7 March 2017

Paddy Power Betfair plc

Preliminary Results for the year ended 31 December 2016

Paddy Power Betfair plc (the "Group") announces preliminary results for the year ended 31 December 2016.

Highlights

- **2016 Proforma results[1]:**
  - Revenue up 18% to £1,551m, with double-digit growth across all four operating divisions
  - Underlying EBITDA[2, 3] up 35% to £400m with EBITDA margin increased to 26% from 22%
  - Underlying operating profit[2,3] and EPS both increased 44%, to £330m and 331p per share, respectively
  - Final dividend of 113p per share results in total dividends for the year of 165p per share[4]
- **Merger integration:**
  - Key integration actions and operational changes required to realise cost synergies completed in 2016
  - 2017 focus is on fully unlocking the Group's potential through the integration of technology platforms
- **Current trading:**
  - Trading in 2017 to date has been in line with our expectations, with Group sportsbook stakes up 22% or 12% in constant currency[5].

Breon Corcoran, Chief Executive, commented:

"2016 was a transformational year for Paddy Power Betfair with much of the integration of the businesses completed sooner and more efficiently than expected.

The integration of our technology platforms is on track and customers are already seeing some benefits, including more markets and better odds.

In keeping with our dual brand strategy, we are serving different parts of the market with distinct value propositions. For instance, at Cheltenham next week Paddy Power has a generous money back offer for second place and Betfair will reward winners with a free bet offer and exceptional odds.

We have created a business with considerable scale that is stronger and better able to compete than either of the individual legacy companies. The Group is well positioned to deliver sustainable, profitable growth".

Financial summary

	Proforma[1], underlying[3] results			***Statutory results***	
	2016 £m	**2015 £m**	**Change %**	**2016 £m**	**2015 £m**
Revenue	1,551	1,318	+18%	1,501	794
EBITDA[2]	400	296	+35%	264	163
Operating profit	330	229	+44%	15	125
Earnings/(loss) per share	330.9p	229.8p	+44%	(7.2)p	239.9p
Dividends per share[4]	165p	n/a			

Notes:

[1] The merger of Paddy Power plc ("Paddy Power") and Betfair Group plc ("Betfair") completed on 2 February 2016 and is accounted for as an acquisition of Betfair by Paddy Power on that date. The reported statutory results reflect this accounting treatment in accordance with generally accepted accounting principles (GAAP) and only include Betfair results since the merger completion on 2 February 2016 and no Betfair results for the 2015 comparative. This announcement also includes results prepared on a "Proforma" basis (non-GAAP basis) for the Group as if Paddy Power and Betfair had always been merged, which combine the full 12 month results of Paddy Power and Betfair for 31 December 2016 and 2015. The directors consider that this is the most appropriate information for understanding and analysing the performance of the Group and accordingly, in the narrative, the results are discussed on a Proforma basis. A reconciliation between the statutory and the non-GAAP proforma, underlying financials is included in Appendix 2 (page 18)

[2] EBITDA is profit before interest, tax, depreciation and amortisation expenses and is a non-GAAP measure (see Appendix 2 on page 18).

[3] The "underlying" measures remove the effects of the Merger exceptional costs that are not part of the usual business activity of the Group and are also excluded when internally evaluating performance, which have been therefore reported as "separately disclosed items" (see note 4 and page 33 to the financial statements and Appendix 2 on page 18)

[4] Full year dividend includes closing dividends paid on merger relating to January 2016 equating to 12 pence per share, the interim dividend paid in September 2016 of 40 pence per share and the proposed final dividend of 113 pence per share

[5] Constant currency ("cc") growth is calculated by retranslating non-sterling denominated component of the prior year comparative at current year exchange rates

Analyst briefing:

The Group will host a presentation for institutional investors and analysts this morning at 10:00am (IST/BST). The presentation will be webcast live on the Group's corporate website (www.paddypowerbetfair.com) and a conference call facility will also be available. To dial into the conference call, participants should dial 0844 800 3850 or 0208 996 3900 from the UK, (01) 242 1074 from Ireland and +44 844 800 3850 from elsewhere. The passcode is 284 923 93.

A presentation replay facility will be available later today on our corporate website: https://www.paddypowerbetfair.com/investor-relations/results-centre/2017.

Contacts:

Paul Rushton, Investor Relations	+ 44 20 8834 6139 / + 353 1 903 9105
James Midmer, Corporate Communications	+ 44 20 8834 6843 / + 353 1 903 9106
Billy Murphy, Drury / Porter Novelli	+ 353 1 260 5000
Rob Greening / Simon Compton, Powerscourt	+ 44 20 7250 1446

About Paddy Power Betfair

Paddy Power Betfair plc is one of the leading sports betting and gaming groups in the world.

The business was formed from the February 2016 merger of Paddy Power plc and Betfair Group plc and has four divisions:

Online, *which runs two of Europe's leading online sports betting and gaming brands, Paddy Power and Betfair, as well as a telephone based sportsbook and a number of B2B partnerships*

Australia, *consisting of Sportsbet, the market leader in the fast-growing Australian online betting market*

US, *which combines TVG, America's leading horse-racing TV and betting network, Betfair Casino, an online casino in New Jersey, and the Betfair New Jersey Exchange*

Retail, *which operates 615 Paddy Power betting shops across the UK and Ireland*

Following the successful merger, Paddy Power Betfair's strategy is to create and sustain a world class, high performing business by strengthening or developing leading positions in large regulated markets. This will be achieved by generating superior returns through scale, capability and innovation, fuelled by focussed investment in people, technology, product, risk, trading and marketing, primarily in mobile online sports betting.

Business Review

The completion of the merger on 2 February 2016 created a Group with leading positions in the largest regulated online markets as well as an increasing exposure to a number of other international markets. The Group has leading, differentiated sports betting products, a portfolio of distinctive, complementary sports-led brands, and significant in-house technology and marketing capabilities.

