ANNUAL REPORT 2014

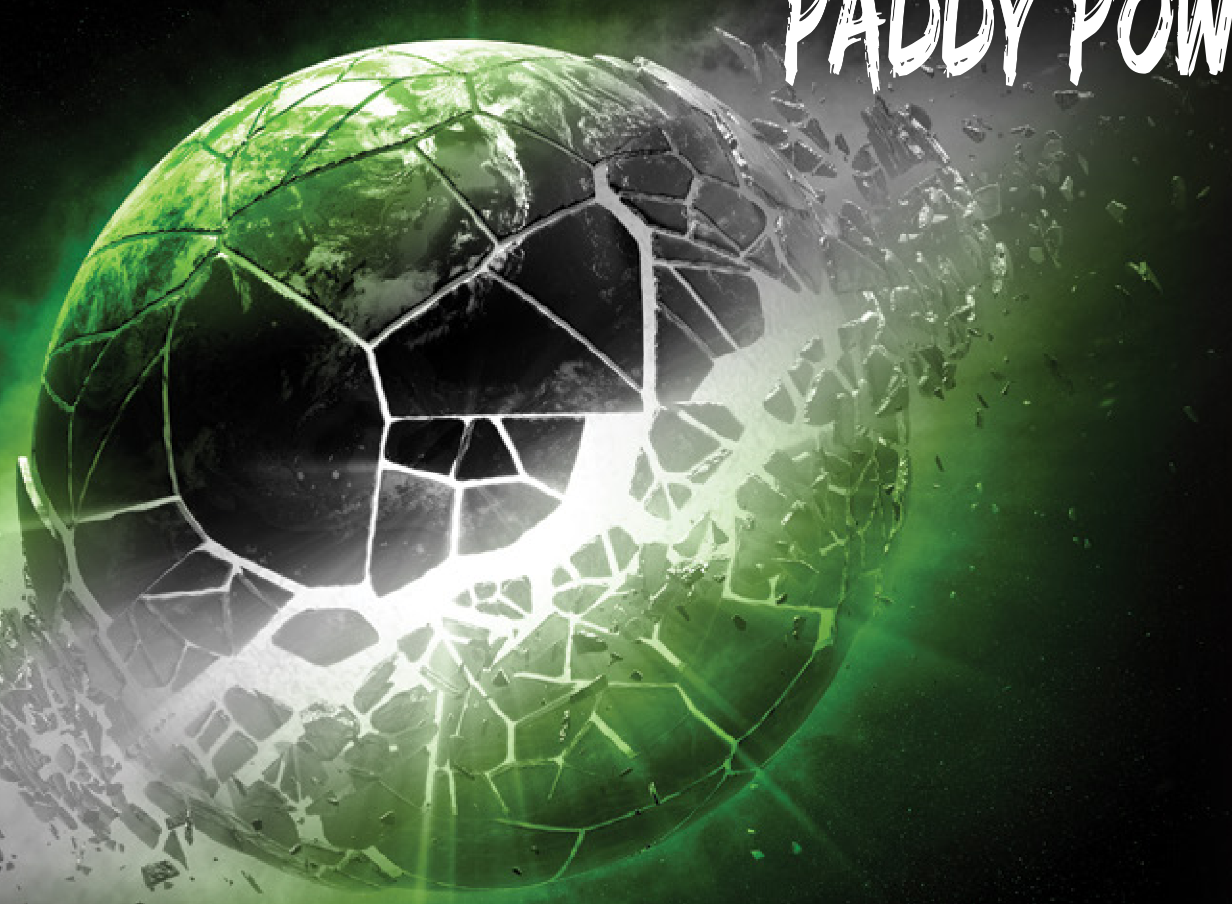
PADDYPOWER.

CONTENTS

IT'S THE YEAR 2014 AND THE WORLD IS IN PERIL!

A NEW COLD WAR STARTS AS RUSSIA ANNEXES THE CRIMEA!
EBOLA HITS WEST AFRICA
AND BEYONCE'S SISTER SOLANGE HITS JAY-Z IN AN ELEVATOR!
COMETH THE HOUR, COMETH AN ENTERTAINMENT COLOSSUS TO SAVE THE WORLD ONE LOL AT A TIME.

STEP FORTH PADDY POWER!



2014 GROUP FINANCIAL HIGHLIGHTS

SPORTSBOOK AMOUNTS STAKED *	**DIVIDENDS PER SHARE**
€7,003M +16%	**152.0c** +13%
2013: €6,014M	2013: 135.0c
NET REVENUE (€M) */1	**DILUTED EARNINGS PER SHARE**
€881.6M +18%	**€2.976** +18%
2013: €746.0M	2013: €2.520

DIRECTORS AND OTHER INFORMATION

Directors

Nigel Northridge *Chairman*
Andy McCue *Chief Executive*
Cormac McCarthy *Chief Financial Officer*
Tom Grace *Non-executive Director*
Michael Cawley *Non-executive Director*
Danuta Gray *Non-executive Director*
Ulric Jerome *Non-executive Director*
Stewart Kenny *Non-executive Director*
Gary McGann *Non-executive Director*
Pádraig Ó Ríordáin *Non-executive Director*

Company Secretary and Registered Office

Jack Massey
Power Tower
Belfield Office Park
Beech Hill Road
Clonskeagh
Dublin 4

Stockbrokers

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4

Credit Suisse Securities (Europe) Limited
One Cabot Square
London
E14 4QJ

Legal advisers

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

Auditor

KPMG
1 Stokes Place
St Stephen's Green
Dublin 2

Principal bankers

Allied Irish Banks p.l.c.
Barclays Bank PLC
Lloyds TSB Bank plc
National Australia Bank Limited

Registrars

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

Registered number

16956

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

1. 2013 UK Retail machine net revenue has been expressed on a consistent basis of taxation with 2014 in UK Retail and Group comparisons throughout this commentary


AMAZON
KILLERS

7TH MOST TALKED ABOUT BRAND GLOBALLY ON FACEBOOK & TWITTER DURING THE WORLD CUP

Strange goings on deep in the Amazon on the eve of the World Cup as C'MON ENGLAND and a PADDY POWER logo were cut into the rainforest. Cue global hysteria, the likes of which hasn't been seen since Boyzone split. Had Paddy Power really carved a good luck message into the Lungs of the World? In the space of 48 hours, the rogues went from zero to hero as it was revealed that the images were computer generated as part of an elaborate hoax. The biggest social media campaign in Paddy Power's history created a huge amount of buzz going into the biggest betting event ever.

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am delighted to update you on an excellent year for your Company.

The Group achieved record turnover of €7 billion and operating profit of €164m in 2014. Operating profit growth of €26m, or 19%, was achieved despite absorbing €11m from new taxes, increased product fees and currency translation. Sporting results also weren't good for us in 2014, although they did improve marginally relative to 2013 (much like Manchester United).

Earnings per share grew by 18% and the Board's proposed final dividend makes for a total 2014 regular dividend of €1.52 per share, an increase of 13% versus 2013. The Board is also proposing an additional cash return to shareholders of €8 per share.

€m	2014	2013	% Change	% Change in CC[2]
Sportsbook amounts staked	7,003	6,014	+16%	+16%
Sportsbook gross win %[3]	*9.9%*	*9.7%*		
Sportsbook net revenue %[3]	*9.2%*	*9.3%*		
Net revenue	**881.6**	**746.0**	**+18%**	**+18%**
Gross profit	713.9	617.0	+16%	+16%
Operating costs	**(550.1)**	**(479.6)**	**+15%**	**+14%**
Operating profit	163.8	137.4	+19%	+22%
Profit before tax	166.6	141.0	+18%	+21%
EBITDA	211.8	176.9	+20%	+23%
EPS, diluted	**297.6 cent**	**252.0 cent**	**+18%**	**+21%**
Dividends	152.0 cent	135.0 cent	+13%	
Net cash at year end	**€285m**	**€229m**		

People

2014 marked the end of Patrick Kennedy's tenure as Chief Executive. During the decade he spent with the Group, Patrick transformed Paddy Power's scale and profitability, geographic footprint and business mix, whilst at the same time maintaining our unique culture, brand and customer focus. We are grateful for his contribution and wish him well for the future.

The Board undertook a comprehensive international recruitment process for Patrick's replacement, the outcome of which was the appointment of Andy McCue. In Andy, we have the right person to drive Paddy Power's next phase of growth. He has an outstanding track record in his eight years with the Group and has consistently demonstrated leadership across the business. We wish him every success in his new role.

Board

Gary McGann joined the Board as a non-executive director in November. Gary is Group Chief Executive Officer of Smurfit Kappa Group plc, and has previously served as CEO of both Aer Lingus and Gilbeys of Ireland. His depth of skills and experience will be of considerable value as Paddy Power continues to develop and grow.

Regulation

Regulatory engagement has been both substantial and encouraging over the last 18 months. This has led to a range of meaningful measures which will increase protection for those who may be at risk from gambling, whilst leaving others free to engage in an enjoyable leisure activity. The key developments included:

- ***UK gaming machines:*** We implemented the Association of British Bookmakers' Code for Responsible Gambling and Player Protection in March 2014, including additional measures to enable UK retail customers to set limits on the time and money spent on gaming machines from January 2015. The Department for Culture, Media & Sport published a paper on Gambling Protection and Controls in April. This included new mechanisms affecting players wishing to stake over £50 in a single play on gaming machines which will come into effect next month. In December, the Responsible Gambling Trust's research on gaming machines was released and the industry is reviewing its responsible gambling policies in light of the findings on the indicators of harmful activity.
- ***UK retail:*** We expect the UK Government to publish new planning laws this month which may require a greater number of new shops to apply for planning permission.
- ***Senet Group:*** This independent body was established in September by Paddy Power and other operators to promote responsible gambling standards and to ensure that the marketing of gambling is socially responsible. Measures introduced to date include the elimination of the advertising of sign-up offers for new customers before the 9pm television watershed, changes to betting shop window promotions, and a national TV advertising campaign to help prevent problem gambling. Separately, the UK Government is expected to publish the results of its recent reviews into industry advertising shortly.
- ***UK Remote Gambling:*** The UK Gambling (Licensing and Advertising) Act 2014 came into force in November requiring all operators providing remote gambling services to UK consumers to be licensed. Paddy Power is licensed and our non-retail business is subject to the Licence Conditions and Codes of Practice of the UK Gambling Commission. The UK Government has also put in place voluntary arrangements with payment providers to block transactions with unlicensed operators.
- ***Irish Betting Shop Evening Opening:*** Following the enactment of the Finance Bill in January this year, Irish betting shops are now allowed to open after 6.30pm throughout the year.

Employment & Tax

Paddy Power provides high quality employment and makes a significant tax contribution in the countries in which we operate. We employed 5,012 people at the end of 2014 and paid total taxes and duties of €226m during the year.

2. Growth percentages (other than for EPS) throughout the Chairman's statement, Chief Executive's statement and Operating and Financial review are in constant currency ('CC'), as compared to the equivalent period in the prior year, unless otherwise stated. The financial tables include both nominal and constant currency growth percentages.
3. The sportsbook gross win % represents the percentage of stakes retained after payout of winnings, including promotional offers paid out in cash (Appendix 1 has detail by Division). The sportsbook net revenue % also deducts the cost of free bets for promotional and sign-up offers. For ease of reference/comparison, it excludes foreign exchange hedging gains/losses from net revenue and includes stakes from freebets within turnover.

THE GROUP ACHIEVED RECORD TURNOVER OF €7 BILLION

	Employment 31 Dec 2014	% Change in 2014	Tax/Duty Paid 2014	% Change in 2014
Ireland	2,570	+10%	€84m	+17%
UK	1,707	+15%	€70m	+21%
Australia	560	+21%	€61m	+38%
Italy and Rest of World	175	+20%	€11m	+38%
Group	**5,012**	**+13%**	**€226m**	**+24%**

Financial Position, Capital Structure and Dividends

Net cash at the end of 2014 was €285m (including customer balances of €67m). This represents an increase of €56m compared to the previous year, notwithstanding substantial investment in our online businesses and retail estate. This growth in cash is also after a €7m increase to €69m in dividends paid to shareholders in 2014 and €23m returned to shareholders under our share buyback programme which we recommenced in August.

The efficiency of the Group's capital structure is kept under regular review by the Board. Relevant considerations include the Group's strong cashflow generation, its development pipeline and general capital market conditions. The Board believes the Group can increase efficiency, whilst remaining prudent and not compromising its growth, by moving from its current position of net cash to a position of net debt of approximately one times EBITDA at this time. This would enable the return of approximately €8.00 per share or €392m in aggregate to shareholders. The Board intends to structure this return via a B share type scheme, whereby shareholders can elect to sell or receive a dividend on newly issued shares, followed by a share consolidation. Shareholders will be asked to approve the return of capital and related matters at the Company's AGM in May and a circular will be distributed in April.

The Board is also proposing an increase in the final dividend of 13% to €1.02 per share. This would bring the total regular dividend in respect of 2014 to €74.5m, or €1.52 cent per share, representing an increase of 13% on 2013.

Outlook

The year has started well.

Sportsbook stakes are up 18% in Online and 8%, like-for-like, in Retail (during the period 1 January to 26 February in constant currency). Sports results have been broadly in line with our expectations, as compared with adverse results in the equivalent period last year.

Although we face well flagged new taxes and regulations this year, the recent depreciation of the euro since our last update, if sustained, would increase operating profits by approximately €5m in 2015.

The Board remains confident of the Group's prospects and I look forward to updating you on progress at our AGM in May.

Nigel Northridge

Nigel Northridge
Chairman

2 March 2015

CHIEF EXECUTIVE'S STATEMENT

As Paddy Power's new Chief Executive, I am pleased to set out our future strategic direction to win in our markets and create value for shareholders.

Paddy Power is a fantastic business and is very strongly positioned. However, we recognise that our sector and the wider consumer environment are changing rapidly, and so to ensure our future success, we are continuing to adapt our business.

Our strategy comprises three key elements:

1. Product differentiation

2. Distinctive brands and marketing capability

3. Leadership in large, regulated markets

These elements are underpinned by ***clear accountability*** and ***focused execution***.

We have also set in place priorities for future investment which emphasise:

- ***Online over retail***
- ***Mobile over desktop***
- ***Sports over gaming***
- ***Organic over acquisition***

Market Context

The global phenomenon of retail to online migration is driving growth in online betting and gaming, which is outpacing expansion in retail. Furthermore, in the UK sports and gaming markets in which we operate, over 90% of future industry growth will be in mobile, while in the Australian sports betting market all the foreseeable growth will be in mobile, with retail and desktop declining. Within UK online, sports betting remains the most popular product, with 56% of regular online gamblers betting only on sport versus 6% who only play gaming.

Given this market context, Paddy Power is exceptionally well positioned:

- ***Predominantly online:*** 77% of our operating profit was generated online last year.
- ***Leadership in mobile:*** We enjoy the highest exposure to smartphone and tablet betting across our markets with 55% of our online revenues coming from mobile last year, compared to an estimated average of 40% amongst our UK peers.
- ***Sportsbook led:*** Last year 73% of our revenue came from the large and robust sports betting market, which compared to gaming offers much greater potential for differentiation and has consumers that are cheaper to acquire and churn less.
- ***Geographic diversity:*** 52% of our operating profit was derived from UK customers last year, 29% from Australian customers and 19% from customers in Ireland and elsewhere (excluding Italy).
- ***Scale positions with growth potential:*** Within our main markets we have market leading positions and significant potential to continue to grow market share as activity flows towards the best and most efficient online operators.
- ***Sustainable revenues:*** Not only is there major upside potential in our online business, we also have more limited downside than others, given that our online profits are generated in legal and licensed markets.
- ***Disproportionate multichannel reach:*** Our leading retail capabilities and 'prime-pitch' locations mean our 565 shops generate sports betting turnover equivalent to 1,163 competitor units. Moreover, almost half the population of Great Britain lives within 5 miles of a Paddy Power shop.
- ***Sector leading retail profitability & resilience:*** We have the highest profitability per shop in the industry: whilst our competitors have announced some 700 shop closures over the last 6 years, we have closed none.

Key Strategic Elements

Product Differentiation

Some 35% of consumers cite product features as the key factor in driving operator choice, whilst analysis of lost customers indicates that some 33% go elsewhere due to product reasons. From January, we have reorganised the business to focus on product. We appointed a Chief Product Officer, embraced a global approach to product development, and reappraised our priorities, which now are:

- ***Intuitive product focused on customer needs:*** Customers tell us that their primary purchase decisions are based around having a fast, easy and responsive betting and gaming experience, from registration through to bet settlement and withdrawal, supported by relevant content. We have identified enhancements to the customer journey to improve navigation, create spontaneous betting opportunities and cross-sell between sports and gaming. Furthermore, our products will become increasingly personalised to tailor to individual preferences.
- ***Product innovation:*** We see opportunities to develop original, compelling products which differentiate us from our competitors. Innovation will come via platform, bet, market and game types. Our industry leading Risk and Trading teams in Dublin and Melbourne can be further utilised to create new betting opportunities. We will also develop products for multichannel customers which will enable us to capture a higher share of their online spend.
- ***Increased in-house development:*** In recent years we have increased the proportion of development we control and build in-house, increasing our agility, pace and distinctiveness. We will accelerate this, for example, by building certain mobile products internally, by further investing in differentiated gaming software, and by uncoupling customer facing front-ends from third party suppliers. We will however, continue to cultivate key strategic partnerships where they help us operate at pace, or more efficiently by leveraging their scale, or for parts of the proposition which do not necessitate differentiation.

Distinctive brands and marketing capability

Our brands define us and our approach: we aim to engage and entertain in a way that is impossible to replicate.

We will concentrate our efforts on:

- ***Deepening the distinctiveness of our brands:*** Distinctive brand positions are critical to standing out in a crowded marketplace. We will launch new creative marketing campaigns for both *Paddy Power* and *Sportsbet* this year.

OUR STRATEGY COMPRISES THREE KEY ELEMENTS:
1. PRODUCT DIFFERENTIATION
2. DISTINCTIVE BRANDS AND MARKETING CAPABILITY
3. LEADERSHIP IN LARGE, REGULATED MARKETS

- ***Social engagement:*** Our brands have unique personalities which allow us to engage in rich, valuable, fun conversations. We will continue to push the boundaries of social engagement.
- ***Product and value:*** Our marketing will increasingly highlight new and original product features. We will also ensure customers see us as being competitive on value with distinctive, simple and relevant offers.
- ***Optimised and efficient brand investment:*** Last year we substantially increased our investment in TV advertising, generating strong returns, including 28% growth in online customer acquisition with no increase in total marketing costs per new customer acquired. We expect to maintain a leading share of voice in the UK and Australia, while continuing to advance our digital, social and mobile marketing capabilities, to ensure we retain our lead in marketing efficiency.

Leadership positions in large, regulated markets

Our market positions in the UK, Ireland and Australia offer us substantial opportunities for growth. Over the last three years, our net revenue in these markets has increased annually at an average of 22% in online and 17% in retail.

The Group also entered the Italian online market in May 2012. Whilst we have achieved meaningful sportsbook market share, overall market growth remains slower than expected. We are undertaking a review of the opportunity which will allow us to position our business better for this market reality. This review will be completed in the coming months.

We also continue to look globally for opportunities to enter new B2C markets.

In markets which we deem unfeasible for B2C entry, we seek to offer B2B services. We currently have B2B partnerships in France, Canada, and Slovakia. We expect to add further partners in the coming years, without distracting from our B2C activities.

Clear accountability, and focused execution

Paddy Power has a strong team. We can, however, deliver more by organising ourselves better and focusing on disciplined execution. We have changed our organisation structure to align with our strategy and to improve our efficiency. There are now three customer facing segments (Online Europe, Online Australia and Retail), and two centres of excellence (Product and Marketing) which deliver our strategic competitive advantages, supported by enabling central functions. For the first time we now have a global approach to product development, ensuring that in particular, sports product innovation and development is coordinated centrally. This will realise cost synergies, which, in turn, will afford greater product output.

We have demonstrated scaling in the past, with cost growth in central functions well below other areas. We have moderated the overall rate of headcount and operating cost growth relative to the prior year in both 2014 and 2013. We are employing a range of methods to achieve savings including locating more resources in lower cost locations. We see further opportunities for efficiency by improving our investment discipline and leveraging scale and geographic synergies, which will allow us, crucially, to continue to invest in product and brand.

Inevitably, innovative ideas won't all work, and in this context, we have decided to discontinue our secondary products and brands, *Betdash, Paddy Power In-Play* (our Facebook betting product) and *Roller*.

Conclusion

As the industry changes, we will focus our substantial capabilities on those critical areas that will allow us to win.

The business remains centred on the key growth markets of online and mobile, whilst also maintaining a strong and resilient retail presence to address multi-channel and core retail customer demand. We have scale leadership positions and operate in large and regulated geographic markets, each of which offers scope for market and share growth.

We have evaluated the attractiveness of a number of possible acquisitions in recent years but we have yet to see any substantial opportunities that are as compelling as the organic strategy outlined here. We therefore believe that this is an opportune time to return a material amount of capital to our shareholders, whilst retaining the flexibility to respond to opportunities that may arise.

We can enhance our positioning via disciplined product and brand investment and we have a strong committed team in place to deliver.

I am delighted with the opportunities that lie ahead and I am confident in our ability to exploit them.

Andy McCue
Chief Executive

2 March 2015

"I ALWAYS SAW PADDY POWER AS SLIGHTLY ANTI-INTELLECTUAL BUT BY PARTNERING WITH ME, YOU HAVE PROVED ME WRONG"

PROF STEPHEN HAWKING

What are the optimal conditions for England's success? How do you take the perfect penalty? For a robust answer Paddy Power asked legendary theoretical physicist Prof Stephen Hawking. Using mind-boggling formulae, he correctly predicted England's limp performance out in Brazil. As Hawking spoke, the nation listened. Every national newspaper picked up the story and #HawkingTalking trended on Twitter.


THE WORLD CUP &
THE BRAIN

77% OF GROUP OPERATING PROFITS GENERATED ONLINE LAST YEAR

Introduction

Paddy Power is an international betting and gaming group. The Group focuses on the fast growing online betting market with 77% of Group operating profits generated online last year. In the UK and Ireland, the Group also operates retail shops which contributed 22% of operating profit in 2014.

Operating Profit by Division

	2014		2013		
	€m	% of Group	€m	% of Group	% Change
Online (ex Australia)	75.3	46%	73.5	54%	+3%
Online Australia[4]	52.4	32%	33.5	24%	+56%
UK Retail	21.2	13%	13.9	10%	+53%
Irish Retail	15.6	9%	14.0	10%	+11%
Telephone	(0.7)	0%	2.5	2%	n/a
Group Operating Profit	**163.8**	**100%**	**137.4**	**100%**	**+19%**

Paddy Power currently operates in three main geographies: the UK, Australia and Ireland. In addition, the Group is in an early stage in Italy and has business-to-business partnerships in France, Canada and Slovakia.

Operating Profit by Geography[5]

	2014		2013		
	€m	% of Group	€m	% of Group	% Change
UK	91.7	56%	83.3	61%	+10%
Australia	52.4	32%	33.5	24%	+56%
Ireland, Italy and Rest of World	19.8	12%	20.6	15%	(4%)
Group Operating Profit	**163.8**	**100%**	**137.4**	**100%**	**+19%**

4. Online Australia also includes telephone operations accounting for less than 10% of its gross and operating profit
5. Online and Telephone operating profit allocated by geography based on average divisional profit margins applied to net revenue

Sports Results, Trading and Brand

Last year had more ups and downs than Taylor Swift's love life. We also learnt that not only can lightning strike in the same place twice, it can in fact strike three times, as it did in weeks, 2, 12, and 52, when practically every favourite in the main football leagues won. It was the betting equivalent of Billy Bob Thornton landing Angelina Jolie and resulted in bookmakers paying out gazillions on accumulators. It was going to take a lot to offset that and whilst we had a positive run in the second half, including a bonanza during the final stages of the World Cup, we didn't manage to fully overturn a heavy first half deficit. As a result, the Group's gross win percentage was some 0.3% below our expectations, which had a gross impact of approximately €24m before any customer recycling of winnings and related reductions in cost.

Still, you just gotta grin n' bear it. Some schadenfreude and fun - courtesy of David Moyes's disastrous record at Man United - helped. We put an encased wax-work of Sir Alex Ferguson outside Old Trafford with the instructions 'In case of emergency break glass'; positioned a 'grim reaper' behind Moyes at Goodison Park (which indeed proved his last match in charge); and, at the home of arch rivals Liverpool, erected a giant bronze statue of Moyes 'for services rendered'.

The new season brought new opportunities for engagement with fans. After losing their version of Hannibal Lecter to Barcelona, Liverpool signed up Mario Balotelli. It was a move that must rank up there with 'Don't worry, I think we can squeeze by this iceberg without a major incident', so much so that after Mario swapped his jersey at half-time in a 3-0 defeat to Real Madrid, we felt it only fair to set up a stall at Anfield so supporters could swap their Balotelli shirts. In November, we paid out early on Chelsea to win the Premier League. With Jose Mourinho's men eight points clear, it looked a rock solid move. Two weeks later, with City almost level, it looked like a business decision as wise as HSBC's Swiss banking forays.

We also did more campaigning to tackle homophobia in football. With vocal support across the football community, the Rainbow Laces campaign exploded on Twitter, organically trending worldwide and doubling its impressions as compared with 2013. Campaign awareness in the UK was 30% amongst the entire adult population and 45% amongst sports bettors. We even sent a batch of the laces to the Westboro Baptist Church, however they must prefer to use slip-on shoes because we haven't heard back.

Some mad and bad World Cup antics saw us welcome 148,000 new online customers over a four week period. Ahead of the tournament, we published a scientific study by our latest pundit, Professor Stephen Hawking, on what might happen. It didn't look good for England and they duly collapsed as fast as the Greek economy. We then caused outrage when appearing to have carved a huge message of support for England in the Amazon rainforest – by the time we set the record straight that it was a hoax, we'd got both Paddy Power and '#SaveTheRainforest' trending on Twitter with over 35 million impressions. Sportsbet weren't to be outdone – the flying of a 14 storey high 'Christ the Redeemer' balloon asking socceroo fans to '#Keepthefaith' made the news on all the national TV channels in Australia. Great value for punters was also part of the mix and we honestly thought we were being generous when we offered 100/1 on England to win the tournament.

We did our bit for European unity in September by getting notorious Eurosceptic and UKIP leader Nigel Farage to record a party political broadcast in support of 'Team Europe' - in the Ryder Cup at least. The stunt featured prominently across national newspaper and TV stations with '#SwingForEurope' also trending on Twitter in the UK. It did the trick too, as the Americans slipped to their nation's biggest international embarrassment since Sarah Palin's vice presidential campaign.

Such distinctive activity makes our brands global leaders on 'talkability', consistently doing things that make the brand remarkable and different; that resonate with customers and make them much more engaged. As iGaming Business Social Monitor put it after analysing 10 million industry 'mentions' across the web last year, 'Paddy Power is clearly playing in its own league with almost four times more mentions than any other brand in the industry'. This is a highly efficient way to attract and retain customers in a crowded market place where much traditional advertising does little to grab attention on its own. The approach is also difficult to replicate, with, for example, comments on social media regularly advising any attempted imitators to 'stop trying to be Paddy Power'. Financially, it is a key reason why Paddy Power leads the industry in marketing efficiency, year after year, with marketing costs as a percentage of online net revenue at 21% in 2014, as compared with an average of 27% for our major quoted UK peers.

Online

€m	2014	2013[6]	% Change	% Change in CC
Sportsbook amounts staked	4,644	3,854	+21%	+21%
Sportsbook net revenue	412.9	353.8	+17%	+20%
Sportsbook net revenue %	*8.9%*	*9.1%*		
Gaming & other net revenue	140.5	119.1	+18%	+17%
Total net revenue	**553.4**	**472.9**	**+17%**	**+19%**
Gross profit	446.5	389.4	+15%	+16%
Operating costs	(319.9)	(281.3)	+14%	+15%
Operating profit	**126.6**	**108.1**	**+17%**	**+21%**
% of Group operating profit	77%	79%		
Active customers[7]	**2,414,439**	**1,940,559**	**+24%**	

Our online scale continues to increase significantly, all via organic growth from legal, regulated markets. We had strong double digit growth percentage across all top-line metrics, growing new customer acquisition by 28%; active customers by 24%; sportsbook stakes by 21% and net revenue by 19%. Online operating profit was up 21% to €127m.

6. Some Online activity has been reclassified in 2014 from Gaming to Sportsbook to better reflect the nature of the bets; All 2013 amounts (revenue €6.2m) have been restated on a consistent basis. The impact on year-on-year growth rates is immaterial.
7. Active customers throughout this statement are defined as those who have deposited real money and bet in the year, excluding indirect B2B customers

"EXTRAORDINARY ARROGANCE AND HUBRIS. IS NOTHING SACRED?"

REVEREND TIM COSTELLO

Planet Earth spent 2,014 years waiting for the Second Coming. His return certainly didn't disappoint. What earthlings didn't expect is that he would return courtesy of Sportsbet, in the form of an enormous hot air balloon to get behind the Australian team at the World Cup. Jesus Christ himself would have got less publicity, even if he turned up in Australia's second city riding Kim Kardashian.


HOLY
CHRIST!

Online (Excluding Australia)

€m	2014	2013	% Change	% Change in CC
Sportsbook amounts staked	2,763	2,218	+25%	+20%
Sportsbook net revenue	194.2	180.6	+7%	+7%
Sportsbook net revenue %	*7.0%*	*8.0%*		
Gaming & other net revenue	140.5	119.1	+18%	+17%
Total net revenue	**334.6**	**299.7**	**+12%**	**+11%**
Gross profit	280.7	258.6	+9%	+8%
Operating costs	**(205.4)**	**(185.1)**	+11%	+9%
Operating profit – total	75.3	73.5	**+3%**	**+4%**
Operating loss - paddypower.it	*(14.7)*	*(16.8)*	*n/a*	*n/a*
Operating profit - ex Aus, ex Italy	*90.0*	*90.3*	*(0%)*	*+1%*

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

Operating profit grew last year by €2m or 4% to €75m, but was held back by a €3m headwind from the new UK point of consumption tax ('POCT') in December, as well as by adverse sports results, which had a negative gross impact of approximately €14m year-on-year. Underlying growth was strong with new customers acquired up 27%, active customers up 21%, sportsbook amounts staked up 20% and eGaming/B2B net revenue up 17%.

Online (Ex Aus) Active Customers

	2014	2013	% Change
UK	1,434,335	1,157,694	+24%
Ireland and Rest of World	405,318	366,295	+11%
Total	**1,839,653**	**1,523,989**	**+21%**

Online (Ex Aus) Customers Product Usage

	2014	2013	% Change
Sportsbook only	1,238,619	954,537	+30%
Gaming only	157,988	167,404	(6%)
Multi product customers	443,046	402,048	+10%
Total	**1,839,653**	**1,523,989**	**+21%**

paddypower.com

Our UK and Irish business, *paddypower.com*, rebounded strongly in 2014 as we addressed the increased competition that arose from late 2013, with operators jockeying to gain scale and momentum ahead of POCT. In sportsbook, growth of 39% in new customer acquisition, 26% in active customers and 18% in stakes compared to growth rates of 10%, 13% and 10% respectively in 2013. eGaming and other net revenue growth at 15% also accelerated, as compared with 13% in 2013.

We are pleased with the impact of our increased investment in TV advertising share of voice, which maximised the value of our distinctive brand and online marketing, and worked well in tandem with new product releases and targeted value for customers. We will be maintaining a heavy focus on these areas to achieve further improvements and profitable growth.

Operating profit as a percentage of net revenue was 28.4%, notwithstanding the impact of unfavourable sports results, POCT in December and increased marketing/customer acquisition spend to drive future growth. This remains amongst the highest in our sector, leaving us well positioned, with strong execution of our strategy, to take share from weaker operators in a new POCT environment.

paddypower.it

Our Italian online business, *paddypower.it*, made further progress last year. Net revenue increased by 85% or €7.9m, with cost of sales as a percentage of net revenue falling 17% and operating cost growth slowing to 14%. The strength of our overall proposition resulted in our winning of a number of awards including being voted 'best online bookmaker in Italy' by the prestigious Instituto Qualita Tedesco Finanza.

Key to this progress has been product expansion. We expanded our eGaming offer with the launch of Poker, the 'PP Vegas' mobile casino and Bingo. We were also once again first-to-market with further new in-play betting markets which were allowed during the summer under the Palinsesto Supplementare. As a result, our market share of stakes reached 13% in June/July. Due in part to less Palinsesto Supplementare sports events in recent months, our share of turnover has fallen back, although absolute turnover remains up year-on-year and our share of sportsbook gross win has been more resilient[8].

While the Palinsesto Supplementare has added turnover to the market, such in-play turnover is at a lower gross win percentage resulting in only modest growth in market gross win, and even less growth in gross profit, given the turnover based tax regime in Italy. Regulated online gambling market gross win fell 2% in 2014[8] and, excluding the World Cup period, there were 5% fewer online bettors active in the market each month as compared with 2013[9].

Whilst we have achieved meaningful sportsbook market share, overall market growth remains slower than was expected. We are undertaking a review of the opportunity which will allow us to position our business better for this market reality. This review will be completed in the coming months.

8. These market share and market trends are expressed on a like-for-like basis excluding the impact of a large unregulated business which transferred into the regulated market during September.
9. Source: Latest available data from Osservatori, Politecnico di Milano to September 2014.

(A) Online Sportsbook
Amounts staked on sportsbook increased by 20% to €2.8 billion. Within this, bet volumes grew by 28% to 196m, while the average stake per bet decreased by 6% to €14.06. Net revenue was up 7%. Mobile turnover grew 38% to €1.6 billion, with 75% of sportsbook customers transacting with us via mobile in December, generating 61% of sportsbook stakes (betting with your mobile is now not far behind using it for setting up one night stands on Tinder!).

