fully consulted about remuneration proposals and from time to time the Remuneration Committee takes advice from external pay consultants. Included in the remuneration package for executive directors is basic salary, a performance related bonus and the ability to participate in employee share incentive plans. They are also entitled to participate in a personal defined contribution pension plan.

Performance Bonus

The level of performance bonus is separately determined for each individual executive director. The level 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 targets for that year.

The Board decided to mark Stewart Kenny's retirement as Chief Executive by a special one off payment to his pension plan in acknowledgement of his unique contribution to the development of the Group over 15 years.

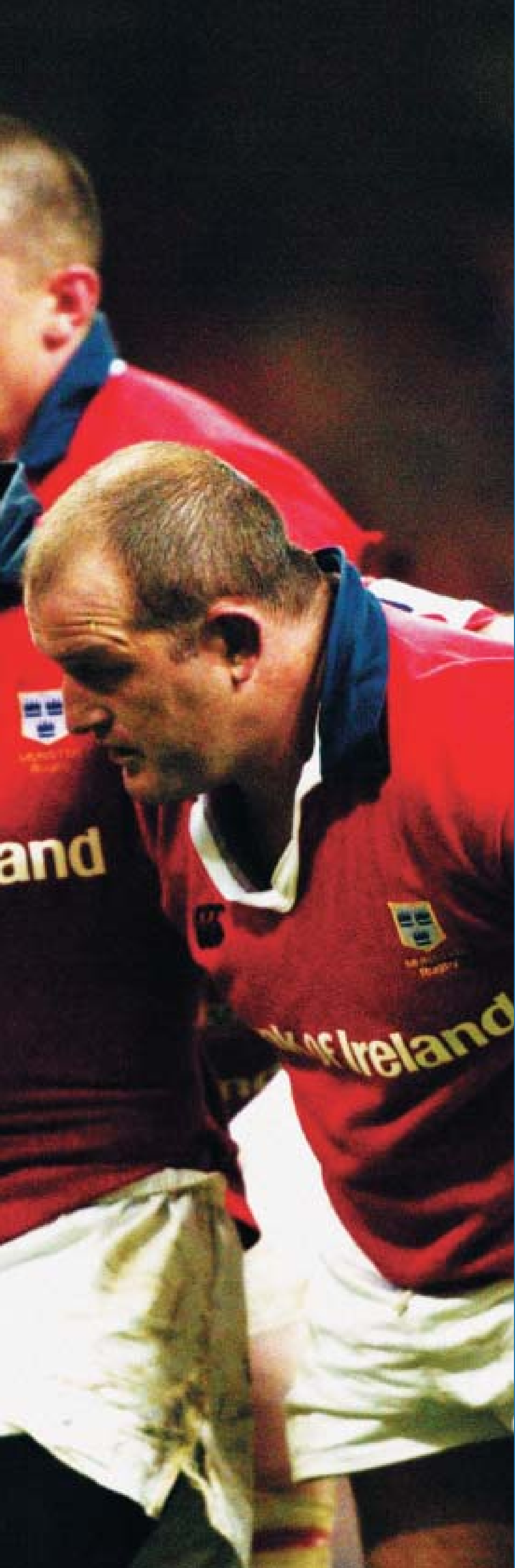
Share Incentive Plans

It is company policy to motivate its executive directors by granting them share options. These options have been granted under the terms of the employee share incentive plans approved by shareholders. Further details in relation to these plans are given in Note 17 to the financial statements. Non-executive directors are not eligible to participate in the employee share incentive plans.

The Board believes it is in the best interest of the shareholders that senior management is incentivised to deliver superior performance over the long term. Therefore the Board seeks to implement a Long Term Incentive Plan that rewards executives based on operating performance, independent of the volatility of the stock market. It is therefore proposed a share award scheme be established that will award shares to selected management based on out performance of pre-determined targets and continued service. Details of this plan, which is proposed for adoption at the 2003 Annual General Meeting are set out in the accompanying Circular to Shareholders.

Fintan Drury
Chairman, Remuneration Committee
25 February 2003


Bank of Irela



Your money back if Munster don’t score a try

2002 saw good times and not so good times. First the not so good, especially for the many avid Munster fans. Leicester’s Neil Back takes a “hands on” approach to winning the European Cup. He slaps the ball out of Peter Stringer’s hands with Munster 2 points down and with the put in to a scrum just 5 yards from the Leicester line. The referee misses the incident. He blows his whistle. The dream is over. However a friendly International in Lansdowne Road, played in very “Irish rugby weather” made us smile again. Few who were there will forget the triumphant feeling of finally beating the long odds on 2/7 favourites, and World Champions, Australia. So it was only a friendly, who cares? We still won!

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which, in accordance with applicable Irish Law and accounting standards, give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2001 and all regulations to be construed as one with those Acts. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of the Board

Stewart Kenny

Ross Ivers
25 February 2003

Independent Auditors' Report to the Members of Paddy Power plc

We have audited the financial statements on pages 29 to 46.

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act, 1990. 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 auditors' 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.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 26, this includes responsibility for preparing the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board, the Listing Rules of the Irish Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. As also required by the Acts, we state whether we have obtained all the information and explanations we require for our audit, whether the company's balance sheet is in agreement with the books of account and report to you our opinion as to whether

- the company has kept proper books of account;
- the Directors' report is consistent with the financial statements;
- at the balance sheet date, a financial situation existed that may require the company to hold an extraordinary general meeting, on the grounds that the net assets of the company, as shown in the financial statements, are less than half of its share capital.

We also report to you if, in our opinion, information specified by law regarding Directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on pages 21 to 22 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the group and the company as at 31 December 2002, and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001 and all Regulations to be construed as one with those Acts.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The balance sheet of the company is in agreement with the books of account.

In our opinion, the information given in the Directors' report on pages 18 to 20 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 32, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2002, a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

KPMG

Chartered Accountants
Registered Auditors

25 February 2003

Accounting Policies

Year ended 31 December 2002

The following accounting policies have been applied consistently in dealing with items considered material in relation to the Group's financial statements except for the accounting policy on deferred taxation which has been changed as a consequence of the introduction of FRS19 'Deferred Tax'. Deferred tax was recognised to the extent that it was considered likely that timing differences would result. See below for the new policy and Note 8 for the effect of this change.