Proforma financial performance[1]

For statutory purposes the Group reported a loss of £5.7m which is primarily due to expenses relating to the merger that have been recognised as separately disclosed items. In addition, the statutory results only reflect the contribution from the Betfair business from the merger completion date. Accordingly, underlying proforma results have been presented in this Business Review as this best reflects the performance of the Group. A reconciliation between the statutory and underlying proforma financials is included on page 18.

The Group maintained good trading momentum during a year of considerable operational change. Revenue was up 18% to £1,551m (2015: £1,318m), with good performances across all four operating divisions. This, combined with efficiencies arising from the integration of the businesses and continued operating leverage, resulted in a 35% increase in underlying EBITDA[2,3] to £400m (2015: £296m).

Integration and delivery of cost synergies

Our key focus in 2016 was on integrating the legacy businesses to achieve an optimal operational structure, to create a distinct corporate culture and identity, and to realise cost synergies.

The integration progressed ahead of schedule and the key integration actions and operational changes required to realise the cost synergies are now complete. Therefore, from the 2017 financial year, we will benefit from total cost synergies of £65m per annum (£35m benefit in 2016). The one-off implementation cost to achieve the synergies was £66m and was fully incurred in 2016.

Strategic update

The merger of two strong businesses provided an opportunity to create an even stronger Group by (i) capitalising on our enhanced scale, (ii) combining the best people, assets and practices from each business, and (iii) optimising the positioning of our two main brands. Over the last six months, we have made good progress in each of these areas and have also developed technology and product strategies that we believe best position us for long term success.

1. Capitalising on our enhanced scale

We believe that scale is an important determinant of long-term success in the online betting and gaming industry and that it can facilitate a virtuous cycle of profitable growth. Revenue growth is driven by ongoing investment in the customer proposition and the fixed nature of a significant part of our cost base means that efficiency improves with scale, leading to expansion of operating profit margins and facilitating profitable growth and ongoing investment.

Our enhanced scale enables us to improve our competitive positioning by investing more as a combined group than either legacy business was able to do alone. For example, we now have over 1,000 in-house product development specialists and invest approximately £300m annually in marketing across the Group.

Increased scale is also improving our operating efficiency. In 2016, the average cost to serve our online customers, defined as operating costs excluding marketing spend, decreased by 18% in constant currency, contributing to a 4 percentage point increase in our online EBITDA margin. Efficiency should further improve when our platform integration work is complete.

In addition to driving higher returns within our existing markets, our scale positions us better to withstand regulatory headwinds and when combined with our enhanced technology and operational capabilities, gives us greater capacity to enter new markets as opportunities arise.

2. Combining the best assets and capabilities of each legacy business

The key operational areas where the relative strengths of each legacy business are being used to create a stronger combined business are technology and product development, risk and trading and digital marketing:

Technology and product development

Our objective is to operate an efficient, scalable and flexible platform that supports our multiple brands, channels and jurisdictions. This will enable us to unlock the full potential of the Group's scale and deliver a number of key benefits, including increased pace of development, faster roll out of new product and a reduction in the investment required to enter new markets.

To achieve this, we are enhancing the modular, predominantly in-house architecture of Betfair's existing platform with key functionality of the Paddy Power platform as well as further developing the platform's overall capabilities, flexibility and scalability. Once this is completed, the Paddy Power brand will migrate to this platform.

This integration work is progressing well. The integration onto the Betfair platform of Paddy Power's market leading proprietary pricing and risk management platforms is substantially complete with the majority of the Betfair sportsbook now traded on the integrated platform. Paddy Power's proprietary gaming content is available to Betfair customers, representing approximately 30% of its 'Arcade' revenues. Other changes that have been completed include the harmonisation and upgrade of cyber security protection, and enhancements in areas such as fraud detection, customer verification and payments processing.

We expect to complete the integration of our European online platforms by the end of 2017. Until then, new product releases on the Paddy Power brand will be relatively limited, but on completion customers will see immediate benefits. These include access to an improved cash out product, a new proprietary desktop, greater promotional flexibility and certain product features that are currently only available to Betfair customers.

Importantly, this also means that new products will be immediately available for use on either of our brands, greatly improving the efficiency of our development spend.

Risk and trading

The integration of our risk and trading function is now substantially complete. Moving to an integrated trading platform across the Group is enabling us to operate more efficiently and with greater flexibility across our brands, channels and jurisdictions. The increase in the volume of bets driving our pricing models, the sharing of data and processes between our brands, and the use of our exchange has improved our overall pricing and risk management capability. Importantly, the platform will have the flexibility that means traders can price an event once and then offer different odds across different brands and/or jurisdictions.

The most significant benefits of the integration are being seen on the Betfair sportsbook which, due to its lack of scale prior to the merger, used third party pricing sources for most sports and the majority of its markets. Paddy Power proprietary pricing and risk management tools are now used for over 85% of bets on the Betfair sportsbook, and for 19 sports. Within the next few months, all markets will operate on the integrated platform.

This change has had two major customer-facing benefits: (i) it has enabled a broader range of markets to be offered with, outside of football and racing, a 70% increase in the number of in-play betting events now offered on the Betfair sportsbook; and (ii) it significantly improves the accuracy and responsiveness of pricing, allowing us to provide even better value to customers at any given expected gross win margin. This has facilitated our brand pricing strategy, as described below.

Notwithstanding the integration work, we have continued to invest in our proprietary models. In January 2017, we launched the next generation of our in-house football model. This model enables more accurate pricing, reduced in-play market suspension time (to less than one minute over an average football match, down from around five minutes previously), a greater range of markets, and faster bet acceptance and settlement.

Digital marketing

We are now using the best technology systems and processes from each legacy business, resulting in both our brands having access to a stronger shared digital marketing capability.

In CRM, for example, since December 2016 both brands have been operating on a platform that has more advanced algorithms and greater automation, enabling more efficient, targeted and optimised messaging. This is improving the reach and efficacy of our customer retention activity.