We increased our TV advertising share of voice by 5% to 15% last year, using the additional spend in particular to showcase new offers and product developments. These adjustments were particularly targeted at football and drove a significant acceleration in *paddypower.com's* football growth. Excluding June and July (which were boosted by the World Cup), football customer acquisition was up 31%, actives up 18% and stakes up 16%, relative to 1%, -1% and 3% respectively in the second half of 2013. Including the World Cup, football customer acquisition was up 86%, actives up 40% and stakes up 30%. We remain relatively under-penetrated in football which remains a significant opportunity for us. We continue to perform strongly in racing with turnover up 19% last year.

Key product developments last year included significant betting-in-running enhancements both in horse racing, with streaming pictures integrated into the betting racecard, and in football, with new in-play pages across all platforms giving customers in game stats and a visualisation panel of key events in the game. We also extended 'cash-out' to accumulator bets during 2014, with each-way bets added last month. Product development occurred across a range of customer functionality with, for example, enhanced 'customer account' pages, withdrawals/deposits and I.D. verification. Product development will accelerate this year in line with our strategy.

Eye-catching value for customers was of course also delivered, in tandem with increasingly meticulous scrutiny to ensure our price/offer proposition delivers by being simple and relevant, targeted, and strongly and consistently articulated. The 20% bonus on winning football accumulator bets that we introduced last year is a typical example, with strong communication including on TV, on #PPValue and via direct notifications of the extra winnings to customers.

ONLINE SPORTSBOOK STAKES INCREASED BY 20% TO €2.8 BILLION

Paddy Power showed their support for Team Europe and stuck two fingers up to the Americans at the Ryder Cup. Help came from the most unlikely of places, legendary Eurosceptic and UKIP leader Nigel Farage. In a mock party political broadcast he encouraged the nation to "swing for Europe". On the eve of the Ryder Cup there was a media frenzy. What was Britain's most polarizing politician doing just before his party's annual conference?! And what was he thinking when he put on those red trousers?!

"THE NAMES HUNTER, BUBBA, WEBB?! THEY'RE NOT NAMES, THEY'RE NOISES"

NIGEL FARAGE


CONTINENTS
COLLIDE

GAMING AND B2B REVENUE INCREASED BY 17% TO €140M

(B) Online Gaming & B2B
Gaming and other revenue increased by 17% to €140m driven by growth in Casino, Games, Bingo and B2B, offsetting a reduction in Poker. eGaming active customer growth of 6% was lower than net revenue growth, as the Group discontinued some acquisition of low yield players. Whilst this contributed to revenue per active customer increasing by 10%, it remains low relative to industry peers and is an area of opportunity that we are addressing.

Product has been key to this strong performance and mobile product in particular where we have a leading position. We released over a dozen apps last year across various eGaming products and mobile platforms, incorporating the latest tracking, push notification and single-sign-on functionality. Mobile net revenue increased by 58% to represent an industry-leading 40% of total online gaming in 2014. In December, 45% of eGaming customers transacted via mobile devices.

Our games development base in Bulgaria continues to be central to product innovation. New exclusive proprietary content included Money-Back Roulette (get a 50:50 shot at money back if the ball lands on zero), Cash-Out BlackJack (during any hand if cards not going your way) and Santa's Spins (which beat every game ever launched on the site for month one revenue). We released 21 unique proprietary titles, with multiple versions for different platforms. Proprietary content accounted for 38% of Games net revenue in December. The team also continue to innovate more broadly, for example developing a games recommendation engine to assist customers find games they'll like based on their previous play history.

We are applying the same rigour to optimise our eGaming offers, as on sports. Promotions like our World Cup '501K Giveaway' and Christmas '251K Festive Frenzy' showcase our goal of great, transparent and attainable offers which also utilise our scale.

Given the strong development of our proposition, we have also been increasing our TV advertising share of voice, addressing a relative unfamiliarity with Paddy Power eGaming relative to awareness of our sportsbook. This is being helped by some operators in this relatively fragmented market reducing their marketing spend, presumably in the face of POCT and other challenges. We believe this market context, ongoing improvement in our eGaming offer, and Paddy Power's historic under penetration in eGaming, gives us an excellent opportunity to continue to achieve above-market growth in eGaming.

Online Australia - *sportsbet.com.au*

€m	2014	2013	% Change	% Change in CC
Online sportsbook amounts staked	**1,881**	**1,636**	**+15%**	**+22%**
Total sportsbook amounts staked	2,056	1,914	+7%	+14%
Net revenue	**226.9**	**179.6**	**+26%**	**+34%**
Sportsbook net revenue %	*11.0%*	*9.4%*		
Gross profit	171.3	135.1	+27%	+35%
Operating costs	(118.9)	(101.6)	+17%	+24%
Operating profit	**52.4**	**33.5**	**+56%**	**+68%**
Online active customers	574,786	416,570	+38%	

In Australia, our track record of strong momentum and increasing market share feels like it's going nearly as long as Neighbours. Net revenue was up 34% and operating profit was up 68% last year, notwithstanding higher product fees. While competition increased, our online growth accelerated, with customer acquisition up 33%, active customers up 38% and net revenue 34% higher.

Mobile turnover increased by 66% to €994m or 53% of online stakes, with 82% of our online customers transacting with us via mobile in December. Whilst betting-in-running continues to be prohibited online and therefore grows strongly on telephone, a reduction in lower margin phone turnover resulted in overall telephone stakes being down 32%, although net revenue was up 39%.

Product differentiation is central to this success. Last year, we upgraded our full mobile product suite (covering all the major devices and operating systems) with in-house developed technology, extending our lead as the brand consumers rate as 'number one for mobile'. Our new Cash Card enables customers to seamlessly withdraw cash from their online account at any ATM, and this product is showcased in our current brand campaign. We are also currently rolling-out a further extension to our betting markets, adding to what is already the widest selection in Australia. The global integration of our Risk & Trading function, together with favourable changes in business mix, is also yielding the highest gross win percentage amongst fixed odds bookmakers, notwithstanding the value we offer consumers.

Our brand position in Australia also continues to go from strength to strength. Sportsbet has the same distinctive brand personality as Paddy Power, and in a relatively uniform brand landscape, is ranked the clear number one for being 'fun', 'entertaining', 'modern' and 'innovative', as well as for 'value for money' and 'offers'. This brand positioning of course translates perfectly to social media where Sportsbet's share of engagements within the betting category is 70% on Facebook and 56% on Twitter. This approach has helped drive Sportsbet spontaneous brand awareness markedly ahead of all other corporate bookmakers for some years, and in the second half of last year, we moved to number one in the market overall, overtaking the TAB despite the awareness it gains from some 2,800 retail outlets.

From the second half of last year, racing bodies in Victoria, Western Australia, Queensland and South Australia levied increased product fees on bookmakers with a full year gross impact of approximately €8m (AUD11m) at 2014 levels of business. While further increases in racing or sports product fees may arise, Sportsbet is in a much stronger position to absorb them than many competitors given our scale, profitability and higher gross win percentage, as demonstrated by last year's performance.

Retail

Retail is a growth business for Paddy Power, driven by both increasing profitability in our existing shops and attractive opportunities to expand our estate. Over the last three years, retail net revenue has grown annually by an average of 17% including new shops, or 5% on a like-for-like basis. This resulted in record retail operating profits last year, up 33% to €37m, despite the gross win percentage being below our normal expectations.

Product innovation has been at the heart of this strong performance. Betting options have been expanded with more virtual and international horse racing content, more football coupons and more Self Service Betting Terminals (SSBTs) per shop. Our SSBTs now also have more cricket and golf markets, together with new pitch visualisation graphics for the core football product. For machine gaming in the UK, we offer the widest selection of games and continue to benefit from being the first-to-market with Inspired's new Eclipse cabinets (available across our entire estate since December 2013). For multi-channel customers, we completed the integration of our Cash Card with all three retail products (over-the-counter betting, SSBT and gaming machines) in May. This makes the Card the broadest such facility in the market, allowing customers to deposit or withdraw cash from their online account, as well as check balances and play any machine with online funds.

We are also currently developing, testing and gradually rolling out (subject to continued strong returns) further innovations around new shop formats, next generation TV displays and new betting products.

From a value perspective, we offer substantially the same prices in retail as we do online and our marketing campaigns of key special offers are consistent between the two channels. This represents a more sustainable retail proposition and pays back for Paddy Power in higher turnover, revenue and profits per shop.

The strength of our retail offer, alongside our relatively under-represented position in the UK, led to a record 75 new shops last year taking the total estate to 564 units. New openings are generating strong returns; the 186 mature shops we opened in the five years pre 2013 generated average EBITDA of €174,000 last year, or 53% on their average capital cost of €329,000. Since then we have opened a further 143 units which will drive further profit growth as they mature.

As increases in tax and machine regulation were announced in the UK, we increased the required activity levels for new shops. Nonetheless, we continue to anticipate opening some 30 shops this year in the UK, assuming the implementation of proposed new planning laws is not more limiting than currently expected.


INVASION OF THE
TROUSER SNATCHERS
PADDYPOWER.

MOVE OVER ONE DIRECTION!

Proving they aren't just about sport, Paddy Power made their mark on the BRIT Awards. Two members of staff dressed up as popsters Daft Punk, blagged their way onto the red carpet and ripped off their trousers to reveal Paddy Power Lucky Pants.

UK RETAIL OPERATING PROFIT INCREASED BY 50% TO €21.2M

UK Retail

€m	2014	2013	% Change	% Change in CC
Sportsbook amounts staked	710	552	+29%	+22%
Sportsbook net revenue	80.5	64.0	+26%	+20%
Sportsbook net revenue %	*11.4%*	*11.5%*		
Machine gaming net revenue	93.5	64.3	+45%	+39%
Total net revenue	**173.9**	**128.3**	**+36%**	**+30%**
Gross profit	129.5	96.1	+35%	+29%
Operating costs	(108.3)	(82.2)	+32%	+26%
Operating profit	**21.2**	**13.9**	**+53%**	**+50%**
Shops at year end	321	266	+21%	

UK Retail operating profit increased by €7.1m or 50% in constant currency. This performance was driven by 38% higher profits from the like-for-like estate which achieved net revenue growth of 8% and strong operational leverage.

Sportsbook stakes grew 22% to €710m, while total net revenue increased by 30% to €174m. Like-for-like net revenue growth of 8% comprised growth of 4% in sportsbook and 13% in machine gaming. Like-for-like average gross win per machine per week increased by 12% to £1,320. We had 1,279 gaming machines installed at the end of 2014, an increase of 220 compared to the previous year, entirely as a result of new shops. Like-for-like sportsbook stakes increased 5%, comprised of bet volume growth of 4% and an average sportsbook stake per bet up 2% to €16.35.

Operating costs grew 26% driven by a 27% increase in average shop numbers. Like-for-like operating costs grew 3%, reflecting good cost discipline and scaling of central UK head office costs.

We opened 55 new shops last year, including eight which we acquired, at an average capital cost per unit of €367,000 (£295,000) including lease premia and the costs of acquisition and refit for acquired units. The average cost per unit for organic openings was €334,000 (£268,000). EBITDA per shop pre central costs, for mature shops opened pre 2013, averaged €190,000 (£154,000), 2% higher than the comparable group of shops in the prior year.

Irish Retail

€m	2014	2013	% Change	% Change in CC
Sportsbook amounts staked	1,093	981	+11%	+11%
Net revenue	**126.6**	**115.6**	**+9%**	**+9%**
Sportsbook net revenue %	*11.6%*	*11.8%*		
Gross profit	113.6	104.7	+8%	+8%
Operating costs	(98.0)	(90.7)	+8%	+7%
Operating profit	**15.6**	**14.0**	**+11%**	**+15%**
Shops at year end	243	223	+9%	

Irish Retail stakes exceeded €1 billion for the first time last year and operating profit increased by €2.1m or 15% in constant currency, driven by new shop openings.

Like-for-like amounts staked increased by 5% helped by more than doubling the average SSBT terminals installed, the roll-out of contactless debit card terminals and additional morning opening hours, plus improved economic conditions. Like-for-like net revenue increased 3% and operating costs by 2%. Average stake per bet was down 3% to €13.83.

A record 20 new shops were opened last year, including 17 acquired. The average capital cost per unit was €537,000 (including the costs of acquisition and refit for acquired units) and they generated average annualised EBITDA of €104,000 last year, a 19% return notwithstanding their relative immaturity.

Telephone

€m	2014	2013	% Change	% Change in CC
Sportsbook amounts staked	380	348	+9%	+5%
Net revenue	**19.5**	**22.6**	**(14%)**	**(15%)**
Sportsbook net revenue %	5.2%	6.3%		
Gross profit	18.9	22.4	(16%)	(17%)
Operating costs	(19.5)	(19.9)	(2%)	(4%)
Operating (loss) / profit	**(0.7)**	**2.5**	**n/a**	**n/a**
Active customers	76,066	71,040	+7%	

Our telephone channel which includes betting via the phone, text and the exclusive PP Messenger App continues to perform well relative to its competitors, with 5% stakes growth consolidating its leading position in the combined UK and Irish markets. This growth was driven by active customers increasing 7%, and increased bet volumes, up 10%, partially offset by a 4% decrease in the average stake per bet.

Adverse sports results led to a 15% decrease in net revenue, with the gross win percentage below both our normal expectations and the favourable percentage achieved in 2013. This led to a €0.7m operating loss, despite a 4% reduction in operating costs. While the channel faces higher betting taxes this year, we expect it to continue to make an on-going positive contribution to the Group, given, for example, phone registered customers spend a similar amount with us online as on the telephone channel.

Taxation

The effective corporation tax rate was 13.0%, as compared to a rate of 12.7% in 2013.

The UK licensing and taxation regime on remote gambling changed to a point of consumption basis from December at a rate of 15% of eGaming net revenue and 15% of sportsbook gross win. If the tax had been in place throughout 2014, the cost to the Group would have been €44m. We are achieving some mitigation of this gross impact through more efficient free bet activity and lower supplier revenue share costs, with the possibility of further mitigation through marketing media deflation over time. There is also potential profit mitigation from market share gains from weaker operators being forced to exit the market or compromise their offer, net of any reduction in market share as a result of activity moving to illegal operators.

Within UK Retail, Machine Gaming Duty has increased from 20% to 25% of net revenue with effect from this month. If the change had been in place throughout 2014, the net cost to the Group would have been €4m.

In Ireland, we expect the 1% tax on retail stakes to be extended to Irish online and phone customers this year, once administrative arrangements are in place. Such a tax would have cost the Group €8m in 2014. Following EU VAT changes effective in 2015, additional Irish VAT is now incurred on eGaming activity with Irish customers. If the changes had been in effect throughout 2014, the net reduction in operating profit would have been €2m.

The UK Government is conducting a further consultation on possible reform of the existing horseracing betting levy or its replacement with a statutory horseracing 'betting right'. Changes might result in charges being extended to bookmakers based outside the UK, possibly covering both their business with UK and non-UK based customers. We continue to reject the implication that racing needs additional funding. The UK racing industry has never been wealthier and the total financial contribution to racing from the betting industry has been rising rapidly due to increased media rights payments and streaming costs. If new measures are pursued, they are not expected to come into effect until 2017 at the earliest.

Cashflows

Profits at Paddy Power convert strongly into cash flow. Operating cashflow (after LTIP trust share purchases and estimated maintenance capital expenditure of €18m) was €193m or 133% of profit after tax in 2014. Estimated enhancement capital expenditure of €49m mainly related to new shop openings and technology spending for product enhancement and expansion.

Foreign Exchange Risk

Sterling and Australian Dollar denominated operating profits were approximately £142m and AUD94m respectively last year. Accordingly, Group operating profit can be positively impacted by a weaker euro versus these currencies and adversely impacted by a stronger euro versus these currencies.

In order to reduce this volatility, the Group periodically sells Sterling forward for euro and has sold just over half its expected 2015 Sterling denominated operating profit for settlement at an average rate of 0.80.

Based on the above foreign currency profile, the change in the value of the euro against Sterling and the Australian dollar since the Group's November trading update, if sustained, would increase operating profits by approximately €5m in 2015, and more than double that amount in subsequent years which are unhedged.

Andy McCue
Chief Executive

Cormac McCarthy
Chief Financial Officer

2 March 2015

Manchester United's domination of British football was over. David Moyes had taken the reigns from Sir Alex Ferguson and was making a pig's ear of it. Paddy Power were not alone in enjoying football royalty floundering in mid-table. First we put a waxwork of Sir Alex Ferguson in a glass box outside Old Trafford with IN CASE OF EMERGENCY BREAK GLASS. Then we dispatched the Grim Reaper to stand behind Moyes during the loss that got him sacked. Finally, we erected an ironic statue of Moyes outside the home of United's great rivals Liverpool. He moved to Spain to escape.


SCOURGE OF THE
RED
DEVILS

APPENDIX 1: SUPPLEMENTARY DISCLOSURES

€'m	Group 2014	Group YoY % Change in CC [v]	Online (ex Australia) 2014	Online (ex Australia) YoY % Change in CC	Online Australia[iv] 2014	Online Australia[iv] YoY % Change in CC	UK Retail 2014	UK Retail YoY % Change in CC [v]	Irish Retail 2014	Irish Retail YoY % Change in CC	Telephone 2014	Telephone YoY % Change in CC
Sportsbook:												
Amounts staked[i]	7,003	+16%	2,763	+20%	2,056	+14%	710	+22%	1,093	+11%	380	+5%
Gross win	693.1	+18%	225.4	+12%	236.1	+34%	81.7	+21%	128.1	+10%	21.8	(14%)
Customer promotions & bonuses	(42.5)	+63%	(28.9)	+78%	(9.2)	+36%	(0.9)	+45%	(1.5)	+364%	(2.0)	(9%)
Foreign exchange hedging loss[ii]	(2.9)		(2.3)		-		(0.3)		-		(0.3)	
Net revenue[iii]	647.7	+16%	194.2	+7%	226.9	+34%	80.5	+20%	126.6	+9%	19.5	(15%)
Gross win %	*9.9%*	*+0.2%*	*8.2%*	*(0.6%)*	*11.5%*	*+1.7%*	*11.5%*	*(0.2%)*	*11.7%*	*(0.1%)*	*5.7%*	*(1.3%)*
Net revenue %[vi]	*9.2%*	*(0.0%)*	*7.0%*	*(1.0%)*	*11.0%*	*+1.7%*	*11.4%*	*(0.2%)*	*11.6%*	*(0.2%)*	*5.2%*	*(1.2%)*
Gaming and other net revenue[iii]	233.9	+25%	140.5	+17%	-	-	93.5	+39%	-	-	-	-
Total net revenue[iii]	881.6	+18%	334.6	+11%	226.9	+34%	173.9	+30%	126.6	+9%	19.5	(15%)
Cost of sales	167.7	+31%	54.0	+27%	55.6	+33%	44.4	+35%	13.1	+19%	0.7	+218%
- % of net revenue	*19.0%*	*+1.8%*	*16.1%*	*+2.4%*	*24.5%*	*(0.3%)*	*25.6%*	*+1.1%*	*10.3%*	*+0.8%*	*3.5%*	*+2.6%*
Operating Costs	550.1	+14%	205.4	+9%	118.9	+24%						
Depreciation & amortisation	48.0	+23%	18.1	+21%	8.7	+19%						
Marketing opex	100.9	+32%	57.6	+29%	32.3	+46%						
Other costs	401.2	+10%	129.6	+1%	77.9	+17%						
Online active customers (000's)[vii]	2,414	+24%	1,840	+21%	575	+38%						
Online new customers (000's)[viii]	1,275	+28%		+27%		+33%						
Total online marketing costs[ix]	116.0	+29%										
- % of online net revenue	*21%*	*+2%*										
- Per new customer acquired (€)	*93.8*	*+0%*										
Mobile % of online total:												
Sportsbook amounts staked	*56%*	*+10%*										
Gaming net revenue	*40%*	*+9%*										
Total online net revenue	*55%*	*+10%*										
LFL gross win per machine per week	£1,320	+12%										

Average effective FX Rates	2014	2013	H1'14	H1'13	H2'14	H2'13
- €:GBP, with hedging	0.830	0.821	0.845	0.814	0.820	0.833
- €:AUD	1.465	1.396	1.495	1.312	1.445	1.470

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

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

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

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

(v) To achieve comparability between years following the replacement of the VAT and Amusement Machine License Duty regime with Machine Gaming Duty ('MGD') from February 2013, January 2013 amounts in UK Retail have been restated. VAT costs which were previously recorded as a deduction when arriving at amounts staked and net revenue are now included within cost of sales, consistent with where MGD is expensed. This restatement has no impact on gross and operating profits.

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

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

(viii) New customers are defined as those who have deposited real money and have bet for the first time in the year.

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

CORPORATE SOCIAL RESPONSIBILITY

Corporate responsibility ('CR') is about how Paddy Power engages with its customers, communities and wider stakeholders on the issues that really matter. Our approach to CR is also about providing an opportunity to showcase the unique expertise of our people and demonstrate that we make a positive contribution in the communities where we operate.

In 2014, we contributed over €789,000 to charitable organisations around the world, but we know that we have more to offer than just financial resources. We are investing in relationships with organisations and work in partnership to address issues that are as relevant to our business as they are to the wider community.

We have a commitment to put in place robust policies and procedures designed to ensure that when our customers gamble with us they do so in a way which keeps it fun. This is central to our approach. Yes, we like a laugh, but on this we are deadly serious. To prove it, in 2014 we put our money where our mouth was and invested an additional €800,000 in our development of responsible gambling policies and practices. Our objective is to develop some of the strongest consumer protection measures in the industry.

Responsible Gambling

It's our job to ensure that our customers have an entertaining experience and we think we do a pretty good job of that. But it's also our job to provide customers with the tools they need to manage the time and money they spend with us and to provide support to those customers who indicate that they may have a problem with their gambling.

This means a long term investment in our responsible gambling policies and controls. The industry is in the spotlight as never before, but that does not mean the concept of responsible gambling is new to Paddy Power. In fact we've worked hard over the years to find the right partner organisations, develop the right tools and deliver the right employee training to help all of our customers continue to enjoy their experience of betting and gaming with us.

But this wasn't enough. So in 2014, teams from all our markets got together and focused on how we could enhance our group wide approach to responsible gambling and ensure that our policies and practices continued to be industry leading. In all we invested over €800,000 in research, new and improved controls, training and other measures designed to position Paddy Power as a leader in responsible gambling.

Highlights included our being one of the founder members of the new Senet Group in the UK. Senet is an independent body set up to promote responsible gambling standards and has also launched the first ever cross-operator TV and multi-channel advertising campaign on responsible gambling, all under the banner of 'when the fun stops, stop'.

IN 2014 WE CONTRIBUTED OVER €789,000 TO CHARITABLE ORGANISATIONS

We also completed a ground-breaking piece of academic research designed to help us improve our understanding of individual player behaviour and how best to interact with our customers and provide them with the right guidance at the right time. We have introduced new limit setting functionality online and increased the prominence of responsible gambling messages across all our channels. We secured third party certification of our UK retail operations and Italian online operations to join our already certified .com product. Other parts of our business will be certified in 2015.

Knowing our customers better

'This research is congruent with Paddy Power's commitment for leadership in the harm minimization of its customers and provides an excellent example of the types of practical research that can be used to enhance its Responsible Gambling program.'
Jeff Derevensky, Professor in School/Applied Child Psychology and Professor, Department of Psychiatry at McGill University, 2014

Understanding what different patterns of play are telling us is one way we are aiming to provide the right support to our customers at the right time. In 2014, we commissioned a ground-breaking piece of academic research from Jeff Derevensky a highly respected academic at McGill University, Canada, to help us better identify and support players who present behaviours associated with people who may have a problem with their gambling.

This research is unique. We surveyed our closed account customer base so that we could capture customers who were clinically identified as having a problem with their gambling. The resulting algorithm can then be applied to our existing customer base so that we can better identify those who may be exhibiting similar patterns of behaviour. The results of this research, delivered in September 2014, is supporting our policy and process developments in identifying players who may be at risk.

In addition, in December 2014 the Responsible Gambling Trust published the world's first major piece of research into gaming machines in UK betting shops. This work identified a number of potential markers of harm in customer playing patterns. In 2015 we will incorporate this research, together with our McGill University study, into our responsible gambling practices so that we can use customer data to understand behaviour better and provide targeted support to those customers that may need help.

Giving our customers the power

Our aim is to provide our customers with the information and the tools they need to manage the time and money they spend with Paddy Power.

Features include providing online customers with the ability to set limits on the value and frequency of deposits to their account. In 2014, we launched an update to these features to improve their accessibility and encourage customers to consider limit setting as part of their usual gameplay with Paddy Power.

OUR AIM IS TO PROVIDE OUR CUSTOMERS WITH THE INFORMATION AND THE TOOLS THEY NEED TO MANAGE THE TIME AND MONEY THEY SPEND WITH PADDY POWER

On our UK retail gaming machines from March 2014, we gave customers the ability to set monetary and time limits on their sessions. This included pop up messages reminding them of how much they have spent and how long they have been on a machine, with a clear 'time out' period to reflect on their gaming machine activity. In January 2015, we updated this feature so that all customers have to decide whether to set a limit or not, as we believe this will mean that more of them stay in control of their gambling.

In 2014, we launched responsible gambling microsites across all of our online markets. These information portals provide access to self-assessment questionnaires, information on the various forms of treatment available, relevant contact information, and advice on software to block access to gambling sites.

We are also working across the industry to improve both retail and online approaches to self-exclusion. This has included initiating a number of trials to understand how technology can better support the self-exclusion process across multi-operator retail environments and contributing to ongoing discussions about delivering a similar multi-operator approach to self-exclusion from online gambling.

Raising standards with the Senet Group

'Gambling companies provide fun and entertainment for huge numbers of people. But if you're spending more than you can afford, it can lead to stress, anger, guilt and other problems. When gambling stops feeling like fun, it's time to call it quits'.
Ron Finlay, Chief Executive, Senet Group

The Senet Group was launched in September 2014. We started as we mean to go on, introducing in October a voluntary TV advertising ban on all sign-up offers for new customers before 9pm, withdrawing all advertising of gaming machines in our UK betting shop windows and committing 20% of shop window advertising to responsible gambling messages.

We know that improving standards of consumer protection in our own business only takes us so far. And in an industry as competitive as ours we think it's a marker of our belief in the importance of responsible gambling that we are able to work so closely with our peers to raise standards that protect our customers.

From January 2015 a bold new advertising strapline appeared on all print, TV and online advertising. The new *When the Fun Stops, Stop* strapline also formed part of a major new Senet TV advertising campaign that was launched at the end of January 2015.

Under-age

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

Online, we use age verification software to carry out electronic checks whenever a potential customer is proposing to use a payment method that might be available to someone under 18. But we go beyond that – we also work closely with age verification software providers to help develop new and better ways of verifying age as the range of payment methods increases.

We operate a strict *'Think 21'* policy in all our shops. Employees in our betting shops are trained to be vigilant, to refuse bets from anyone underage, and, when in doubt, to ask for reliable proof of age. We also hire third-party 'mystery shoppers' who pose as underage customers to make sure our staff are vetting customers properly. This level of discipline yields results and we are proud to report some of the highest figures for age verification testing in the industry.

Supporting our frontline troops

For all new Paddy Power employees, 10% of induction training is dedicated to responsible gambling awareness. We also include information about our responsible gambling strategy in job descriptions and it features prominently on our PLC and recruitment websites.

For customer facing staff there is a more detailed training module on responsible gambling and how to offer help and support to any customer experiencing issues with gambling, which includes GamCare certified training. This training is regularly audited to ensure customer facing staff are up to date on our responsible gambling policies and are applying them.

Contributing to the High Street

Opening a new Paddy Power betting shop is a major local investment, averaging around £280,000 per shop. On average we employ five people per shop and a significant number of our UK retail employees are from the community served by the shop they work in. We now employ more than 1,500 people in the UK and expect to create hundreds of more jobs in the coming years.

Most people agree that under-threat high streets need an injection of vitality. Of the over 200 shops Paddy Power has opened in the UK since 2009, around 41% have been in premises returned to use after a period of void, vacancy, or, in some cases, dereliction. Our research shows that our customers drive footfall to the high street and other retailers, bringing much needed customers to an area.

We want close working relationships and open dialogue with all local councils where we have shops. For example, in the UK we engage with local policing teams, numerous town centre schemes and residents associations in order to make our shops, high streets and communities safer for everyone.

CORPORATE SOCIAL RESPONSIBILITY
(CONTINUED)

Putting the 'unity' in Community (yeah, we said it)

When we spot an injustice in the universe or see an issue which deserves more exposure, then Paddy Power is not afraid to call it out. This year we put the awesome power of our brand, our skills and our resources into championing causes we care about and helping the organisations doing the most to address them.

Paddy goes commando

On Friday, March 7th 2014 we encouraged men across the UK to ditch the layer of protection between their trousers and their most prized possessions, throw themselves at the mercy of an abrasive gusset and go tackle out, but trousers on! for the Going Commando campaign.

Men are universally rubbish at either discussing or acting on their health concerns. This gender stereotype would be funny if it were not for the fact that over 19,000 British men lose their lives to prostate, bowel and testicular cancer in the UK each year. Prognosis is significantly better when early diagnosis and early treatment is sought, which is why we worked with our friends at ad agency Lucky Generals to support the brainchild of the Male Cancer Awareness Campaign and promote Going Commando.

Ricky Wilson from the Kaiser Chiefs, politician John Prescott, singer Rizzle Kicks, TV host Jeremy Kyle, Olympian Louis Smith, crazy fool Keith Lemon, X Factor host Dermot O'Leary, comic Bill Bailey, and even Aardman's Morph (yes, Morph!) all ditched their undies in their own inimitable style.

We distributed more than 100,000 free stickers from our UK stores, while companies across the UK signed up to make them available to staff in their offices including Google, Virgin, and Tetley. With 36m Twitter impressions, a 350% uplift in the Male Cancer Awareness Campaign Facebook likes, a 1400% uplift in traffic to the MCAC website, and £1m in free media, the campaign had a big, ballsy impact.

Changing the game, one lace at a time

Last year's Rainbow Laces was a great start but there's still a long way to go to tackle homophobia both on and off the pitch. The clubs and players supporting the campaign and lacing up this weekend are taking a powerful stand against homophobia in our national game.
Ruth Hunt, CEO, Stonewall

Rainbow Laces, the campaign that aims to kick homophobia out of football, returned bigger and better for a second year running in 2014.

How? With backing from the Premier League, high-profile support from Thomas Hitzlsperger, FA Cup winners Arsenal, and champions Man City - Paddy Power, Stonewall and the Gay Football Supporters' Network teamed up for the cause. That's how.

Among the 5,000 professional footballers in the UK, not one of them is openly gay – the chances of that happening are a staggering quadragintillion to one. Research from Stonewall shows seven in ten football fans have heard or witnessed homophobia on the terraces and more than 40% believe football to be an anti-gay sport.

Building on the success of 2013's inaugural campaign in which hundreds of pros laced up including Leighton Baines, Olivier Giroud and Joey Barton, alongside widespread support from politicians, pop-stars and actors including Ed Balls, Stephen Fry and Gary Lineker, players and fans were again urged to show their support over the 13th and 14th September – a.k.a. Rainbow Lace weekend.

In a nod to the ambition of the campaign popular daily *Metro* dedicated an entire edition to Rainbow Laces on Monday 8th September. Many of the UK's best known brands supported the campaign, including Premier Inn, who renamed themselves 'Premier Out' in all their communications for the day.

But our ambition for Rainbow Laces was too big to limit to UK football! In February 2014 Paddy Power Italia got in on the action and teamed up with Arcigay, Arcilesbica and the Fondazione Cannavó Charitable Foundation to tackle the issue of homophobia in Italian football. A pair of Rainbow Laces were sent to all male and female football, basketball and volleyball professional Italian clubs and we asked players to wear them to show their support for the cause.

Being a good neighbour

Paddy Power is one of the largest retailers in Ireland. As well as being a provider of local jobs, employing over 1,300 people throughout our shop network, we also support local charities in each of the communities in which we operate.

Our staff members play an essential role in providing this community assistance, liaising with local GAA clubs, charities and town associations, to give cash donations, raffle prizes or even the occasional pair of Paddy Power Lucky Pants!

Some of this activity takes place in the run up to Cheltenham when we sponsor a range of preview nights around the country, giving charity bets to the "experts" to place on their preferred Cheltenham runners. In 2014, we paid out over €20,000 in charity free bets on these nights, which are also great fun and really get the festival fever going.

We also take this local approach in Australia. In 2014 Sportsbet took part in two major Australian fundraisers. The *Around the Bay* cycling challenge to support The Smith Family which helps Australian children and families in need. 56 Sportsbet team members took part in the 50km and 100km routes, raising $36,723 for the Smith Family placing us 4th on the corporate leader board. Sportsbet also took part in the Herald Sun Run for the Kids, in conjunction with The Royal Children's Hospital Good Friday Appeal, which is an annual 15km or 5.5km run through Melbourne. 68 Sportsbet team members joined 40,000 other runners and raised $26,411 placing us 2nd on the corporate leader board. Overall, Sportsbet as a business donated €148,974 to charity in 2014.

In addition, Volunteering@Sportsbet was launched in October 2014 with positive feedback from team members and with the majority of departments choosing to volunteer together as a shared experience.

PROUD TO BE WORKING WITH SPECIAL OLYMPICS IRELAND AND SPECIAL OLYMPICS GREAT BRITAIN AS OUR CHARITIES OF THE YEAR

Project Two Zero

The old adage 'if you build it, they will come' doesn't always hold for large scale regeneration projects. Local people may not always have the skills, networks or resources required to realise the economic benefit of inward investment happening right on their doorstep. Well we felt the status of this particular quo was worth a bit of an upset.

Project Two Zero is the brainchild of the leading east London charity Community Links and has a simple objective, to ensure that people who live locally to the major pieces of regeneration in the London Borough of Newham, in particular around the Royal Docks area, are able to access at least 20% or Two Zero of the job opportunities available.