Basis of Preparation

The financial statements have been prepared in euro in accordance with generally accepted accountancy principles under historical cost convention and comply with financial reporting standards of the Accounting Standards Boards as promulgated by the Institute of Chartered Accountants in Ireland.

Basis of Consolidation

The Group financial statements consolidate the financial statements of the company and all its subsidiary undertakings based on financial statements at the year end date.

Turnover

Turnover, which is exclusive of betting tax, represents amounts received in respect of bets placed on events which occurred during the year.

Tangible Assets - Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of cost over the fair value of the Group share of the identifiable assets and liabilities acquired, is capitalised and amortised by equal annual instalments against profit over its expected useful life. Goodwill is written off in equal annual instalments over a 20 year period. Provision is made for any impairment

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at original cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost less estimated residual value of tangible fixed assets on a straight line basis over their estimated useful lives, as follows:

- Freehold property - 50 years.
- Leasehold property and 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 a right of renewal.
- Fixtures, fittings and equipment - 5/7 years
- Computer equipment - 3 years
- Motor vehicles - 5 years
- Equipment screens - 5 years
- Leased equipment screens - 3 years

Leases

Assets held under finance leases are included in the balance sheet at their capital value and are depreciated over the term of the lease. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease rentals is charged to the profit and loss account over the term of the lease to produce a constant rate of charge on the balance of capital repayment outstanding.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The Company operates a number of defined contribution schemes for certain employees and executive Directors. Contributions are charged to the profit and loss account as incurred.

Foreign Currency

Transactions denominated in foreign currencies are translated at the exchange rates ruling at each quarter end. 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.

Taxation

The charge for taxation is based on the results for the year.

Corporation tax is calculated based on the taxable profits for the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Consolidated Profit and Loss Account

Year ended 31 December 2002

	Notes	*Year ended 31 December 2002 €'000*	*Year ended 31 December 2001 €'000 (Restated)*
Turnover	1	**673,788**	461,075
Cost of winning bets paid		**(596,779)**	(404,624)
Gross profit	*1*	**77,009**	56,451
Operating expenses		**(59,926)**	(47,944)
Operating profit	*1*	**17,083**	8,507
Interest payable and similar charges	*2*	**(156)**	(71)
Interest receivable and similar income	*3*	**895**	656
Profit on ordinary activities before taxation	*4*	**17,822**	9,092
Tax on profit on ordinary activities	*7*	**(3,029)**	(1,537)
Profit on ordinary activities after taxation		**14,793**	7,555
Dividends	*9*	**(4,809)**	(2,404)
Retained profit for the year		**9,984**	5,151
Profit & Loss account, start of year			
- As originally stated		**21,792**	16,867
- Prior period adjustment	*8*	**(571)**	(797)
- As restated		**21,221**	16,070
Profit & Loss account, end of year		**31,205**	21,221
Earnings per Share			
Basic (cent)	*10*	31.38	16.03
Diluted (cent)	*10*	29.00	14.82

All of the above results were from continuing operations.

A statement of recognised gains and losses is shown on page 34.

Approved on behalf of the Board

Stewart Kenny
25 February 2003

Ross Ivers
25 February 2003

Consolidated Balance Sheet

31 December 2002

	Notes	*31 December 2002 €'000*	*31 December 2001 €'000 (Restated)*
Fixed assets			
Intangible assets	*11*	**1,025**	1,146
Tangible assets	*12*	**24,994**	22,749
		26,019	23,895
Current assets			
Debtors	*13*	**1,570**	1,110
Cash at bank and in hand		**36,373**	18,307
		37,943	19,417
Creditors (amounts falling due within one year)	*14*	**(22,159)**	(10,755)
Net current assets		**15,784**	8,662
Total assets less current liabilities		**41,803**	32,557
Creditors (amounts falling due after one year)	*15*	**(480)**	(793)
Provisions for liabilities and charges	*16*	**(1,177)**	(1,602)
Net Assets		**40,146**	30,162
Capital and Reserves			
Called up share capital	*17*	**4,714**	4,714
Share premium		**3,305**	3,305
Capital redemption reserve fund		**662**	662
Capital conversion reserve fund		**260**	260
Profit and loss account		**31,205**	21,221
Shareholders' funds - all equity interests		**40,146**	30,162

Approved on behalf of the Board

Stewart Kenny
25 February 2003

Ross Ivers
25 February 2003

Company Balance Sheet

31 December 2002

	Notes	31 December 2002 €'000	31 December 2001 €'000 (Restated)
Fixed assets			
Intangible assets	11	**1,338**	1,459
Tangible assets	12	**21,880**	18,630
Financial assets	20	**103**	103
		23,321	20,192
Current assets			
Debtors	13	**9,463**	17,537
Cash at bank and in hand		**35,210**	16,205
		44,673	33,742
Creditors (amounts falling due within one year)	14	**(16,415)**	(9,079)
Net current assets		**28,258**	24,663
Total assets less current liabilities		**51,579**	44,855
Creditors (amounts falling due after one year)	15	**(313)**	(466)
Provisions for liabilities and charges	16	**(1,177)**	(1,602)
Net Assets		**50,089**	42,787
Capital and Reserves			
Called up share capital	17	**4,714**	4,714
Share premium		**3,305**	3,305
Capital redemption reserve		**662**	662
Capital conversion reserve fund		**260**	260
Profit and loss account		**41,148**	33,846
Shareholders' funds - all equity interests		**50,089**	42,787

Approved on behalf of the Board

Stewart Kenny
25 February 2003

Ross Ivers
25 February 2003

Consolidated Cash Flow Statement

Year ended 31 December 2002

	Notes	Year ended 31 December 2002 €'000	Year ended 31 December 2001 €'000
Net cash inflow from operating activities	19(a)	**30,435**	11,461
Returns on investments and servicing of finance			
Interest received		**717**	656
Interest element of finance lease payments		**(149)**	(71)
		568	585
Taxation			
Corporation tax paid		**(1,466)**	(2,840)
Capital expenditure and financial investments			
Acquisition of tangible fixed assets		**(8,083)**	(6,398)
Sale proceeds on disposal of fixed assets		**31**	70
		(8,052)	(6,328)
Equity dividends paid		**(3,206)**	(1,351)
Net cash inflow before financing		**18,279**	1,527
Financing			
Finance leases drawn down		**-**	1,141
Capital element of finance lease payments		**(213)**	(135)
Issue of new shares		**-**	(280)
Net cash inflow	19(b)	**18,066**	2,253