Operating two individual brands on an integrated shared function is also proving to be beneficial for efficiency. The pooling of analytics data has improved our econometric modelling, giving us greater insight into the effectiveness of marketing activity and leading to improved optimisation of spend. For example, we can better test the effectiveness of different approaches to promotions on a particular event and up weight activity that is driving the most effective returns. Co-ordinated bidding for assets, such as keywords on paid search, is also improving the efficiency of our marketing spend.

3. Optimising our brand positioning in the UK and Ireland

Within the UK and Ireland we have two leading sports-led brands which appeal to distinct market segments and have limited customer overlap. Accordingly we believe a dual brand approach is appropriate to that market whilst internationally (excluding Australia and the USA) we will focus exclusively on a single sports brand, Betfair.

In the UK and Ireland we are seeking to maximise growth by optimising the positioning of our two complementary brands across market segments. Accordingly, whilst both brands are supported by shared digital marketing, risk & trading and customer operations, their consumer propositions will remain distinct.

The Betfair brand is primarily focused on customers whose motivations to bet are value-related, and accordingly its marketing communications have a key emphasis on highlighting its strong value proposition along with its leading product functionality. The Paddy Power brand is focused on customers whose primary motivations are social interaction and entertainment, in addition to value. Therefore the brand’s marketing communications are focussed on cultivating its distinctive personality, supported by standout headline promotional offers and attractive pricing on the most popular bets.

Each brand’s distinct strategy for providing customer value is illustrated by its football proposition. Paddy Power offers market leading odds on the most-backed Premier League favourites alongside attractive promotions such as the current “2 Up – you win” offer, which pays out immediately when the team you back goes two goals up, regardless of the final result. Conversely, the Betfair exchange and sportsbook offer consistently strong pricing on all selections, with market leading overrounds on Premier League matches.

Operating dual brands is also advantageous for targeting customers at key events. At Cheltenham, our brands’ headline offers appeal to two distinct customer mind-sets with Betfair rewarding customers with a free bet for each winning bet at odds of 3/1 or higher and Paddy Power compensating customers for near misses with its '*Money-back if 2nd'* offer.

Market research shows that Betfair customers consistently rate Betfair as offering best odds in the market and that Paddy Power customers see the brand as being the most fun and entertaining betting brand. We believe our targeted brand approach allows us to further capitalise on these distinct brand strengths, whilst our overall enhanced product and operations capabilities can also allow both brands to further extend their reach.

Current trading and outlook

The new financial year has started in line with our expectations. Group sportsbook stakes in the year to date are up 22% or 12% in constant currency ("cc"), with Online up 13% (cc 9%), Australia up 47% (cc 19%) and Retail up 15% (cc 7%).

Our industry remains highly competitive and exposed to external factors including the economic and regulatory environment. However, our scale, market positions and leading capabilities position us well for sustainable profitable growth and we look forward to the future with confidence.

Operating and Financial Review[1]

For statutory purposes the Group reported a loss of £5.7m which is primarily due to expenses relating to the merger that have been recognised as separately disclosed items. In addition, the statutory results only reflect the contribution from the Betfair business from the merger completion date. Accordingly, underlying proforma results have been presented in this Operating and Financial Review as this best reflects the performance of the Group. This announcement also includes results prepared on a "Proforma" basis (non-GAAP basis) for the Group as if Paddy Power and Betfair had always been merged, which combine the full 12 month results of Paddy Power and Betfair for 31 December 2016 and 2015. The directors consider that this is the most appropriate information for understanding and analysing the performance of the Group and accordingly, in the narrative, the results are discussed on a Proforma basis. A reconciliation between the statutory and underlying proforma financials is included on page 18.

Group

Proforma[1]	2016 £m	2015 £m	Change %	Constant Currency[5] Change %
Sportsbook stakes	**9,890**	**7,999**	**+24%**	**+16%**
Sportsbook net revenue %	*8.7%*	*8.8%*	*-0.1%*	*-0.1%*
Sports revenue	1,198	1,009	+19%	+11%
Gaming revenue	353	309	+14%	+12%
Total revenue	**1,551**	**1,318**	**+18%**	**+11%**
Cost of sales	(357)	(311)	+15%	+9%
Gross profit	**1,194**	**1,007**	**+19%**	**+12%**
Sales and marketing	(293)	(231)	+27%	+21%
Product and technology	(148)	(147)	+1%	-7%
Operations	(296)	(271)	+9%	+1%
Central costs	(58)	(62)	-8%	-14%
Total operating costs	(794)	(711)	+12%	+4%
Underlying EBITDA[2, 3]	**400**	**296**	**+35%**	**+31%**
Underlying EBITDA margin %	*25.8%*	*22.4%*	*+3.4%*	*+3.8%*
Depreciation and amortisation	(70)	(67)	+4%	-5%
Underlying[3] operating profit	**330**	**229**	**+44%**	**+42%**
Separately disclosed items	(318)	(9)	n/a	n/a
Operating profit	**12**	**219**	**-94%**	**-95%**
Underlying[3] earnings per share	**330.9p**	**229.8p**	**+44%**	
Dividends per share[4]	**165p**	**n/a**		
Net cash at year end[6]	**£36m**	**£84m**		

Group revenue increased by 18% to £1,551m, with sports revenues increasing by 19% and gaming revenues increasing by 14%. Revenue growth included a £78m benefit from the translation of non-UK revenues due to the weakness of sterling versus the prior year. On a constant currency ("cc")[5] basis, revenue growth was 11%.

Sports revenue growth was driven by a 24% increase in sportsbook stakes (cc +16%). During the year, sports results ebbed and flowed between favouring bookmakers and customers. The first quarter saw a high number of favourites winning at the Cheltenham festival, before unfancied results at the Euro 2016 tournament boosted revenues in June and July. The year concluded with customer friendly football results in December. Across the year as a whole, the overall group sportsbook net revenue percentage was broadly in line with the prior year but was marginally lower than our normal expectations.

Revenue from regulated markets represented 95% of total revenues in 2016 (2015: 94%).