Paddy Power is proud to be an east London employer and believes it's important that people who live locally are given the best chance to compete for work and for contracts on the many opportunities that are being created in a community that really matters for our business. In our first large scale community investment initiative in the UK, we were delighted to be approached by Community Links to support them and help to bring this ambitious and innovative project to life.

In year one we have made an initial charitable donation to Community Links of £38,000. This is primarily to support the Community Links team who will lead Project Two Zero. We expect to invest further financial, voluntary and in-kind resources in 2015 to ensure that the programme is sustainable and delivers real and lasting benefit in the community.

In 2015, the charity will work with the community with the aim of creating at least two sustainable local enterprises. The aim is for these Community Interest Companies (CICs) to have the scale, ability and skills to bid for and win some of the many local contracts becoming available from the construction companies and associated industries arising from the regeneration and its subsequent long-term service needs.

Changing lives with sport

Our sports programme has been proven to positively transform the lives, health, aspirations and friendships of children and adults with intellectual disability. Paddy Power has the power to make a huge difference to our charity - by not only raising funds to enable us to reach out to more people - but also help raise awareness of intellectual disability and how sport can create an even playing field. We're very excited about our partnership with Paddy Power and its equal enthusiasm for sport and all things fun!
Karen Wallin, Chief Executive, Special Olympics Great Britain

Paddy Power loves sport. We're obsessed. And we think sport has the power to change lives. That's why in 2014 our Irish and UK businesses were proud to be working with Special Olympics Ireland and Special Olympics Great Britain as our official charities of the year. And not wishing to be left out, in November 2014, our Italian business agreed to support Special Olympics Italy with input on fundraising and campaigns.

Founded in 1968, Special Olympics is the world's largest sports organisation for children and adults with intellectual disabilities, providing year-round training and competitions for millions of athletes in 170 countries.

CORPORATE SOCIAL RESPONSIBILITY
(CONTINUED)

Money raised through the efforts of the employees of Paddy Power will help Special Olympics Ireland and Special Olympics GB to continue to provide sporting opportunities to all of their athletes who train on a weekly basis in more than 550 Special Olympics Clubs throughout Ireland and the UK.

We've made a great start – through fire-walks and football tournaments, cake bakes and casino nights, as well as our annual *Race to the Races cycle*, we've raised north of €70,000. But there is much more to come as we support Special Olympics and their beneficiaries up to the annual World Games, which takes place in July 2015 in Los Angeles.

Sharing some of our secret sauce

At Paddy Power, we not only pride ourselves in the investment we make in our shops, our technology and our brand, but also in the incredible people we employ who are the driving force behind our success.

Every year we open the gates to the chocolate factory and allow our charity partners the opportunity to benefit first hand from the skills and experience we are fortunate to have at our disposal. Our annual 'Masterclass in Online Marketing' for charities is now in its fourth year and more successful than ever.

In December 2014, 70 attendees from 40 charities came to Power Tower in Dublin to participate in our most recent masterclass. This followed a similar event which took place in our London office so that UK charities could equally benefit.

Through a series of presentations and workshops, the day focuses on how charities can make the most of online tools like Facebook, Twitter and search to maximize the impact of their message to potential donors and supporters. For Paddy Power, this is the engine room behind the brand and its visibility in the marketplace and we know just what a difference using these tools well can make for those who work in the charity sector.

Our people love it too as it gives them the chance to show off a little of their expertise, build on their presentation skills and feel good that some worthy causes are benefiting as a result.

Meeting our obligations

Safety, Health and Welfare at Work Act 2005

Paddy Power is committed to the safety and well-being of employees at work in compliance with the Safety, Health and Welfare at Work Act 2005. The Act imposes certain obligations on employers in respect of health and safety in the workplace.

Appropriate measures have been taken to ensure that health and safety standards are complied with at all relevant locations and that all applicable Group companies meet the requirements of the Act. The Paddy Power Health & Safety Policy states *"Paddy Power is committed to managing and conducting its work activities in such a way as to ensure, so far as is reasonably practicable, the safety, health and welfare at work of its employees, including fixed term employees and temporary employees and other individuals at the place of work (not being its employees) including visitors"*

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

Environment

In addition to demonstrating leadership on an issue of increasing concern for governments and the wider community, we know that the environment is something that our people care about and we recognise that there are dual benefits in identifying environmental efficiencies that also serve to reduce costs.

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

Paddy Power continues to disclose to the Carbon Disclosure Project, who hold the largest collection globally of self-reported climate change, water and forest-risk data. Several energy saving and carbon projects were undertaken in 2014 that will result in less emissions, and a return on investment during the long term project lifetime. Paddy Power is also complying with regulatory requirements and in 2014 a total of 14 shops switched to more energy efficient facilities.

Paddy's People

Now we're not usually ones to go around blowing our own trumpets. But we do attract the hottest, brightest, shiniest talent around, and here's why.

It's not just the fact we're a €3 billion plus entertainment giant. Nor is it simply down to having gaming operations in Ireland, the UK, Italy, Australia, the Isle of Man and Bulgaria. What gives us that extra special edge is our people. People with the passion to push boundaries. People who revel in doing the unexpected. People who help us beat the competition.

Today, we're over 5,000 such people. We all play to win. But we always remember the playing is every bit as important as the winning.

Recruiting, Retaining and Developing our Best Ambassadors

The people who work at Paddy Power are key to the continued success of the business. Paddy Power is fortunate to have a group of talented people who epitomise our devotion to our customers' product, experience and value. We want Paddy Power to be an employer of choice so we have clear strategies for employee development, reward and career paths to ensure retention of our talent.

WE RELY ON OUR PEOPLE TO BUILD THE BRILLIANT PRODUCTS THAT OUR CUSTOMERS NEED

Acquisition

We look for the best people in the industry and we don't compromise on quality. We look for people who fit well with our values of competitive, curious, fair, fun, and collaborative. We rely on our people to build the brilliant products that our customers need and to beat the pants off the competition.

We directly access talent through our Work With Paddy (*www.workwithpaddy.com*) website both to showcase the full range of jobs on offer in our fast growing business and to ensure that we continue to recruit the highest quality candidates that fit our culture and can help drive our future success.

Talent Development

We now have more than 5,000 people across our locations. This talented group of employees outpace our competitors in every market we operate in and we are committed to continual investment in their professional development.

Our Great Place to Work survey results told us some great things that our people think about the business, and some things that we want to address to keep us at the top of our game in the employment leagues. For example, our people told us they want more clarity on company direction and their role in supporting business strategy, which is why we rolled out our strategic plan in 2014 and continue to strengthen this with a specific focus on customers in 2015.

They told us that they want training and career development opportunities and so we launched our Igniting Leadership programme and broader employee development. We increased our internal mobility of employees to 30% which means that our best people are accessing increased career development opportunities.

Performance and Reward

We continue to embed Performance Evaluation, with a more structured approach around goal setting, on-going performance review and formal year-end performance evaluation. In 2014, we further improved the link between performance and reward within our more transparent annual incentive plan.

We focus on ensuring our reward competitiveness to market by ensuring that we offer packages that will motivate and engage our key talent.

Sports and Social

Being social is core to who we are at Paddy Power. Sports are also pretty core to our activity (in case you hadn't noticed). Stating the obvious aside, we think that our people deserve to play as hard as they work.

We have a range of social clubs more varied than Ronaldo's wardrobe. They include (deep breath): Astro Football, Boot Camp, Pilates, Yoga, Board Games Soc, Triathlon Club, Cycle Club, Golf Club, Tag Rugby, Football and Hurling GAA teams.

We organise fantastic annual Paddy Power staff parties to encourage our employees to socialise, celebrate and blow off steam together in true Paddy Power style through a host of themed events such as our Cheltenham Party; Summer BBQ Party, Halloween Fancy Dress Party, and our Family Christmas Party.

BOARD OF DIRECTORS

Executive directors

Andy McCue (aged 40) became Chief Executive in January 2015. Andy joined Paddy Power in 2006 as Head of Strategy, UK Retail. He devised the strategy that transformed the profitability of the UK Retail business and led its implementation as Deputy Managing Director, UK Retail. In 2009, Andy was appointed Managing Director, UK Retail and joined the Paddy Power plc Management Committee. He later assumed responsibility for regulatory and public affairs. In 2013, Andy was appointed Managing Director, Retail UK & Ireland, assuming responsibility for the combined retail estates and the telephone business. Prior to joining Paddy Power, he was a Principal with OC&C Strategy Consultants and a Manager at Andersen. Andy holds a MA (Hons) Economics from Cambridge University and a Masters in Finance from the London Business School.

Cormac McCarthy (aged 52) is the Chief Financial Officer. Cormac joined the Group as a non-executive director in September 2011 and was appointed Chief Financial Officer in October 2012. A Chartered Accountant, Cormac was Chief Executive of Ulster Bank from 2004 to 2011, where he also served as a member of the Royal Bank of Scotland ('RBS') Group Executive Management Committee and as Deputy Chief Executive of RBS UK Retail. He was previously Chief Executive of the RBS Retail and Commercial Division in Europe and the Middle East and Chief Executive of the bank's European Consumer Finance Division. Prior to 2004, Cormac was Chief Executive of First Active plc. A Fellow of the Institute of Chartered Accountants in Ireland, Cormac is a graduate of University College Dublin and qualified as a chartered accountant with KPMG.

Non-executive directors

Nigel Northridge (aged 59), Chairman, was appointed as a non-executive director in July 2003 and as Chairman from January 2009. He has extensive experience working with consumer products companies in international markets, in the roles of executive, non-executive director and Chairman. Nigel spent 32 years with Gallaher Group plc in sales and marketing roles, becoming Group Chief Executive in 2000, a position in which he oversaw significant growth in shareholder value, leading to the sale of the company in 2007 for £9.4 billion. Nigel is Chairman of Debenhams plc and is a non-executive director of Inchcape plc, where he also chairs the Remuneration Committee. He was appointed as a non-executive director of Aer Lingus Group plc in January 2014 at which time he was also appointed as a member of its Appointments Committee and as Chairman of its Remuneration Committee. Nigel has been a member of Paddy Power's Nomination Committee since September 2003 (becoming Committee Chairman in January 2009). He is also a member of the Remuneration Committee since July 2007 and of the Bookmaking Risk Committee since May 2013.

Tom Grace (aged 66) was appointed as a non-executive director and member of the Audit Committee in January 2006. He became Senior Independent Director in January 2009 and was appointed as a member of the Nomination Committee in July 2012. Tom was a partner with PricewaterhouseCoopers from 1983 to 2005, where he led the Insolvency Department from 1987 onwards. With 34 years' experience in total at PricewaterhouseCoopers, Tom also worked in the audit and management consultancy divisions, principally in the area of financial advice. Tom has significant financial experience given his former role as a partner at PricewaterhouseCoopers. Tom is also well known as a former rugby international and is currently honorary treasurer of the Irish Rugby Football Union. He won 25 international rugby caps for Ireland between 1972 and 1978 and captained the side on eight occasions. He also toured as a British and Irish Lion in 1974 and is currently Chairman of the Lions Board looking forward to the tour to New Zealand in 2017.

Michael Cawley (aged 60) was appointed as a non-executive director and as a member of the Audit Committee in July 2013. He was appointed Chairman of the Audit Committee in May 2014. Michael served as Deputy Chief Executive Officer and Chief Operating Officer of Ryanair from 2003 to 2014, having previously served as Ryanair's Chief Financial Officer and Commercial Director since 1997. During his time at Ryanair, the airline experienced huge international growth with profit after tax rising from c. €20 million in 1996 to c. €550 million in 2013. Prior to joining Ryanair, Michael was Group Finance Director of Gowan Group Limited, one of Ireland's largest private companies and the main distributor for Peugeot and Citroen automobiles in Ireland. Michael holds a Bachelor of Commerce degree and is a fellow of the Institute of Chartered Accountants in Ireland.

Danuta Gray (aged 56) was appointed as a non-executive director and as a member of the Remuneration Committee in January 2013. Danuta brings to the Board significant leadership experience as the former Chief Executive Officer of O2 Ireland, a position she held from 2001 to 2010. Prior to that, she was Senior Vice President of BT Europe in Germany and, previous to that, was General Manager at BT Mobile in the UK. She is a non-executive director of Michael Page plc and Old Mutual plc and is the Senior Independent Director of Aldermore Bank. She holds a B.Sc. in Biophysics, an M.Sc. and an MBA and is a Board member of Headstrong, a charity supporting the mental health of young people in Ireland. Danuta was appointed as a member of the Nomination Committee in February 2014.

Ulric Jerome (aged 37) was appointed as a non-executive director and as a member of the Audit Committee in December 2012. He was appointed to the Nomination Committee in February 2015. Born in Paris, Ulric studied in France before completing his degree in economics in Montréal. He was a founding partner and executive director of Pixmania, the only pan-European online retailer of digital photographic and consumer electronic goods, and has extensive experience of consumer technology in the online sector. Ulric was instrumental in the growth and development of Pixmania from a start-up to a business with revenues of over €960 million that operates in 26 countries across Europe through bespoke transactional websites. He is a partner and Chief Operating Officer of MatchesFashion.com, a global multi-channel online and retail business.

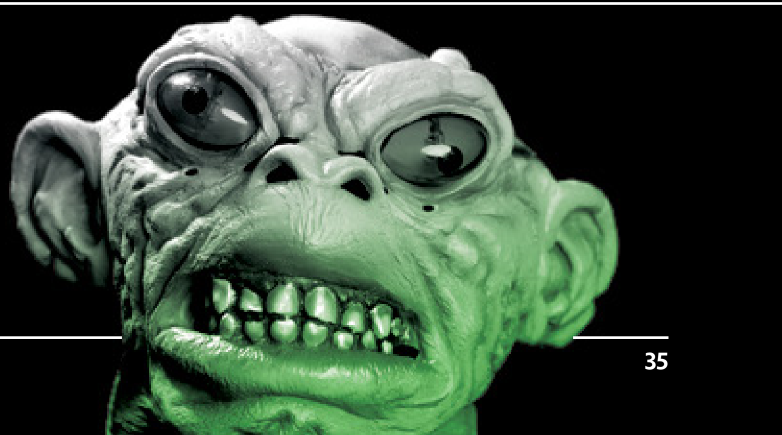
Stewart Kenny (aged 63) was a co-founder of Paddy Power in 1988. He has considerable experience in the betting industry and has established two successful bookmaking firms. He trained with Ladbrokes in London for two years before establishing a chain of betting shops, Kenny O'Reilly Bookmakers. He sold that business to Coral in 1986 and subsequently re-entered the business, opening ten betting shops between 1986 and 1988. He was Group Chief Executive from 1988 to 2002, and Chairman from 2002 to 2003. Stewart has been a member of the Bookmaking Risk Committee since June 2006 and was appointed as a member of the Nomination Committee in July 2012.

Gary McGann (aged 64) was appointed as a non-executive director and as a member of the Audit Committee in November 2014.
Gary has served as a Director of Smurfit Kappa Group plc since 2000 and was appointed Group Chief Executive Officer of that organisation in November 2002. He was previously President and Chief Operations Officer of the Smurfit Group since January 2000. He joined the Smurfit Group in 1998 as Chief Financial Officer. He had held a number of senior positions in both the private and public sectors over the previous 20 years, including Chief Executive of Gilbeys of Ireland and Aer Lingus Group. He is Chairman of Aon MacDonagh Boland Group in Ireland, a Director of Green Reit plc and the Irish Business and Employers' Confederation, a member of the European Round Table of Industrialists and Chairman of the Confederation of European Paper Industries.

Pádraig Ó Ríordáin (aged 49) was appointed as a non-executive director in July 2008. Pádraig is an internationally recognised lawyer with extensive experience advising on regulated industries in Ireland and international markets. He is a Corporate Partner in Arthur Cox, the leading Irish law firm, where he served as Managing Partner from 2003 to 2011. In 2009, he was named European Managing Partner of the Year. He studied law in the National University of Ireland and Harvard Law School and has practiced in New York and Dublin. Pádraig is Chairman of the Dublin Airport Authority. Pádraig has been Chairman of Paddy Power's Remuneration Committee since August 2008 and a member of the Nomination and Bookmaking Risk Committees since August 2009 and December 2011, respectively.

Secretary

Jack Massey (aged 46) is the Director of Investor Relations and Company Secretary. A Chartered Accountant, Jack joined the Group as Finance Director in 2006 and became Company Secretary in October 2012. He was previously Chief Operating Officer with ITG Europe, the European division of the NYSE quoted company, Investment Technology Group, Inc. Prior to that he worked with Ulster Bank Markets and, previous to that, Arthur Andersen.



DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2014.

Principal activities

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

Results

The Group's profit for the year of €144.9m reflects an increase of 18% on the 2013 profit of €123.2m. Diluted earnings per share amounted to €2.976 compared with €2.520 in the previous year, an increase of 18%. The financial results for the year are set out in the consolidated income statement on page 65. Total equity attributable to Company equity holders at 31 December 2014 amounted to €387.0m (2013: €311.0m).

Dividends

An interim dividend amounting to 50.0 cent per share was paid during 2014 (2013: 45.0 cent per share). The directors recommend that a final dividend of 102.0 cent per share (2013: 90.0 cent per share), amounting to €49.9m (2013: €44.3m), be paid on 22 May 2015 to shareholders registered at close of business on 13 March 2015. This would make a total distribution of profit to shareholders of €74.5m in respect of the year ended 31 December 2014 (2013: €66.5m).

Business review and key performance indicators

A detailed commentary incorporating key performance indicators by channel including like-for-like growth, active customers, new customer acquisition, gross win %, net revenue, gross profit and operating costs is contained in the Operating & Financial Review on pages 10 to 26.

Principal risks and uncertainties

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

Risk Management Framework

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

Board, Executive Management and Audit Committee

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

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

Risk and uncertainty		Mitigating activities
Strategic risks and uncertainties		
Macro-economic conditions:	The economic, demographic, technological, consumer behaviour and other macro factors affecting demand for the Group's products especially in the Group's current primary markets of the UK, Ireland, Australia and Italy.	The Group monitors developments closely to ensure changes in the macro-economic climate are identified and adequately addressed. The Group's financial position is strong with significant cash generation capabilities.
Competition	The intensity of competition in the Group's markets and the Group's ability to successfully compete.	The Group has a programme of brand investment and product innovation to maintain and enhance its market position.
New Business / acquisitions	The ability of the Group to enter new markets, launch new products or introduce new technologies or systems in a successful, cost effective and/ or timely manner, either organically or via acquisition.	The Group rigorously assesses any potential acquisitions, new products and / or new technologies.
Compliance risks and uncertainties		
Taxation	Changes in current tax law, interpretation or practice in the areas of betting tax, value added tax, payroll, corporation or other taxes, particularly in Ireland, the UK, Australia, the Isle of Man and Italy. Increased payment obligations to racing and sporting bodies either directly or indirectly through related obligations to government authorities.	The Group has its own internal tax function which has responsibility for all tax compliance matters. The Group also engages external tax advisors for guidance on matters of compliance where appropriate. The Group engages proactively in relevant consultations with Government authorities with respect to taxation of betting and gaming or payments to sporting bodies.
Compliance	The regulatory, consumer protection or legislative environment, including interpretations or practices, applicable to the Group's activities and the related risks from limitation of business activities or litigation by third parties or the Group.	The Group has a central Group Compliance and Regulatory function which has responsibility for guiding business units in their management of compliance matters. The Head of Compliance reports periodically to the Audit Committee on any changes in the various laws and regulations by relevant jurisdiction to ensure they are appropriately understood and managed. The Group's internal and external auditors report the findings of their audit procedures to the Audit Committee on relevant compliance matters.
Data security	The ability to adequately protect customer and other key data and information.	The Group has a data protection policy in place in order to protect the privacy rights of individuals in accordance with the relevant Data Protection legislation. The Group's Legal and Compliance teams ensure the business adheres to industry best practice standards and relevant laws of data protection compliance.

Operational risks and uncertainties

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

Financial Risks and Uncertainties

Foreign exchange risk	Changes in the exchange rates between the euro and the foreign currencies in which the Group transacts business, primarily the pound sterling and the Australian dollar.	It is Group policy to maintain a naturally hedged balance sheet by ensuring that foreign currency denominated liabilities are broadly matched by foreign currency denominated assets, primarily cash deposits. The Group uses forward contracts (subject to Investment Committee approval), to manage foreign currency exposures on expected future cash flows.
Credit risk	The performance of the Group in managing credit risk arising from treasury activities and credit betting customers.	The Group has an established Treasury policy which places limits on cash deposits and foreign exchange forward contracts with its banking counterparts. These must typically hold a Moody's (or equivalent) long term credit rating of Aa3 or higher and a Moody's (or equivalent) short term credit rating of P1 unless otherwise specifically approved by the Investment Committee. The Group carefully measures counterparty risk by monitoring credit agency ratings, Credit Default Swap spread prices and other public information, and takes action to mitigate such risks as are identified. The Group has established policies and controls in place in respect of credit betting customers. Individual credit limits are decided upon by the credit control function after taking into account credit and background reference checks.

The Board regularly monitors all of the above risks and appropriate actions are taken to mitigate those risks or address their potential adverse consequences, as outlined above.

The composition and responsibilities of the Audit Committee and Bookmaking Risk Committee are set out on pages 48 and 49. The Board has also established financial risk management objectives and policies which have been implemented by executive management, details of which are given in Note 3 to the consolidated financial statements on pages 79 to 82.

Research and development

The Group performs research and development activities to ensure that it continues to be a recognised innovator in the betting and gaming industry. These activities support the introduction of new products, the creation of new betting markets, improved online customer experience and the development of better processes and systems. Continued research and development contributes to the Group's future growth and profitability. The Group incurred research and development expenditure (calculated by reference to Irish and Australian research and development tax credit rules) in 2014 of €5.1m (2013: €4.3m).

Market research

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

Events since the year end and future developments

The only significant events affecting the Group since the year end are the recommendation to pay a dividend to shareholders as noted above, and the directors approval of a c€392 million cash return to shareholders. The directors do not anticipate any substantial changes in the nature of the business.

Amendment of Articles of Association

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

DIRECTORS' REPORT
(CONTINUED)

Rights and obligations attaching to the Company's shares

As at 2 March 2015, the Company had 51,110,688 shares in issue, all of which are of the same class and carry the same rights and obligations (apart from 2,184,000 shares held by the Group as treasury shares which have no voting rights and no entitlement to dividends). With regard to the Company's shares: (i) there are no restrictions on their transfer; (ii) no person holds shares carrying special rights with regard to the control of the Company; (iii) there are no shares to which an employee share scheme relates carrying rights with regard to the control of the Company; (iv) there are no restrictions on the voting rights attaching to the Company's shares; and (v) there are no agreements between shareholders that are known to the Company that may result in restrictions on the transfer of securities or on voting rights. Further information on the Company's share capital is set out in Note 19 to the consolidated financial statements.

Own shares held

The Paddy Power plc Employee Benefit Trust (the 'Trust') manages the Long Term Incentive Plan. Further information on the Long Term Incentive Plan is presented in the Remuneration Committee Report on pages 58 and 59 and in Note 21 to the consolidated financial statements. During the year ended 31 December 2014, the Trust purchased 70,400 (2013: 380,000) Paddy Power plc shares at a cost of €3.9m (2013: €24.2m). During 2014, the Trust transferred 352,406 (2013: 348,064) ordinary shares that had vested to beneficiaries of the Trust. At 31 December 2014, the Trust held 1,020,372 (2013: 1,302,378) ordinary shares in Paddy Power plc, representing 2.00% (2013: 2.55%) of the issued share capital. Further information is set out in Note 21 to the consolidated financial statements.

During the year ended 31 December 2014, the Group purchased 450,000 (2013:nil) of the Company's ordinary shares to be held as treasury shares at a cost of €23,325,000 (2013: €nil) for the shares themselves and incurred a further €280,000 (2013: €nil) in respect of stamp tax and brokerage. As of 31 December 2014, the Company's ordinary shares held in treasury totalled 2,184,000 shares (2013: 1,734,000 shares) and represented 4.27% (2013: 3.40%) of the issued share capital. The treasury shares have no voting rights and have no entitlement to dividends. Further information is set out in Note 19 to the consolidated financial statements.

Substantial holdings

As at 31 December 2014 and 2 March 2015, details of interests of over three per cent in the ordinary share capital carrying voting rights (excluding directors) which have been notified to the Company are:

	Notified holding 31 December 2014	Notified holding 2 March 2015	% Holding 2 March 2015
The Capital Group Companies, Inc. (1)	5,901,800	5,901,800	12.06%
Parvus Asset Management Europe Limited (2)	4,603,865	4,603,865	9.41%
David Power	3,858,692	3,858,692	7.89%
HSBC Holdings plc	3,166,327	3,166,327	6.47%
Massachusetts Financial Services Co.	2,605,443	2,605,443	5.33%
Marathon Asset Management LLP (3)	1,954,060	1,954,060	3.99%
John Corcoran	1,500,000	1,500,000	3.07%

(1) SMALLCAP World Fund, Inc. ('SWF') and EuroPacific Growth Fund ('EGF') have notified the Company that they are interested in 4.44% and 6.55% respectively of the Company's ordinary share capital carrying voting rights, and that SWF's and EGF's voting rights have been delegated to Capital Research and Management Company ('CRMC'). CRMC's holdings under management are reported in aggregate by The Capital Group Companies, Inc. Accordingly, SWF's and EGF's interests are included in the 12.06% interest notified by The Capital Group.

(2) In addition to the above notification in respect of holdings carrying voting rights, the Company has been notified of an economic interest in the Company of 9.12% of the ordinary share capital by Parvus Asset Management Europe Limited as at 2 March 2015, held by them in the ordinary course of their business via equity swaps which do not carry voting rights.

(3) Marathon Asset Management LLP has notified the Company that of its total holding of 1,954,060 ordinary shares, it has discretion authority to vote on 1,619,759 ordinary shares (3.31% of the Company's ordinary share capital).

Directors' power to purchase and allot Company shares

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

Board of Directors and Company Secretary

Andy McCue and Gary McGann were appointed to the Board on 4 September 2014 and 24 November 2014 respectively and are proposed for election by the shareholders at the AGM to be held on 14 May 2015. In line with best practice principles set out in the UK Corporate Governance Code (September 2012) the Group has adopted a policy of annual re-election for all Board directors.

Directors' remuneration

Details of directors' remuneration are given in the Remuneration Committee Report on pages 57 to 60 and in Note 7 to the financial statements on pages 86 and 87. No director or employee is entitled to any compensation for loss of office or employment occurring as a result of a takeover of the Company.

Directors' and Secretary's interests

The interests of the directors and Company Secretary (including those of their spouses and minor children) who held office at 31 December 2014 in the share capital of Paddy Power plc, all of which were beneficially owned, were as follows:

	Number of ordinary shares of €0.10 each	
	31 December 2014	31 December 2013 (or date of appointment if later)
Nigel Northridge	6,000	6,000
Patrick Kennedy	582,837	473,905
Andy McCue	8,446	8,100
Cormac McCarthy	2,000	2,000
Tom Grace	-	-
Ulric Jerome	-	-
Stewart Kenny	398,502	398,502
Danuta Gray	-	-
Michael Cawley	-	-
Gary McGann	-	-
Pádraig Ó Ríordáin	8,000	8,000
Jack Massey (Secretary)	10,650	40,040

There have been no changes in the above shareholdings between 31 December 2014 and the date the directors approved these financial statements.

Share ownership and dealing

The Company has established share ownership guidelines for executive directors and the Group's executive management committee to ensure their interests are aligned with those of shareholders. Further details are set out within the Remuneration Committee Report on page 59.

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

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

	Number of options at start of year (or date of appointment if later)	Options granted during the year	Options exercised during the year	Options lapsed during the year	Number of options at end of year	Exercise price	Exercise period
Patrick Kennedy	279	-	-	-	279	€41.36	4 December 2015 – 3 June 2016
	243	-	-	-	243	€45.52	4 December 2018 – 3 June 2019
Andy McCue [(1)]	346	-	(346)	-	-	£25.99	4 December 2014 – 3 June 2015
	-	778	-	-	778	€39.60	4 December 2019 – 3 June 2020
Cormac McCarthy	676	-	-	-	676	€45.52	4 December 2018 – 3 June 2019
Jack Massey (Secretary)	650	-	(650)	-	-	€27.79	4 December 2014 – 3 June 2015

(1) In respect of Andy McCue, all amounts shown are from his date of appointment on 4 September 2014.

The market price of the Company's shares at 31 December 2014 was €68.91 and, for the year then ended, the Company's daily closing share price ranged between €47.52 and €68.91 (2013: ranged between €55.00 and €70.65 and was €62.00 at year end).

During the year ended 31 December 2014, the executive directors and the Company Secretary had the following interests and were conditionally granted the following share awards under the Long Term Incentive Plan schemes which are more fully described in the Remuneration Committee report on pages 58 and 59 and in Note 21 to the consolidated financial statements;

	Date awards granted	Awards outstanding at start of year (or date of appointment if later)	Granted during year	Dividend shares	Vested during year	Lapsed during year	Awards outstanding at end of year	Weighted average share price at date of grant	Cost of shares vested during the year €'000
Patrick Kennedy	2011, 2012 & 2013	261,508	-	4,317	(108,932)	-	156,893	€51.69	3,333
	4 March 2014	-	52,737	-	-	-	52,737	€59.73	-
Andy McCue [(1)]	2011, 2012, 2013 & 2014	73,945	-	-	-	-	73,945	€54.02	-
Cormac McCarthy	2012 & 2013	53,396	-	-	-	-	53,396	€60.45	-
	4 March 2014	-	18,835	-	-	-	18,835	€59.73	-
Jack Massey (Secretary)	2011, 2012 & 2013	57,083	-	983	(24,759)	-	33,307	€48.49	756

(1) In respect of Andy McCue, all amounts shown are from his date of appointment on 4 September 2014.

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

Transactions with directors and parties related to them have been disclosed in Note 7 to the consolidated financial statements on page 87. The directors and secretary have no beneficial interests in shares in any other Group companies.

Political donations

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

Books of account

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

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

For the purpose of Regulation 21 of Statutory Instrument 255/2006 'European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006', the information given under the following headings on pages 98 and 99 (Share capital and reserves), pages 34 and 35 (Board of Directors), pages 57 and 58 (Performance bonus), pages 58 and 59 (Long Term Incentive Plan), page 59 (Share options), page 59 (directors' service contracts) and pages 100 to 105 (Share schemes) is deemed to be incorporated in the Directors' Report. The Company's outsourcing contract with PMU can be terminated by PMU in some circumstances if there is a change of control in the Company.

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

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

1. The Chairman's Statement on pages 4 to 5, the Chief Executive's Review on pages 6 to 7 and the Operating & Financial Review on pages 10 to 26 which include a review of the external environment, key strategic aims and financial and other key performance measures.
2. The Directors' Statement on Corporate Governance on pages 44 to 50.
3. Details of earnings per share on page 90.
4. Details of shares purchased by the Company on page 99.
5. Details of derivative financial instruments on pages 113 to 115.

SI 450/2009 'European Communities (Directive 2006/46/EC) Regulations 2009'

For the purpose of Statutory Instrument 450/2009 'European Communities (Directive 2006/46/EC) Regulations 2009', the Directors' Statement on Corporate Governance on pages 44 to 50 is deemed to be incorporated in the Directors' Report.

Auditor

In accordance with Section 160(2) of the Companies Act 1963, the auditor, KPMG, will continue in office and a resolution authorising the directors to fix their remuneration will be proposed at the forthcoming AGM.

Going concern

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

On behalf of the Board

Andy McCue
Chief Executive

Cormac McCarthy
Chief Financial Officer

2 March 2015

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance and to continually reviewing current practice in the context of evolving best-practice. This statement describes how the Group applies the 2012 UK Corporate Governance Code (the 'UK Code') and the Irish Corporate Governance Annex (the 'Irish Annex') which set out principles of good governance and a code of best practice. Copies of the Code can be found on the Financial Reporting Council's website (www.frc.org.uk) and the Irish Annex is available on the Irish Stock Exchange website (www.ise.ie).

Board of Directors – role and responsibilities

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

The functions of Chairman and Chief Executive are not combined and both roles' responsibilities are clearly divided. A number of responsibilities of the Board are delegated to sub-committees of the Board, details of which are set out on page 48.

Matters reserved for the Board

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

Board composition

The Board currently comprises ten directors who are listed below.

Director	Status	Independent / non-independent	Tenure (in years)
Nigel Northridge	Current	Independent (Chairman)	11 (6 as Chairman)
Andy McCue	Current	Non-independent (Executive)	<1
Cormac McCarthy	Current	Non-independent (Executive)	3
Tom Grace	Current	Independent	9
Michael Cawley	Current	Independent	2
Danuta Gray	Current	Independent	2
Ulric Jerome	Current	Independent	2
Stewart Kenny	Current	Non-independent (Founder)	26
Gary McGann	Current	Independent	<1
Pádraig Ó Ríordáin	Current	Independent	6

The composition of the Board is reviewed on a continuing basis. Throughout 2014, and as of the date of this report, the Board comprised the mix of the necessary business skills, knowledge and experience required to provide leadership, control and oversight of the management of the business and to contribute to the development and advancement of business strategy. In particular, the Board combines a group of directors with diverse backgrounds within the betting industry, technology sectors and consumer businesses, amongst others, which combine to provide the Board with rich expertise and experience to drive the continuing development of Paddy Power.

Board refreshment and renewal

The Board is committed to a policy of on-going Board refreshment and renewal and, through the Nomination Committee, continually reviews the composition and diversity, including gender diversity, of the Board and the skills and experience of each of the directors. The relevant skills and experience of each director are set out under individual biographies which are detailed on pages 34 to 35.