Approved on behalf of the Board

Stewart Kenny
25 February 2003

Ross Ivers
25 February 2003

Statement of Total Recognised Gains and Losses

Year ended 31 December 2002

	Year ended 31 December 2002 €'000	*Year ended 31 December 2001 €'000*
Profit for the financial year		
– being total gains and losses relating to the year	**14,793**	7,329
Prior year adjustment (Note 8)	**(571)**	
Total gains and losses recognised since last annual report and financial statements	**14,222**	

Reconciliation of Movements in Shareholders' Funds

	Year ended 31 December 2002 €'000	*Year ended 31 December 2001 €'000*
Retained profit for the year	**9,984**	5,151
Share Issues, net of costs	**-**	(280)
Opening shareholders' funds		
- as previously stated	**30,733**	26,088
- prior year adjustment	**(571)**	(797)
- as restated	**30,162**	25,291
Closing shareholders' funds	**40,146**	30,162

Notes to the Financial Statements

Year ended 31 December 2002

1. Turnover and Segmental Information

The turnover of the Group relates to the provision of betting services, substantially all of which are conducted in Ireland and Great Britain.

Segmental information is as follows:

Turnover by Delivery Channel	*Year ended 31 December 2002 €'000*	*Year ended 31 December 2001 €'000*
Licensed betting offices	**448,096**	370,698
Telephone betting	**122,892**	55,544
On-line betting	**102,800**	34,833
	673,788	461,075

Turnover by Region	*Year ended 31 December 2002 €'000*	*Year ended 31 December 2001 €'000*
Ireland & other	**570,564**	437,003
Great Britain	**103,224**	24,072
	673,788	461,075

Gross Profit by Delivery Channel	*Year ended 31 December 2002 €'000*	*Year ended 31 December 2001 €'000*
Licensed betting offices	**58,859**	49,539
Telephone betting	**9,743**	4,677
On-line betting	**8,407**	2,235
	77,009	56,451

Operating Profit/(Loss) by Delivery Channel	*Year ended 31 December 2002 €'000*	*Year ended 31 December 2001 €'000*
Licensed betting offices	**19,167**	16,649
Telephone betting	**312**	961
On-line betting	**(2,396)**	(9,103)
	17,083	8,507

Gross profit, operating profit and net assets by geographical segment and net assets by delivery channel have not been disclosed as, in the opinion of the directors, the information would be seriously prejudicial to the interests of the Group.

Notes to the Financial Statements

2. Interest Payable and Similar Charges

	Year ended 31 December 2002 €'000	*Year ended 31 December 2001 €'000*
Borrowings wholly repayable within five years		
– finance leases	**156**	71

3. Interest Receivable and Similar Income

	Year ended 31 December 2002 €'000	*Year ended 31 December 2001 €'000*
Deposit interest	**895**	656

4. Profit on Ordinary Activities Before Taxation

	Year ended 31 December 2002 €'000	*Year ended 31 December 2001 €'000*
The profit on ordinary activities before taxation is stated after charging:		
Directors' emoluments		
– fees	**207**	107
– other emoluments including pension costs	**1,423**	1,095
Depreciation	**5,805**	4,911
Auditors' remuneration for audit services	**41**	41
Loss on disposal of fixed assets	**2**	4
Amortisation of goodwill	**121**	121
Operating lease rentals, principally premises	**3,459**	3,414

As permitted by section 3(2) of the Companies (Amendment) Act, 1986 no separate profit and loss account is presented in respect of the Company. The Company recorded a profit for the year before dividends of €12.1 million (2001: €14.6 million restated).

Amounts paid to the auditors and their associates by the Group in respect of non audit services were €80,000 (2001: €87,000).

Notes to the Financial Statements

5. Directors' Emoluments

Included in Directors' emoluments are the following emoluments which have been paid during the year ended 31 December 2002:

	Fees	Salary	Pension costs	Benefits	Annual bonus	Total emoluments 2002	Total emoluments 2001
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Executive							
Stewart Kenny	63	106	322	22	-	**513**	314
Ross Ivers **	-	210	42	20	187	**459**	112
John O'Reilly*	-	226	57	18	213	**514**	272
Non-executive							
John Corcoran	38	-	-	-	-	**38**	38
Ian Armitage	16	-	-	-	-	**16**	16
Edward McDaid	16	-	-	-	-	**16**	16
David Power	16	-	-	-	-	**16**	16
Fintan Drury	8	-	-	-	-	**8**	-
Stephen Thomas	12	-	-	-	-	**12**	-
Peter O'Grady Walshe	19	-	-	-	-	**19**	402
Michael Quinn	19	-	-	-	-	**19**	16
	207	542	421	60	400	**1,630**	1,202

*John O'Reilly was appointed chief executive officer on 20 June 2002.
** As Ross Ivers joined the Group in 2001 the prior year comparative figures are for a five month period.

Benefits include provision of company car, life and medical insurance.
There were no loans outstanding to any Director at any time during the year.