Revenue growth combined with operational leverage led to a 35% increase in underlying EBITDA to £400m (2015: £296m), representing an EBITDA margin of 26% (2015: 22%). Underlying operating profit increased by 44% to £330m (2015: £229m). Underlying EBITDA included an £11m foreign exchange translation benefit and increased by 31% on a constant currency basis.

Cost of sales were adversely affected by £7m of new taxes and product fees. Total operating costs increased by 12%, or by 4% on a constant currency basis. Within this, sales and marketing spend increased by £62m or 27% (cc +21%), driven by Euro 2016, increased competitive intensity and continued asset inflation. Other operating cost growth, which benefitted from merger synergies, increased by 4%, which represented a 3% reduction in constant currency.

After separately disclosed items, which related entirely to the merger, the Group recorded an operating profit of £12m (2015: £219m).

Online

Proforma[1]	**2016 £m**	**2015 £m**	**Change %**	**Constant Currency**[5] **Change %**
Sportsbook stakes	**5,266**	**4,416**	**+19%**	**+16%**
Sportsbook net revenue %	*6.6%*	*6.6%*	*Flat*	*Flat*
Sports revenue	609	534	+14%	+10%
Gaming revenue	245	214	+14%	+12%
Total revenue	**853**	**748**	**+14%**	**+11%**
Cost of sales	(193)	(178)	+8%	+5%
Gross profit	**661**	**570**	**+16%**	**+12%**
Sales and marketing	(195)	(159)	+23%	+19%
Product and technology	(111)	(117)	-6%	-13%
Operations	(65)	(66)	-2%	-8%
Total operating costs	(371)	(343)	+8%	+3%
Underlying EBITDA[2,3]	**289**	**227**	**+27%**	**+28%**
Depreciation and amortisation	(34)	(36)	-6%	-13%
Underlying operating profit[3]	**255**	**191**	**+34%**	**+36%**
Active customers (000's)^	3,904	3,511	+11%	

Online division includes the UK/Ireland telephone business.

^ Active customers throughout this statement are defined as those who have deposited real money and have bet in the reporting period, excluding indirect B2B customers. Note that the active customer numbers have not been adjusted for customers who were active on both the Paddy Power and Betfair brands.

The Online division includes the online brands of Paddy Power and Betfair, the Paddy Power telephone sportsbook, as well as a number of B2B partnerships.

Revenue increased by 14% to £853m (cc +11%). Within this, revenue from regulated markets was up 16% (cc +13%) and unregulated market revenues fell by 2% (cc -11%), due primarily to the year-on-year impact on the first half from exiting from Portugal in July 2015. Active customers increased by 11% driven by sportsbook acquisition growth across both our brands, including at Euro 2016.

Sports revenue increased by 14% to £609m (cc +10%). This was comprised of a 19% (cc +16%) increase in sportsbook stakes and 7% (cc +3%) growth in exchange and B2B revenues.

During the year we continued to launch innovative new betting features such as '*Each Way Edge*' on the Betfair sportsbook. The feature builds on the success of *'Acca Edge'* and allows customers to choose their own each way terms on a racing bet, to either increase their chances of winning or enhance their potential winning returns. Since launching in December, the product has proved popular, with 15% of racing customers on the Betfair sportsbook using the feature last month.

We have also enhanced sports streaming from January 2017 on both the Betfair and Paddy Power apps, along with making incremental improvements to our exchange product, including an updated desktop front end, increased personalisation and quicker bet placement.

Gaming revenue increased 14% to £245m (cc +12%), with growth continuing to be driven by cross-sell from sports and mobile. Gaming growth slowed in the fourth quarter, primarily attributable to lower direct gaming activations on our Paddy Power brand, a reduction in Betfair sports customers cross-sold to gaming and reduced year-on-year VIP activity across both brands. Direct activations on Paddy Power were impacted by a reduction in gaming TV advertising and in response we increased TV advertising from mid-December.

Underlying EBITDA increased by 27% to £289m (cc +28%) and underlying operating profit increased by 34% to £255m (cc +36%). Total operating costs increased by 8% (cc +3%) versus the 14% (cc +11%) revenue growth, with 23% growth in sales and marketing costs (cc +19%), driven by continued asset inflation and Euro 2016, offset by the benefit of merger synergies and underlying low cost growth across other cost categories.

Australia[7]

	2016 £m	2015 £m	Change % £	Change % A$
Sportsbook stakes	**2,911**	**2,053**	**+42%**	**+25%**
Sportsbook net revenue %	*10.7%*	*11.3%*	*-0.6%*	*-0.6%*
Revenue	**312**	**232**	**+34%**	**+18%**
Cost of sales	(80)	(58)	+38%	+20%
Gross profit	**231**	**174**	**+33%**	**+17%**
Sales and marketing	(72)	(51)	+41%	+28%
Product and technology	(24)	(19)	+24%	+11%
Operations	(41)	(34)	+22%	+4%
Total operating costs	(137)	(104)	+32%	+17%
Underlying EBITDA[2, 3]	**94**	**70**	**+35%**	**+18%**
Depreciation and amortisation	(10)	(9)	+11%	-2%
Underlying[3] operating profit	**84**	**61**	**+38%**	**+21%**
Active customers (000's)	956	767	+25%	

The Australia division operates under the Sportsbet brand and is the market leader in the Australian online betting market.

Stakes continued to grow strongly in 2016, up 25% to £2.9 billion, despite the intensified level of competition, and was driven by 25% growth in active customers. Revenue, up 18% to £312m, was impacted by adverse sports results, in particular in horseracing during the first half of the year.

The first nine months of the year benefited from strong growth in telephone in-play betting, driven by our 'Bet Live' product. This product was released in December 2015 but was withdrawn on 4 October 2016 following regulatory changes. In the first three quarters of 2016 in-play betting contributed 14% of stakes and 7% of revenue versus 6% and 3%, respectively in the prior year. In the fourth quarter, the in-play mix broadly returned to levels seen prior to the launch of 'Bet Live'.