In September 2014, Andy McCue was appointed as Chief Executive designate and an executive director. His appointment followed a comprehensive recruitment process, undertaken by the Nominations Committee, in conjunction with independent search and recruitment consultants, which involved a strong field of internal and external candidates. Patrick Kennedy resigned as a director at the end of 2014 and was succeeded by Andy as group Chief Executive with effect from 1 January 2015. Andy's biography is set out on page 34.

In November 2014, Gary McGann was appointed as an independent non-executive director. Gary has been Group Chief Executive Officer of Smurfit Kappa Group plc since 2002 and had been identified some time ago as someone who would bring extensive commercial, financial and international business experience to the Board, if available to serve.

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

The Board also considered the independence of Tom Grace given that 2014 was his ninth year serving on the Board. The Board recognises that nine years is a tenure at which point independence should be given specific consideration. The Board does not believe that tenure of nine years compromises, in any way, the independence and objectivity of Tom Grace. Notwithstanding this, the Board notes that Tom's concurrent tenure with the executive Directors on the Board is three years (CFO) and less than one year (CEO) respectively. In addition, given the extent of Board refreshment and renewal undertaken in recent years, Tom's tenure on the Board brings significant, valued experience to the Board as a whole and the Audit Committee.

Board size

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

Board Diversity and gender policy

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

Over the past two years, four new independent Directors have been appointed to the Board. Consistent with a focus on the benefits of gender diversity, one of these Directors was a female Director.

Directors' independence

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

The Group has determined that Tom Grace, Pádraig Ó Ríordáin, Ulric Jerome, Danuta Gray, Michael Cawley and Gary McGann are independent. The Chairman, Nigel Northridge, was independent on his appointment to the Board as a non-executive director in July 2003 and as Chairman in January 2009. Stewart Kenny is a founder member of the Group and has served on the Board for longer than nine years and is not considered by the Board to be independent. There are two executives on the Board (Andy McCue and Cormac McCarthy).

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

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

Re-election of directors

In line with best practice principles set out in the UK Code, the Group has adopted a policy of annual re-election for all Board directors. Directors seeking re-election are subject to a performance appraisal, which is overseen by the Nomination Committee. This is an annual process for all directors under the policy of annual re-election. In addition, the Group has undertaken an evaluation of the Board and its committees, further detail on which is set out under 'Board performance evaluation' on page 47.

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE
(CONTINUED)

The Chairman's role

I have been Chairman of the Group since January 2009. The Chairman is responsible for the leadership of the Board, ensuring its continued effectiveness in carrying out its duties and setting its agenda. The Chairman is also responsible for ensuring that all directors receive accurate, timely and clear information. He facilitates the effective contribution of his non-executive colleagues, encourages openness, debate and challenge at Board meetings, and ensures constructive relationships exist between executive and non-executive directors. The Chairman is the guarantor of effective communications with shareholders and ensures that the Board is kept aware of the views of shareholders. I am available to meet shareholders on request and during the course of 2014, I and other non-executive directors met with certain institutional shareholder representatives.

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

Senior Independent Director

Tom Grace is the Senior Independent Director. Tom is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive or Chief Financial Officer.

Company Secretary

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

Induction and development of non-executive directors

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

Non-executive directors are briefed by the executive directors and senior management on a regular basis. During 2014, at each Board meeting, senior management from various parts of the Group made presentations on the progress of and prospects for their area of responsibility. The Group's corporate brokers and other external advisors, also participated in a number of presentations to the Board. In October 2014, the Board conducted three days of meetings, presentations and site visits at the Group's Australian operations.

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

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

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

External non-executive directorships

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

The Board also believes that a broadening of the skills, knowledge and experience of non-executive directors is also of benefit to the Group. The Group welcomes the participation of the non-executives on the boards of other companies. To avoid potential conflicts of interest, non-executive directors inform the Chairman before taking up any external appointments. Details of the non-executive positions held by each director in public companies are set out under individual biographies which are detailed on pages 34 to 35.

Directors' fees

There have been no changes to non-executive directors' fees during 2015. As reported in the 2013 Annual Report, directors' fees were reviewed in 2014. An independent external advisor was engaged to perform this review of fees relative to the evolving size and scale of the Group; the demands on director's time; the Group's peers; and broader market practice. Following that review and effective 1 March 2014, the standard non-executive director's fee was increased from €70,000 (which it had been since 2008) to €75,000 and the Chairman's fee was increased from €230,000 to €245,000. Other directors' fees remained unchanged, being fees of €20,000 for the Remuneration Committee and Audit Committee chairs and a fee of €12,000 for chairs of other committees and the Senior Independent Director. No additional fees are paid if a committee is chaired by the Chairman.

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

Board performance evaluation

It is the responsibility of the Chairman to ensure that the performance of all directors is at the levels required. The Board carried out an internal evaluation of the performance of the Board, the Chairman, the directors and each of the committees in 2014. Following this evaluation, the findings were considered by the Board and changes were made, amongst other things, to distribute earlier to the non-executive directors presentations and other papers received by the Board.

The Senior Independent Director also conducted a review of my performance with the non-executive directors, while also taking into account the views of the executive directors, the results of which were discussed with me.

In accordance with the recommendations of the UK Corporate Governance Code, which requires an external Board evaluation to be conducted at least once every three years, an external evaluation will be undertaken in 2015. As a result of the previous external evaluation in 2012, the Board tasked the Nomination Committee to recruit two new independent directors who would bring additional experience to the Board particularly in the online retail and technology sectors, alongside broad business experience. Following this process, Ulric Jerome and Danuta Gray were appointed to the Board.

Attendance at Board and committee meetings

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

There were eight full meetings of the Board in 2014. The attendance at Board and sub-committee meetings by the directors who held office in 2014 is set out below. The Board places considerable importance on attendance at both scheduled Board and sub-committee meetings. During the year, no director attended less than 75% of scheduled Board meetings which they were entitled to attend.

All of the directors were in attendance at the 2014 AGM on 13 May 2014.

	Note	Board	Audit	Remuneration	Nomination	Bookmaking Risk
Number of meetings held in 2014		8	7	8	11	2
Attended by:						
N Northridge*		8		8	11	2
T Grace*		8	7		11	
M Cawley*	(1)	8	7		9	
D Gray*	(2)	7		8	11	
U Jerome*		8	7			
S Kenny**		8			11	2
G McGann*	(3)	1	2			
P Ó Ríordáin*		8		8	11	2
D Power	(4)					2
P Kennedy***		8				2
C McCarthy***		8				
A McCue***	(5)	2				

* Independent non-executive director
** Non-executive director
*** Executive director

(1) Michael Cawley was appointed to the Nomination Committee in May 2014. There were nine meetings after his appointment all of which he attended.
(2) Danuta Gray was appointed to the Nomination Committee in February 2014. There were 11 meetings after her appointment all of which she attended.
(3) Gary McGann was appointed to the Board and the Audit Committee on 24 November 2014. There was one Board meeting after his appointment, and two Audit Committee meetings all of which he attended.
(4) David Power resigned from the Board in 2013. He remains as Chairman of the Bookmaking Risk Committee.
(5) Andy McCue was appointed to the Board on 4 September 2014. There were two Board meetings after his appointment, both of which he attended.

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE
(CONTINUED)

Board sub-committees

The Board has established four permanent sub-committees to assist in the execution of its responsibilities. These are: the Audit Committee; the Remuneration Committee; the Nomination Committee; and the Bookmaking Risk Committee. Attendance at meetings held in 2014 is set out in the table above. Ad-hoc committees are formed from time to time to deal with specific matters.

The composition of the Board committees as at 2 March 2015 was as follows:

Audit
Michael Cawley (Chair), Tom Grace, Ulric Jerome, Gary McGann.

Remuneration
Pádraig Ó Ríordáin (Chair), Nigel Northridge, Danuta Gray.

Nomination
Nigel Northridge (Chair), Pádraig Ó Ríordáin, Tom Grace, Ulric Jerome, Stewart Kenny, Danuta Gray.

Bookmaking Risk
David Power (Chair), Stewart Kenny, Pádraig Ó Ríordáin, Nigel Northridge.

Given David Power's extensive experience of the betting industry and as a co-founder of Paddy Power, the Board invited him to remain as Chairman of the Bookmaking Risk Committee following his retirement as a director of the Board in 2013. David is paid the standard fee for chairing a committee of €12,000 per annum. As Chairman of the Bookmaking Risk committee, David is subject to the share dealing restrictions and disclosures of a PDMR (Person Discharging Managerial Responsibility). David does not attend any Board or other Board sub-committee meetings and does not receive Board materials apart from Bookmaking Risk Committee materials.

Each of the permanent Board sub-committees has terms of reference under which authority is delegated to them by the Board. These terms of reference are available on the Group's website www.paddypowerplc.com. The chairman of each sub-committee attends the Annual General Meeting and is available to answer shareholder questions.

Audit Committee

The Audit Committee is primarily responsible for ensuring the integrity of the Group's financial reporting; internal control and risk management procedures; and reviewing the work of the internal and external auditors.

The report of the Audit Committee is set out on pages 51 to 55.

In line with best practice, the Audit Committee is comprised of four non-executive directors all of whom have been determined by the Board to be independent. Michael Cawley was appointed Chairman of the Audit Committee in May 2014 in succession to Tom Grace who remains a member of the Committee. Gary McGann was appointed to the Audit Committee in November 2014.

The Board has determined that both Michael Cawley and Gary McGann have recent and relevant financial experience.

Remuneration Committee

The Remuneration Committee is primarily responsible for making recommendations to the Board on remuneration policy for the Group's executive directors and other senior executives. The report of the Remuneration Committee is set out on pages 56 to 60.

The Remuneration Committee is comprised of two independent non-executive directors and the Group Chairman. In line with best practice, the Committee is not chaired by the Group Chairman.

Nomination Committee

The Nomination Committee is primarily responsible for recommending candidates to the Board for appointment as directors and ensuring that appropriate procedures are followed for all such appointments. On behalf of the Board, the Nomination Committee also continually reviews the composition and diversity of the Board and the skills and experience of each of the directors, to ensure that Paddy Power has a Board which is fit for purpose and capable of protecting and creating value for shareholders. The relevant skills and experience of each director are set out under individual biographies which are detailed on pages 34 to 35. Danuta Gray and Ulric Jerome were appointed as members of the Nomination Committee in February 2014 and 2015 respectively.

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

2014 review
During 2014, consistent with a commitment to on-going Board refreshment and renewal the Nomination Committee engaged external search and recruitment agents to identify potential candidates and to assist in selecting and recommending candidates.

Further to the announcement made by the Company on the day of the AGM in May 2014, Patrick Kennedy resigned as Chief Executive and as a director with effect from 31 December 2014. Andy McCue was appointed as a director in September 2014 and assumed the role of Chief Executive on 1 January 2015. His appointment followed a comprehensive recruitment process, undertaken by the Nominations Committee, in conjunction with independent search and recruitment consultants, which involved a strong field of internal and external candidates.

In November 2014, Gary McGann was appointed as an independent non-executive director. Gary has been Group Chief Executive Officer of Smurfit Kappa Group plc since 2002 and had been identified some time ago as someone who would bring extensive commercial, financial and international business experience to the Board, if available to serve.

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

The Board also reviewed the independence and objectivity of Pádraig Ó Ríordáin and Tom Grace and concluded that both directors are wholly independent. Further details of this review are set out on page 45.

Bookmaking Risk Committee
The Bookmaking Risk Committee is responsible for ensuring that policies in respect of betting risk are appropriate, monitoring that such policies are being correctly applied, reviewing reports from the Head of Bookmaking Risk and monitoring the adequacy and effectiveness of the Group's Bookmaking Risk function. The Committee also sets overall policy for betting risk. Limits are agreed with the Committee and set annually but are subject to review by the Committee at any time.

Internal control
The UK Code states that:
1. The Board should maintain a sound system of internal control to safeguard the shareholders' investment and Group assets.
2. The directors should, 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 material controls, including financial, operational and compliance controls, and risk management systems.

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

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

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

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE
(CONTINUED)

The Board, through the Audit Committee, is responsible for conducting a review of the effectiveness of the Group's systems of internal control and risk management. This review has been performed in respect of the year ended 31 December 2014. The directors consider that the procedures necessary to implement the Turnbull guidelines on internal control in the UK Corporate Governance Code have been properly established.

Relations with shareholders

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

There is regular discussion between Group management and analysts, brokers and institutional shareholders, ensuring that the market is appropriately informed on business activities. Visits to the Group's headquarters are encouraged and a significant number of existing and prospective institutional shareholders visited the Group's offices in 2014. In addition, tours of our retail outlets are undertaken regularly. Feedback from major shareholders, feedback from analysts and reports by analysts are communicated to directors so that directors can, in line with the UK Code, understand the issues and concerns of shareholders.

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

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

Compliance

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

Conclusion

I would invite you all to consider the above carefully, and encourage any shareholders who have questions relating to this Corporate Governance statement to contact me by email at nigel.northridge@paddypower.com.

Nigel Northridge
Chairman

2 March 2015

AUDIT COMMITTEE REPORT

Role of the Audit Committee

The role, responsibilities and authorities of the Audit Committee are set out in our written Terms of Reference, which are available on the Paddy Power plc website. The primary role of the Group's Audit Committee is to provide governance and oversight over the integrity of the Group's financial reporting and the Group's internal controls and risk management frameworks. The Committee also monitors the performance of internal and external audit.

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

Membership

Members are appointed to the Committee by the Board, based on the recommendations of the Nominations Committee. The Committee comprises Independent Non-Executive Directors, Tom Grace, Ulric Jerome, Gary McGann and myself as Chairman. As with other Board Committees, the Company Secretary or his deputy acts as secretary to the Committee.

I was appointed as Chairman of the Committee in May 2014 taking over from Tom Grace. I would like to thank Tom for his substantial contribution to the work of the Committee over the course of his Chairmanship. I would also like to welcome Gary McGann to the Audit Committee following his appointment in November 2014; the depth of skills and experience he has from leading a large international business will be of considerable value to the Committee.

All members of the Committee are expected to be financially literate, to have knowledge of financial reporting principles and accounting standards and to understand any material factors impacting the Group's financial statements. All members are also required to have an understanding of the Group's internal controls and risk management framework and the regulatory and legal environments in which the Group operates. In accordance with Provision C3.1 of the Code, the Board has determined that both myself and Gary McGann have 'recent and relevant financial experience' as required. Further details of the members' qualifications and experience are available on pages 34 to 35.

A sub-Audit Committee operates in Australia and reports to the main Audit Committee on the integrity of Sportsbet's financial reporting and internal controls and risk management frameworks. I also sit on this Audit Committee. Further, in October 2014 the Group Audit Committee met in Australia and received presentations from the local management team.

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

Meetings

In accordance with the Committee Terms of Reference, the Committee meets at least three times a year. The Committee met seven times in 2014. Attendance at meetings held is set out in the table on page 47.

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

Various key members of management have reported to the Audit Committee during the year including the Chief Information Officer, the Head of Information Security and the Head of Compliance. The CFO regularly updates the Committee on key financial matters.

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

AUDIT COMMITTEE REPORT

Main activities during the year

The activities undertaken by the Audit Committee in 2014 included:

- monitoring the integrity of the financial statements and the formal announcements relating to the financial performance of the Company and Group;
- reviewing significant financial reporting judgements;
- reviewing the effectiveness of the Group's internal controls;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- ensuring that there are appropriate procedures in place to monitor and evaluate the general business risks to which the Group is exposed;
- considering and making a recommendation to the Board in relation to the continued appointment of the external auditor;
- approving the remuneration and terms of engagement of the external auditor;
- evaluating the performance of the external auditor, including their independence and objectivity;
- monitoring any non-audit services provided by the auditor;
- reviewing arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- providing an open line of communication between the Board, internal audit and external audit; and
- reporting to the Board on how the Committee has discharged its duties.

Financial reporting and significant financial issues

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

Matter considered	Action
Income The Group has a number of income streams across its online and retail operations with a high prevalence of cash and credit card transactions. Effective operational and fraud related controls from both an IT systems and financial control perspective assist in ensuring the accuracy and completeness of these income streams.	The Audit Committee gained comfort over this area through discussion with the CFO in relation to the operation of key financial controls such as cash and revenue reconciliations. Representations from the Chief Information Officer and Head of Information Security provided additional assurance throughout the year in relation to the operating effectiveness of our IT systems. There are also a number of oversight functions within the Group that assist in validating the accuracy and completeness of revenue, such as the Security and Fraud teams. The Committee also gained an understanding of and challenged the work performed by the external auditor, including their assessment of the key IT controls in operation in relation to the Group's IT systems. As a result of the above procedures the Committee is satisfied that there are appropriate controls and processes in place across the Group to ensure the completeness and accuracy of reported income.
Compliance with laws and regulations The Group operates in a heavily regulated industry across a number of geographical jurisdictions. The area of compliance continues to evolve in all of our markets. Compliance with the laws and regulations in place in each jurisdiction that could have a direct effect on material amounts reported and disclosed in the Group's financial statements is a key risk area considered by the Committee. This includes matters such as taxation, licensing, data protection, money laundering, fraud and other legislation.	The Group's Head of Compliance presented to the Committee during the year setting out the key obligations and controls in place across the Group that are designed to prevent and detect instances of non-compliance with relevant laws and regulations. The Committee reviewed Internal Audit reports covering compliance with laws and regulations. In addition, our external auditor reports to us on the results of their procedures which are designed to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements. The above procedures provide the Committee with assurance that sufficiently robust policies and procedures are in place to prevent and detect instances of non-compliance with laws and regulations that could have a material impact on the amounts reported in the Group's financial statements. We engage PricewaterhouseCoopers (PWC) as our main tax advisor. Our in-house Director of Tax (together with PwC) present to the Committee periodically in relation to Group tax compliance. The combination of this independent advice, our in-house expertise and the procedures and reporting provided by our external auditor assists in providing assurance to the Committee that the processes, assumptions and methodologies used by the Group in relation to taxation amounts reported and disclosed in the Group's financial statements are appropriate.
Goodwill and indefinite life intangible assets At 31 December 2014, the Group had goodwill of €102.8m and indefinite life intangible assets of €34.5m, as detailed in Note 13 and Note 14 to the financial statements. Under International Financial Reporting Standards (IFRSs), these balances are not amortised, rather they are tested annually for impairment. Impairment testing requires the application of judgement, largely around the assumptions that are built into the calculation of the value in use of the business being tested for impairment – in this instance, our Australian, Online, and retail shop businesses operations.	The primary inputs into impairment testing are estimates of the future cash flows derived from the continuing use of the assets and the application of an appropriate interest rate in discounting these cash flows. In order to satisfy ourselves that the goodwill and indefinite life intangible assets balances are not materially misstated, the Committee obtained assurance from management that detailed impairment testing had been undertaken for each cash generating unit ("CGU"), using appropriate assumptions. In addition sensitivity analysis was also performed for each CGU. In considering this matter the Committee reviewed the impairment assessments and sensitivity analysis performed. In addition, the Committee also discussed with the external auditor its review of the assumptions used in the impairment assessments for each CGU and the sensitivity analysis performed. Following these discussions the Committee concurred with management's conclusion that the goodwill and indefinite life intangible assets were not impaired.

AUDIT COMMITTEE REPORT
(CONTINUED)

Internal audit

The Committee has oversight responsibilities for the internal audit function. The Committee approved the 2014 internal audit plan in December 2013. The plan was assessed to ensure it provided adequate coverage across the Group and was risk based in its approach. Changes are made to the plan based on emerging risks or changes in the business that should be addressed. All changes to the plan were reviewed and agreed by the Committee.

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

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

Risk management

The risk management process is reviewed annually by the Audit Committee for its appropriateness and effectiveness in identifying, assessing and managing corporate risk appropriately. There are a number of key management functions that have a core role in the overall risk management framework. The Audit Committee met with a number of these individuals throughout the year. The Committee also reviewed reports from both internal and external audit when considering risk management. A summary of key risks to which the business is exposed and the activities undertaken to mitigate those risks are detailed on pages 37 to 39.

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

External audit

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

External auditor performance

In December 2014 we met with the external auditor to agree the 2014 year end audit plan. The plan provided detail on the proposed audit approach and methodology, the materiality level intended to be used during the audit and highlighted the areas considered to have a higher risk due to the level of judgement involved and the potential impact of a misstatement on the Group financial statements. The areas of highest risk were considered to be those of revenue and compliance with laws and regulations. In addition the external auditor highlighted management override of controls as a significant audit risk, as required by Auditing Standards. The Committee reviewed and appropriately challenged the conclusions reached by the external auditor before agreeing the proposed audit scope and approach.

The external auditor presented a detailed report of their audit findings to the Committee at our meeting in February 2015. During the year, the external auditors also presented their findings of the half year review procedures to the Committee and in December 2014 they presented a detailed report of their Information Technology audit findings. These findings were reviewed and questioned by the Committee, with appropriate challenge made to the work performed, assumptions made and conclusions drawn – particularly in relation to the higher risk areas as identified above.

In October 2014, the Audit Committee also met with the KPMG external audit partner in Australia.

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

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

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

Independence and reappointment

The Committee is responsible for ensuring that the external auditor is objective and independent. KPMG has been the Group's auditor since 2001. During this time the audit partner has been rotated every five years to ensure that independence and objectivity is maintained with the current lead audit partner being appointed in respect of the year ended 31 December 2011. The audit was last tendered in 2011, for the year ending 31 December 2011. Following written tenders and presentations from the four leading global audit firms, it was decided to retain KPMG. The Committee meets privately with the external auditor at least annually without any members of management or the executive directors present.

The Committee acknowledges the EU rules in respect of audit reform which were adopted in June 2014. The rules aim to strengthen the independence of statutory audits and strengthen audit supervision across the EU. Member states have two years to implement the directive. Under the proposed transitional rules Paddy Power will be required to put the audit out for tender by 2021.

The Committee is responsible for implementing appropriate safeguards where the external auditor also provides non-audit services to the Group. In recognition of the fact that the perceived independence and objectivity of an auditor may be compromised where they receive fees for non-audit services, a policy was approved during the period formalising the key principle that non-audit fees should not exceed audit fees. The policy sets out the process to follow when considering whether to engage the external auditor for non-audit services. It establishes a tiered approvals level if the external auditor is appointed for non-audit services and also details certain prohibited services. To assist in this regard the Committee also monitors the extent to which the external auditor is engaged to provide non-audit services. Upon the re-appointment of KPMG as external auditor in 2011, the Audit Committee agreed that KPMG would cease to be the primary tax advisor to the Group.

During 2014, the Committee reviewed the letter from the Group's external auditor confirming its independence and objectivity. The Committee also performed a review of the audit and non-audit services provided by the external auditor, and the fees charged for those services, to ensure there was no impairment of objectivity or independence.

An analysis of the non-audit fees provided by the Group's auditor in 2014 is set out on page 89. For 2014, non-audit fees paid to KPMG amounted to 48% of audit related fees paid to the firm as compared to 37% in 2013.

Michael Cawley
Chairman of the Audit Committee

2 March 2015

REMUNERATION COMMITTEE REPORT

The Remuneration Committee

The Remuneration Committee operates within agreed terms of reference and has responsibility for making recommendations to the Board on the Group's general policy relating to executive remuneration, and to determine, on behalf of the Board, specific remuneration packages for the executive directors. In addition to the remuneration of the executive directors, the Committee is also responsible for approving the remuneration of those other senior executives who report directly to the Chief Executive ('senior executives'). The remuneration of the Chairman of the Board is also determined by the Remuneration Committee (with the Chairman of the Board absenting himself from the Committee for all such discussions). The remuneration of the non-executive directors is determined by the Board.

The Remuneration Committee consists of non-executive directors all of whom are independent with no personal financial interest, other than as shareholders, in the decisions of the Committee. By invitation, other members of the Board may attend the Committee's meetings. The Committee uses the services of external independent consultants to provide advice on compensation and remuneration matters as required. The Chief Executive is not a member of the Committee but may be invited to attend meetings; however, he is not present when his own remuneration is discussed. Membership of the Remuneration Committee is set out on page 48. The Committee is accountable to shareholders through this Remuneration Committee Report which is put before shareholders for an advisory vote each year.

Meetings

The Remuneration Committee meets at least three times a year. During 2014, the Committee met eight times. Details of attendance at the meetings held during the year are set out on page 47.

Remuneration policy

The Remuneration Committee determines the Group's policy on executive directors' and senior executives' remuneration. The objectives of the policy are:

- to provide remuneration arrangements that align executives' and shareholders' interests over the long-term and take account of risk;
- to drive superior performance by delivering upper quartile remuneration for upper quartile performance; and
- to ensure remuneration levels are fair and sufficiently competitive to attract, retain and motivate executives of the highest calibre to deliver the Group strategy.

In line with shareholder preference, the remuneration package is heavily weighted towards performance-related pay (with a significant element weighted towards long-term rather than short-term performance). The aim is to provide base salaries that are fair, and a total remuneration package that delivers upper quartile pay for exceptional performance, primarily through the mechanism of long-term incentives linked to profit and strategy. The Committee believes the current remuneration structure appropriately links pay to strategy and supports shareholder value creation.

2014 activities

During 2014, the Committee reviewed the Group's executive remuneration arrangements to ensure that they continued to be aligned with shareholders' interests and the Group's strategy. The underlying remuneration policy for executive directors and senior executives of Paddy Power has always been, and will continue to be, heavily weighted towards delivering long-term performance. The Committee believes this policy remains appropriate and it is consistently applied to both the executive directors and the senior executives. The Committee also reviewed salaries, assessed and approved performance outcomes for incentives in respect of performance to 31 December 2014, calibrated award levels and targets for the annual bonus and Long Term Incentive Plan ('LTIP'), and continued to ensure that stretch performance targets and incentives for executives were aligned.

Remuneration package of Andy McCue

Patrick Kennedy announced his intention to step down as Chief Executive at the 2014 AGM. Andy McCue was appointed as Chief Executive Designate and a director of the Company in September 2014, and became the Chief Executive on 1 January 2015.

The remuneration package for Andy McCue as the Chief Executive (summarised below) has been structured to be aligned with the rest of the executive team and is in line with the Group's remuneration policy:

Salary – €700,000
Pension – 20% of salary
Annual bonus – target 50% of salary, up to a maximum of 100% of salary linked to group financial performance
LTIP – 30,257 shares in 2015 (equivalent to 292% of salary at the closing share price on the day prior to the award)

Incentive measures and targets are as set out below. No one-off incentive awards were made. In line with policy, contractual severance payments are limited to salary and benefits payable for the 12-month notice period.

Base salaries

The base salaries of executive directors are reviewed annually having regard to personal performance, Group performance, significant changes in their responsibilities and competitive market practice. Employment-related benefits typically include (but are not limited to) life and health insurances and the provision of a company car or car allowance. No separate directors' fees are payable to executive directors. Since its last Report, the Committee reviewed the salaries of the executive directors and other senior executives against market. Following the review, the Committee approved a 2% increase in the Chief Financial Officer's ('CFO's') salary for 2015 (effective from 1 March 2015) given the continued growth in the business, and also being mindful of his positioning on total cash compensation of around lower quartile.

The base salaries as at 1 March 2014 and 2015 are shown in the table below:

Executive director	2014 base salary	2015 base salary	Increase
Patrick Kennedy	€780,000	n/a	n/a
Cormac McCarthy	€510,000	€520,000	2%
Andy McCue	€550,000*	€700,000	27%

*On appointment as Chief Executive Designate and a director of the Company in September 2014

Annual bonus

In 2014, the maximum bonus opportunity for the Chief Executive and CFO were 100% and 80% of salary respectively. Target bonus was 50% of the maximum opportunity. These arrangements are reviewed annually by the Remuneration Committee at the start of the year; no changes were made in respect of 2014. The level of annual bonus earned in any one year depends on the Remuneration Committee's assessment of each individual's performance and the overall performance of the Group against predetermined financial targets for the year. In 2014, 70% of the bonus was based on financial performance and 30% on the achievement of personal or strategic objectives. For the financial element, the percentage achieved was based on a matrix which took account of (a) Operating profit ('EBIT') margin performance versus budget and (b) sportsbook amounts staked and gaming net revenue performance ('Top line performance') versus budget. Further details of the bonuses paid, including financial and personal targets set and performance against each of the metrics, are provided in the table below.

Measure		Weight (% of max)	Performance targets: 'Threshold'	Performance targets: 'Target'	Performance targets: 'Maximum'	Actual performance
Financial element	EBIT margin	70%	76% of budget	Budget	124% of budget	Between target and maximum
	'Top line performance'		90% of budget	Budget	110% of budget	Between target and maximum
Personal element	Based on personal objectives agreed and evaluated through the performance evaluation process.	30%	As agreed with the Board			Dependent on individual performance as assessed through the performance evaluation process
Total		100%				

The specific financial performance targets for 2014 are not publicly disclosed for reasons of commercial sensitivity.

The Committee has considered deferring a portion of the executive directors' performance bonus into shares in Paddy Power plc but did not believe it was appropriate to do so in the context of the individuals' lower quartile total cash opportunity, and also as their interests are already sufficiently aligned with shareholders through their long-term incentive arrangements and shareholdings.

Pension entitlements

The Group does not operate any pension scheme or make pension provision for non-executive directors. Both the departing Chief Executive and the CFO received cash allowances in lieu of pension contributions during the year of 27% and 14% of salary, respectively. The new Chief Executive's pension contribution is 20% of salary.

Targeted remuneration

Based on the 2014 LTIP grants, the composition of each director's target annual remuneration (excluding sundry benefits) is as follows:

	Performance related	Non-performance related
Executive		
Patrick Kennedy	74%	26%
Cormac McCarthy	62%	38%
Andy McCue	79%	21%
Non-executive		
Nigel Northridge	-	100%
Tom Grace	-	100%
Michael Cawley	-	100%
Danuta Gray	-	100%
Ulric Jerome	-	100%
Stewart Kenny	-	100%
Gary McGann	-	100%
Pádraig Ó Ríordáin	-	100%

Long Term Incentive Plan ('LTIP')

The Paddy Power LTIP was first introduced in 2004 and subsequently revised and re-approved by shareholders in 2013. It has been a crucial element of senior executive remuneration and a key driver of long-term growth and value creation for the Company. Since listing on the Irish and London Stock Exchanges the Company has delivered compound annual growth of 27% in its share price and 26% in its Earnings Per Share ('EPS') and the Committee believes LTIP awards have consistently played a key role in delivering this performance through attracting, retaining and incentivising a talented management team.

The LTIP is available for executive directors and senior managers who are individually nominated to participate in the plan by the Remuneration Committee. Eligibility is at the sole discretion of the Remuneration Committee. Details of awards made in 2014 under the plan to the executive directors and the Company Secretary are set out in the Directors' Report on page 42. The key features of the 2013 LTIP are set out below:

Performance conditions

EPS continues to be the most important long-term performance indicator for Paddy Power and therefore the most appropriate measure for the LTIP. The 2013 LTIP allow shares conditionally awarded to executives to be earned subject to the achievement of a growth target over a minimum vesting period of three years. The target growth range chosen represents a significant level of stretch above what is typically seen at our competitors. 25% of an award vests for compound EPS growth of 7% per annum with full vesting for compound EPS growth of 15% per annum, with sliding scale vesting in between. The current performance range reinforces our policy to allow maximum vesting only if outstanding levels of growth are delivered for shareholders.

The Committee will review the EPS growth targets applicable to LTIP awards in 2015 during 2015 in order to ensure that these are sufficiently challenging and appropriate in the context of the Group's expected performance and market conditions. No change in the EPS growth targets is anticipated at this point.

Discretion for adjustments

To make sure that the LTIP remains fit for purpose in delivering its aims, the 2013 LTIP rules provided the Committee with the discretion to amend an LTIP condition that it no longer deems appropriate, provided that it is reasonable in the circumstances and is neither materially more nor less difficult to satisfy than was originally intended. Such discretion is important to ensure that outcomes are fair to both shareholders and participants. The Committee set out in its Report last year that it expected to use such discretion in relation to a number of material new and increased taxes and product fees, specific to the betting industry, which it considered to be outside of management control and necessary to extract to ensure the outcome fairly reflects underlying performance. The Committee believes that without adjustment, existing LTIP awards will be ineffective in incentivising and fairly rewarding management's achievement, which would be damaging to shareholders' interests in the long-term.

The first LTIP awards to be materially affected by the relevant taxes are those made in 2013, which have a 'base' year of 2012 and a 'target assessment' year of 2015. Following careful review and in line with the plan rules, the Committee intends to use its discretion to adjust the 2015 EPS outcome in order to partially offset the impact on EPS of additional industry specific taxes that were not in existence at the time of grant, subject to management achieving a target level of mitigation on this impact, and in doing so capture the underlying EPS performance versus the performance range of 7% to 15% per annum.

On a separate matter, the Committee is conscious of the potential for EPS to be materially enhanced by the proposed distribution of c€392m in cash to shareholders, combined with a subsequent share consolidation. Should this proposal be approved by shareholders, the Committee will ensure that the outcome as it relates to the LTIP plan fairly reflects underlying performance and that it is not materially less difficult to satisfy the performance conditions than was originally intended.

Full details of the adjustments and resulting vesting outcome will be disclosed in next year's Report.

Individual cap
All outstanding awards granted to an individual in the preceding ten-year period should not exceed eight times their Annual Remuneration at that time. Annual Remuneration is defined as salary, bonus opportunity and benefits in kind as at the date of grant. At the time of each grant, the Committee reviews the number of shares being granted to each individual to ensure award sizes are appropriate.

Dilution levels
The total number of awards across all incentive schemes may not exceed ten per cent of the issued share capital of the Company. A further limit of three per cent applies over a three year period. Shares to satisfy awards that vest under the LTIP have to date been purchased in the open market by an LTIP Trust so no dilution of shareholders has actually taken place. Over the last three, five and ten year periods, awards under all share schemes as a percentage of issued share capital have represented 2.4%, 3.9% and 9.4% respectively.

Treatment on change of control
In the event of a change of control, awards will be pro-rated for time and performance. As is normal practice, the Committee will retain overall discretion to ensure that vesting outcomes are fair to both participants and shareholders if such an event occurs.