6. Employee Information

	Year ended 31 December 2002	*Year ended 31 December 2001*
The average number of persons employed by the Group (including executive Directors) during the year was:	**856**	757

	Year ended 31 December 2002 €'000	*Year ended 31 December 2001 €'000*
Aggregate payroll costs were as follows:		
Wages and salaries	**22,548**	16,630
Social welfare costs	**2,202**	1,773
Other pension costs and life assurance	**633**	478
	25,383	18,881

Notes to the Financial Statements

7. Tax on Profit on Ordinary Activities

	Year ended 31 December 2002 €'000	Year ended 31 December 2001 €'000 (Restated)
The charge based on profit on ordinary activities comprises:		
Corporation tax, principally at 16% (2001 – 20%)	**3,488**	720
(Over)under provision in previous year	**(34)**	12
Total current tax charge	**3,454**	732
Deferred tax – (reversing) originating timing differences	**(425)**	805
	3,029	1,537

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

Tax on group profit on ordinary activities at the standard Irish corporation tax rate of 16% (2001 – 20%)	**2,852**	1,818
Effects of:		
Income taxable at higher rates	**85**	36
Expenses deductible for tax purposes	**(56)**	(58)
Depreciation in excess of (less than) capital allowances	**607**	(1,076)
Total current tax charge	**3,488**	720

8. Prior year adjustment

During the year, the Group adopted FRS 19 'Deferred Tax', and thereby changed its accounting policy in relation to accounting for deferred taxation. The effect of the adjustment was to increase the deferred tax provision and decrease the profit and loss account balance at 31 December 2000 by €797,746; decrease the deferred tax charge for the year ended 31 December 2001 by €226,380; and increase the deferred tax provision and decrease the profit and loss account balance at 31 December 2001 by €571,366.

9. Dividends

	Year ended 31 December 2002 €'000	Year ended 31 December 2001 €'000
Ordinary shares:		
– interim paid €0.034 per share (2001: €0.017)	**1,603**	801
– final proposed €0.068 per share (2001: €0.034)	**3,206**	1,603
	4,809	2,404

Notes to the Financial Statements

10. Earnings per Share

	Year ended 31 December 2002 €'000	*Year ended 31 December 2001 €'000 (Restated)*
Profit for the financial year	**14,793**	7,555
	'000	*'000*
Weighted average number of shares in issue	**47,144**	47,144
Dilutive effect of options outstanding	**3,856**	3,848
Diluted weighted average number of shares	**51,000**	50,992
Basic earnings per share (cent)	**31.38**	16.03
Diluted earnings per share (cent)	**29.00**	14.82

11. Intangible Assets - Goodwill

	Group 31 December 2002 €'000	*Group 31 December 2001 €'000*	*Company 31 December 2002 €'000*	*Company 31 December 2001 €'000*
Cost				
Goodwill at cost	**2,108**	2,108	**2,421**	2,421
Amortisation				
Opening balance	**962**	841	**962**	841
Amortisation for year	**121**	121	**121**	121
Closing balance	**1,083**	962	**1,083**	962
Net book value				
At 31 December	**1,025**	1,146	**1,338**	1,459

Intangible assets in the Company arise from the amalgamation of three bookmaking businesses to form Paddy Power plc.

Notes to the Financial Statements

12. Tangible Assets

Group	*Freehold property €'000*	*Fixtures, fittings & equipment €'000*	*Computer equipment €'000*	*Equipment screens €'000*	*Motor vehicles €'000*	*Total €'000*
Cost						
At 1 January 2002	14,587	15,038	7,314	4,006	631	**41,576**
Additions	3,736	2,593	844	731	179	**8,083**
Disposals	-	-	-	-	(90)	**(90)**
At 31 December 2002	18,323	17,631	8,158	4,737	720	**49,569**
Accumulated Depreciation						
At 1 January 2002	4,241	8,368	2,972	3,095	151	**18,827**
Charge for year	698	1,908	2,581	482	136	**5,805**
Disposals	-	-	-	-	(57)	**(57)**
At 31 December 2002	4,939	10,276	5,553	3,577	230	**24,575**
Net book value						
At 31 December 2001	10,346	6,670	4,342	911	480	**22,749**
At 31 December 2002	13,384	7,355	2,605	1,160	490	**24,994**

The Group owns 12 freehold retail properties. These premises, in addition to one property where the Group has an option to purchase a freehold interest, had a net book value of €2.3 million at 31 December 2002 (31 December 2001: €2.3 million) and were valued on an existing use basis by Jones Lang LaSalle at 30 June 2000 at €5.8 million. This valuation has not been reflected in these financial statements.

Company	*Freehold & leasehold property €'000*	*Fixtures fittings & equipment €'000*	*Computer equipment €'000*	*Equipment screens €'000*	*Motor vehicles €'000*	*Total €'000*
Cost						
At 1 January 2002	14,101	14,570	1,693	4,006	559	**34,929**
Additions	3,288	2,081	401	679	159	**6,608**
Disposals	-	-	-	-	(90)	**(90)**
At 31 December 2002	17,389	16,651	2,094	4,685	628	**41,447**
Accumulated Depreciation						
At 1 January 2002	4,021	8,316	728	3,095	139	**16,299**
Charge for year	681	1,763	270	482	129	**3,325**
Disposals	-	-	-	-	(57)	**(57)**
Depreciation at 31 December 2002	4,702	10,079	998	3,577	211	**19,567**
Net book value						
At 31 December 2001	10,080	6,254	965	911	420	**18,630**
At 31 December 2002	12,687	6,572	1,096	1,108	417	**21,880**

Notes to the Financial Statements

13. Debtors

	Group 31 December 2002 €'000	Group 31 December 2001 €'000	Company 31 December 2002 €'000	Company 31 December 2001 €'000
Sundry debtors and prepayments	**1,570**	1,110	**1,138**	811
Amounts owed by Group Companies	**-**	-	**8,325**	16,726
	1,570	1,110	**9,463**	17,537

All of the above debtors fall due within one year.

14. Creditors (Amounts Falling Due Within One Year)

	Group 31 December 2002 €'000	Group 31 December 2001 €'000	Company 31 December 2002 €'000	Company 31 December 2001 €'000
Trade creditors	**2,190**	1,765	**2,190**	1,765
Accruals	**7,907**	1,687	**5,524**	1,358
Customer balances	**3,427**	2,619	**-**	1,417
Corporation tax	**2,709**	720	**2,709**	720
PAYE and Social Welfare	**623**	633	**623**	533
Betting duty	**861**	505	**651**	455
Value added tax	**982**	1,010	**1,147**	1,010
Dividends payable	**3,206**	1,603	**3,206**	1,603
Finance leases	**254**	213	**153**	153
Amounts owed to Group companies	**-**	-	**212**	65
	22,159	10,755	**16,415**	9,079

15. Creditors (Amount Falling Due After One Year)

	31 December 2002 €'000	31 December 2001 €'000	31 December 2002 €'000	31 December 2001 €'000
Finance lease obligations which fall due				
- between one and two years	**480**	213	**313**	153
- between two and five years	**-**	580	**-**	313
	480	793	**313**	466

Notes to the Financial Statements

16. Provisions for Liabilities and Charges – Deferred Tax

	Group 31 December 2002 €'000	Company 31 December 2002 €'000
Balance as at start of year (restated)	**1,602**	1,602
Charge for the year (Note 7)	**(425)**	(425)
Balance as at end of year	**1,177**	1,177

All deferred tax relates to timing differences arising on fixed assets.