We continue to invest in Sportsbet's product and marketing to maintain our online market leadership position. Key product releases in 2016 included '*Multibuilder'* and *'Same Game Multi'*, which enhance accumulator betting, and '*Power Play'* which encourages customer loyalty by allowing them to trigger a daily power play that increases the odds on their selection. It was launched on racing ahead of the Spring Carnival and in January 2017 was extended to Big Bash cricket and Australian Open tennis. For the upcoming 2017 seasons we have secured sponsorship of free-to-air TV coverage of AFL to complement our continued sponsorship of the equivalent NRL coverage.

Underlying EBITDA increased by 18% to £94m (2015: £70m). This was driven by 39% growth in the second half of the year which offset a 10% decline in the first half's profits. The improvement in the second half, whilst benefitting from a reduced year-on-year impact from both sports results and product fee rate increases, was primarily driven by a reduction in operating cost growth from 30% to 7%. The slowdown in cost growth partially reflected the lapping of a significant operational expansion during the second half of 2015 but was also due to an increased focus on achieving operating efficiencies.

Retail

	2016 £m	**2015 £m**	**Change %**	**Constant Currency[5] Change %**
Sportsbook stakes	**1,713**	**1,530**	**+12%**	**+4%**
Sportsbook net revenue %	*11.6%*	*11.7%*	*-0.1%*	*-0.1%*
Sports revenue	198	178	+11%	+3%
Machine gaming revenue	97	88	+10%	+10%
Total revenue	**295**	**266**	**+11%**	**+6%**
Cost of sales	(63)	(58)	+7%	+4%
Gross profit	**233**	**208**	**+12%**	**+6%**
Sales and marketing	(7)	(6)	+9%	+3%
Product and technology	(6)	(5)	+10%	+5%
Operations	(158)	(145)	+9%	+5%
Total operating costs	(170)	(156)	+9%	+5%
Underlying EBITDA[2, 3]	**62**	**52**	**+21%**	**+10%**
Depreciation and amortisation	(18)	(15)	+16%	+10%
Underlying[3] operating profit	**45**	**36**	**+23%**	**+10%**
Shops at year end	613	598	+3%	

The Retail division operates 613 Paddy Power betting shops across the UK and Ireland. The business continues to take market share, leading to revenue growth of 11% to £295m (cc +6%). This, along with careful cost control drove a 23% increase in underlying operating profit to £45m (up 10% excluding currency benefit).

Revenues from UK shops increased by 8% and Irish shop revenues were up 2% in local currency. Excluding the impact of new shops and year-on-year currency movements, like-for-like[8] revenues increased by 3% and operating costs increased by 2%. The like-for-like[8] revenue growth was comprised of a 1% increase in both sportsbook stakes and revenues, and a 7% increase in machine gaming growth, primarily driven by growth from B3 slots content.

Our average EBITDA[2] per shop in 2016 was £103,000 which is significantly higher than the average of our major competitors. Our high quality retail estate has been built around providing a fun, social environment focused around live sport and we are continually improving our customer experience with new products. The launch of our exclusive '*Track My Bet*' service on our Self Service Betting Terminals ("SSBTs"), along with in-store self-service online sign-up tablets and cross-channel promotions of our Hotshot Jackpot game successfully target multi-channel customers. In December, we introduced free WiFi to all our stores and in January 2017 we released a new retail app '*Paddy Power Onside*' which allows us to bring some of the benefits of digital into our retail estate and provides another platform for online cross-sell.

During the year we were able to selectively identify additional shop locations which could further enhance the quality and coverage of our estate and we opened 12 new shops in the UK and four in Ireland. We also closed one UK shop.

US[7]

Proforma[1]	**2016 £m**	**2015 £m**	**Change % £**	**Change % US$**
Sports revenue	79	64	+24%	+10%
Gaming revenue	12	7	+56%	+39%
Total revenue	**91**	**71**	**+28%**	**+13%**
Cost of sales	(21)	(16)	+34%	+18%
Gross profit	**70**	**55**	**+26%**	**+11%**
Sales and marketing	(18)	(15)	+24%	+14%
Product and technology	(8)	(5)	+56%	+44%
Operations	(31)	(26)	+21%	+6%
Total operating costs	(57)	(45)	+26%	+12%
Underlying EBITDA[2,3]	**12**	**10**	**+25%**	**+6%**
Depreciation and amortisation	(9)	(7)	+20%	+5%
Underlying[3] operating profit	**4**	**3**	**+39%**	**+9%**
Active customers (000's)	139	131	+6%	

The US division combines TVG, America's leading horseracing TV and betting network (operating in over 30 states), Betfair Casino, an online casino in New Jersey, and the Betfair New Jersey Exchange.

Revenue increased by 13% to £91m, driven by growth in both our TVG and Betfair New Jersey businesses, and EBITDA increased by 6% to £12m.

In TVG, revenue increased by 9% as the business continued to increase its market share.

The online casino in New Jersey continues to see strong revenue growth, and is now operating at breakeven EBITDA after a couple years of start-up losses.

In May, under the Betfair brand we launched the US market's first online exchange wagering platform for horseracing in New Jersey. Whilst the size of that market is limited, it is a good opportunity to test consumer demand for exchange betting and to attract new customers to the overall horseracing betting market.

Regulatory update

In the UK budget in March 2016, it was announced that from August 2017 the treatment of free bets for online gaming point of consumption tax will change to bring it in line with their non-deductibility for sports. We estimate the impact of this change will be approximately £6m per annum.

The British Government has announced that from April 2017 the statutory Horserace Betting Levy will be extended to cover all operators and it will become mandatory to pay the levy at of rate of 10% of gross winnings from all customers in Great Britain betting on British racing. While our Betfair brand already makes contributions to British racing through the Authorised Betting Partner scheme, we estimate that the net incremental impact of the new scheme will be approximately £10m per annum for the Group.