Clawback
Following feedback from shareholders in 2012, the Committee introduced clawback provisions on unvested LTIP awards. In line with market practice, these provisions will apply in the events of material financial statement misstatement or where an individual (or group of individuals) is responsible for serious reputational damage to the Company.

Share ownership guidelines

The Group has put in place share ownership guidelines for executive directors and the Group's executive management committee to ensure their interests are aligned with those of shareholders. In summary, the guidelines are that the current market value of the shares in the Company held should be at least 2 times salary for the Chief Executive, 1.5 times salary for other executive directors and 1 times salary for the Group's executive management committee. If share ownership guidelines are not met, then individuals must retain up to 50% of a vested LTIP award (net of tax). The shareholdings of directors are shown on page 41 of this report.

Share options

Details of options granted to executive directors under the Sharesave Scheme are included with the directors' and secretary's interests in the Directors' Report on page 42. Options granted under these Revenue approved all-employee sharesave schemes are granted at a discount of 25% (or 20% for UK participants) 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. Further details of this plan are given in Note 21 to the consolidated financial statements.

The market price of the Company's shares at 31 December 2014 was €68.91 and, for the year then ended, the Company's daily closing share price ranged between €47.52 and €68.91 (2013: ranged between €55.00 and €70.65 and was €62.00 at year end).

Executive directors' service contracts

The notice period for Cormac McCarthy is six months. The notice period for Andy McCue is 12 months. The notice period for Patrick Kennedy was 12 months if issued by the Company and six months if issued by the executive. Both incumbent executive directors are employed on contracts with a normal retirement age of 65. Neither incumbent executive director is entitled to any contractual termination payment other than for payment in lieu of notice, which includes salary and benefits only.

REMUNERATION COMMITTEE REPORT
(CONTINUED)

Non-executive directors' remuneration

There have been no changes to non-executive directors' fees during 2015. As reported in the 2013 Annual Report, following a review of non-executive directors' fees last year, effective from 1 March 2014, the standard non-executive director's fee was increased from €70,000 (which it had been since 2008) to €75,000 and the Chairman's fee was increased from €230,000 to €245,000. Other directors' fees remained unchanged, being fees of €20,000 for the Remuneration Committee and Audit Committee chairs and a fee of €12,000 for chairs of other committees and the Senior Independent Director.

Non-executive directors are not entitled to participate in any of the Company's performance related share or incentive schemes.

Non-executive directors' letters of appointment

Non-executive directors, in accordance with best practice, are not appointed on service contracts, rather they are issued with a letter confirming the terms of their appointment. Non-executive directors are currently appointed for an initial three year term subject to satisfactory performance and annual re-election by shareholders at Annual General Meetings, and are expected to give three months' notice of resignation, but this is without prejudice to their right to resign immediately if they feel it appropriate. Invitations to act for subsequent three-year terms are subject to annual review of performance and balancing the need to refresh the Board but without compromising its effectiveness and continuity. None of the non-executive directors have an entitlement to a termination payment.

Directors' detailed emoluments

Full details of the emoluments of the directors are set out in Note 7 to the consolidated financial statements on pages 86 and 87.

Pádraig Ó Ríordáin

Pádraig Ó Ríordáin
Chairman, Remuneration Committee

2 March 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law, the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU, and have elected to prepare the Company financial statements in accordance with generally accepted accounting practice in Ireland, comprising applicable law and the financial reporting standards issued by the Financial Reporting Council in the UK and promulgated by the Institute of Chartered Accountants in Ireland.

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Acts 1963 to 2013 provide in relation to such financial statements that references in the relevant part of the Acts to financial statements giving a true and fair view are references to their achieving a fair presentation. The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements the directors are required to:

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

Under applicable law and the requirements of the Listing Rules issued by the Irish Stock Exchange, the directors are also responsible for preparing a Directors' Report and reports relating to directors' remuneration and corporate governance that comply with the law and those Rules. In particular, in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the 'Transparency Regulations'), the directors are required to include in their report a fair review of the business and a description of the principal risks and uncertainties facing the Group and Company and a responsibility statement relating to these and other matters, included below.

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 Company, and which enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2013, and, as regards the Group financial statements, Article 4 of the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005 (the 'IAS Regulation'). They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility Statement and UK Corporate Governance Code

Each of the directors, whose names and functions are listed in the Board of Directors section on pages 34 and 35, confirm that, to the best of each person's knowledge and belief:

As required by the Transparency Regulations:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2014 and of the profit of the Group for the year then ended;
- the Company financial statements, prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2014; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

As required by the UK Corporate Governance Code:

- the annual report and financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board

Andy McCue
Chief Executive

Cormac McCarthy
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PADDY POWER PLC

Opinion and Conclusions arising from our Audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Paddy Power plc for the year ended 31 December 2014 as set out on pages 65 to 130, which comprise the Group consolidated income statement, the Group consolidated statement of comprehensive income, the Group consolidated statement of financial position, the Group consolidated statement of cash flows, the Group consolidated statement of changes in equity, the Group accounting policies and the related notes 1 to 34; and the Company balance sheet, the Company accounting policies and the related notes 1 to 18. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK and Ireland).

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended;
- the Company balance sheet gives a true and fair view, in accordance with generally accepted accounting practice in Ireland, of the state of the Company's affairs as at 31 December 2014; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2013 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

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

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

Income (€882 million) (2013: €745 million)

Refer to page 53 (Report of the Audit Committee), pages 72 and 73 (accounting policy) and note 4 to the Group financial statements.

- *The risk*

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

- *Our response*

Our audit procedures included the following:

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

Compliance with laws and regulations

Refer to page 53 (Report of the Audit Committee).

- *The risk*

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

- *Our response*

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

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

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

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

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at €8.0 million (2013: €7.0 million). This has been calculated using a benchmark of Group profit before taxation and exceptional items (of which it represents 5% (2013: 5%)), which we have determined, in our professional judgment, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance.

We reported to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €400,000 (2013: €300,000), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audits covered 100% of total Group revenue, 100% of Group profit before taxation and 100% of Group total assets.

With the exception of the Group's Australian operations which are accounted for by a separate finance team in Melbourne, Australia, the structure of the Group's finance function is such that the Central Group finance team provides support to Group entities for the accounting of the majority of transactions and balances. We performed comprehensive audit procedures, including those in relation to the significant risks above, on those transactions and balances for which the Central Group finance team provides accounting support at a Group level.

In relation to the Group's Australian operations, an audit for Group purposes was performed in Melbourne, Australia to a local materiality level of AUD$3.2 million (€2.3m) (2013: AUD$2 million (€1.5m)).

Detailed audit instructions were sent to the auditors of the Group's Australian operations. These instructions covered the significant audit areas to be covered by the audit (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported to the Group audit team. The Group audit team, including the lead engagement partner, discussed the audit findings arising from the Group's Australian operations with the KPMG Australia audit team and with Group management.

We perform comprehensive audit procedures, including those in relation to the significant risks above, on those transactions and balances for which the central Group finance team provide accounting support at a Group level. In relation to the Group's Australian operations, an audit for Group reporting purposes was performed in Melbourne, Australia.

4. We have nothing to report in respect of the matters on which we are required to report by exception

ISAs (UK and Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

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

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

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

- the directors' statement, set out on page 43, in relation to going concern;
- the part of the Directors' Statement on Corporate Governance on pages 49 and 50 relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures to shareholders by the Board in the Report on Directors' Remuneration.

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

5. Our conclusions on other matters on which we are required to report by the Companies Acts 1963 to 2013 are set out below
We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The Company balance sheet is in agreement with the books of account and, in our opinion, proper books of account have been kept by the Company.

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

The net assets of the Company, as stated in the Company balance sheet, 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 2014 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.

Basis of our report, responsibilities and restrictions on use
As explained more fully in the Statement of Directors' Responsibilities set out on page 61, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group and Company financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

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

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

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

Our report is made solely to the Company's members, as a body, in accordance with Section 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Meagher

David Meagher
for and on behalf of

KPMG

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

2 March 2015

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2014

	Note	**2014 €'000**	2013 €'000
Sportsbook amounts staked		**7,003,252**	6,013,923
Continuing operations			
Income	4	**881,640**	745,195
Direct betting costs	5	**(167,746)**	(128,243)
Gross profit		**713,894**	616,952
Employee expenses	6	**(257,286)**	(228,721)
Property expenses		**(58,410)**	(48,362)
Marketing expenses		**(100,892)**	(76,145)
Technology and communications expenses		**(48,594)**	(42,534)
Depreciation and amortisation		**(48,015)**	(39,468)
Other expenses, net		**(36,891)**	(44,336)
Total operating expenses		**(550,088)**	(479,566)
Operating profit		**163,806**	137,386
Financial income	8	**2,925**	3,825
Financial expense	8	**(166)**	(181)
Profit before tax		**166,565**	141,030
Income tax expense	10	**(21,656)**	(17,846)
Profit for the year – all attributable to equity holders of the Company		**144,909**	123,184
Earnings per share			
Basic	11	**€3.011**	€2.567
Diluted	11	**€2.976**	€2.520

Notes 1 to 34 on pages 71 to 118 form an integral part of these consolidated financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	Note	2014 €'000	2013 €'000
Profit for the year – all attributable to equity holders of the Company		**144,909**	123,184
Other comprehensive income / (expense)			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	8	**(6,313)**	2,706
Fair value of foreign exchange cash flow hedges transferred to income statement	8	**5,144**	(4,688)
Foreign exchange gain / (loss) on translation of the net assets of foreign currency denominated subsidiaries	8	**7,628**	(21,774)
Deferred tax on fair value of cash flow hedges	22	**147**	248
Other comprehensive income / (expense)		**6,606**	(23,508)
Total comprehensive income for the year – all attributable to equity holders of the Company		**151,515**	99,676

Notes 1 to 34 on pages 71 to 118 form an integral part of these consolidated financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	**31 December 2014 €'000**	31 December 2013 €'000
Assets			
Property, plant and equipment	12	**126,711**	116,216
Intangible assets	13	**76,391**	69,185
Goodwill	14	**102,838**	92,554
Financial assets – restricted cash	15, 18	**-**	993
Deferred tax assets	22	**8,246**	8,002
Trade and other receivables	17	**1,972**	2,903
Total non-current assets		**316,158**	289,853
Trade and other receivables	17	**32,410**	29,262
Financial assets – restricted cash	18	**39,213**	52,806
Financial assets – deposits	18	**19,258**	13,686
Cash and cash equivalents	18	**226,513**	161,359
Total current assets		**317,394**	257,113
Total assets		**633,552**	546,966
Equity			
Issued share capital	19	**5,110**	5,098
Share premium		**44,969**	41,646
Treasury shares		**(57,502)**	(34,177)
Shares held by long term incentive plan trust		**(61,454)**	(71,736)
Other reserves including foreign currency translation, cash flow hedge and share-based payment reserves		**34,849**	23,406
Retained earnings		**421,009**	346,765
Total equity attributable to equity holders of the Company		**386,981**	311,002
Liabilities			
Trade and other payables	23	**201,419**	180,973
Derivative financial liabilities	23	**16,981**	17,048
Provisions	24	**497**	515
Current tax payable		**17,377**	20,462
Total current liabilities		**236,274**	218,998
Trade and other payables	23	**5,821**	12,289
Derivative financial liabilities	23	**128**	270
Provisions	24	**1,174**	1,115
Deferred tax liabilities	22	**3,174**	3,292
Total non-current liabilities		**10,297**	16,966
Total liabilities		**246,571**	235,964
Total equity and liabilities		**633,552**	546,966

Notes 1 to 34 on pages 71 to 118 form an integral part of these consolidated financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2014

	Note	2014 €'000	2013 €'000
Cash flows from operating activities			
Profit for the year – all attributable to equity holders of the Company		**144,909**	123,184
Income tax expense		**21,656**	17,846
Financial income		**(2,925)**	(3,825)
Financial expense		**166**	181
Depreciation and amortisation		**48,015**	39,468
Employee equity-settled share-based payments expense		**17,229**	17,671
Foreign currency exchange (gain) / loss		**(1,480)**	529
Loss on disposal of property, plant and equipment and intangible assets		**79**	68
Cash from operations before changes in working capital		**227,649**	195,122
Increase in trade and other receivables		**(91)**	(3,317)
Increase in trade and other payables and provisions		**13,087**	8,096
Cash generated from operations		**240,645**	199,901
Income taxes paid		**(25,552)**	(17,015)
Net cash from operating activities		**215,093**	182,886
Purchase of property, plant and equipment		**(38,662)**	(34,821)
Purchase of intangible assets		**(28,206)**	(22,625)
Purchase of businesses, net of cash acquired	16	**(6,432)**	(6,594)
Payment of contingent deferred consideration	16	**(5,386)**	(3,072)
Proceeds from disposal of property, plant and equipment and intangible assets		**25**	74
Transfers (to) / from financial assets – deposits		**(5,112)**	27,985
Interest received		**2,869**	3,173
Net cash used in investing activities		**(80,904)**	(35,880)
Proceeds from the issue of new shares		**3,335**	1,621
Purchase of shares by long term incentive plan trust		**(3,883)**	(24,220)
Purchase of own shares including direct purchase related costs		**(23,605)**	-
Dividends paid	20	**(68,991)**	(61,907)
Movements in current and non-current restricted cash balances		**17,008**	(15,452)
Interest paid		**(284)**	(286)
Net cash used in financing activities		**(76,420)**	(100,244)
Net increase in cash and cash equivalents		**57,769**	46,762
Cash and cash equivalents at start of year		**161,359**	129,004
Foreign currency exchange gain / (loss) on cash and cash equivalents		**7,385**	(14,407)
Cash and cash equivalents at end of year	18	**226,513**	161,359

Notes 1 to 34 on pages 71 to 118 form an integral part of these consolidated financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2014

		Attributable to equity holders of the Company (see Note 19)									
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Cash flow hedge reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2014	***50,977,085***	**5,098**	**41,646**	**(7,664)**	**(1,283)**	**1,240**	**(34,177)**	**(71,736)**	**31,113**	**346,765**	**311,002**
Total comprehensive income / (expense) for the year											
Profit	-	-	-	-	-	-	-	-	-	**144,909**	**144,909**
Foreign exchange translation	-	-	-	**7,628**	-	-	-	-	-	-	**7,628**
Net change in fair value of cash flow hedge reserve (Note 8)	-	-	-	-	**(1,169)**	-	-	-	-	-	**(1,169)**
Deferred tax on cash flow hedges (Note 22)	-	-	-	-	**147**	-	-	-	-	-	**147**
Total comprehensive income / (expense) for the year	-	-	-	**7,628**	**(1,022)**	-	-	-	-	**144,909**	**151,515**
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 19)	***127,615***	**12**	**3,323**	-	-	-	-	-	-	-	**3,335**
Own shares acquired by the long term incentive plan trust 70,400 ordinary shares (Note 21)	-	-	-	-	-	-	-	**(3,883)**	-	-	**(3,883)**
Own shares acquired by the Group – 450,000 ordinary shares (Note 21)	-	-	-	-	-	-	**(23,325)**	-	-	**(280)**	**(23,605)**
Equity-settled transactions – expense recorded in income statement (Note 21)	-	-	-	-	-	-	-	-	**17,229**	-	**17,229**
Equity-settled transactions – vestings (Note 21)	-	-	-	-	-	-	-	**14,165**	**(11,546)**	**(2,010)**	**609**
Deferred tax on share-based payments (Note 22)	-	-	-	-	-	-	-	-	-	**(230)**	**(230)**
Transfer to retained earnings on exercise of share options (Note 19)	-	-	-	-	-	-	-	-	**(846)**	**846**	-
Dividends to shareholders (Note 20)	-	-	-	-	-	-	-	-	-	**(68,991)**	**(68,991)**
Total contributions by and distributions to owners of the Company	***127,615***	**12**	**3,323**	-	-	-	**(23,325)**	**10,282**	**4,837**	**(70,665)**	**(75,536)**
Balance at 31 December 2014	***51,104,700***	**5,110**	**44,969**	**(36)**	**(2,305)**	**1,240**	**(57,502)**	**(61,454)**	**35,950**	**421,009**	**386,981**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Attributable to equity holders of the Company (see Note 19)										
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Cash flow hedge reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2013	*50,850,848*	5,085	40,038	14,110	451	1,240	(34,177)	(56,191)	22,792	284,308	277,656
Total comprehensive income / (expense) for the year											
Profit	-	-	-	-	-	-	-	-	-	123,184	123,184
Foreign exchange translation	-	-	-	(21,774)	-	-	-	-	-	-	(21,774)
Net change in fair value of cash flow hedge reserve (Note 8)	-	-	-	-	(1,982)	-	-	-	-	-	(1,982)
Deferred tax on cash flow hedges (Note 22)	-	-	-	-	248	-	-	-	-	-	248
Total comprehensive income / (expense) for the year	-	-	-	(21,774)	(1,734)	-	-	-	-	123,184	99,676
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 19)	*126,237*	13	1,608	-	-	-	-	-	-	-	1,621
Own shares acquired by the long term incentive plan trust – 380,000 ordinary shares (Note 21)	-	-	-	-	-	-	-	(24,220)	-	-	(24,220)
Equity-settled transactions – expense recorded in income statement (Note 21)	-	-	-	-	-	-	-	-	17,671	-	17,671
Equity-settled transactions – vestings (Note 21)	-	-	-	-	-	-	-	8,675	(8,651)	246	270
Deferred tax on share-based payments (Note 22)	-	-	-	-	-	-	-	-	-	235	235
Transfer to retained earnings on exercise of share options (Note 19)	-	-	-	-	-	-	-	-	(699)	699	-
Dividends to shareholders (Note 20)	-	-	-	-	-	-	-	-	-	(61,907)	(61,907)
Total contributions by and distributions to owners of the Company	*126,237*	13	1,608	-	-	-	-	(15,545)	8,321	(60,727)	(66,330)
Balance at 31 December 2013	*50,977,085*	5,098	41,646	(7,664)	(1,283)	1,240	(34,177)	(71,736)	31,113	346,765	311,002

Notes 1 to 34 on pages 71 to 118 form an integral part of these consolidated financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

The consolidated financial statements of the Group for the year ended 31 December 2014 comprise the financial statements of the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 2 March 2015.

2. Basis of preparation and summary of significant accounting policies

The consolidated financial statements are prepared on the historical cost basis except for betting transactions and foreign exchange forward contracts (which are recorded as derivative financial instruments), contingent deferred consideration and certain share-based payments, all of which are stated at fair value (grant date fair value in the case of share-based payments). The consolidated financial statements are presented in euro, the Company's functional currency, rounded to the nearest thousand.

Further to IAS Regulation (EC1606/2002, 'Accounting standards adopted for use in the EU'), EU law requires that the annual consolidated financial statements of the Group be prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union ('EU'). The consolidated financial statements have been prepared on the basis of IFRSs adopted by the EU and effective for accounting periods ending on or after 1 January 2014. The accounting policies set out below have been applied consistently by Group entities.

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

Recent accounting pronouncements
The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 31 December 2014:
- IFRS 10, 'Consolidated Financial Statements'
- IFRS 11, 'Joint Arrangements'
- IFRS 12, 'Disclosure of Interests in Other Entities'
- IAS 27 (2011), 'Separate Financial Statements'
- IAS 28 (2011), 'Investments in Associates'
- IFRIC 21, 'Levies'

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

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

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

- IFRS 15, 'Revenue from Contracts with Customers' (effective for the Group's 2017 consolidated financial statements)
- IFRS 9, 'Financial Instruments' (effective for the Group's 2018 consolidated financial statements)

The directors do not believe that either of the above standards will have a significant impact on Group reporting. There are other amendments which have been considered but are not likely to have a significant impact on the Group's accounting policies.

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

Basis of consolidation
The Group's financial statements consolidate the financial statements of Paddy Power plc and its subsidiary undertakings based on accounts made up to the end of the financial year. A subsidiary is an entity controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated on consolidation except to the extent that unrealised losses provide evidence of impairment.

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes and in Note 34:

- Note 14 – measurement of the recoverable amounts of cash generating units containing goodwill and indefinite life licences and brands intangible assets.
- Note 21 – measurement of share-based payments.
- Note 29 – contingent deferred consideration and measurement of sports betting open positions.

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

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

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

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

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

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

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

- Note 29 – contingent deferred consideration and measurement of sports betting open positions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Foreign currency translation of foreign operations

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

Business combinations

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The licences intangible assets recognised on the acquisition of the D McGranaghan Limited business in 2008, the acquisition of an additional betting shop in Northern Ireland in 2011 and the brands intangible assets recognised on the acquisition of Sportsbet Pty Limited and International All Sports Limited in 2009 are not amortised for the reasons set out in Note 13.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases
Leased assets, under the terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. The assets acquired by way of finance lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability, and the charge is allocated to the income statement during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases and are not recognised in the statement of financial position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders, or, in the case of the interim dividend, when it has been approved by the Board of Directors and paid. Dividends declared after the reporting date are disclosed in Note 33.

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

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

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

3. Financial risk management

The Group has the following risk exposures in relation to its use of financial instruments:
- Market risk;
- Interest rate risk;
- Credit risk; and
- Liquidity risk.

Set out below is information on the Group's exposure to each of the above risks, and what its objectives, policies and processes are for measuring and managing those risks. Information is also provided on how the Group manages its capital. Quantitative disclosures in respect of these risks are included throughout these consolidated financial statements and, in particular, in Notes 25 to 30.

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

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

3. Financial risk management (continued)

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

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

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

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

While the Group generally maintained a naturally hedged balance sheet, as described in the preceding paragraph, it remains exposed to exchange rate risk in respect of its expected future foreign currency denominated income and expenses in its foreign operations. In both 2013 and 2014, the Group entered into foreign exchange forward contracts. The contracts were to hedge a portion of expected GBP cash flows in the relevant years in order to reduce the volatility to which the Group was exposed. The average EUR-GBP rate at which the 2014 contracts were entered into was 0.8387 (2013: 0.8175), which compares to the actual average EUR-GBP rate of 0.8061 for the same period (2013: 0.8493). At 31 December 2014, the Group had hedged GBP71.7m of expected 2015 cash flows at an average EUR-GBP rate of 0.8041 (2013: the Group had hedged GBP61.3m of expected 2014 cash flows at an average EUR-GBP rate of 0.8503). At 31 December 2014, a derivative financial liability of €2,636,000 (2013: €1,467,000) in respect of foreign exchange forward contracts due to mature in 2015 (2013: due to mature in 2014) has been recorded in the Group's consolidated statement of financial position (see Note 23).

The average GBP exchange rate against the euro increased by approximately 5% in 2014 versus 2013 (decreased by 5% in 2013 versus 2012), while the AUD exchange rate decreased by 6% in 2014 versus 2013 (decreased by 11% in 2013 versus 2012 and the USD exchange rate was in line with 2013 (decreased by 3% in 2013 versus 2012). The movement in the value of the euro against these currencies positively impacted the Group's profit for the year ended 31 December 2014, with the positive GBP currency movement more than offsetting the negative AUD currency movement and overall drove a profit increase of €4.6m in the year (2013: a strengthening in the value of the euro negatively impacted the Group's profit with a (primarily GBP and AUD) currency movement-driven profit decrease of €12.6m being recorded).

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

The gain on retranslation of cash and cash equivalent balances in the year ended 31 December 2014 was €7,385,000 (2013: loss of €14,407,000). Within the cash retranslation losses / gains are gains of €4,213,000 (2013: losses of €1,436,000) that have been included within 'other expenses' in the income statement rather than as a financial expense, as the directors consider that the loss or gain relates to operations as the Group broadly matches its foreign currency denominated assets and liabilities to ensure that foreign exchange gains and losses are minimised (as described above). Losses and gains on retranslation of non-cash and cash equivalent assets and liabilities are also dealt with as operating items. Included within the retranslation of non-cash and cash equivalent assets and liabilities is a loss of €2,733,000 in 2014 (2013: gain of €907,000). Gains and losses on foreign currency retranslation are separately analysed into their components in the consolidated statement of cash flows, with further analysis presented in Notes 8 and 9.

3. Financial risk management (continued)

Interest rate risk
Excess cash funds are invested in interest-bearing bank deposits on which the interest rate is fixed for the term of the deposit. Group treasury policy imposes limits on the terms over which cash can be placed on deposit.

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

Trade and other receivables
The Group's sports betting and gaming businesses (excluding Australia) are predominantly cash and credit card/ debit card businesses where there is a requirement that the customer pays in advance when a transaction is entered into. An option for customers to avail of credit is normal practice in the Australian online and telephone sports betting markets and, accordingly, the Australian sports betting business model is one where credit is sometimes granted to customers. Trade receivables (after provisions for impairment) amounted to €5,588,000 at 31 December 2014 (2013: €5,725,000); included in this balance are receivables from credit betting customers (primarily in Australia) of €4,137,000 (2013: €3,907,000) (see Note 17). Credit lines are provided to customers on a case by case basis for higher value customers or based on credit ratings for smaller value customers. Individual credit limits are decided upon by the credit control function in the first instance after taking into account credit and background reference checks. The collectability of outstanding trade receivable balances is closely monitored by reference to aged receivables and other reports and any receivable balances considered to be uncollectible are provided against when identified. Trade and other receivables impairment allowances are established against individual receivable balances when there is objective evidence that such balances are likely to be uncollectible, either in full or in part. The impairment allowance also includes a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. There is no material concentration of sales with individual customers.

Cash investments and foreign exchange forward contracts
It is Group treasury policy to limit investments in cash deposits and foreign exchange forward contracts to counterparties that have a Moody's (or equivalent) long term credit rating of Aa3 or higher and a Moody's (or equivalent) short term credit rating of P1, unless otherwise specifically approved by the Investment Committee (as at the date of this report there are specific approvals for a number of lower rated banks where they have been invested in by the Irish state or by the UK government and / or are perceived by the Investment Committee to be systemically important).

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

The Group continues to carefully measure counterparty risk by monitoring credit agency ratings, Credit Default Swap spread prices and other public information, and to take action to mitigate such risks as are identified. The Group has accordingly restricted its cash deposit investments to counterparties that had higher credit ratings and has, when required, shortened the maturities of deposits placed. At times, the maturity profile of deposits is lengthened in order to achieve higher interest returns subject to appropriate counterparty risk, and deposit financial assets (representing deposits with original maturities of greater than three months) totalling €19,258,000 (2013: €13,686,000) were recorded on the Group consolidated statement of financial position as of 31 December 2014 (see Note 18).

Guarantees
The Group's policy is generally to provide guarantees only in respect of certain commitments of wholly-owned subsidiaries of the Group. The guarantees entered into are primarily in respect of certain third party obligations of subsidiaries, such as overdraft and bank guarantee facilities. As of 31 December 2014, there were no amounts outstanding in the consolidated financial statements under these guarantees (2013: €nil).

The Group has bank guarantees: (1) in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Group companies; and (2) in respect of certain third party rental, other property commitments, merchant facilities and third party letter of credit facilities. Some of these guarantees (which are more fully described in Note 30) are required by the terms of gambling licences and have in the past covered the value of player funds held by certain Group companies. The Group now utilises client funds bank accounts to guarantee payment of player funds (see Note 18). The Group also has bank guarantees in respect of certain third party rental, other property commitments and merchant facilities and third party letter of credit facilities.

The Australian corporate sports bookmaking licences issued to Sportsbet and IAS require those companies to hold sufficient liquid funds to cover monies owed to customers. At 31 December 2014, the total amount of relevant customer balances attributable to the Online Australia operating segment was €32,770,000 (AUD48,595,000) (2013: €24,660,000 (AUD38,033,000)) and total cash balances amounted to €65,895,000 (AUD97,716,000) at that date (2013: €73,859,000 (AUD113,913,000)).

3. Financial risk management (continued)

Liquidity risk

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

The Group performs regular cash projections to ensure that there is sufficient cash on hand to meet its expected obligations as they fall due. The nature of the Group's business and the potential volatility in sporting results can result in significant differences between expected and actual short term cash flows. Consequently, a conservative approach is applied to cash forecasting and flexibility is built into the forecast to cover potentially adverse sporting results. Cash deposit placement time periods are decided upon by reference to cash inflows forecast and expected requirements in respect of the Group's financial obligations. The Group's treasury policy sets a maximum maturity on deposits of up to six months. Information on the overall maturity of deposits at 31 December 2014 and 2013 is set out in Note 18. It is the directors' belief that the Group's cash deposit balances can be withdrawn without significant penalty.

The Group has the following lines of credit:

- Unsecured uncommitted bank overdraft facilities for working capital purposes totalling €7.5m. Interest is payable thereon at the bank's prime overdraft rate plus 0.5%. Bank overdraft facilities for certain subsidiaries of the Company are guaranteed by way of a Letter of Guarantee issued by Paddy Power plc in favour of Allied Irish Banks p.l.c.
- Unsecured uncommitted bank overdraft facilities for working capital purposes totalling GBP5.2m (€6.7m). Interest is payable thereon at the bank's sterling base rate plus 3.5%. Bank overdraft facilities for certain subsidiaries of the Company are guaranteed by way of a Letter of Guarantee issued by Paddy Power plc in favour of AIB Group (UK) p.l.c.

At 31 December 2014 and 31 December 2013, none of the bank overdraft facilities were being utilised.

Capital management

The Group has historically funded its operations through internally generated cash apart from the consolidation of debt within its majority-owned subsidiaries in Australia during 2009, 2010 and part of 2011. This debt has since been repaid. A strong cash balance has given Paddy Power financial strength and flexibility. The Group's financing and capital structure is kept under continual review by the Board. Current market conditions allow for access to debt finance at attractive pricing; however the Board is committed to capital discipline and will maintain conservative leverage to keep flexibility for expansion organically or via acquisition.

The Group has the authority to buy back up to ten per cent of the Company's issued share capital between the dates of its Annual General Meetings ('AGM's), subject to the annual approval of its shareholders at the Company's AGM. During the year ended 31 December 2014, the Group purchased 450,000 (2013: nil) of the Company's ordinary shares to be held as treasury shares comprised of €23,325,000 for the shares themselves and a further €280,000 for other purchase related costs. Shares bought back may either be cancelled or held in treasury. Since its first share buybacks in 2007, a total of 4,323,443 of the Company's own shares have been bought back at an average share price of €24.31, of which 2,139,443 were cancelled and the remaining 2,184,000 are held in treasury.

The Company's ordinary shares are also acquired on the market periodically by the Paddy Power plc Employee Benefit Trust (the 'Trust') to meet the Trust's obligations under share award schemes. These shares are held by the Trust and ownership is transferred to the Trust's beneficiaries if and when the related share awards vest.

There were no significant changes in the Group's approach to capital management during 2014.

At 31 December 2014 and 31 December 2013, neither the Company nor any of its subsidiaries were subject to externally imposed capital requirements.

In the year ended 31 December 2014, the Group earned a return on capital of 41.5% (2013: 41.9%). Capital is defined by the Group as total equity attributable to equity holders of the Company. Return on capital is calculated by dividing the profit for the year attributable to equity holders of the Company (€144,909,000) (2013: €123,184,000) by the average capital attributable to the equity holders of the Company for the year. Average capital is calculated by taking the average of the start and end of year capital balances (the average of €311,002,000 and €386,981,000 respectively, being €348,992,000) (2013: average of €277,656,000 and €311,002,000 respectively, being €294,329,000).

4. Operating segments

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

Income
Income for the years ended 31 December 2014 and 2013 is analysed as follows:

	2014 €'000	2013 €'000
Income in respect of sportsbook and gaming activities	**868,821**	730,037
Other commission and fee revenue (included in Online (ex Australia) and Online Australia income)	**12,819**	15,158
Total income	**881,640**	745,195

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

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

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

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

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies set out in Note 2 above. Central operating expenses are allocated to reportable segments based on internal management allocation methodologies. Any expenses that are not directly allocated to reportable segments in internal management reports are shown in the reconciliation of reportable segments to Group totals. The Group does not allocate income tax expense or interest. Treasury management is centralised for the Online (ex Australia), UK Retail, Irish Retail and Telephone segments. The Online Australia segment manages its own treasury function under Group Treasury oversight. Assets and liabilities information is reported internally in total and not by reportable segment and, accordingly, no information is provided in this note on assets and liabilities split by reportable segment.

4. Operating segments (continued)

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

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

Reportable business segment information for the year ended 31 December 2013:

	Online (ex Australia) €'000	Online Australia €'000	UK Retail €'000	Irish Retail €'000	Telephone €'000	Total reportable segments €'000
Income from external customers	299,745	179,627	127,880	115,895	22,048	745,195
Inter-segment trading	-	-	(347)	(246)	593	-
Total income	299,745	179,627	127,533	115,649	22,641	745,195
Direct betting costs	(41,157)	(44,522)	(31,385)	(10,974)	(205)	(128,243)
Gross profit	258,588	135,105	96,148	104,675	22,436	616,952
Depreciation and amortisation	(14,919)	(7,903)	(8,466)	(7,100)	(1,080)	(39,468)
Other operating expenses	(170,173)	(93,732)	(73,783)	(83,554)	(18,856)	(440,098)
Reportable segment profit	73,496	33,470	13,899	14,021	2,500	137,386

Reconciliation of reportable segments to Group totals:

	2014 €'000	2013 €'000
Income		
Total income from reportable segments, being total Group income	**881,640**	745,195
Profit and loss		
Total profit and loss from reportable segments	**163,806**	137,386
Unallocated amounts:		
Financial income – non-Online Australia (1)	**439**	580
Financial income – Online Australia	**2,486**	3,245
Financial expense – non-Online Australia (1)	**(62)**	(112)
Financial expense – Online Australia	**(104)**	(69)
Profit before tax	**166,565**	141,030

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

(b) Geographical segment information

The Group considers that its primary geographic segments are 'UK', 'Australia' and 'Ireland and rest of world'. The UK geographic segment consists of the UK Retail bookmaking business, online and telephone sports betting from UK customers, and online gaming from UK customers. The Australia geographic segment consists of online and telephone sports betting from Australian customers. The Ireland and rest of world geographic segment is composed of the Irish Retail bookmaking business, online and telephone sports betting from Irish and rest of world customers, online gaming from Irish and rest of world customers and B2B services provided to rest of world customers. Revenues from customers outside the UK, Australia and Ireland are not considered sufficiently significant to warrant separate reporting.