17. Share Capital

	31 December 2002 €'000	31 December 2001 €'000
Authorised		
70,000,000 ordinary shares of €0.10 each	**7,000**	7,000
Allotted, called up and fully paid		
47,144,120 ordinary shares of €0.10 each	**4,714**	4,714

The Company has the following employee share schemes:

(a) The Power Leisure plc May 2000 Executive Share Option Scheme (the "Executive Share Option Scheme")

Under the May 2000 Executive Share Option Scheme options over a total of 3,543,000 shares were granted at an exercise price of €1.16 per share. Options over 240,000 shares were exercised in November 2000 and options over a further 48,000 shares have lapsed. The remaining options are exercisable as follows:

Earliest exercise date	*No. of shares*
1 May 2003	2,835,000
1 May 2004	165,000
1 May 2005	255,000
	3,255,000

On 21 November 2000 the shareholders approved the termination of this Scheme such that no further options may be granted pursuant to this scheme.

(b) The Power Leisure plc 2000 Restricted Share Scheme (the "Restricted Scheme")

The Restricted Scheme was adopted by shareholders on 21 November 2000. Employees eligible to participate in the Restricted Scheme may not be participants in any other Company share option scheme (save for the Sharesave Scheme described below). In addition, to be eligible, a participant must have been an employee at 7 December 2000, must have at least three years continuous service, and have been listed in the allocation schedule attached to the Rules of the Restricted Scheme. The awards of shares granted under the Restricted Scheme are in the amounts of €3,175, €1,905 or €1,270 per eligible employee.

Notes to the Financial Statements

The shares cannot be sold within five years of the date of the award being granted. During this period of five years the shares are held by the Power Leisure Employee Benefit Trustee Limited for the benefit of the relevant employees.

At 31 December 2002 239,216 shares are held by the Power Leisure Employee Benefit Trustee Limited (2001: 225,908).

(c) The Power Leisure plc November 2000 Share Option (the "Share Option Scheme")

The Share Option Scheme was adopted by shareholders on 21 November 2000. The Share Option Scheme is available to directors, other than non-executive directors, and employees.

Options may be granted within a period of 10 years from 7 December 2000 at the higher of nominal or market value. Options may not be exercised earlier than three years from the date of grant and may only be exercised if the Group meets certain targets and any further condition on exercise which the Board determines to be appropriate. These targets require real growth (Consumer Price Index plus 5 percent compounded annually) in earnings per share of the Group over a period of not less than three years following the grant of an option. Options granted under the share option scheme are:

Options Granted	*Total Granted*	*Exercise Price*	*Remaining Exercisable at 31 December 2002*
December 2000	50,000	€2.40	50,000
January 2001	10,290	€2.40	5,290
August 2001	382,466	€3.59	382,466
July 2002	193,500	€5.25	193,500
	636,256		631,256

(d) The Power Leisure 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 12 months continuous service with the Group 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 90 percent 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 may not exceed €64.

The maximum number of shares under the Sharesave Scheme for which options may be granted shall not, when added to the number of shares which have been or remain to be issued pursuant to options granted, exceed one percent of the issued ordinary share capital of the Company. In addition, the number of shares for which options may be granted under the Sharesave Scheme in any period of ten successive calendar years shall not, when added to the number of shares which have been or remain to be issued pursuant to options in the Sharesave Scheme granted during the same period under any other employee share scheme of the Company, exceed ten percent of the issued share capital of the Company.

Notes to the Financial Statements

18. Derivatives and Other Financial Investments

The Group's financial assets and liabilities comprise cash balances and finance leases only. The Group does not use any derivative financial instruments.

19. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	31 December 2002 *€'000*	*31 December 2001* *€'000*
Operating profit	**17,083**	8,507
Depreciation	**5,805**	4,911
Amortisation of goodwill	**121**	121
Increase in debtors	**(282)**	(440)
Increase/(decrease) in creditors	**7,706**	(1,642)
Loss on disposal of fixed assets	**2**	4
Net cash inflow from operating activities	**30,435**	11,461

(b) Analysis of Changes in Cash During the Year and Net Funds at Year End

	31 December 2002 *€'000*	*31 December 2001* *€'000*
Cash balance at 1 January 2001	**18,307**	16,054
Net cash inflow	**18,066**	2,253
Cash balance at 31 December 2002	**36,373**	18,307
Finance leases at 31 December 2002	**(734)**	(806)
Net funds at end of year	**35,639**	17,501

20. Financial Assets – Company

Investment in Subsidiaries at Cost

	2002 *€'000*	*2001* *€'000*
Balance, start of year	**103**	95
Additional investments	**-**	8
Balance, end of year	**103**	103

Investments comprise ordinary share capital.

Notes to the Financial Statements

20. Financial Assets – Company *(continued)*

The Company had the following subsidiaries, all of which are wholly owned, at 31 December 2002:

Name	*Country of Incorporation*	*Activity*	*Registered Office*
Zephyr Limited	Ireland	Property Holding	Airton House, Airton Road, Tallaght, Dublin 24
KOR Enterprises	Ireland	Property Holding	
Rexbury Limited	Ireland	Property Holding	
QC Holdings Limited	Ireland	Property Holding	
Pridepark Developments Limited	Ireland	Property Holding	
Power Leisure (IOM) Limited	Ireland	Call Centre Administration	Atlantic House, 4-8 Circular Road, Douglas, Isle of Man
Leisurebet Limited	Ireland	Bookmaker	Airton House, Airton Road, Tallaght, Dublin 24
Power Leisure Bookmaker Limited[1]	UK	Bookmaker	Suite 17, City Business Centre, Lower Road, London SE16 2XB
Paddy Power (Malta) Limited	Malta	Non trading	Alpine House, San Gwan, Malta

1. Formerly Power Leisure (UK) Limited

21. Pension Arrangements

The Group operates defined contribution schemes for certain employees and executive Directors. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pension costs for the year amounted to €579,000 (2001: €399,000) and there were no significant amounts due to the scheme at year end (2001: Nil).