In October 2016, the UK Government launched its Review of Gaming Machines and Social Responsibility Measures, which is reviewing the maximum stakes and prizes for, and the number and location of, gaming machines across all licensed premises (including licensed betting offices) and also is reviewing social responsibility measures to protect players from gambling-related harm, including reviewing restrictions around gambling advertising.

In October 2016, the UK Competition and Markets Authority announced that it was conducting an investigation into UK online gambling operators. The investigation is part of joint programme of work with the Gambling Commission following concerns raised by the Gambling Commission about potential breaches of consumer law and the fairness of licensees' consumer-facing terms amongst operators. The CMA have indicated that they will be providing a further update in April 2017.

In June 2015, the EU 4th Anti-Money Laundering Directive was published. All EU member states have two years to transpose the directive's requirements into national law and therefore we expect any necessary changes to be published ahead of June 2017.

In April 2016, the Australian Federal Government announced an intention to ban credit betting along with a series of consumer protection measures. We do not anticipate that either of these changes will materially affect our business given the limited use of credit by our customers and our pre-existing responsible gambling measures.

In June 2016, the Government in South Australia announced that it will introduce a 15% place of consumption tax in the state, effective from July 2017. In 2016, revenues from South Australian customers represented 7% of our total Australian revenues.

Responsible gambling

Operating responsibly is essential to the ongoing sustainability of our business and ensuring our customers, across all of our brands and geographies, bet safely and responsibly is of the highest importance. Following the completion of the merger we have continued to develop our systems and processes towards greater transparency and responsibility.

We have standardised and expanded our online and retail tools, enabling customers to better manage their play. We also continue to participate in a wide-range of industry and government initiatives to promote responsible gambling, including being a key participant in the Senet Group and a cornerstone partner of a new Multi Operator Self Exclusion Scheme ("MOSES") in retail.

During 2016, Sportsbet helped to establish Responsible Wagering Australia, an industry group with the objective of ensuring that Australia has the best conducted, socially responsible wagering industry in the world.

Separately disclosed items

Proforma[1]	2016 £m	2015 £m
Merger deal expenses	(50)	(6)
Merger integration expenses	(66)	-
Restructuring costs (pre-merger)	-	(3)
Non-cash merger related items:		
Intangible asset amortisation	(174)	-
Fair value adjustment for replacement share-based payment awards	(22)	-
Impairment of assets	(6)	-
Total separately disclosed items	(318)	(9)

All the 2016 separately disclosed items relate specifically to the merger and therefore are excluded from underlying profits. Merger deal expenses include costs, fees and stamp duty incurred to complete the merger. These costs totalled £56m, with £50m incurred in the first half of 2016 and £6m incurred in the second half of 2015.

Merger integration expenses are one-off costs incurred to achieve recurring cost synergies. These expenses, totalling £66m, were fully incurred in 2016 and related primarily to the costs associated with the rationalisation of duplicated roles, shifting of technology resources to our existing European development centres, the closure of five offices and the consolidation of our data centres.

The merger is accounted for as an acquisition of Betfair by Paddy Power with the accounting treatment therefore resulting in the recognition of a number of non-cash items. These include amortisation of intangible assets (£174m in 2016), a fair value adjustment on the replacement of legacy Betfair share-based payment awards for equivalent awards in the Group on completion (£22m in 2016) and asset impairments of £6m in relation to assets impaired as a result of integration actions taken.

Taxation

The Group's underlying effective tax rate was 15.5% (2015: 15.6%).

Capital expenditure

The Group had £85m[9] of capital expenditure in 2016 (2015: £92m). Approximately 20% of the expenditure related to our retail business with the remainder primarily related to technology projects and product development.

Cash flow and financial position

Proforma[1]	2016 £m	2015 £m
Underlying EBITDA[2, 3]	400	296
Capex[9]	(85)	(92)
Working capital and tax	(63)	32
Underlying free cash flow	**252**	**236**
Cash flow from separately disclosed items	(104)	(9)
Free cash flow	148	227
Dividends paid	(179)	(88)
Return of capital (including fees)	-	(484)
Interest and other borrowing costs	(2)	(1)
Other	2	(11)
Net decrease in cash	**(31)**	**(357)**
Net cash at start of the year	**84**	**453**
Movement to restricted cash	(8)	-
Foreign currency exchange translation	(9)	(12)
Net cash at year end[6]	**36**	**84**

The Group's profits convert strongly into cash flow, with underlying free cash flow of £252m representing 91% of underlying profit after tax in 2016.

As at 31 December 2016, the Group had net cash of £36m, excluding customer balances.

Dividend and capital structure

In line with our dividend policy, the Board continues to target a pay-out ratio for the Group's dividend of approximately 50% of underlying profits after tax. Accordingly, a final dividend of 113p per share has been proposed, taking the full year dividend for 2016 to 165p per share[4]. The ex-dividend date will be 6 April 2017, the record date will be 7 April 2017 and payment will be on 24 May 2017.

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

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[1] The merger of Paddy Power plc ("Paddy Power") and Betfair Group plc ("Betfair") completed on 2 February 2016 and is accounted for as an acquisition of Betfair by Paddy Power on that date. The reported statutory results reflect this accounting treatment in accordance with generally accepted accounting principles (GAAP) and only include Betfair results since the merger completion on 2 February 2016 and no Betfair results for the 2015 comparative. This announcement also includes results prepared on a "Proforma" basis (non-GAAP basis) for the Group as if Paddy Power and Betfair had always been merged, which combine the full 12 month results of Paddy Power and Betfair for 31 December 2016 and 2015. The directors consider that this is the most appropriate information for understanding and analysing the performance of the Group and accordingly, in the narrative, the results are discussed on a Proforma basis. A reconciliation between the statutory and the non-GAAP proforma, underlying financials is included in Appendix 2 (page 18)

[2] EBITDA is profit before interest, tax, depreciation and amortisation expenses and is a non-GAAP measure (see Appendix 2 on page 18).