4. Operating segments (continued)

Group revenues by geographical segment are as follows:

Income

	2014 €'000	2013 €'000
UK	**429,968**	357,112
Australia	**227,016**	179,627
Ireland and rest of world	**224,656**	208,456
Total	**881,640**	745,195

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

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

Non-current assets

	2014 €'000	2013 €'000
UK	**140,648**	128,586
Australia	**83,698**	77,386
Ireland and rest of world	**83,566**	74,886
Total	**307,912**	280,858

5. Direct betting costs

Direct betting costs comprise:

	2014 €'000	2013 €'000
Betting taxes	**72,287**	52,249
Software supplier costs	**30,794**	25,139
Other direct betting costs	**64,665**	50,855
Direct betting costs	**167,746**	128,243

Betting taxes comprise betting taxes levied on gross win and amounts staked (including the UK online and telephones Point of Consumption tax which was introduced on 1 December 2014), machine gaming duty (which was introduced on 1 February 2013), and Goods and Services Tax on Online Australia segment gross win.

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

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

6. Employee expenses and numbers

	2014 €'000	2013 €'000
Wages and salaries	**198,072**	168,303
Social security costs	**19,149**	17,066
Defined contribution pension and life assurance costs	**8,314**	7,149
Share-based payments costs	**16,666**	22,191
Other staff costs	**15,085**	14,012
	257,286	228,721

	2014	2013
The average number of persons employed by the Group (including executive directors), all of whom were involved in the provision of sports betting and gaming services, during the year was	**4,856**	4,156

7. Directors' emoluments and transactions with key management personnel

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

	Fees €'000	Salary €'000	Pension costs €'000	Benefits €'000	Annual bonus €'000	Total 2014 €'000	Total 2013 €'000
Executive							
Patrick Kennedy (1)	-	778	-	264	521	1,563	1,438
Andy McCue (2)	-	178	36	11	107	332	-
Cormac McCarthy (3)	-	508	-	91	248	847	779
Non-executive							
Nigel Northridge (4)	243	-	-	-	-	243	230
Tom Grace (5)	94	-	-	-	-	94	102
Michael Cawley (6)	87	-	-	-	-	87	32
Danuta Gray (7)	74	-	-	-	-	74	67
Ulric Jerome	74	-	-	-	-	74	70
Stewart Kenny	74	-	-	-	-	74	70
Jane Lighting (8)	-	-	-	-	-	-	47
Gary McGann (9)	8	-	-	-	-	8	-
Pádraig Ó Ríordáin (10)	94	-	-	-	-	94	90
David Power (11)	-	-	-	-	-	-	41
	748	**1,464**	**36**	**366**	**876**	**3,490**	2,966
Cost of shares vested from Long Term Incentive Plan (12)						**3,333**	2,576
	748	**1,464**	**36**	**366**	**876**	**6,823**	5,542

(1) Patrick Kennedy resigned as a director effective 31 December 2014. His salary was increased by 2% to €780,000 with effect from 1 March 2014. He was a non-executive director of Bank of Ireland and he received fees of €80,898 in 2014 (2013: €78,750) for his services.

(2) Andy McCue was appointed Chief Executive designate on 4 September 2014 and was appointed to the Board on the same date. He was appointed Chief Executive on 1 January 2015. His salary was €550,000 with effect from 4 September 2014 and increased to €700,000 with effect from 1 January 2015. The emoluments disclosed in the above table are in respect of the period he served as a director.

(3) Cormac McCarthy was also a non-executive director of BWG Limited until his resignation on 6 August 2014 for which he received fees of €33,333 during the year (2013: €50,000). His salary was increased to €510,000 with effect from 1 March 2014.

(4) Nigel Northridge is Chairman of the Company.

(5) Tom Grace is the Senior Independent Director and was Chairman of the Audit Committee until May 2014 .

(6) Michael Cawley was appointed to the Board on 17 July 2013 and was appointed Chairman of the Audit Commitee in May 2014.

(7) Danuta Gray was appointed to the Board on 17 January 2013.

(8) Jane Lighting resigned from the Board on 20 August 2013.

(9) Gary McGann was appointed to the Board on 24 November 2014.

(10) Pádraig Ó Ríordáin is Chairman of the Remuneration Committee.

(11) David Power resigned from the Board on 14 May 2013. He remains Chairman of the Group's Bookmaking Risk Committee for which he receives an annual fee of €12,000.

(12) The cost of shares vested from Long Term Incentive Plan relate to the period that the individuals have served as directors.

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

Benefits provided to executive directors include provision of a company car or car allowance, life and medical insurance and, in the case of Patrick Kennedy and Cormac McCarthy, cash allowances in lieu of pension contributions of €210,677 and €68,849 respectively (included under 'Benefits' in the table above). Not included in the above table are accruals made in respect of share-based payment costs in respect of unvested shares in the Group's Long Term Incentive Plan (see Note 21). Details of the number and value of shares vested to executive directors from the Long Term Incentive Plan during the year are set out in the Directors' Report on page 42.

Other transactions with directors
There were no loans outstanding to any director at any time during the year. Details of directors' interests in share awards and share options are set out on page 42. Other related party transactions between the Group and the directors, all of which were conducted on an arm's length basis and on normal commercial terms, are set out below.

In addition to the directors' emoluments disclosed above, in the year ended 31 December 2014, directors were paid the following:

- Stewart Kenny received €200,000 (2013: €200,000) in respect of consulting fees.
- Pádraig Ó Ríordáin is a Partner in Arthur Cox. During the year ended 31 December 2014, the Group incurred fees of €404,425 (2013: €318,894) relating to legal and taxation advice received from Arthur Cox.
- the Group engages in transactions with David Power in his capacity as an on-course bookmaker. In aggregate, during 2014, Richard Power On-Course Bookmakers placed bets with the Group winning €25,094 (2013: winning €100,300) and the Group placed bets with Richard Power On-Course Bookmakers losing €35,500 (2013: €nil). In addition, the Group paid rent of €38,727 (2013: €38,727) during the year for retail properties owned by David Power and occupied by the Group under long term leases.

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

Key management personnel compensation is as follows:

	2014 €'000	2013 €'000
Short-term employee benefits	**8,249**	7,468
Non-executive directors fees	**748**	749
Post-employment benefits	**463**	417
Other long-term benefits	**-**	1,433
Share-based payments costs	**11,678**	11,954
	21,138	22,021

In April 2014, the Group provided an unsecured interest free loan of €609,526 to a member of the group executive management Committee due to circumstances arising from the transfer of that individual from an overseas role with the Group. The loan remained outstanding at 31 December 2014 and is due to be repaid by 31 March 2015.

8. Financial income and expense

	2014 €'000	2013 €'000
Recognised in profit or loss:		
Financial income:		
On financial assets at amortised cost		
Interest income on short term bank deposits	**2,799**	3,363
Unwinding of the discount on non-current assets	**126**	462
	2,925	3,825
Financial expense:		
On financial liabilities at amortised cost		
Interest on bank guarantees and bank facilities, and other interest payable	**62**	47
Unwinding of the discount on provisions and other non-current liabilities	**104**	134
	166	181

8. Financial income and expense (continued)

	2014 €'000	2013 €'000
Recognised in other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	**(6,313)**	2,706
Fair value of foreign exchange cash flow hedges transferred to income statement	**5,144**	(4,688)
Net change in fair value of cash flow hedge reserve	**(1,169)**	(1,982)
Foreign exchange gain / (loss) on translation of the net assets of foreign currency denominated subsidiaries	**7,628**	(21,774)
	6,459	(23,756)

No amounts were recorded in the income statement in respect of ineffective cash flow hedges in the year ended 31 December 2014 (2013: €nil).

9. Statutory and other information

	2014 €'000	2013 €'000
Directors' emoluments	**6,823**	5,542
Auditor's remuneration for audit services	**429**	354
Depreciation – owned assets	**27,451**	25,295
Amortisation of intangible assets	**20,564**	14,173
Loss on disposal of property, plant and equipment and intangible assets	**79**	68
Foreign currency exchange (gain) / loss – cash and cash equivalents	**(4,213)**	1,436
Foreign currency exchange loss / (gain) – other monetary items	**2,733**	(907)
Operating lease rentals, principally premises	**29,786**	25,455
Research and development	**5,114**	4,307
Operating lease income (representing sub-lease income)	**(448)**	(394)

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

	2014 €'000	2013 €'000
Audit	**170**	130
Other assurance services – audit of subsidiaries	**40**	35
Other assurance services – miscellaneous	**13**	18
Tax advisory services	**7**	8
Total	**230**	191

Further analysis of the total fees paid to the Group auditor, KPMG, worldwide for audit and non-audit services is presented below:

Analysis of total auditor's remuneration for audit services

	2014 €'000	2013 €'000
Audit of Group (KPMG Ireland)	**170**	130
Audit of other subsidiaries (KPMG Ireland)	**40**	35
Value added tax on audit fees – Group and other subsidiaries (KPMG Ireland)	**48**	37
Audit of other subsidiaries (other KPMG offices)	**138**	122
Other assurance services – miscellaneous	**33**	30
Total	**429**	354

9. Statutory and other information (continued)

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

	2014 €'000	2013 €'000
Tax advisory services (KPMG Ireland)	**7**	8
Value added tax on fees – tax advisory services (KPMG Ireland)	**1**	2
Tax advisory services (other KPMG offices)	**128**	56
Other non-audit services	**-**	66
Total	**136**	132

10. Income tax expense

	2014 €'000	2013 €'000
Recognised in profit or loss:		
Current tax charge	**25,150**	22,370
Prior year over provision	**(2,870)**	(1,537)
	22,280	20,833
Deferred tax credit	**(2,840)**	(3,052)
Prior year under provision	**2,216**	65
Decrease in net deferred tax liability (Note 22)	**(624)**	(2,987)
Total income tax expense in income statement	**21,656**	17,846

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

		2014 €'000		2013 €'000
Profit before tax		**166,565**		141,030
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5%	12.5%	**20,821**	12.5%	17,629
Depreciation on non-qualifying property, plant and equipment	0.9%	**1,494**	0.7%	970
Effect of different statutory tax rates in overseas jurisdictions	1.6%	**2,585**	0.7%	999
Brands and licences	0.0%	**-**	(0.4%)	(637)
Other permanent differences	(1.6%)	**(2,628)**	0.2%	318
Interest income taxable at higher rates	0.0%	**38**	0.0%	39
Over provision in prior year	(0.4%)	**(654)**	(1.0%)	(1,472)
Total income tax expense	13.0%	**21,656**	12.7%	17,846

Tax rates

No significant changes are expected to statutory tax rates in Ireland or Australia. A reduction in the UK corporation tax rate to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. This will reduce the Group's future current UK tax charge accordingly. The UK deferred tax balances at 31 December 2014 have been calculated based on the rate of 20% substantively enacted at the balance sheet date.

11. Earnings per share

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

	2014	2013
Numerator in respect of basic and diluted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**144,909**	123,184
Denominator in respect of basic earnings per share:		
Ordinary shares in issue at the beginning of the year	**50,977,085**	50,850,848
Adjustments for weighted average number of:		
– ordinary shares issued during year	**48,591**	15,975
– ordinary shares held in treasury	**(1,844,440)**	(1,734,000)
– ordinary shares held by long term incentive plan trust	**(1,058,093)**	(1,142,119)
Weighted average number of ordinary shares in issue during the year	**48,123,143**	47,990,704
Basic earnings per share	**€3.011**	€2.567
Adjustments to derive denominator in respect of diluted earnings per share (in '000s):		
Weighted average number of ordinary shares in issue during the year	**48,123,143**	47,990,704
Dilutive effect of the Share Option Scheme, Sharesave Scheme, share award schemes and shares held by long term incentive plan trust	**567,701**	892,228
Adjusted weighted average number of ordinary shares in issue during the year	**48,690,844**	48,882,932
Diluted earnings per share	**€2.976**	€2.520

No options and awards at 31 December 2014 and 31 December 2013 were excluded from the diluted weighted average number of ordinary shares calculation due to their effect being anti-dilutive.

12. Property, plant and equipment

	Land, buildings & leasehold improvements €'000	Fixtures & fittings €'000	Computer equipment €'000	Motor vehicles €'000	Total €'000
Cost					
Balance at 1 January 2013	75,449	113,789	55,241	644	245,123
Additions	9,212	17,146	11,663	139	38,160
Additions – business combinations (Note 16)	-	368	-	-	368
Disposals	(3,789)	(712)	(2,404)	(225)	(7,130)
Transfers (Note 13)	(14)	1	(827)	-	(840)
Foreign currency translation Adjustment	(471)	(121)	(2,430)	-	(3,022)
Balance at 31 December 2013	80,387	130,471	61,243	558	272,659
Additions	**9,418**	**17,534**	**9,575**	**-**	**36,527**
Additions – business combinations (Note 16)	**-**	**592**	**-**	**-**	**592**
Disposals	**(460)**	**(735)**	**(263)**	**(60)**	**(1,518)**
Transfers (Note 13)	**306**	**(20)**	**193**	**11**	**490**
Foreign currency translation adjustment	**30**	**94**	**595**	**(9)**	**710**
Balance at 31 December 2014	**89,681**	**147,936**	**71,343**	**500**	**309,460**
Depreciation and impairment					
Balance at 1 January 2013	29,118	75,302	34,905	262	139,587
Depreciation charges	4,338	9,794	11,036	127	25,295
Disposals	(3,737)	(678)	(2,403)	(168)	(6,986)
Foreign currency translation adjustment	(338)	(50)	(1,065)	-	(1,453)
Balance at 31 December 2013	29,381	84,368	42,473	221	156,443
Depreciation charges	**4,102**	**12,009**	**11,239**	**101**	**27,451**
Disposals	**(413)**	**(704)**	**(259)**	**(39)**	**(1,415)**
Transfers (Note 13)	**-**	**(17)**		**8**	**(9)**
Foreign currency translation adjustment	**25**	**86**	**169**	**(1)**	**279**
Balance at 31 December 2014	**33,095**	**95,742**	**53,622**	**290**	**182,749**
Net book value					
At 31 December 2014	**56,586**	**52,194**	**17,723**	**208**	**126,711**
At 31 December 2013	51,006	46,103	18,770	337	116,216

The net book value of land, buildings and leasehold improvements at 31 December 2014 includes €51.5m (2013: €46.9m) in respect of leasehold improvements.

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

13. Intangible assets

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

	Computer software €'000	Licences €'000	Brands €'000	Total €'000
Cost				
Balance at 1 January 2013	61,507	27,633	18,565	107,705
Additions	23,402	442	-	23,844
Disposals	(627)	-	-	(627)
Transfers (Note 12)	840	-	-	840
Foreign currency translation adjustment	(2,834)	(513)	(3,263)	(6,610)
Balance at 31 December 2013	82,288	27,562	15,302	125,152
Additions	**25,821**	**284**	**-**	**26,105**
Disposals	**(400)**	**(7)**	**-**	**(407)**
Transfers (Note 12)	**(500)**	**10**	**-**	**(490)**
Foreign currency translation adjustment	**422**	**1,671**	**613**	**2,706**
Balance at 31 December 2014	**107,631**	**29,520**	**15,915**	**153,066**
Amortisation and impairment				
Balance at 1 January 2013	36,005	3,790	5,428	45,223
Amortisation charges	13,778	395	-	14,173
Disposals	(627)	-	-	(627)
Foreign currency translation adjustment	(1,834)	(14)	(954)	(2,802)
Balance at 31 December 2013	47,322	4,171	4,474	55,967
Amortisation charges	**20,171**	**393**	**-**	**20,564**
Disposals	**(399)**	**(7)**	**-**	**(406)**
Transfers (Note 12)	**-**	**9**		**9**
Foreign currency translation adjustment	**355**	**7**	**179**	**541**
Balance at 31 December 2014	**67,449**	**4,573**	**4,653**	**76,675**
Net book value				
At 31 December 2014	**40,182**	**24,947**	**11,262**	**76,391**
At 31 December 2013	34,966	23,391	10,828	69,185

The value of betting shop licences of €23,244,000 (2013: €21,716,000) acquired as a result of the purchase of D McGranaghan Limited in 2008 and an additional betting shop in Northern Ireland in 2011 are not being amortised as the directors consider these licences to have an indefinite life because:

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

The value of brand intangible assets recognised on application of fair value accounting to the purchase of Sportsbet and IAS in 2009 (amounting to €15,915,000 at 31 December 2014 (2013: €15,302,000)) are not being amortised as the directors consider that the relevant brands have indefinite lives because:

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

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

In 2011, the directors reviewed the carrying value of the IAS brand of AUD6,900,000 and determined, on the basis of future plans, that an impairment provision was required against the value of that brand at 31 December 2011. A similar review was performed at 31 December 2013 and at 31 December 2014 (when the euro equivalent value of the brand was €4,474,000 and €4,653,000, respectively) which indicated that there had been no changes in the circumstances that gave rise to the impairment provision and that continued provision was appropriate.

14. Goodwill

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

	Online (ex Australia) €'000	Online Australia €'000	UK Retail €'000	Irish Retail €'000	Total €'000
Balance at 1 January 2013	13,303	60,723	14,224	8,332	96,582
Arising on acquisitions during the year (Note 16)	-	-	4,270	2,554	6,824
Foreign currency translation adjustment	-	(10,674)	(178)	-	(10,852)
Balance at 31 December 2013	13,303	50,049	18,316	10,886	92,554
Arising on acquisitions during the year (Note 16)	**-**	**-**	**2,070**	**5,632**	**7,702**
Foreign currency translation adjustment	**-**	**2,005**	**577**	**-**	**2,582**
Balance at 31 December 2014	**13,303**	**52,054**	**20,963**	**16,518**	**102,838**

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

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

Goodwill on UK Retail arose from the acquisition of two London bookmaking businesses in 2004, the acquisition of a retail bookmaking company in Northern Ireland in 2008 and the acquisition of a number of retail bookmaking shop properties since 2010 (see Note 16).

Goodwill on Irish Retail arose from the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988, the acquisition of three retail bookmaking businesses in 2007 and the acquisition of a number of retail bookmaking shop properties since 2009 (see Note 16).

Impairment tests for cash generating units containing goodwill and indefinite life intangible assets
In accordance with accounting requirements, the Group performs an annual test for impairment of its cash generating units. The most recent test was performed at 31 December 2014.

For the purpose of impairment testing, the Group's operating segments include amounts in respect of goodwill and indefinite life intangible assets (comprising licences acquired as part of the purchase of the D McGranaghan Limited business in 2008 and a shop acquisition in 2011, and brands acquired as part of the purchase of Sportsbet and IAS in 2009 – see Note 13).

The details of the impairment reviews in respect of the operating segments above as of 31 December 2014 are presented below:

	31 December 2014 €'000	31 December 2013 €'000
Online (ex Australia) – goodwill	**13,303**	13,303

The recoverable amount of the Online (ex Australia) operating segment underlying cash generating unit was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by management covering a three year period. The terminal growth rate for the extrapolated period (following the initial three year period) is projected to be approximately 3% (2013: 3%) per annum and is based on a weighted average income growth rate of 3% (2013: 3%), which is based on experience and is consistent with management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by management in light of the recent performance of the Group and the Group's targeted performance over the next three years. A pre-tax discount rate of 13% (2013: 13%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the Online (ex Australia) segment goodwill recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

14. Goodwill (continued)

	31 December 2014 €'000	31 December 2013 €'000
Online Australia – goodwill and brands	**67,969**	65,351
Less: IAS brand impairment provision	**(4,653)**	(4,474)
Online Australia – goodwill and brands net of impairment provision	**63,316**	60,877

The recoverable amount of the Online Australia operating segment underlying cash generating unit was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by management covering a three year period. The terminal growth rate for the extrapolated period (following the initial three year period) is projected to be approximately 3% (2013: 3%) per annum and is based on a weighted average income growth rate of 3% (2013: 3%) and a gross win rate of 12% (2013: 11%), which are based on experience and are consistent with management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by management in light of the recent performance of the Group and the Group's targeted performance over the next three years. A pre-tax discount rate of 14% (2013: 15.5%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the Online Australia operating segment goodwill and brands recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts (with the exception of the IAS brand amounting to €4,653,000 at 31 December 2014 (2013: €4,474,000) – see Note 13).

	31 December 2014 €'000	31 December 2013 €'000
UK Retail – goodwill and licences	**44,207**	40,032

The recoverable amount of the UK Retail operating segment underlying cash generating unit was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by management covering a three year period. The terminal growth rate for the extrapolated period (following the initial three year period) is projected to be approximately 2% (2013: 2%) per annum and is based on weighted average income growth rates of 2% (2013: 2%) and a gross win rate of 12% (2013: 12%), which are based on experience and are consistent with management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by management in light of the recent performance of the Group and the Group's targeted performance over the next three years. It is assumed, and management have no reason to expect otherwise, that the Group will continue to trade in locations currently occupied by the underlying cash generating units for the foreseeable future. A pre-tax discount rate of 10% (2013: 10%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the UK Retail operating segment goodwill and licences recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amounts.

	31 December 2014 €'000	31 December 2013 €'000
Irish Retail – goodwill	**16,518**	10,886

The recoverable amount of the Irish Retail operating segment underlying cash generating unit was estimated based on value in use calculations. These calculations use cash flow projections based on actual operating results and financial budgets and forecasts approved by management covering a three year period. The terminal growth rate for the extrapolated period (following the initial three year period) is projected to be approximately 2% (2013: 2%) per annum and is based on weighted average income growth rates of 2% (2013: 2%) and a gross win rate of 12% (2013: 12%), which are based on experience and are consistent with management's expectations for market development and growth in market share where applicable. The growth rate assumption is considered realistic by management in light of the recent performance of the Group and the Group's targeted performance over the next three years. It is assumed, and management have no reason to expect otherwise, that the Group will continue to trade in locations currently occupied by the underlying cash generating units for the foreseeable future. A pre-tax discount rate of 10% (2013: 10%), which reflects the specific risks and currency of the cash flows relating to the underlying business segments, has been used in discounting the projected cash flows. Management believe that any reasonably possible change in the key assumptions on which the Irish Retail operating segment goodwill recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

14. Goodwill (continued)

The discount rates applied to each cash generating unit's cash flows is based on the risk free rate for government bonds with a maturity in excess of ten years, adjusted for a risk premium that reflects both the increased risk of investing in equities and the systemic risk of the cash generating units. The risk premium is calculated using the equity market risk premium (being the increased return required by investors in the equity market as a whole over and above the risk free rate available) and the risk adjustment applied to reflect the risk of the specific cash generating unit relative to the market as a whole. The discount rates reflect the market conditions applicable to the Group and to the particular cash generating units being reviewed.

Based on the reviews as described above, with the exception of the IAS brand impairment of AUD 6,900,000 initially provided for in 2011 (see Note 13), no impairment has arisen.

15. Financial assets (non-current)

	31 December 2014 €'000	31 December 2013 €'000
Restricted cash (Note 18)	**-**	993
	-	993

The movements during the prior year and current year in respect of restricted cash was as follows:

	Restricted cash €'000
Balance at 1 January 2013	5,359
Net withdrawals	(4,142)
Foreign currency translation adjustment	(224)
Balance at 31 December 2013	993
Net withdrawals	**(992)**
Foreign currency translation adjustment	**(1)**
Balance at 31 December 2014	**-**

16. Business combinations

Year ended 31 December 2014

Shop property business acquisitions

In 2014, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Great Britain and Ireland.

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

	Provisional fair values 31 December 2014 €'000
Identifiable net assets acquired:	
Property, plant and equipment	**592**
Goodwill arising on acquisition – UK Retail and Irish Retail	**7,702**
Consideration	**8,294**

The consideration is analysed as:	
Cash consideration	**6,432**
Contingent deferred consideration	**1,862**
	8,294

16. Business combinations (continued)

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

Information in respect of sportsbook amounts staked, income, operating profit and cash flows for the acquired businesses in the period from acquisition and for the year ended 31 December 2014 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed financial targets for the 12 months following the date of acquisition. The contingent deferred consideration amount of €1,867,000 at 31 December 2014 represents management's best estimate of the fair value of the amounts that will be payable.

During 2014, the Group also paid €3,195,000 in respect of contingent deferred consideration for the 2011 Online (ex Australia) acquisition, €1,852,000 relating to the purchase of the remaining 39.2% of Sportsbet Pty Limited in 2011 and €330,000 and €9,000 respectively in respect of 2013 Irish Retail and UK Retail acquisitions (see below).

Year ended 31 December 2013

Shop property business acquisitions
In 2013, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Great Britain and Ireland.

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

	Fair Values 31 December 2013 €'000
Identifiable net assets acquired:	
Property, plant and equipment	368
Goodwill arising on acquisition – UK Retail and Irish Retail	6,824
Consideration	7,192
The consideration is analysed as:	
Cash consideration	6,594
Contingent deferred consideration	598
	7,192

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

Information in respect of sportsbook amounts staked, income, operating profit and cash flows for the acquired businesses in the period from acquisition and for the year ended 31 December 2013 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed financial targets for the three years following the date of acquisition. The contingent deferred consideration amount of €609,000 at 31 December 2013 represents management's best estimate of the fair value of the amounts that will be payable.

During 2013, the Group also paid a total of €2,984,000 in respect of contingent deferred consideration for the 2011 Online (ex Australia) acquisition and €88,000 in respect of a 2012 UK Retail acquisition.

16. Business combinations (continued)

Net cash outflow from purchase of businesses

	31 December 2014 €'000	31 December 2013 €'000
Cash consideration – acquisitions in the period	**6,432**	6,594
Cash consideration – acquisitions in previous periods	**5,386**	3,072
	11,818	9,666
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses	**6,432**	6,594
Payment of contingent deferred consideration	**5,386**	3,072
	11,818	9,666

17. Trade and other receivables

Non-current assets

	31 December 2014 €'000	31 December 2013 €'000
Prepayments and accrued income	**1,972**	2,903
	1,972	2,903

The amount in non-current prepayments and accrued income represents 'Goods and Services Tax' ("GST") refunds owing as a result of the court case brought by Sportsbet and IAS in 2011 against the Australian Commissioner of taxation relating to the interpretation and application of certain legislation pertaining to Australian 'Goods and Services Tax', as described more fully in the 2011 annual report.

Current assets

	31 December 2014 €'000	31 December 2013 €'000
Trade receivables – credit betting customers	**4,137**	3,907
Trade receivables – other sports betting counterparties	**1,451**	1,818
Trade receivables	**5,588**	5,725
Other receivables	**1,720**	1,815
Value added tax and goods & services tax	**1,288**	-
Prepayments and accrued income	**23,814**	21,722
	32,410	29,262

Trade and other receivables are non-interest bearing.

An amount of €1,154,000 has been included within current prepayments and accrued income at 31 December 2014 (2013: €1,615,000) relating to the GST court case referred to above.

18. Financial assets and cash and cash equivalents

	31 December 2014 €'000	31 December 2013 €'000
Non-current		
Financial assets – restricted cash	**-**	993
	-	993
Current		
Financial assets – restricted cash	**39,213**	52,806
Financial assets – deposits	**19,258**	13,686
Cash and cash equivalents	**226,513**	161,359
	284,984	227,851
Total	**284,984**	228,844

18. Financial assets and cash and cash equivalents (continued)

Cash and cash equivalents consist of the following for the purposes of the statement of cash flows:

	31 December 2014 €'000	31 December 2013 €'000
Cash	**76,930**	61,181
Short term bank deposits – with an original maturity of less than three months	**149,583**	100,178
Cash and cash equivalents in the statement of cash flows	**226,513**	161,359

The effective interest rate on bank deposits at 31 December 2014 was 1.05% (2013:1.59%); these deposits have an average original maturity date of 41 days (2013: 61 days). The bank deposits also have an average maturity date of 19 days from 31 December 2014 (2013: 36 days).

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

Financial assets (restricted cash and deposits) and cash and cash equivalents are analysed by currency as follows:

	31 December 2014 €'000	31 December 2013 €'000
Euro	**119,596**	76,305
GBP	**95,531**	73,455
AUD	**65,649**	77,188
USD	**3,478**	1,595
Other	**730**	301
	284,984	228,844

Financial assets

At 31 December 2013 included in non-current financial assets was restricted cash totalling €993,000 which was restricted at that date. This balance related to bank deposits held by the Online Australia business segment to guarantee certain obligations relating to gambling licences and office accommodation held under operating leases. At 31 December 2014, no such balances were restricted.

Included in current financial assets – restricted cash at 31 December 2014 are bank deposits totalling €39,213,000 (2013: €52,806,000) which were restricted at that date as they represented client funds balances securing player funds held by the Group and also at 31 December 2013 were required to be held to guarantee third party letter of credit facilities.

Included in current financial assets – deposits are bank deposits totalling €19,258,000 (2013: €13,686,000) which had an initial cost of €18,893,000 (2013: €13,621,000). The maturity of these investments falls outside the three months' timeframe for classification as cash and cash equivalents under IAS 7, 'Statement of Cash Flows', and accordingly, the related balance has been separately reported in the consolidated statement of financial position.

19. Share capital and reserves

The total authorised share capital of the Company comprises 70,000,000 ordinary shares of €0.10 each (2013: 70,000,000 ordinary shares of €0.10 each). All issued share capital is fully paid. The holders of ordinary shares are entitled to vote at general meetings of the Company on a one vote per share held basis. Ordinary shareholders are also entitled to receive dividends as may be declared by the Company from time to time.

During the year, 112,615 ordinary shares of €0.10 each (2013: 126,237 ordinary shares of €0.10 each) were issued as a result of the exercise of share options granted to employees of the Group under the terms of the Share Option and Sharesave Schemes, for a total consideration of €2,468,000 (2013: €1,621,000) and giving rise to a share premium of €2,457,000 (2013: €1,608,000). A further 15,000 ordinary shares of €0.10 each (2013: nil ordinary shares of €0.10 each) were issued during the year for a total consideration of €867,000 (2013: €nil) and giving rise to a share premium of €866,000 (2013: €nil). The total number of ordinary shares issued at 31 December 2014 was 51,104,700 (2013: 50,977,085), those shares having a total nominal value of €5,110,000 (2013: €5,098,000).

19. Share capital and reserves (continued)

During the year, the Group also purchased on the market a total of 450,000 ordinary shares of €0.10 each (2013: nil ordinary shares of €0.10 each) at prices ranging from €48.50 to €53.50 (average price of €51.83). The total cost of the shares purchased was €23,605,000, comprised of €23,325,000 for the shares themselves and a further €280,000 for other purchase related costs (2013: €nil). The other purchase related costs have been written off directly to retained earnings. The total number of shares held in treasury at 31 December 2014 was 2,184,000 shares (2013: 1,734,000 shares). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Group's distributable reserves are restricted by the cost of the treasury shares, which amounted to €57,502,000 as of 31 December 2014 (2013: €34,177,000). The cost of treasury shares held by the Company at 31 December 2014 was €5,975,000 (2013: €5,975,000), with a further €51,527,000 of shares being held by the Company's subsidiaries (2013: €28,202,000).

At 31 December 2014, the Company held a further 1,020,372 (2013: 1,302,378) of its own shares, which were acquired at a total cost of €61,454,000 (2013: €71,736,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan (see Note 21). The Company's distributable reserves at 31 December 2014 are further restricted by this cost amount. In the year ended 31 December 2014, 352,406 shares with an original cost of €14,165,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2013: 348,064 shares with an original cost of €8,675,000). During the year ended 31 December 2014, the Trust purchased 70,400 Paddy Power plc ordinary shares for a total consideration of €3,883,000 (2013: 380,000 Paddy Power plc ordinary shares for a total consideration of €24,220,000) (see Note 21).

The foreign exchange translation reserve at 31 December 2014 of €36,000 (2013: €7,664,000) arose from the retranslation of the Group's net investment in AUD and GBP functional currency subsidiary companies. The movement in the foreign exchange translation reserve for the year ending 31 December 2014 primarily reflects the strengthening of the AUD against the euro in the period.

Other reserves comprise a capital redemption reserve fund, a capital conversion reserve fund and a net wealth tax reserve. The capital redemption reserve fund of €876,000 (2013: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled. The capital conversion reserve fund of €260,000 (2013: €260,000) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro. No amount was transferred to the net wealth tax reserve from retained earnings in the years ended 31 December 2014 or 31 December 2013 and the reserve had a balance of €104,000 at 31 December 2014 (2013: €104,000).

The cash flow hedge reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred at that date. The Group has entered into foreign exchange forward contracts to hedge a portion of GBP exposures expected to arise from GBP denominated income in the year ended 31 December 2015. The fair value loss of €2,305,000 at 31 December 2014 (2013: €1,283,000), which is stated after applicable deferred taxation of €331,000 (2013: €184,000), arises as the applicable forward contract EUR-GBP rates were weaker than the relevant forward foreign exchange rate ruling at 31 December 2014 (31 December 2013: the applicable EUR-GBP rates were weaker than the relevant forward foreign exchange rate ruling at 31 December 2013).

In 2014, an amount of €846,000 (2013: €699,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of €230,000 of deferred tax relating to the Group's share-based payments was charged to retained earnings in 2014 (2013: credit of €235,000) – see also Note 22.

As permitted by section 148(8) of the Companies Act 1963, no separate profit and loss account is presented in respect of the Company. The Company recorded a profit for the year (measured in accordance with Irish GAAP) of €111.7m (2013: €3.5m) which includes €88.3m (2013: €42.0m) of dividends receivable from subsidiary companies.