Notes to the Financial Statements

22. Commitments and Contingencies

(a) Guarantees

The Company has revolving credit and guarantee facilities of €6.98 million and €0.8 million respectively with AIB plc. These facilities are unsecured.

(b) Capital Commitments

The Group has commitments for capital expenditure not provided for in the financial statements amounting to €2.4 million (2001: €0.2 million).

(c) Operating Lease Commitments

The Group has annual commitments of €4.2 million (2001: €3.3 million) in respect of operating leases on properties which expire as follows:

	31 December 2002	*31 December 2001*
	€'000	*€'000*
Leases which expire:		
- within 1 year	**306**	286
- between 2 and 5 years	**656**	367
- after 5 years	**3,279**	2,678
	4,240	3,331

23. Related Party Transactions

The Group paid rent of €19,046 (2001: €19,046) and €12,697 (2001: €12,788) during the year for retail properties occupied under long term leases and owned by Stewart Kenny and David Power respectively, both of whom are Directors.

David Power, a non-executive Director, received €8,000 (2001: €3,809) in respect of consulting fees. The Group engaged in hedging transactions with David Power in his capacity as an on-course bookmaker. In aggregate, bets totalling €4,080 (2001: €8,734) were placed by the Group with Richard Power On-Course Bookmakers and that firm placed bets totalling € 23,662 (2001: €8,539) with the Group.

The Company paid HG Pooled Management professional fees of €47,702 (2001: Nil) for recruitment services. Mr Ian Armitage, a non-executive Director of the Company is Managing Director of HG Pooled Management Limited.

The Company paid Tatoria Limited €27,478 (2001: €20,284) during the year for audio-visual services. Peter O'Grady Walshe, who resigned as a non-executive Director of Paddy Power plc on 29 August 2002, is a non-executive Director of Tatoria Limited.

ICC Bank plc, a licensed bank and shareholder in the Company, has provided leasing finance to the Group and the Group has placed deposits with the bank. Michael Quinn, who resigned as a non-executive Director of the Company on 29 August 2002, is a Director of the ICC Bank.

All of the above transactions were conducted on an arms length basis at normal commercial rates. No amounts were outstanding at year end in respect of these transactions.

Five Year Financial Summary

Financial information for the Group for the five years ended 31 December 2002 is set out below in euro and Sterling.

	2002 *€'000*	*2001* *€'000* *(restated)*	*2000* *€'000* *(restated)*	*1999* *€'000* *(restated)*	*1998* *€'000* *(restated)*
Turnover	**673,788**	461,075	362,825	269,640	193,501
Operating profit	**17,083**	8,507	10,629	7,037	5,566
Profit on ordinary activities before taxation	**17,822**	9,092	10,950	7,065	5,585
Profit on ordinary activities after taxation	**14,793**	7,555	7,216	4,958	3,577
Net cash inflow from operating activities	**30,435**	11,461	20,104	9,279	9,074
Net assets	**40,146**	30,162	25,291	16,207	14,122

Set out below is the above financial information translated into Sterling at the rates shown below, for illustrative purposes only.

	2002 *Stg£'000*	*2001* *Stg£'000* *(restated)*	*2000* *Stg£'000* *(restated)*	*1999* *Stg£'000* *(restated)*	*1998* *Stg£'000* *(restated)*
Turnover	**437,951**	286,168	226,440	168,283	120,764
Operating profit	**11,104**	5,280	6,634	4,392	3,474
Profit on ordinary activities before taxation	**11,584**	5,643	6,834	4,409	3,486
Profit on ordinary activities after taxation	**9,615**	4,689	4,503	3,094	2,232
Net cash inflow from operating activities	**19,782**	7,114	12,547	5,791	5,663
Net assets	**26,094**	18,722	15,784	10,115	8,814

(Exchange rates used 2002: 1.5385; 2001: 1.611; 2000 and prior years: 1.6023)

Additional Information for Shareholders

1. Listings

Paddy Power plc is an Irish registered company. Its ordinary shares are quoted on the Irish Stock Exchange and the London Stock Exchange.

2. Registrar

Enquiries concerning shareholdings should be addressed to the Company's Registrar:

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

Telephone: +353-1-216 3100. Facsimile: +353-1-216 3151.
Website: www.computershare.com.

3. Payment of Dividends Direct to a Bank Account

Shareholders resident in Ireland or in the UK may have their dividends paid by electronic transfer direct to a designated bank account, under advice from the Company showing full details of the amounts so credited. Shareholders who wish to avail of this facility should contact the Company's Registrar (see 2 above).

4. Payment of Dividends in euro

Shareholders will have their dividends paid in euro.

5. Crest

Transfer of the Company's shares takes place through the CREST settlement system. Shareholders have the choice of holding their shares in electronic form or in the form of share certificates.

6. Dividend Withholding Tax ('DWT')

Note: The following information, which is given for the general guidance of shareholders, does not purport to be a definitive guide to relevant taxation provisions. It is based on the law and practice as provided for under Irish tax legislation. Shareholders should take professional advice if they are in any doubt about their individual tax positions.

Further information concerning DWT may be obtained from:

DWT Section, Office of the Revenue Commissioners,
St. Conlon's Road, Nenagh, Co. Tipperary, Ireland.
Telephone: +353-67-33533. Facsimile: +353-67-33822.
E-mail: info@dwt.revenue.ie

General
With certain exceptions, dividends paid by Irish resident companies on or after 6 April 2000 are subject to DWT at the standard rate of income tax, to apply at the reduced rate of 20% from 6 April 2001. DWT, where applicable, is deducted by the Company from all dividends. The following summarises the position in respect of different categories of shareholder:

A. Irish Resident Shareholders

Individuals
Individuals resident in the Republic of Ireland for tax purposes are liable to DWT in respect of dividends received. Individual shareholders are liable to Irish income tax on the amount of the dividend before deduction of DWT, and the DWT is available for offset against their income tax liability; where the DWT exceeds such liability, the shareholder may apply to the Revenue Commissioners, at the address shown above, for a refund of the excess.