[3] The "underlying" measures remove the effects of the Merger exceptional costs that are not part of the usual business activity of the Group and are also excluded when internally evaluating performance, which have been therefore reported as "separately disclosed items" (see note 4 and page 33 to the financial statements and Appendix 2 on page 18)

[4] Full year dividend includes closing dividends paid on merger relating to January 2016 equating to 12 pence per share, interim dividend paid in September 2016 of 40 pence per share and the proposed final dividend of 113 pence per share

[5] Constant currency ("cc") growth throughout this Operating & Financial Review is calculated by retranslating non-sterling denominated component of 2015 at 2016 exchange rates

[6] Net cash at 31 December 2016 is comprised of gross cash excluding customer balances of £250m and borrowings of £214m. The comparative balance shown as at 31 December 2015 is comprised of gross cash excluding customer balances of £86m, borrowings of £143m and Betfair's net cash of £141m (see Appendix 3)

[7] Growth rates in the commentary are in local currency

[8] Like-for-like growth rates are in constant currency[5] and are calculated by only including in the 2016 results, financial results from shops open prior to 2015 plus the financial results from shops opened during 2015 only from the anniversary of their opening date

[9] Capital expenditure is on a Proforma basis and excludes the intangible assets which were recognised under the accounting for the Merger

Appendix 1: Divisional Key Performance Indicators

Proforma

£m	Online				Australia				Retail				US				Group			
	2016	**2015**	**% Change**	**CC[1] % Change**	**2016**	**2015**	**% Change**	**A$ % Change**	**2016**	**2015**	**% Change**	**CC[1] % Change**	**2016**	**2015**	**% Change**	**US$ % Change**	**2016**	**2015**	**% Change**	**CC[1]% Change**
Sportsbook stakes	5,266	4,416	+19%	+16%	2,911	2,053	+42%	+25%	1,713	1,530	+12%	+4%					9,890	7,999	+24%	+16%
Sportsbook net rev %	*6.6%*	*6.6%*	*Flat*	*Flat*	*10.7%*	*11.3%*	*-0.6%*	*-0.6%*	*11.6%*	*11.7%*	*-0.1%*	*-0.1%*					*8.7%*	*8.8%*	*-0.1%*	*-0.1%*
Sports net revenue	609	534	+14%	+10%	312	232	+34%	+18%	198	178	+11%	+3%	79	64	+24%	+10%	1,198	1,009	+19%	+11%
Gaming net revenue	245	214	+14%	+12%	-	-	-	-	97	88	+10%	+10%	12	7	+56%	+39%	353	309	+14%	+12%
Total net revenue	**853**	**748**	**+14%**	**+11%**	**312**	**232**	**+34%**	**+18%**	**295**	**266**	**+11%**	**+6%**	**91**	**71**	**+28%**	**+13%**	**1,551**	**1,318**	**+18%**	**+11%**
Regulated markets	782	676	+16%	+13%	312	232	+34%	+18%	295	266	+11%	+6%	91	71	+28%	+13%	1,480	1,246	+19%	+12%
Unregulated markets	71	73	-2%	-11%	-	-	-	-	-	-	-	-	-	-	-	-	71	73	-2%	-11%
Total net revenue	**853**	**748**	**+14%**	**+11%**	**312**	**232**	**+34%**	**+18%**	**295**	**266**	**+11%**	**+6%**	**91**	**71**	**+28%**	**+13%**	**1,551**	**1,318**	**+18%**	**+11%**
Cost of sales	(193)	(178)	+8%	+5%	(80)	(58)	+38%	+20%	(63)	(58)	+7%	+4%	(21)	(16)	+34%	+18%	(357)	(311)	+15%	+9%
Gross Profit	**661**	**570**	**+16%**	**+12%**	**231**	**174**	**+33%**	**+17%**	**233**	**208**	**+12%**	**+6%**	**70**	**55**	**+26%**	**+11%**	**1,194**	**1,007**	**+19%**	**+12%**
Sales & marketing	(195)	(159)	+23%	+19%	(72)	(51)	+41%	+28%	(7)	(6)	+9%	+3%	(18)	(15)	+24%	+14%	(293)	(231)	+27%	+21%
Product & technology	(111)	(117)	-6%	-13%	(24)	(19)	+24%	+11%	(6)	(5)	+10%	+5%	(8)	(5)	+56%	+44%	(148)	(147)	+1%	-7%
Operations	(65)	(66)	-2%	-8%	(41)	(34)	+22%	+4%	(158)	(145)	+9%	+5%	(31)	(26)	+21%	+6%	(296)	(271)	+9%	+1%
Unallocated central costs																	(58)	(62)	-8%	-14%
Operating costs	**(371)**	**(343)**	**+8%**	**+3%**	**(137)**	**(104)**	**+32%**	**+17%**	**(170)**	**(156)**	**+9%**	**+5%**	**(57)**	**(45)**	**+26%**	**+12%**	**(794)**	**(711)**	**+12%**	**+4%**
Underlying EBITDA	**289**	**227**	**+27%**	**+28%**	**94**	**70**	**+35%**	**+18%**	**62**	**52**	**+21%**	**+10%**	**12**	**10**	**+25%**	**+6%**	**400**	**296**	**+35%**	**+31%**
Depreciation & amortisation	(34)	(36)	-6%	-13%	(10)	(9)	+11%	-2%	(18)	(15)	+16%	+10%	(9)	(7)	+20%	+5%	(70)	(67)	+4%	-5%
Underlying operating profit	**255**	**191**	**+34%**	**+36%**	**84**	**61**	**+38%**	**+21%**	**45**	**36**	**+23%**	**+10%**	**4**	**3**	**+39%**	**+9%**	**330**	**229**	**+44%**	**+42%**
Separately disclosed items																	(318)	(9)	n/a	n/a
Operating profit																	**12**	**219**	**-94%**	**-95%**

[1] Constant currency ("cc") growth is calculated by retranslating non-sterling denominated component of 2015 at 2016 exchange rates

Notes:

- Sportsbook stakes includes amounts staked via SSBTs and excludes the exchange, gaming, US advance deposit wagering and business-to-business activities.
- Sportsbook net revenue % is calculated after deduction of costs for customer promotions and bonuses.
- Sports net revenue includes sportsbook net revenues, exchange and US advance deposit wagering commissions and revenues from business-to-business activities.
- 'Online' segment includes UK/Ireland telephone business.
- Regulated markets currently include UK, Australia, Ireland, US, Italy, Bulgaria, Denmark, Gibraltar, Malta, Romania, Spain and business-to-business activities.
- Cost of sales primarily comprises betting and gaming taxes, customer payment transaction fees, software supplier costs, sporting levies and other data rights charges.
- Sales & Marketing costs include all marketing costs including affiliate commissions and people costs for employees working in marketing roles.