20. Dividends paid on ordinary shares

	2014 **€'000**	2013 €'000
Ordinary shares:		
- final paid of 90.0 cent per share (2013: 81.0 cent)	**44,392**	39,803
- interim paid of 50.0 cent per share (2013: 45.0 cent)	**24,599**	22,104
	68,991	61,907
Proposed final dividend of 102.0 cent (2013: 90.0 cent) per share (see Note 33)	**49,905**	44,392

21. Share schemes

Summary of equity-settled share-based payments expense
The equity-settled share-based payments expense in the income statement in respect of the Group's share schemes is comprised as follows:

	2014	2013
	€'000	€'000
Sharesave Scheme	**785**	828
Long Term Incentive Plan ('LTIP')	**16,444**	16,843
	17,229	17,671

All of the above schemes are treated as equity-settled in the financial statements as all can only be settled by the allocation of shares purchased in the market or by the issue of new shares.

General
The aggregate number of shares which may be utilised under the employee share option schemes and the LTIP in any ten year period may not exceed ten per cent of the Company's issued ordinary share capital. The percentage of share capital which can be utilised under these schemes and the Sharesave Scheme comply with guidelines issued by the Irish Association of Investment Managers in relation to such schemes.

Summary of options outstanding
The total number of options outstanding at 31 December 2014 was 348,127 (2013: 357,380). These options had exercise prices ranging from €14.40 to €52.37 (2013: €9.45 to €48.93).

For the year ended 31 December 2014:	**Options outstanding at 1 January 2014**	**Options granted during year**	**Options lapsed during year**	**Options exercised during year**	**Options outstanding at 31 December 2014**
Share Option Scheme	**47,000**	**-**	**-**	**(16,500)**	**30,500**
Sharesave Scheme	**310,380**	**142,475**	**(39,113)**	**(96,115)**	**317,627**
Total	**357,380**	**142,475**	**(39,113)**	**(112,615)**	**348,127**

For the year ended 31 December 2013:	Options outstanding at 1 January 2013	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2013
Share Option Scheme	47,000	-	-	-	47,000
Sharesave Scheme	365,873	95,770	(25,026)	(126,237)	310,380
Total	412,873	95,770	(25,026)	(126,237)	357,380

The Group has the following employee share schemes:

The Paddy Power plc November 2000 Share Option Scheme (the 'Share Option Scheme')
The Share Option Scheme was adopted by shareholders on 21 November 2000 and modified by the shareholders on 22 June 2004. The Share Option Scheme was open to directors, other than non-executive directors, and employees. Options could be granted within a period of ten years from 7 December 2000 at the higher of nominal and current market value. No further options can or have been granted under this scheme since 7 December 2010. Share Options lapse ten years after the date of grant.

A total of 1,600,472 options were granted over the life of the scheme. Since November 2000, options over 1,365,106 shares have been exercised and options over 204,866 shares have lapsed. Options over 30,500 shares were outstanding at 31 December 2014 (2013: 47,000), all of which were exercisable at 31 December 2014 and 31 December 2013.

21. Share schemes (continued)

Movements in the share options under this scheme during the year and prior year were as follows:

Year ended 31 December 2014

Options outstanding at 1 January 2014	**Options exercised during year**	**Options outstanding at 31 December 2014**	**Earliest exercise date**	**Latest exercise date**	**Exercise price**	**Market price at date of exercise**
4,000	-	**4,000**	October 2009	October 2016	€14.40	-
43,000	**(16,500)**	**26,500**	September 2010	September 2017	€24.17	€51.96 – €62.37
47,000	**(16,500)**	**30,500**				

Year ended 31 December 2013

Options outstanding at 1 January 2013	Options exercised during year	Options outstanding at 31 December 2013	Earliest exercise date	Latest exercise date	Exercise price	Market price at date of exercise
4,000	-	4,000	October 2009	October 2016	€14.40	-
43,000	-	43,000	September 2010	September 2017	€24.17	-
47,000	-	47,000				

The Paddy Power plc Sharesave Scheme (the 'Sharesave Scheme')
The Sharesave Scheme was adopted by shareholders on 21 November 2000 and was subsequently approved by the Revenue Commissioners.

All employees (including executive directors) who have not less than six months continuous service with the Company or any subsidiary nominated to join the Sharesave Scheme may be invited to apply for options to acquire shares. Options will normally be granted to all eligible employees in the 42 day period after the announcement of the interim or final results of the Company. The purchase price for each ordinary share in respect of which an option is granted shall not be less than 75 per cent of the closing price of the shares on the Irish Stock Exchange on the dealing day last preceding the date of grant of the option or its nominal value. The aggregate maximum monthly contribution payable by an employee in connection with the scheme is €500/ £500.

21. Share schemes (continued)

Movements in the share options under this scheme during the year and prior year were as follows:

Year ended 31 December 2014

Options outstanding at 1 January 2014	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2014	Earliest exercise date*	Exercise price	Market price at date of exercise
159	**-**	**(159)**	**-**	**-**	December 2010 & December 2012	£14.36	-
21,215	**-**	**-**	**(21,215)**	**-**	December 2011 & December 2013	€9.45	€51.96 – €62.60
2,093	**-**	**(2,093)**	**-**	**-**	December 2011 & December 2013	£8.00	-
16,498	**-**	**(61)**	**(12,838)**	**3,599**	December 2012 & December 2014	€14.90	€55.44 – €66.40
1,540	**-**	**-**	**(1,540)**	**-**	December 2012 & December 2014	£14.13	€64.99 – €66.40
11,374	**-**	**1,238**	**(6,338)**	**6,274**	December 2013 & December 2015	€19.87	€47.65 – €61.67
30	**-**	**1,036**	**(30)**	**1,036**	December 2013 & December 2015	£17.62	€53.10
75,462	**-**	**(3,535)**	**(50,680)**	**21,247**	December 2014 & December 2016	€27.79	€64.99 – €66.40
4,381	**-**	**773**	**(3,448)**	**1,706**	December 2014 & December 2016	£25.99	€55.44 – €66.40
76,823	**-**	**(10,307)**	**-**	**66,516**	December 2015 & December 2017	€41.36	-
5,689	**-**	**(1,053)**	**(22)**	**4,614**	December 2015 & December 2017	£35.61	€55.44
83,574	**-**	**(22,776)**	**-**	**60,798**	December 2016 & December 2018	€45.52	-
11,542	**-**	**(2,085)**	**(4)**	**9,453**	December 2016 & December 2018	£40.79	€55.44
-	**116,528**	**(91)**	**-**	**116,437**	December 2017 & December 2019	€39.60	-
-	**25,947**	**-**	**-**	**25,947**	December 2017 & December 2019	£33.76	-
310,380	**142,475**	**(39,113)**	**(96,115)**	**317,627**			

* Share options lapse 3.5 and 5.5 years after date of grant.

21. Share schemes (continued)

Year ended 31 December 2013

Options outstanding at 1 January 2013	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2013	Earliest exercise date*	Exercise price	Market price at date of exercise
523	-	-	(523)	-	December 2010 & December 2012	€19.26	€61.50
159	-	-	-	159	December 2010 & December 2012	£14.36	-
104,358	-	(113)	(83,030)	21,215	December 2011 & December 2013	€9.45	€57.75 – €66.90
2,093	-	-	-	2,093	December 2011 & December 2013	£8.00	-
25,248	-	(2,219)	(6,531)	16,498	December 2012 & December 2014	€14.90	€61.00 – €68.46
1,980	-	(440)	-	1,540	December 2012 & December 2014	£14.13	-
43,106	-	(518)	(31,214)	11,374	December 2013 & December 2015	€19.87	€57.75 – €59.67
5,351	-	(856)	(4,465)	30	December 2013 & December 2015	£17.62	€57.75 – €59.02
80,160	-	(4,320)	(378)	75,462	December 2014 & December 2016	€27.79	€60.65
4,732	-	(351)	-	4,381	December 2014 & December 2016	£25.99	-
91,340	-	(14,421)	(96)	76,823	December 2015 & December 2017	€41.36	€66.80
6,823	-	(1,134)	-	5,689	December 2015 & December 2017	£35.61	-
-	84,193	(619)	-	83,574	December 2016 & December 2018	€45.52	-
-	11,577	(35)	-	11,542	December 2016 & December 2018	£40.79	-
365,873	95,770	(25,026)	(126,237)	310,380			

* Share options lapse 3.5 and 5.5 years after date of grant.

The fair value of share options granted during the year has been determined using a Black Scholes model and amounts to €1,714,000 (2013: €1,089,000). The significant inputs into the model were the share price of €53.33 (2013: €60.70) at the grant date, the exercise prices of €39.60 and £33.76 (2013: €45.52 and £40.79), the volatility of expected share price returns over both the three year and five year option lives of 22% (2013: 19% and 24%, respectively), the option lives disclosed above and annual risk free rates of -0.06% and 0.12% (2013: 0.34% and 0.81%). The volatility measured as the standard deviation of expected share price returns is based on a statistical analysis of the Company's share price over the last three and five years, respectively. The cost of these options is being expensed in the Group income statement over the expected vesting period of the options granted.

21. Share schemes (continued)

Long Term Incentive Plan

Summary of share awards outstanding

The total number of share awards outstanding under the Long Term Incentive Plan at 31 December 2014 was 1,227,724 (2013: 1,252,629). The movements in share awards during the years ended 31 December 2014 and 2013 (excluding related dividends awarded as shares) were as follows:

For the year ended 31 December 2014:	**Share awards outstanding at 1 January 2014**	**Share awards granted during year**	**Share awards lapsed during year**	**Share awards vested during year**	**Share awards outstanding at 31 December 2014**
2004 LTIP scheme	**845,750**	**-**	**(28,250)**	**(340,471)**	**477,029**
2013 LTIP scheme	**406,879**	**371,666**	**(27,850)**	**-**	**750,695**
Total	**1,252,629**	**371,666**	**(56,100)**	**(340,471)**	**1,227,724**

For the year ended 31 December 2013:	Share awards outstanding at 1 January 2013	Share awards granted during year	Share awards lapsed during year	Share awards vested during year	Share awards outstanding at 31 December 2013
2004 LTIP scheme	1,236,750	-	(52,000)	(339,000)	845,750
2013 LTIP scheme	-	421,596	(14,717)	-	406,879
Total	1,236,750	421,596	(66,717)	(339,000)	1,252,629

2004 Long Term Incentive Plan

On 22 June 2004, the 2004 Long Term Incentive Plan ('2004 LTIP') for senior executives was adopted by the shareholders, under which the Remuneration Committee could make conditional awards of a number of Company shares to executives. LTIP awards made prior to 2013 are subject to the rules of the 2004 scheme. In accordance with the rules, the awards vest if the growth target (EPS growth at least equal to the compound growth in CPI plus 12% per annum) is achieved over a minimum vesting period of three years. To the extent the award has not vested on or before the latest vest date, the award will automatically lapse in its entirety immediately following such date. The relevant growth target in relation to the awards made in 2012 was partially (82%) achieved and accordingly, in accordance with the plan rules 82% of the awards are expected to vest in March 2015. In addition, the relevant growth target in relation to the 5% of 2011 awards that did not vest in March 2014 was met and accordingly, in accordance with the plan rules these awards are also expected to vest in March 2015.

2013 Long Term Incentive Plan

On 14 May 2013, the shareholders adopted the 2013 Long Term Incentive Plan ('2013 LTIP') for senior executives, under which the Remuneration Committee can also make conditional awards of a number of Company shares to executives. LTIP awards made from 2013 onwards are subject to the rules of this scheme. In accordance with the rules, the awards vest proportionately to the achievement of a compound EPS growth target of between 7% and 15% over the vesting period of three years. Full vesting of the awards will only occur if compound EPS growth of at least 15% per annum is achieved over the vesting period. A minimum annual compound EPS growth target of 7% over the vesting period must be achieved to trigger 25% award vesting, with vesting occurring on a sliding scale ranging from 25% of awards (if the minimum compound EPS growth target of 7% per annum is met) to 100% of awards (if the compound EPS growth target of 15% per annum is met).

Until the vesting of the award in accordance with the rules of the schemes, the award holder will have no rights over or in respect of the shares subject to the award and, on vesting, the award holder's rights are limited to those shares in respect of which the growth target has been achieved in accordance with the rules of the schemes. The awards are not transferable. Upon the vesting of a share award, as part of the award holders' rights they also receive a small number of additional shares in respect of dividends on those shares between the award and vesting dates, regarded as a de facto part of the original share award.

During the year, awards of 167,002 shares, 203,570 shares and 1,094 shares (2013: 177,891 shares, 14,000 shares, 224,215 shares, 3,490 shares and 2,000 shares) were granted to senior management (including executive directors) under the terms of the 2013 LTIP. The share prices at the dates of award were €59.73, €61.57 and €64.23, respectively (2013: €67.00, €65.92, €59.15, €57.30 and €58.80 respectively). The cost of these awards is being expensed in the Group income statement over the expected vesting periods of the awards. The operating profit for the year ended 31 December 2014 is stated after an LTIP charge of €16,444,000 (2013: €16,843,000). During 2014, 56,100 share awards lapsed (2013: 66,717 awards lapsed).

During 2014, a total of 352,406 shares in respect of LTIP awards made in 2011 (2013: 348,064 shares in respect of LTIP awards made in 2010) including related dividends (amounting to 11,935 shares (2013: 9,064 shares)) were vested from the Trust to executives.

21. Share schemes (continued)

Paddy Power plc Employee Benefit Trust

The Paddy Power plc Employee Benefit Trust (the 'Trust') manages the Long Term Incentive Plan. Purchases of Paddy Power plc ordinary shares from 1 January 2013 to 31 December 2014, and shares vested from the Trust during that period, are shown below:

	Number of Paddy Power plc ordinary shares	Cost of purchase €'000
Shares held by the Trust at 1 January 2013	1,270,442	56,191
Purchased – May 2013	17,000	1,128
Purchased – June 2013	168,000	11,136
Purchased – September 2013	180,125	11,061
Purchased – October 2013	14,875	895
Purchased – 2013	380,000	24,220
Vested from the Trust in 2013	(348,064)	(8,675)
Shares held by the Trust at 31 December 2013	1,302,378	71,736
Purchased – April 2014	49,500	2,727
Purchased – May 2014	20,900	1,156
Purchased – 2014	70,400	3,883
Vested from the Trust in 2014	(352,406)	(14,165)
Shares held by the Trust at 31 December 2014	1,020,372	61,454

The results of the Trust are included in the Paddy Power plc Company financial statements. The shares held by the Trust at the reporting date are shown as a deduction from equity in the consolidated statement of financial position in accordance with the Group's accounting policy (see Note 19).

Paddy Power 2004 Second Tier Option Scheme

On 22 June 2004, the shareholders approved the establishment of the Paddy Power 2004 Second Tier Option scheme, which allows the Company to grant options to employees, exercisable after a five year performance period, upon the achievement by the Company of exceptional performance levels. To be exercisable, the Company's earnings per share must grow during the five year performance period by at least the percentage increase in the Consumer Price Index plus ten per cent compounded and the Company's earnings per share growth must be in the top quarter in performance terms of a specified peer group.

No options have been granted to date under this scheme to any Group employees. The scheme expired on 22 June 2014.

Other

The Group also operates cash-settled share-based bonus schemes for some executives (excluding directors) whereby they may earn a level of cash remuneration based on the Company's share price at a future date, subject to the achievement of stretching long term performance targets and continued employment with the Group.

22. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 December 2014			31 December 2013		
	Assets €'000	**Liabilities €'000**	**Total €'000**	Assets €'000	Liabilities €'000	Total €'000
Property, plant and equipment	**1,824**	**-**	**1,824**	1,751	-	1,751
Business combinations – licences intangible assets	**-**	**(4,555)**	**(4,555)**	-	(4,256)	(4,256)
Employee benefits	**6,956**	**-**	**6,956**	6,139	-	6,139
Derivative financial liabilities / (assets)	**331**	**-**	**331**	184	-	184
Other	**516**	**-**	**516**	892	-	892
Net assets / (liabilities)	**9,627**	**(4,555)**	**5,072**	8,966	(4,256)	4,710
Analysed by corporation tax jurisdiction:						
Irish corporation tax	**5,251**	**-**	**5,251**	4,849	-	4,849
UK corporation tax	**1,381**	**(4,555)**	**(3,174)**	964	(4,256)	(3,292)
Australian corporation tax	**2,995**	**-**	**2,995**	3,153	-	3,153
Net assets / (liabilities)	**9,627**	**(4,555)**	**5,072**	8,966	(4,256)	4,710

Deferred tax assets and liabilities have been offset at 31 December 2014 and 2013 where there is a legally enforceable right to such set-off.

Included in the statement of financial position is a deferred tax asset of €8,246,000 (2013: €8,002,000) representing the Irish and Australia net deferred tax assets and a deferred tax liability of €3,174,000 (2013: €3,292,000) representing the UK net deferred tax liability.

Movement in temporary differences during the year

	Property plant and equipment €'000	**Business combinations - intangible assets €'000**	**Employee benefits €'000**	**Derivative financial liabilities / (assets) €'000**	**Other €'000**	**Total €'000**
Balance at 1 January 2013	896	(5,000)	4,746	(64)	1,156	1,734
Recognised in income	751	638	1,667	-	(69)	2,987
Recognised in other comprehensive income	-	-	-	248	-	248
Recognised directly in equity	-	-	235	-	-	235
Foreign currency translation adjustment	104	106	(509)	-	(195)	(494)
Balance at 31 December 2013	1,751	(4,256)	6,139	184	892	4,710
Recognised in income	**96**	**-**	**963**	**-**	**(435)**	**624**
Recognised in other comprehensive income	**-**	**-**	**-**	**147**	**-**	**147**
Recognised directly in equity	**-**	**-**	**(230)**	**-**	**-**	**(230)**
Foreign currency translation adjustment	**(10)**	**(299)**	**84**	**-**	**46**	**(179)**
Balance at 31 December 2014	**1,837**	**(4,555)**	**6,956**	**331**	**503**	**5,072**

Unrecognised deferred tax assets
There were no unrecognised deferred tax assets at 31 December 2014 or 31 December 2013.

Unrecognised deferred tax liabilities
At 31 December 2014, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised is €10.6m (2013: €8.9m). This has been calculated based on the temporary differences arising between the group accounting base and tax base of each investment.

23. Trade and other payables and derivative financial liabilities

Current liabilities

	31 December 2014 €'000	31 December 2013 €'000
Trade and other payables		
Trade payables	**11,348**	18,856
Customer balances	**67,133**	57,290
PAYE and social security	**5,804**	5,284
Value added tax and goods & services tax	**-**	1,035
Betting duty, data rights and product & racefield fees	**16,182**	9,349
Employee benefits	**31,138**	30,363
Contingent deferred consideration – business combinations (Note 29)	**1,977**	3,375
Accruals and other liabilities	**67,837**	55,421
	201,419	180,973
Derivative financial liabilities		
Foreign exchange forward contracts – cash flow hedges (Note 29)	**2,636**	1,467
Sports betting open positions (Note 29)	**14,345**	15,581
	16,981	17,048

Non-current liabilities

	31 December 2014 €'000	31 December 2013 €'000
Trade and other payables		
PAYE and social security	**255**	501
Employee benefits	**4,958**	6,499
Contingent deferred consideration – business combinations (Note 29)	**111**	4,701
Accruals and other liabilities	**497**	588
	5,821	12,289
Derivative financial liabilities		
Sports betting open positions (Note 29)	**128**	270
	128	270

Derivative financial liabilities

The notional principal amount of outstanding foreign exchange forward contracts at 31 December 2014 was GBP71.7m. Gains and losses recognised in the cash flow hedge reserve in equity at 31 December 2014 on foreign exchange forward contracts designated as cash flow hedges under IAS 39, 'Financial Instruments: Recognition and Measurement', will be released to the income statement at various dates during the year ending 31 December 2015.

Sports betting open positions

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

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

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

24. Provisions

Current

	31 December 2014 €'000	31 December 2013 €'000
Employee benefits (long service leave)	**298**	189
Accruals and other liabilities (lease reinstatement and onerous contracts)	**199**	326
	497	515

Non-current

	31 December 2014 €'000	31 December 2013 €'000
Employee benefits (long service leave)	**428**	373
Accruals and other liabilities (lease reinstatement and onerous contracts)	**746**	742
	1,174	1,115

The movements in provisions during 2013 and 2014 were as follows:

Current

	Long service leave €'000	Lease reinstatement €'000	Onerous contracts €'000	Total €'000
Balance at 1 January 2013	261	111	88	460
Transfers from non-current liabilities	-	299	325	624
Charged / (credited) to the income statement:				
- Additional provisions recognised	90	-	-	90
- Unused amounts reversed	(32)	(282)	-	(314)
Amounts used during the year	(88)	-	(199)	(287)
Foreign currency translation adjustment	(42)	(16)	-	(58)
Balance at 31 December 2013	189	112	214	515
Transfers from non-current liabilities	**-**	**-**	**51**	**51**
Charged / (credited) to the income statement:				
- Additional provisions recognised	**248**	**-**	**-**	**248**
- Unused amounts reversed	**(145)**	**-**	**-**	**(145)**
Amounts used during the year	**-**	**-**	**(185)**	**(185)**
Foreign currency translation adjustment	**6**	**-**	**7**	**13**
Balance at 31 December 2014	**298**	**112**	**87**	**497**

Non-current

	Long service leave €'000	Lease Reinstatement €'000	Onerous Contracts €'000	Total €'000
Balance at 1 January 2013	283	383	753	1,419
Transfers to current liabilities	-	(299)	(325)	(624)
Charged to the income statement:				
- Additional provisions recognised	157	9	221	387
Foreign currency translation adjustment	(67)	-	-	(67)
Balance at 31 December 2013	373	93	649	1,115
Transfers to current liabilities	**-**	**-**	**(51)**	**(51)**
Charged to the income statement:				
- Additional provisions recognised	**39**	**48**	**-**	**87**
Foreign currency translation adjustment	**15**	**8**	**-**	**23**
Balance at 31 December 2014	**427**	**149**	**598**	**1,174**

24. Provisions (continued)

Long service leave
This provision represents the amounts provided in respect of the long service leave entitlements of Australian employees under the provisions of relevant Australian state legislation. The long service leave liability is measured as the present value of expected future payments to be made in respect of services rendered up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The timing and amount of long service leave cash outflows are primarily dependent on when staff employed at the balance sheet date avail of their entitlement to leave and their expected salaries at that time. As of 31 December 2014, it was expected that cash outflows would occur primarily within the following five years (2013: within the following five years).

Lease reinstatement
Included in this category are amounts provided by the Group for the reinstatement of properties held under operating leases to their original condition when the leases were taken out. These costs are generally provided for over the expected term of the relevant leases. The timing and amount of lease reinstatement cash outflows is dependent on the expected dates on which leased premises will be exited and the existence of provisions in the lease contracts requiring reinstatement. The cash outflows are expected to occur at various stages over the next 26 years as longer term leases are not renewed (2013: the next 27 years).

Onerous contracts
The onerous contracts provision primarily relates to operating leases where the Group is not occupying properties for which it still has a present and future obligation to make lease payments. The provision represents the future expected net cash outflows under these leases discounted at an interest rate appropriate to the timing of these net cash outflows. Future cash outflows in respect of onerous contracts are dependent on the relevant lease expiry dates and the timing of break provisions in the lease contracts. It is expected that the provisions will unwind over a 17 year period (2013: 18 year period).

25. Credit risk

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

	Carrying amount	
	31 December 2014 €'000	31 December 2013 €'000
Restricted cash	**39,213**	53,799
Deposits	**19,258**	13,686
Trade receivables	**5,588**	5,725
Other receivables	**1,720**	1,815
Cash and cash equivalents	**226,513**	161,359
	292,292	236,384

The maximum exposure to credit risk for trade and other receivables by geographic region at 31 December was:

	31 December 2014 €'000	31 December 2013 €'000
Australia	**3,643**	4,567
United Kingdom	**1,162**	844
Ireland	**1,864**	1,105
Other	**639**	1,024
	7,308	7,540

25. Credit risk (continued)

The maximum exposure to credit risk for trade and other receivables by type of counterparty at 31 December was:

	31 December 2014 €'000	31 December 2013 €'000
Trade receivables – credit betting customers	**4,137**	3,907
Trade receivables – other sports betting counterparties	**1,451**	1,818
Other receivables	**1,720**	1,815
	7,308	7,540

Significant customers
There were no individual customers at 31 December 2014 or 2013 that represented over ten per cent of trade receivables.

Impairment losses
The ageing of trade receivables (stated net of impairment provisions) at 31 December was as follows:

	31 December 2014 €'000	31 December 2013 €'000
Not past due	**3,407**	2,836
Past due 0 days to 30 days	**1,503**	2,356
Past due 31 days to 120 days	**560**	529
Past due 121 days to 365 days	**118**	4
More than one year	**-**	-
	5,588	5,725

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014 €'000	2013 €'000
Balance at 1 January	**2,264**	4,335
Impairment losses recognised	**653**	475
Impairment losses written off	**(569)**	(1,962)
Foreign currency translation adjustment	**85**	(584)
Balance at 31 December	**2,433**	2,264

26. Liquidity risk

The following are the contractual maturities of financial liabilities as at 31 December:

	31 December 2014						
	Carrying amount €'000	Contractual cash flows €'000	6 months or less €'000	6 to 12 months €'000	1 to 2 years €'000	2 to 3 years €'000	3 years and over €'000
Non-derivative financial liabilities							
Trade and other payables	**205,152**	**205,533**	**197,006**	**2,562**	**3,956**	**1,243**	**766**
Contingent deferred consideration	**2,088**	**2,088**	**1,810**	**167**	**111**	**-**	**-**
	207,240	**207,621**	**198,816**	**2,729**	**4,067**	**1,243**	**766**
Derivative financial liabilities							
Sports betting open positions	**14,473**	**14,473**	**13,847**	**498**	**127**	**1**	**-**
Cash flow hedges:							
Inflows	**-**	**(89,172)**	**(48,520)**	**(40,652)**	**-**	**-**	**-**
Outflows	**2,636**	**91,808**	**50,586**	**41,222**	**-**	**-**	**-**
	224,349	**224,730**	**214,729**	**3,797**	**4,194**	**1,244**	**766**

26. Liquidity risk (continued)

	31 December 2013						
	Carrying amount €'000	Contractual cash flows €'000	6 months or less €'000	6 to 12 months €'000	1 to 2 years €'000	2 to 3 years €'000	3 years and over €'000
Non-derivative financial liabilities							
Trade and other payables	185,186	185,219	167,081	10,517	4,890	2,346	385
Contingent deferred consideration	8,076	8,082	50	3,328	122	4,582	-
	193,262	193,301	167,131	13,845	5,012	6,928	385
Derivative financial liabilities							
Sports betting open positions	15,851	15,851	15,396	185	253	17	-
Cash flow hedges:							
Inflows	-	(72,031)	(49,324)	(22,707)	-	-	-
Outflows	1,467	73,498	50,406	23,092	-	-	-
	210,580	210,619	183,609	14,415	5,265	6,945	385

The contingent deferred consideration payable represents management's best estimate of the fair value of the amounts that will be payable, and may vary depending on the future performance of the acquired businesses and the Group as a whole.

27. Currency risk

Currency risk exposure

As of 31 December 2014 and 2013, the Group's foreign currency risk exposure, based on the functional currencies of its operations, was as follows:

	31 December 2014					31 December 2013				
	EUR €'000	**GBP €'000**	**AUD €'000**	**USD €'000**	**Other €'000**	EUR €'000	GBP €'000	AUD €'000	USD €'000	Other €'000
Trade receivables	**-**	**1,193**	**-**	**115**	**2**	-	705	-	403	86
Other receivables	**18**	**68**	**-**	**-**	**-**	5	140	-	-	-
Financial assets – current restricted cash	**-**	**9,681**	**-**	**-**	**-**	-	37,539	-	-	-
Financial assets – deposits	**-**	**19,258**	**-**	**-**	**-**	-	3,386	-	-	-
Cash and cash equivalents	**142**	**65,975**	**218**	**3,478**	**730**	265	32,370	2,827	1,595	301
Trade payables	**(20)**	**(1,405)**	**-**	**(217)**	**(12)**	(17)	(7,250)	-	(220)	-
Customer balances	**(94)**	**(26,992)**	**-**	**(2,768)**	**(166)**	(89)	(21,946)	-	(1,743)	(159)
Other payables	**(77)**	**(39,111)**	**-**	**(613)**	**-**	(33)	(28,926)	-	(474)	-
Intercompany payables	**(6,556)**	**(11,227)**	**-**	**-**	**-**	(5,004)	(9,221)	-	-	-
Contingent deferred consideration	**-**	**(388)**	**-**	**-**	**-**	-	(7,826)	-	-	-
Sports betting open positions	**-**	**(7,971)**	**-**	**-**	**-**	-	(7,110)	-	-	-
Gross statement of financial position exposure	**(6,587)**	**9,081**	**218**	**(5)**	**554**	(4,873)	(8,139)	2,827	(439)	228

At 31 December 2014, the Group had hedged GBP71.7m of its expected 2015 GBP cash flows at an average EUR-GBP rate of 0.8041 (2013: hedged GBP61.3m of expected 2014 cash flows at an average EUR-GBP rate of 0.8503). A derivative financial liability of €2,636,000 (2013: €1,467,000) in respect of foreign exchange forward contracts due to mature in 2015 (2013: due to mature in 2014) has been recorded in the Group's consolidated statement of financial position (see Notes 23 and 29).

The following are the significant exchange rates that applied during the year:

To 1 Euro:	**Average rate**		**31 December (mid-spot rate)**	
	2014	2013	**2014**	2013
GBP	**0.806**	0.849	**0.779**	0.834
AUD	**1.472**	1.378	**1.483**	1.542
USD	**1.329**	1.328	**1.214**	1.379

27. Currency risk (continued)

Sensitivity analysis

A 10% increase and decrease in the value of the euro against the following currencies at 31 December 2014 and 2013 would have increased / (decreased) profit and equity by the amounts below as a consequence of the retranslation of foreign currency denominated financial assets and liabilities at those dates. It is assumed that all other variables, especially interest rates, remain constant in the analysis.

	Profit		Equity	
	10% increase €'000	**10% decrease €'000**	**10% increase €'000**	**10% decrease €'000**
31 December 2014				
GBP	**(716)**	**875**	**(3,023)**	**3,694**
AUD	**(1,577)**	**1,927**	**(8,502)**	**10,391**
USD	**20**	**(24)**	**-**	**-**
31 December 2013				
GBP	648	(792)	(2,792)	3,414
AUD	(1,198)	1,464	(10,672)	13,044
USD	54	(66)	-	-

28. Interest rate risk

Profile

At 31 December 2014 and 31 December 2013 the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Carrying amount	
	31 December 2014 €'000	31 December 2013 €'000
Variable rate instruments		
Financial assets – non-current restricted cash	**-**	993
Financial assets – current restricted cash	**39,213**	52,806
Financial assets – deposits	**19,258**	13,686
Financial assets – cash	**76,930**	61,181
Financial assets – short term bank deposits	**149,583**	100,178
	284,984	228,844

Cash flow sensitivity analysis for variable rate instruments

An increase and decrease of 50 basis points ('bps') in interest rates at 31 December 2014 and at 31 December 2013 would have increased / (decreased) profit for a full year and equity by the amounts set out in the table below. It is assumed that all other variables, including foreign currency exchange rates, remain constant.

	Profit		Equity	
	50 bps increase €'000	**50 bps decrease €'000**	**50 bps increase €'000**	**50 bps decrease €'000**
31 December 2014				
Variable rate instruments	**874**	**(874)**	**-**	**-**
	50 bps increase €'000	50 bps decrease €'000	50 bps increase €'000	50 bps Decrease €'000
31 December 2013				
Variable rate instruments	677	(677)	-	-

29. Fair values

Fair values versus carrying amounts

The following are the fair values and carrying amounts of financial assets and liabilities in the statement of financial position:

	31 December 2014		31 December 2013	
	Carrying amount €'000	Fair value €'000	Carrying amount €'000	Fair value €'000
Carried at fair value				
Liabilities				
Derivative financial liabilities – sports betting open positions	**(14,473)**	**(14,473)**	(15,851)	(15,851)
Derivative financial liabilities – forward contract cash flow hedges	**(2,636)**	**(2,636)**	(1,467)	(1,467)
Non-derivative financial liabilities – contingent deferred consideration	**(2,088)**	**(2,088)**	(8,076)	(8,076)
	(19,197)	**(19,197)**	(25,394)	(25,394)
Carried at amortised cost				
Assets				
Restricted cash – non-current	-	-	993	993
Trade receivables	**5,588**	**5,588**	5,725	5,725
Other receivables	**1,720**	**1,720**	1,815	1,815
Value added tax and goods & services tax	**1,288**	**1,288**	-	-
Restricted cash – current	**39,213**	**39,213**	52,806	52,806
Deposits	**19,258**	**19,258**	13,686	13,686
Cash and cash equivalents	**226,513**	**226,513**	161,359	161,359
	293,580	**293,580**	236,384	236,384
Liabilities				
Trade and other payables	**(205,152)**	**(205,152)**	(185,186)	(185,186)
	(205,152)	**(205,152)**	(185,186)	(185,186)
Net	**88,428**	**88,428**	51,198	51,198
Total	**69,231**	**69,231**	25,804	25,804

Fair value hierarchy

Financial instruments at 31 December which are carried at fair value are analysed by valuation method below. The different levels have been defined as follows:

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

	31 December 2014			
	Level 1 €'000	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Derivative financial assets	-	-	-	-
	-	-	-	-
Derivative financial liabilities	-	**(2,636)**	**(14,473)**	**(17,109)**
Non-derivative financial liabilities	-	-	**(2,088)**	**(2,088)**
Total	-	**(2,636)**	**(16,561)**	**(19,197)**

	31 December 2013			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Derivative financial assets	-	-	-	-
	-	-	-	-
Derivative financial liabilities	-	(1,467)	(15,851)	(17,318)
Non-derivative financial liabilities	-	-	(8,076)	(8,076)
Total	-	(1,467)	(23,927)	(25,394)

29. Fair values (continued)

Basis for determining fair values
The following are the significant methods and assumptions used to estimate the fair values of the financial instruments above:

Financial instruments carried at amortised cost
Trade and other receivables (Level 2)
The fair value of trade and other receivables is estimated using the present value of future cash flows discounted at the market rate of interest at the reporting date. Amounts due within three months are not discounted.