Shareholders not liable for DWT
The following classes of shareholder who receive the dividend in a beneficial capacity are exempt from DWT, provided the shareholder furnishes a properly completed declaration on a standard form, to the Company's Registrar, not less than three working days prior to the relevant dividend payment record date:

- Companies resident in the Republic of Ireland for tax purposes;
- Qualifying Employee Share Ownership Trusts;
- Exempt Approved Pension Schemes;
- Collective Investment Undertakings;
- Charities exempt from income tax on their income;
- Athletic/amateur sports bodies whose income is exempt from income tax;
- Designated stockbrokers receiving a dividend for the benefit of the holder of a Special Portfolio Investment Account ('SPIA');
- Qualifying fund manager of approved retirement fund or an approved Minimum Retirement Fund;
- Persons exempt from tax on income from personal injury claims.

Copies of the relevant declaration form may be obtained from the Company's Registrar at the address shown at 2 above, or from the Revenue Commissioners at the address shown above.

Once lodged with the Company's Registrar, the declaration form remains current from its date of issue until 31 December in the fifth year following the year of issue, or, within such period, until the exempt shareholder notifies the Registrar that entitlement to exemption is no longer applicable. Where DWT is deducted from dividends paid to shareholders not liable to DWT, the shareholder may apply to the Revenue Commissioners, at the address shown on page 48, for a refund of the DWT so deducted.

Qualifying Intermediaries

Dividends received by a shareholder who is a qualifying intermediary on behalf of a shareholder not liable for DWT may be received without deduction of DWT.
A 'qualifying intermediary' is a person who receives dividends on behalf of a third party, is resident for tax purposes in the Republic of Ireland or in a relevant territory*, and:

- holds a licence under the Central Bank Act, 1971, or a similar authorisation under the law of a relevant territory, or is owned by a company which holds such a licence;
- is a member firm of the Irish Stock Exchange or of a recognised stock exchange in a relevant territory; or
- otherwise is, in the opinion of the Irish Revenue Commissioners, a person suitable to be a qualifying intermediary; and who (a) enters into a qualifying intermediary agreement with the Irish Revenue Commissioners and (b) is authorised by them as a qualifying intermediary.

* *A 'relevant territory' means a member state of the European Communities, other than the Republic of Ireland, or a country with which the Republic of Ireland has entered into a double taxation agreement.*

Information concerning conditions to be satisfied by intending qualifying intermediaries may be obtained from the Irish Revenue Commissioners at the address shown on page 48. A qualifying intermediary should ensure that it receives completed declarations from underlying shareholders eligible for DWT exemption, so as to be in a position to notify the Company's Registrar, in advance of each dividend record payment date, of the extent to which the dividend payable to the qualifying intermediary is to be paid without deduction of DWT.

A shareholder wishing to ascertain whether an entity is a qualifying intermediary should contact the Irish Revenue Commissioners at the address shown on page 48.

Additional Information for Shareholders

B. Non-Irish resident shareholders

The following categories of shareholder not resident for tax purposes in the Republic of Ireland may claim exemption from DWT, as outlined below:

(a) an individual who is neither resident nor ordinarily resident for the purpose of tax in the Republic of Ireland and who is resident for tax purposes in a relevant territory;

(b) an unincorporated entity resident for tax purposes in a relevant territory;

(c) a company which is resident in a relevant territory and which is not under the control, whether directly or indirectly, of a person or persons who is/are residents for the purpose of tax in Ireland; or

(d) a company which is ultimately controlled, whether directly or indirectly, by a person or persons who is/are resident for the purposes of tax in a 'relevant territory';

(e) a company not resident in the Republic of Ireland, the principal class of whose shares are traded on a recognised stock exchange in a relevant territory or on such other stock exchange as may be approved by the Minister for Finance, including a company which is a 75% subsidiary of such a company; or

a company not resident in the Republic of Ireland that is wholly-owned by two or more companies, each of whose principal class of shares is so traded.

To claim exemption, any such shareholder must furnish a valid declaration, on a standard form available from the Irish Revenue Commissioners and from the Company's Registrar, to the Company's Registrar not less than three working days in advance of the relevant dividend payment record date, accompanied by:

- Categories (a) and (b) above: The declaration must be certified by the tax authority of the country in which the shareholder is resident for tax purposes. Where the shareholder is a trust, the declaration must be accompanied by a certificate signed by the trustee(s) showing the name and address of each settlor and beneficiary and a notice in writing from the Irish Revenue Commissioners stating that the Irish Revenue Commissioners have noted the contents of the certificate.
- Category (c) above: The declaration must be certified by the tax authority of the country in which the company is resident for tax purposes. The company's auditor must also certify the declaration.
- Categories (d) and (e) above: The declaration must be certified by the company's auditor.
- Dividends received by a shareholder who is a qualifying intermediary on behalf of a qualifying non-resident person may be received without declaration of DWT – see 'Qualifying Intermediaries' under 'Irish Resident Shareholders' at A above.

C. Dividend statements

Each shareholder receives a statement showing the shareholder's name and address, the dividend payment date, the amount of the dividend, and the amount of DWT, if any, deducted therefrom. In accordance with the requirements of legislation, this information is also furnished to the Irish Revenue Commissioners.

Financial calendar

Announcement of final results for 2002	25 February 2003
Ex-dividend date	5 March 2003
Record date for dividend	7 March 2003
Annual General Meeting	3 June 2003
Dividend payment date	6 June 2003
Announcement of interim results for 2003	August 2003

Notice of Annual General Meeting

of Paddy Power Public Limited Company

To all Shareholders

I am writing to you to outline the background to the resolutions to be proposed at the forthcoming annual general meeting, all of which the Board of Directors ("the Board" or "the Directors") is recommending for your approval.

Your attention is drawn to the notice of the annual general meeting of the Company which will be held at The Shelbourne Hotel, St. Stephen's Green, Dublin 2 at 11.00 am on 3 June 2003 which is set out below. In addition to the ordinary business to be transacted at the annual general meeting (as set out in resolutions 1 to 4 in the notice of the meeting) there are various items of special business which are described further below.