Financial assets and cash and cash equivalents (Level 2)
The fair values of restricted cash, deposits and cash and cash equivalents are based on the nominal value of the relevant cash and bank deposit balances, as all are held at variable interest rates.

Financial instruments carried at fair value
Derivative financial instruments
Derivative financial instruments comprise foreign exchange forward contracts (Level 2) and sports betting open positions (Level 3).

The fair value of foreign exchange forward contracts is determined using quoted forward foreign currency exchange rates at the balance sheet date.

The fair value of open sports bets at the year end has been calculated using the latest available prices on relevant sporting events. The fair value calculation also includes the impact of any hedging activities in relation to these open positions.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The contingent deferred consideration payable represents management's best estimate of the fair value of the amounts that will be payable, discounted as appropriate using a market interest rate. The fair value was estimated by assigning probabilities, based on management's current expectations, to the potential payout scenarios. The significant unobservable inputs are the performance of the acquired businesses.

Sensitivity analysis in respect of Level 3 financial instruments carried at fair value
The following sensitivity analysis has been performed for the Level 3 financial liabilities carried at fair value at 31 December 2014 and 2013:

Sports betting open positions
The fair value of sports betting open positions is primarily based on expectations as to the results of sporting and other events on which bets are placed. Changes in those expectations and ultimately the actual results when the events occur will result in changes in fair value. While it is unlikely that the results of all sporting events would vary against expectation in a similar linear manner, a 10% positive and negative (from the viewpoint of the results of the Group) movement in the overall probability estimate of relevant sporting event outcomes would result in a €1,085,000 decrease and €987,000 increase, respectively, in the value of open sports bets at 31 December 2014 (2013: decrease of €1,189,000 and increase of €1,081,000, respectively).

Contingent deferred consideration
The fair value of contingent deferred consideration is primarily dependent on the future performance of the acquired businesses against predetermined targets and on management's current expectations thereof. An increase and decrease of 10% in management's expectation as to the amounts that will be paid out would increase and decrease the value of contingent deferred consideration at 31 December 2014 by €204,000 and €209,000, respectively (2013: increase and decrease of €20,000 and €803,000, respectively).

29. Fair values (continued)

Movements in the year in respect of Level 3 financial instruments carried at fair value

The movements in respect of the financial assets and liabilities carried at fair value in the year to 31 December are as follows:

	Sports betting open positions €'000	Contingent deferred consideration €'000	Total €'000
Balance at 1 January 2013	(11,995)	(11,797)	(23,792)
Arising on acquisition (Note 16)	-	(598)	(598)
Recognised in the income statement	(730,037)	502	(729,535)
Settlements	726,181	3,072	729,253
Foreign currency translation adjustment	-	745	745
Balance at 31 December 2013	(15,851)	(8,076)	(23,927)
Arising on acquisition (Note 16)	**-**	**(1,862)**	**(1,862)**
Recognised in the income statement	**(868,821)**	**2,882**	**(865,939)**
Settlements	**870,199**	**5,386**	**875,585**
Foreign currency translation adjustment	**-**	**(418)**	**(418)**
Balance at 31 December 2014	**(14,473)**	**(2,088)**	**(16,561)**

Sports betting open positions

The amounts recognised in the income statement represent the Group's net revenue in respect of sports betting positions and other derivatives that have been included in income in the year (see Note 4). The settlements in the year are the net amounts received and receivable from customers in respect of those sports betting positions. All gains and losses have been recognised in the income statement in 2014 and 2013.

Contingent deferred consideration

The credit of €2,882,000 to the consolidated income statement in 2014 is comprised mainly of a credit of €4.7 million in respect of contingent deferred consideration relating to the purchase of the Online (ex-Australia) acquisition in 2011 which is no longer due as a result of the relevant profitability targets not now expected to be achieved. This has been offset by a charge of an additional €1.9 million in respect of payments made relating to the purchase of the remaining 39.2% of Sportsbet Pty Limited in 2011. Of the total contingent deferred consideration amount of €2,088,000 (2013: €8,076,000), €1,977,000 (2013: €3,375,000) is due within one year and €111,000 (2013: €4,701,000) is due in the following year (2013: due within the following two years).

30. Commitments and contingencies

(a) Guarantees

The Group has uncommitted working capital overdraft facilities of €14.2m (2013: €15.3m) with Allied Irish Banks p.l.c. These facilities are secured by a Letter of Guarantee from Paddy Power plc.

The Group has bank guarantees: (1) in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Group companies; and (2) in respect of certain third party rental and other property commitments, merchant facilities and third party letter of credit facilities. The maximum amount of the guarantees at 31 December 2014 was €14,856,000 (2013: €19,249,000). No claims had been made against the guarantees as of 31 December 2014 (2013: €nil). The guarantees are secured by counter indemnities from Paddy Power plc and certain of its subsidiary companies. Also at 31 December 2013, these guarantees were also secured by cash deposits totalling €18,769,000 over which the guaranteeing banks hold security. The fair value accounting impact of these guarantees was deemed to be immaterial. There were no guarantees secured by cash deposits at 31 December 2014 over which the guaranteeing banks hold security.

The Group has cash amounts totalling €39,213,000 (2013: €35,030,000) deposited in client funds accounts held for the benefit of certain gaming regulatory authorities, of which the Isle of Man Gambling Supervision Commission is the most significant, as security for player funds owed by certain Group companies and as required under the terms of relevant gambling licences.

The Australian corporate sports bookmaking licences issued to Sportsbet and IAS require those companies to hold sufficient cash funds to cover monies owed to customers. At 31 December 2014, the total value of relevant customer balances attributable to the Online Australia business segment was €32,770,000 (AUD48,595,000) (2013: €24,660,000 (AUD38,033,000)) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €65,895,000 (AUD97,716,000) (2013: €73,859,000 (AUD113,913,000)).

30. Commitments and contingencies (continued)

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

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

	31 December 2014 €'000	31 December 2013 €'000
Property, plant and equipment	**1,189**	2,359
Intangible assets	**548**	183
	1,737	2,542

(c) Operating leases
The Group leases various licensed betting and other offices under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The leases have, on average, approximately seven years left to run (if the Group was to exercise available break options), with a right of renewal after that date. Lease rentals are typically reviewed every five years to reflect market rental rates or changes in general inflation rates.

At 31 December 2014 and 2013, the future minimum rentals payable under non-cancellable operating leases on properties were as follows:

	31 December 2014 €'000	31 December 2013 €'000
Within one year	**30,052**	26,429
Between two and five years	**87,699**	84,564
After five years	**74,388**	82,496
	192,139	193,489

The Group has a small number of shop properties that are sublet. Sublease payments of €435,000 (2013: €321,000) are expected to be received during the year ended 31 December 2015.

During 2014, an amount of €30,376,000 was recognised in profit or loss in respect of operating leases (2013: €25,971,000). Contingent rent expense in profit or loss amounted to a credit of €590,000 (2013: credit of €516,000). Sublease income (netted against operating lease expense on the basis of immateriality) amounted to €448,000 in 2014 (2013: €394,000).

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

31. Related parties

The principal related party transactions requiring disclosure under IAS 24 Related Party Transactions relate to the existence of subsidiaries and transactions with these entities entered into by the Group and the identification and compensation of key management personnel.

Subsidiaries
The consolidated financial statements include the financial statements of the Company and its subsidiaries. A listing of the subsidiaries is provided in Note 32. Transactions to and from subsidiaries have been eliminated in the preparation of the consolidated financial statements.

Key management personnel compensation
Key management personnel compensation is set out in Note 7.

There were no other related party transactions save those disclosed in Note 7.

32. Group entities

The Company had the following 100 % subsidiary undertakings carrying on businesses which materially affect the profits and assets of the Group at 31 December 2014:

Name	Equity interest at 31 December 2014	Country of incorporation	Activity	Registered office
Power Leisure Bookmakers Limited*	100%	England	Bookmaker	OneustonSq, 40 Melton Street, London, NW1 2FD.
Paddy Power Isle of Man Limited	100%	Isle of Man	Bookmaker	1st Floor, 12-14 Ridgeway Street, Douglas, Isle of Man, IM1 1EN.
Paddy Power Online Limited	100%	Isle of Man	Bookmaker	1st Floor, 12-14 Ridgeway Street, Douglas, Isle of Man, IM1 1EN.
D McGranaghan Limited	100%	Northern Ireland	Bookmaker	Victoria House, Gloucester Street, Belfast, BT1 4LS.
Sportsbet Pty Limited	100%	Australia	Bookmaker	Fannie Bay Racecourse, Playford Street, Fannie Bay, Darwin, Northern Territory 0820.
International All Sports Limited	100%	Australia	Bookmaker	Fannie Bay Racecourse, Playford Street, Fannie Bay, Darwin, Northern Territory 0820.
CT Networks Limited	100%	Isle of Man	Games developer	1st Floor, 12-14 Ridgeway Street, Douglas, Isle of Man, IM1 1EN.
Paddy Power Services Limited	100%	Alderney	Bookmaker	Inchalla, Le Val, Alderney, Channel Islands, GY9 3UL
Paddy Power Financials Limited*	100%	Ireland	Marketing services	Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4.
Paddy Power Australia Pty Limited	100%	Australia	Holding company	Level 3, 367 Collins Street, Melbourne, Victoria 3000.
Paddy Power Holdings Limited*	100%	Isle of Man	Holding company	1st Floor, 12-14 Ridgeway Street, Douglas, Isle of Man, IM1 1EN.

*These companies are held directly by Paddy Power plc

The above subsidiary undertakings had the same year end date as the Company in 2014 and 2013. All subsidiary undertakings have been included in the Group consolidated financial statements.

In addition to the above subsidiary undertakings, the Group utilises an employee trust, Paddy Power plc Employee Benefit Trust, with a registered address at PO Box 76, Wests Centre, St Helier, Jersey, JE4 8PQ, and which holds the shares under the share award schemes.

33. Events after the reporting date

Dividend

In respect of the current year, the directors propose that a final dividend of 102.0 cent per share (2013: 90.0 cent per share) will be paid to shareholders on 22 May 2015. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 13 March 2015. The total estimated dividend to be paid amounts to €49,905,000 (2013: €44,392,000).

Capital return

Subsequent to the year end, the directors approved a proposal to return c.€392 million to shareholders. This proposal, if approved by shareholders at the forthcoming Annual General Meeting will most likely be effected by the issue of 'B' shares which shareholders can elect to sell or receive a dividend thereon followed by a share consolidation.

34. Accounting estimates and judgements

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

Goodwill of €102,838,000 (2013: €92,554,000) and indefinite life intangible assets of €34,506,000 (2013: €32,544,000) continues to be carried in the Group consolidated statement of financial position as the directors believe that there has been no impairment in the fair value of the net identifiable assets of the acquired businesses with the exception of the IAS brand intangible described more fully in Note 14. The key assumptions made in respect of goodwill and indefinite life intangible assets are set out in Note 14.

The share-based payment reserve, which includes amounts in relation to the LTIP and various share option schemes, amounted to €35,950,000 at 31 December 2014 (2013: €31,113,000). The significant assumptions made in accounting for share-based payments are set out in Note 21.

The fair value of the Group's sports betting open positions amounted to €14,473,000 at 31 December 2014 (2013: €15,851,000) and the Group considers such arrangements to be derivatives. The Group performs a revaluation of sports betting open positions at each reporting date. The revaluation takes into account the expected probability of such open positions resulting in a gain or loss to the Group in the future, and is dependent on factors that cannot always be reliably predicted.

Included in trade and other payables at 31 December 2014 are contingent deferred consideration amounts of €2,088,000 (2013: €8,076,000) relating to certain business combinations and the purchase of non-controlling interest. Contingent deferred consideration is payable to vendors by reference to the acquired businesses' performance against various agreed targets including the performance of the acquired businesses, earnings per share growth and the share price of the Company. The contingent deferred consideration amount of €2,088,000 at 31 December 2014 represents management's best estimate of the fair value of the amounts that will be payable.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	31 December 2014 €'000	31 December 2013 €'000
Fixed assets			
Intangible assets	3	**60**	86
Goodwill	4	**12,710**	7,786
Tangible assets	6	**37,335**	34,822
Financial assets	7	**64,890**	54,412
		114,995	97,106
Current assets			
Trade and other receivables	8	**733,871**	612,828
Cash at bank and on hand	10	**107,867**	68,758
		841,738	681,586
Creditors (amounts falling due within one year)	11	**(554,898)**	(438,129)
Net current assets		**286,840**	243,457
Total assets less current liabilities		**401,835**	340,563
Creditors (amounts falling due after more than one year)	12	**(2,315)**	(968)
Net assets		**399,520**	339,595
Capital and reserves			
Issued share capital	13	**5,110**	5,098
Share premium	13	**44,969**	41,646
Capital redemption reserve fund	13	**876**	876
Capital conversion reserve fund	13	**260**	260
Treasury shares	13	**(5,975)**	(5,975)
Shares held by long term incentive plan trust	13	**(61,454)**	(71,736)
Share-based payment reserve	13	**35,950**	31,113
Profit and loss account	13	**379,784**	338,313
Shareholders' funds – all equity interests	13	**399,520**	339,595

Notes 1 to 18 on pages 120 to 130 form an integral part of these financial statements.

On behalf of the Board

Andy McCue **Cormac McCarthy**

2 March 2015

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The financial statements have been prepared in euro in accordance with generally accepted accounting principles under the historical cost convention and comply with the financial reporting standards of the Financial Reporting Council, as promulgated by the Institute of Chartered Accountants in Ireland. The accounting policies have been applied consistently throughout the year and the preceding year.

As permitted by section 148(8) of the Companies Act 1963, no separate profit and loss account is presented in respect of the Company. The Company recorded a profit for the year of €111.7m (2013: €3.5m), which includes dividends receivable from subsidiary companies amounting to €88.3m (2013: €42.0m).

Financial assets
Interests in subsidiary undertakings are stated in the Company balance sheet as financial fixed assets, at cost less, where necessary, provisions for impairment.

Included within financial fixed assets are capital contributions representing share-based payment awards made to employees of certain of the Company's subsidiaries.

Tangible assets and depreciation
Tangible assets are stated at historical cost less accumulated depreciation. Depreciation is calculated so as to write off the cost less estimated residual value of tangible assets on a straight line basis over their estimated useful lives, as follows:

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

The residual value, if not insignificant, is reassessed annually.

Goodwill
Goodwill arising on the acquisition of a subsidiary or business, representing the excess of cost over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised by equal annual instalments against profit over its expected useful life, currently 20 years. Provision is made for any impairment in the value of goodwill held.

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

Licences comprise the costs of acquiring retail bookmaking licences, the rents incurred in respect of the period prior to each shop opening for business and licences for electronic point of sale ('EPOS') system software.

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

Licences – shop licences and EPOS software licences	5 years

Leases
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 pension schemes for certain employees. 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 the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date. The resulting profits and losses are dealt with in the profit and loss account.

1. Basis of preparation and accounting policies (continued)

Financial instruments
Under the provisions of FRS 26, 'Financial Instruments: Recognition and Measurement', the Company has measured financial instruments which are used to hedge the foreign currency cash flows of subsidiary companies at fair value with changes in the fair value recognised in the profit and loss account.

Taxation
Current tax, including Irish corporation tax and foreign tax, is provided on the Company's taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Cash flow statement
Under the provisions of FRS 1, 'Cash Flow Statements', a cash flow statement has not been prepared as the Company itself publishes consolidated financial statements that include a cash flow statement in the required format.

Related party transactions
Under the exemption granted by FRS 8, 'Related Party Disclosures', the Company, as a member of a group which publishes consolidated financial statements in which the Company is included, is not required to and does not disclose transactions with fellow members.

Financial assets and liabilities
The company is exempt from the disclosure requirements of FRS 29, 'Financial Instruments: Disclosures', in its single entity financial statements.

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

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

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

Own shares held
Purchases of the Company's shares by the long term incentive plan trust, which have been conditionally awarded to Group executives under the terms of the share award schemes, and purchases of the Company's own shares which are held as treasury shares are shown separately as deductions from equity in the balance sheet. Transaction costs relating to the purchase by the Company of its own shares are written off directly to retained earnings.

1. Basis of preparation and accounting policies (continued)

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

Dividends
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders, or, in the case of the interim dividend, when it has been approved by the Board of Directors and paid. Dividends declared after the balance sheet date are disclosed in Note 33 to the consolidated financial statements.

2. Employee expenses and numbers

	2014 €'000	2013 €'000
Wages and salaries	**34,888**	31,596
Social security costs	**3,648**	3,169
Defined contribution pension and life assurance costs	**633**	538
Share-based payments (see below)	**6,751**	5,380
Other staff costs	**1,928**	1,453
	47,848	42,136

	2014	2013
The average number of persons employed by the Company (including executive directors), all of whom were involved in the provision of betting services, during the year was	**1,165**	1,065

Details of transactions with directors are set out in Note 7 to the consolidated financial statements.

Summary of share-based payments expense
The share-based payments expense in the profit and loss account in respect of the Company's share schemes is comprised as follows:

	2014 €'000	2013 €'000
Sharesave Scheme	**236**	327
Long Term Incentive Plan	**6,515**	5,053
	6,751	5,380

Summary of options outstanding to employees of the Company
The total number of options outstanding at 31 December 2014 was 95,705 (2013: 98,614). These options had exercise prices ranging from €14.90 to €45.52 (2013: €9.45 to €45.52).

For the year ended 31 December 2014:	**Options outstanding at 1 January 2014**	**Options granted during year**	**Options lapsed during year**	**Options exercised during year**	**Options outstanding at 31 December 2014**
Sharesave Scheme	**98,614**	**41,739**	**(9,681)**	**(34,967)**	**95,705**
Total	**98,614**	**41,739**	**(9,681)**	**(34,967)**	**95,705**

For the year ended 31 December 2013:	Options outstanding at 1 January 2013	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2013
Sharesave Scheme	133,792	26,292	(3,235)	(58,235)	98,614
Total	133,792	26,292	(3,235)	(58,235)	98,614

2. Employee expenses and numbers (continued)

Summary of share awards outstanding under the Long Term Incentive Plan

The total number of share awards outstanding to Company employees at 31 December 2014 was 333,432 (2013: 373,509). The movements in share awards during the years ended 31 December 2014 and 2013 (excluding related dividends awarded as shares) were as follows:

For the year ended 31 December 2014:	**Share awards outstanding at 1 January 2014**	**Share awards granted during year**	**Share awards lapsed during year**	**Share awards vested during year**	**Share awards outstanding at 31 December 2014**
2004 LTIP scheme	**292,500**	**-**	**-**	**(128,391)**	**164,109**
2013 LTIP scheme	**81,009**	**88,314**	**-**	**-**	**169,323**
Total	**373,509**	**88,314**	**-**	**(128,391)**	**333,432**

For the year ended 31 December 2013:	Share awards outstanding at 1 January 2013	Share awards granted during year	Share awards lapsed during year	Share awards vested during year	Share awards outstanding at 31 December 2013
2004 LTIP scheme	452,500	-	(35,000)	(125,000)	292,500
2013 LTIP scheme	-	95,726	(14,717)	-	81,009
Total	452,500	95,726	(49,717)	(125,000)	373,509

3. Intangible assets

The movements during the year in respect of intangible assets, which comprise licences, were as follows:

	Licences €'000
Cost	
Balance at 1 January 2014	1,534
Disposals	**(7)**
Balance at 31 December 2014	**1,527**
Amortisation	
Balance at 1 January 2014	1,448
Amortisation for year	**26**
Amortisation on disposals	**(7)**
Balance at 31 December 2014	**1,467**
Net book value	
At 31 December 2013	86
At 31 December 2014	**60**

4. Goodwill

	€'000
Cost	
Balance at 1 January 2014	12,403
Additions (Note 5)	**5,632**
Balance at 31 December 2014	**18,035**
Amortisation	
Balance at 1 January 2014	4,617
Amortisation for year	**708**
Balance at 31 December 2014	**5,325**
Net book value	
At 31 December 2013	7,786
At 31 December 2014	**12,710**

The goodwill balance as of 1 January 2014 arose from the assets acquired as part of the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988 and subsequent acquisitions of licenced book making shops made in Ireland.

Additional goodwill in 2014 arose on the acquisition of 17 licenced bookmaking shops in Ireland (through three separate acquisitions).

5. Purchases and transfers of businesses

Year ended 31 December 2014

Business combinations
In 2014, the Company, in the absence of available comparable sites for organic shop openings, acquired 17 licensed bookmaking shops in Ireland. Goodwill arising on the acquisition amounted to €5,632,000. The principal factors contributing to the Irish Retail goodwill balance are the well-established nature of the acquired shops within the location in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired shops within the Paddy Power group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired business in respect of the period from acquisition and for the year ended 31 December 2014 has not been presented on the basis of immateriality.

Year ended 31 December 2013

Business combinations
In 2013, the Company, in the absence of available comparable sites for organic shop openings, acquired seven licensed bookmaking shops in Ireland. Goodwill arising on the acquisition amounted to €2,554,000. The principal factors contributing to the Irish Retail goodwill balance are the well-established nature of the acquired business within the location in which it operates and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired business within the Paddy Power group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired business in respect of the period from acquisition and for the year ended 31 December 2013 has not been presented on the basis of immateriality.

6. Tangible assets

	Land, buildings & leasehold improvements €'000	Fixtures, fittings & equipment €'000	Computer equipment €'000	Computer software €'000	Motor vehicles €'000	Total €'000
Cost						
Balance at 1 January 2014	38,784	62,654	6,728	3,556	118	111,840
Additions (including business combinations)	**2,727**	**5,829**	**850**	**280**	-	**9,686**
Disposals	**(111)**	**(553)**	**(23)**	-	-	**(687)**
Balance at 31 December 2014	**41,400**	**67,930**	**7,555**	**3,836**	**118**	**120,839**
Depreciation						
Balance at 1 January 2013	19,456	49,404	5,154	2,970	34	77,018
Charge for year	**1,608**	**4,072**	**1,089**	**297**	**23**	**7,089**
Disposals	**(61)**	**(519)**	**(23)**	-	-	**(603)**
Balance at 31 December 2013	**21,003**	**52,957**	**6,220**	**3,267**	**57**	**83,504**
Net book value						
At 31 December 2013	19,328	13,250	1,574	586	84	34,822
At 31 December 2014	**20,397**	**14,973**	**1,335**	**569**	**61**	**37,335**

The net book value of land, buildings and leasehold improvements at 31 December 2014 includes €15.3m (2013: €15.2m) in respect of leasehold improvements.

The directors do not consider the remaining useful lives of tangible fixed assets to be materially different from the period over which the assets are being depreciated.

7. Financial assets

	Unlisted investments in subsidiary companies €'000	Capital contributions €'000	Total €'000
Balance at 1 January 2014	313	54,099	54,412
Share-based payments	**-**	**10,478**	**10,478**
Balance at 31 December 2014	**313**	**64,577**	**64,890**

In the opinion of the directors, the value to the Company of the unlisted investments in and capital contributions to subsidiary companies at 31 December 2014 is not less than the carrying amount of €64,890,000 (2013: €54,412,000). The Company's principal subsidiaries are listed in Note 32 to the consolidated financial statements.

Capital contributions represent amounts included in the Company's share-based payment reserve relating to share-based payment awards made to employees of certain of the Company's subsidiary undertakings.

8. Trade and other receivables

	31 December 2014 €'000	31 December 2013 €'000
Other debtors and prepayments	**3,280**	4,680
Amounts owed by fellow Group companies	**643,743**	479,562
Loan receivable from Paddy Power Australia	**85,969**	128,044
Deferred tax (Note 9)	**879**	542
	733,871	612,828

All of the above debtors, with the exception of the loan receivable from Paddy Power Australia, fall due within one year. Amounts owed by fellow Group companies are unsecured, interest free and repayable on demand.

9. Deferred tax

	2014 €'000	2013 €'000
Cost		
Balance at 1 January	**542**	374
Credited to the profit and loss account for year	**447**	216
Charged to retained earnings in respect of share-based payments	**(110)**	(48)
Balance at 31 December	**879**	542

Deferred tax at 31 December 2014 and 2013 is analysed by category as follows:

	31 December 2014 €'000	31 December 2013 €'000
Capital allowances	**76**	(278)
Employee benefits	**33**	25
Share schemes	**789**	795
Capitalised rents	**(14)**	12
Other	**(5)**	(12)
Deferred tax asset	**879**	542

All of the above deferred tax balances are in respect of Irish corporation tax.

10. Cash at bank and on hand

At 31 December 2014 the company held restricted cash balances of €nil (2013: €17,893,000).

11. Creditors (amounts falling due within one year)

	31 December 2014 €'000	31 December 2013 €'000
Trade creditors	**1,950**	4,263
Accruals	**13,386**	11,178
PAYE and social welfare	**1,227**	1,224
Betting duty	**2,675**	2,403
Sports betting open positions	**2,072**	1,510
Derivative financial liabilities - forward contracts - cash flow hedges	**2,636**	1,467
Value added tax	**401**	209
Contingent deferred consideration for business combinations	**1,700**	250
Amounts owed to fellow Group companies	**528,851**	415,625
	554,898	438,129

Amounts owed to fellow Group companies are unsecured, interest free and repayable on demand.

Gains and losses at 31 December 2014 on foreign exchange forward contracts designated as financial instruments under FRS 26, 'Financial Instruments: Recognition and Measurement', have been recognised in the profit and loss account.

The fair value of contingent deferred consideration is primarily dependent on the future performance of both the acquired businesses and the company against predetermined targets including the performance of the acquired businesses and on management's current expectations thereof.

12. Creditors (amounts falling due after more than one year)

	31 December 2014 €'000	31 December 2013 €'000
Accruals	**2,315**	968
	2,315	968

NOTES TO THE COMPANY FINANCIAL STATEMENTS
(CONTINUED)

13. Capital and reserves

	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Capital redemption reserve fund €'000	Capital conversion reserve fund €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Profit and loss account €'000	Total €'000
Balance at 1 January 2014	*50,977,085*	5,098	41,646	876	260	(5,975)	(71,736)	31,113	338,313	339,595
Shares issued on exercise of share options	***112,615***	**11**	**2,457**	-	-	-	-	-	-	**2,468**
Shares issued – other	***15,000***	**1**	**866**	-	-	-	-	-	-	**867**
Own shares acquired:										
By the long term incentive plan trust – 70,400 ordinary shares	-	-	-	-	-	-	**(3,883)**	-	-	**(3,883)**
Profit for the year	-	-	-	-	-	-	-	-	**111,736**	**111,736**
Equity-settled transactions – profit and loss account and financial assets	-	-	-	-	-	-	-	**17,229**	**(110)**	**17,119**
Equity-settled transactions – vestings	-	-	-	-	-	-	**14,165**	**(11,546)**	**(2,010)**	**609**
Transfer to profit and loss account on exercise of share options	-	-	-	-	-	-	-	**(846)**	**846**	-
Dividends to shareholders (Note 14)	-	-	-	-	-	-	-	-	**(68,991)**	**(68,991)**
Balance at 31 December 2014	***51,104,700***	**5,110**	**44,969**	**876**	**260**	**(5,975)**	**(61,454)**	**35,950**	**379,784**	**399,520**

The total authorised share capital of the Company comprises 70,000,000 ordinary shares of €0.10 each (2013: 70,000,000 ordinary shares of €0.10 each). All issued share capital is fully paid. The holders of ordinary shares are entitled to vote at general meetings of the Company on a one vote per share held basis. Ordinary shareholders are also entitled to receive dividends as may be declared by the Company from time to time.

During 2014, 112,615 ordinary shares of €0.10 each (2013: 126,237 ordinary shares of €0.10 each) were issued as a result of the exercise of share options, for a total consideration of €2,468,000 (2013: €1,621,000), giving rise to a share premium of €2,457,000 (2013: €1,608,000). A further 15,000 ordinary shares of €0.10 each (2013: nil ordinary shares of €0.10 each) were issued during the year for a total consideration of €867,000 (2013: €nil) and giving rise to a share premium of €866,000 (2013: €nil).

The total number of shares held in treasury at 31 December 2014 was 250,000 shares (2013: 250,000 shares). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Company's distributable reserves are restricted by the value of the treasury shares, which amounted to €5,975,000 as of 31 December 2014 (2013: €5,975,000).

At 31 December 2014, the Company held a further 1,020,372 of its own shares (2013: 1,302,378), which were acquired at a total cost of €61,454,000 (2013: €71,736,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan (see Note 21 to the consolidated financial statements). The Company's distributable reserves at 31 December 2014 are further restricted by this cost amount. In the year ended 31 December 2014, 352,406 shares originally valued at €14,165,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2013: 348,064 shares originally valued at €8,675,000).

The capital redemption reserve fund of €876,000 (2013: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled. The capital conversion reserve fund of €260,000 (2013: €260,000) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro.

In 2014, an amount of €846,000 (2013: €699,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to the profit and loss account. An amount of €110,000 of deferred tax relating to the Company's share-based payments was charged to retained earnings in 2014 (2013: charge of €48,000) – see also Note 9.

14. Dividends paid on equity shares

	2014 €'000	2013 €'000
Ordinary shares:		
- final paid of 90.0 cent per share (2013: 81.0 cent)	**44,392**	39,803
- interim paid of 50.0 cent per share (2013: 45.0 cent)	**24,599**	22,104
	68,991	61,907
Proposed final dividend of 102.0 cent (2013: 90.0 cent) per share (see Note 20 to the consolidated financial statements)	**49,905**	44,392

15. Pension arrangements

The Company operates defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the Company in independently administered funds.

Pension costs for the year were €529,000 (2013: €456,000) and the amount due to the schemes at 31 December 2014 amounted to €75,000 (2013: €67,000).

16. Commitments and contingencies

(a) Guarantees

The Company has uncommitted working capital overdraft facilities of €9.4m (2013: €7.8m) with Allied Irish Banks p.l.c. These facilities are secured by cross-guarantees within the Group.

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

(b) Section 17 guarantees

Pursuant to the provisions of Section 17 of the Companies (Amendment) Act 1986, the Company has guaranteed the liabilities of its wholly-owned subsidiary undertakings in the Republic of Ireland for the financial year ended 31 December 2014 and, as a result, such subsidiary undertakings have been exempted from the filing provisions of Section 7 of the Companies (Amendment) Act 1986.

(c) Capital commitments

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

	31 December 2014 €'000	31 December 2013 €'000
Property, plant and equipment	**113**	206
Intangible assets	**-**	74
	113	280

(d) Operating lease commitments

The Company has annual commitments of €10,374,000 (2013: €9,851,000) in respect of operating leases on properties where the lease terms expire as follows:

	31 December 2014 €'000	31 December 2013 €'000
Within one year	**2,021**	1,373
Between two and five years	**2,230**	2,488
After five years	**6,123**	5,990
	10,374	9,851

NOTES TO THE COMPANY FINANCIAL STATEMENTS
(CONTINUED)

17. Statutory information

	2014 €'000	2013 €'000
Directors' remuneration	**6,823**	5,542
Auditor's remuneration	**195**	150

The auditor's remuneration of €195,000 (2013: €150,000) comprises €25,000 (2013: €20,000) for the audit of the Company and €170,000 (2013: €130,000) in respect of fees incurred by the Company in relation to the Group financial statements audit.

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

	2014 €'000	2013 €'000
Audit	**25**	20
Other assurance services	**198**	163
Tax advisory services	**7**	8
Total	**230**	191

Other assurance services includes €170,000 (2013: €130,000) in respect of fees incurred by the Company for the audit of the Group financial statements, €15,000 (2013: €15,000) in respect of fees relating to the audit of subsidiary companies which have been borne by the Company and fees for other miscellaneous assurance work of €13,000 (2013: €18,000).

18. Approval of financial statements

The financial statements of the Company for the year ended 31 December 2014 were approved for issue by the Board of Directors on 2 March 2015.

FIVE YEAR FINANCIAL SUMMARY

Financial information for the Group reported under IFRS for the five years ended 31 December 2014 is set out below in euro and pounds sterling.

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Sportsbook amounts staked	**7,003,252**	6,013,923	5,555,082	4,425,375	3,737,821
Income	**881,640**	745,195	653,750	499,330	426,698
Operating profit (before exceptional items)	**163,806**	137,386	136,000	119,546	103,749
Profit before tax	**166,565**	141,030	139,155	143,379	111,300
Profit for the year – attributable to equity holders of the Company	**144,909**	123,184	120,999	121,488	90,005
Net cash inflow from operating activities	**215,093**	182,886	212,902	161,278	160,245
Total equity – attributable to equity holders of the Company	**386,981**	311,002	277,656	230,386	228,439

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

	2014 GBP'000	2013 GBP'000	2012 GBP'000	2011 GBP'000	2010 GBP'000
Sportsbook amounts staked	**5,645,464**	5,107,366	4,504,608	3,840,805	3,207,054
Income	**710,708**	632,862	530,107	433,359	366,107
Operating profit (before exceptional items)	**132,047**	116,676	110,278	103,752	89,017
Profit before tax	**134,271**	119,771	112,837	124,436	95,495
Profit for the year – attributable to equity holders of the Company	**116,813**	104,615	98,115	105,437	77,224
Net cash inflow from operating activities	**173,392**	155,317	172,636	139,970	137,490
Total equity – attributable to equity holders of the Company	**311,953**	264,121	225,143	199,953	196,001
Average annual exchange rates used are	**1.2405**	1.1775	1.2332	1.1522	1.1655

NOTES

Power Tower, Belfield Office Park, Beech Hill Road, Clonskeagh, Dublin 4
Tel: +353 1 905 1000 Fax: +353 1 905 1001 E-mail: info@paddypowerplc.com Website: www.paddypowerplc.com