In resolution 5 the shareholders are asked to approve the 2003 Long term Incentive Plan which is described in the Circular to Shareholders accompanying this notice.

Shareholders are being asked in resolution 6 to renew, until the next Annual General Meeting in 2004 or 18 Calendar months after the passing of this resolution, whichever is the earlier, the disapplication of the strict statutory pre-emption provisions in the event of a rights issue or in any other issue of equity securities for cash up to an aggregate nominal value equal to 5% of the nominal value of the Company's issued ordinary share capital for the time being.

Your Board believes that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, your directors recommend you to vote in favour of the resolutions, as they intend to do so themselves.

Further Action

A Form of Proxy for use at the Annual General Meeting is enclosed with this Annual Report. The Forms of Proxy will be valid if lodged at the registered office of the Company or with the Company's registrars, Computershare Services (Ireland) Limited, Heron House, Corrig Road, Sandyford, Dublin 18, no later than 48 hours before the time appointed for the meeting. The completion and lodging of the Form of Proxy will not prevent you from attending and voting in person at the meeting should you so wish.

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Paddy Power plc will be held at The Shelbourne Hotel on 3 June 2003 at 11.00 am for the following purposes:

1 To receive and consider the financial statements for the year ended 31 December 2002 and the reports of the directors and auditors thereon.

2 To declare a final dividend of €0.068 per share for the year ended 31 December 2002.

3 By separate resolutions, to re-appoint, as non-executive directors, following their appointments by the directors to the Board on 29 August, 2002, being eligible, offer themselves for re-appointment:
   (A) Mr Fintan Drury
   (B) Mr Stephen Thomas

4 To authorise the directors to fix the remuneration of the auditors for the year ending 31 December 2003.

Notice of Annual General Meeting

As special business consider and, if thought fit, pass the following resolutions:

As an ordinary resolution

5 “That the Company hereby approves the establishment of the Long Term Incentive Plan (the “Plan”) the principal features of which are summarised in the Circular to Shareholders from the Chairman of the Company that accompanied the notice of this meeting and the rules of which are contained in the document produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification and that the Directors be and are hereby authorised to do all acts and things necessary to carry the Plan into effect”.

As a special resolution

6 “That pursuant to Article 8(d) of the Articles of Association and Section 24 of the Companies (Amendment) Act, 1983 the Directors are hereby empowered to allot equity securities (as defined by Section 23 of that Act) for cash pursuant to the authority to allot relevant securities conferred on the Directors at the Annual General Meeting in 2002 as if sub-section (1) of the said Section 23 did not apply to any such allotment provided that this power shall be subject to the provisions contained in Article 8(d) and shall be limited to:

(a) the allotment of equity securities in connection with any rights issue in favour of ordinary shareholders (other than those holders with registered addresses outside the State to whom an offer would, in the opinion of the Directors, be impractical or unlawful in any jurisdiction) and/or any persons having a right to subscribe for or convert securities into ordinary shares in the capital of the Company (including, without limitation, any holders of options under any of the Company’s share options schemes for the time being) where the equity securities respectively attributable to the interests of such ordinary shareholders or such persons are proportionate (as nearly as may be) to the respective number of ordinary shares held by them or for which they are entitled to subscribe or convert into (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any regulatory requirements, legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise), and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value equal to 5% of the aggregate nominal value of the issued ordinary share capital of the Company for the time being,

and such power shall expire at the close of business on the date of the Annual General Meeting of the Company to be held during 2004 or 18 calendar months after the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.”

And to transact any other business which may properly be brought before the meeting.

By Order of the Board

Charles Kelly
Secretary

9 May 2003

Notice of Annual General Meeting

Registered Office:

Airton House,
Airton Road,
Tallaght,
Dublin 24.

Notes

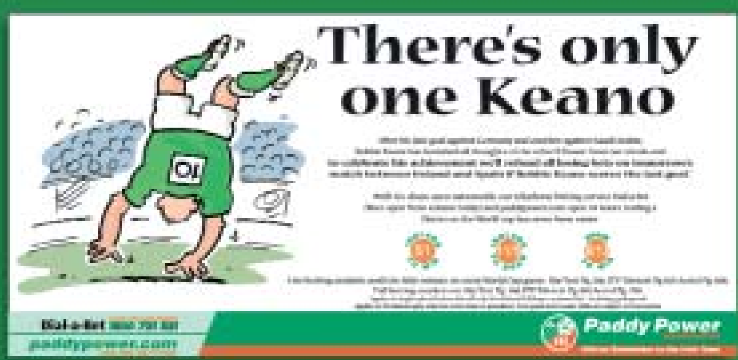
1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote in his/her place. Completion of a Form of Proxy will not affect the right of a member to attend, speak and vote at the meeting in person. A Form of Proxy is enclosed with this notice.

2. To be valid, Forms of Proxy duly signed must be returned together with the power of attorney or such other authority (if any) under which they are signed (or a notarially certified copy of such power or authority) so as to reach the Company's Registrar, Computershare Services (Ireland) Limited, P.O. Box 954, Sandyford, Dublin 18 by not later than 11.00a.m. on 1 June, 2003

3. The Company, pursuant to Regulation 14 of the Companies Act, 1990 (Uncertified Securities) Regulations, 1996, specifies that only those shareholders registered in the register of members of the Company as at 11.00a.m. on 7 March 2003 (or in the case of an adjournment as at 48 hours before the time fixed for the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries in the register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting.

There's only one Keano

The World Cup will be one of the most forgettable for a lot of non-Paddy Power punters. All the upsets saw punters a little light in the wallet. However! If they bet with Paddy Power they had their bets refunded on 7 matches on the trot! Whether it was the two 0-0 draws in the quarter finals between Turkey and Senegal, and South Korea and Spain, or Robbie Keane to score the last goal against Germany, or even Rio Ferdinand to score a goal against Denmark. Not only did Paddy Power refund losers on all of those matches, the Company also gave money back to anyone who backed Ireland or England to win the tournament outright!



Paddy Power
BOOKMAKER

Dial a bet
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1 800 721 821

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Paddy Power
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Paddy Power plc

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