Half-yearly and quarterly divisional key performance indicators are available on our corporate website: https://www.paddypowerbetfair.com/investor-relations/results-centre/2017

Appendix 2: Reconciliation of Proforma results to Statutory results

The merger of Paddy Power plc ("Paddy Power") and Betfair Group plc ("Betfair") completed on 2 February 2016, with the merger accounted for as an acquisition of Betfair by Paddy Power on that date. The Statutory results reflect this accounting treatment. Proforma results for the Group are prepared as if Paddy Power and Betfair had always been merged and are included in these results, as they best depict the underlying performance of the Group. The difference between the Statutory results and Proforma results is the results of Betfair in the period prior to completion as per the table below.

£m	Proforma results		Betfair results pre-merger completion		Statutory results	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue	**1,551**	**1,318**	**50**	**524**	**1,501**	**794**
Cost of sales	(357)	(311)	(11)	(120)	(347)	(191)
Gross Profit	**1,194**	**1,007**	**39**	**404**	**1,154**	**603**
Operating costs	(794)	(711)	(26)	(279)	(767)	(432)
Underlying EBITDA	**400**	**296**	**13**	**125**	**387**	**171**
Depreciation & amortisation	(70)	(67)	(2)	(29)	(68)	(38)
Underlying operating profit	**330**	**229**	**11**	**96**	**319**	**132**
Net interest expense	(4)	(2)	-	(2)	(4)	(1)
Underlying profit before tax	**327**	**226**	**11**	**94**	**316**	**132**
Underlying taxation	(51)	(35)	(2)	(15)	(49)	(20)
Underlying profit for the year	**276**	**191**	**9**	**79**	**267**	**112**
Underlying basic earnings per share (pence)[1]	330.9	229.8	n/a	n/a	n/a	n/a
Underlying operating profit	**330**	**229**	**11**	**96**	**319**	**132**
Separately disclosed items	(318)	(9)	(14)	(2)	(304)	(7)
Operating profit / (loss)	**12**	**219**	**(3)**	**94**	**15**	**125**
Net interest expense	(4)	(2)	-	(2)	(4)	(1)
Profit / (loss) before tax	**8**	**217**	**(3)**	**93**	**12**	**124**
Taxation	(19)	(32)	(2)	(16)	(18)	(16)
(Loss) / profit for the year	**(11)**	**185**	**(5)**	**77**	**(6)**	**108**
Basic (loss) / earnings per share (pence)[1]	(12.8)	223.0	n/a	n/a	(7.2)	239.9
Revenue by operating segment						
Online	853	748	44	452	809	296
Australia	312	232	-	-	312	232
Retail	295	266	-	-	295	266
US	91	71	6	71	85	-
Gross Profit by operating segment						
Online	661	570	35	349	626	221
Australia	231	174	-	-	231	174
Retail	233	208	-	-	233	208
US	70	55	5	55	65	-

[1] In the Proforma results, in 2016 the weighted average number of shares is taken for the period from merger completion, 2 February 2016, to the end of the year, 31 December 2016 (83.4 million shares). For the 2015 Proforma results comparative the weighted average number of shares is taken as the number of shares on merger completion, 2 February 2016, adjusted for shares held in treasury, shares held by long term incentive plan trust and unexercised vested share options (83.2 million shares).

EBITDA is defined as profit for the period before depreciation and amortisation, financial income, financial expense and tax expense / credit. The Group uses EBITDA, Underlying EBITDA and Underlying operating profit to comment on its financial performance. These measures are used internally to evaluate performance, to establish strategic goals and to allocate resources. The directors also consider that these are commonly reported and widely used by investors as an indicator of operating performance and ability to incur and service debt, and as a valuation metric. These are non-GAAP financial measures and are not prepared in accordance with IFRS and, as not uniformly defined terms, these may not be comparable with measures used by other companies to the extent they do not follow the same methodology used by the Group. Non-GAAP measures should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. All of the adjustments shown have been taken from the audited financial statements.

Appendix 3: Reconciliation of Proforma cash flow to Statutory cash flow

The merger of Paddy Power plc ("Paddy Power") and Betfair Group plc ("Betfair") completed on 2 February 2016, with the merger accounted for as an acquisition of Betfair by Paddy Power on that date. The Statutory cash flow reflects this accounting treatment. The Proforma cash flow for the Group is prepared as if Paddy Power and Betfair had always been merged and is included in these results, as it best depicts the underlying performance of the Group. The difference between the Statutory cash flow and Proforma cash flow is the cash flow of Betfair in the period prior to completion and the inclusion of deposits and borrowings to determine a net cash position, as per the table below.

£m	Proforma cash flow		Adjustment to exclude Betfair pre-merger completion cash flow		Adjustment to include deposits, borrowings & movement to restricted cash		Reported cash flow	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Underlying EBITDA [1]	400	296	(13)	(125)	-	-	387	171
Capex (including retail & HRTV acquisitions) [2]	(85)	(92)	1	45	-	-	(84)	(47)
Working capital & tax [3]	(63)	32	141	(7)	(8)	-	70	25
Underlying free cash flow	**252**	**236**	**129**	**(87)**	**(8)**	**-**	**373**	**149**
Cash flow from separately disclosed items	(104)	(9)	-	2	-	-	(104)	(7)
Free cash flow	**148**	**227**	**129**	**(85)**	**(8)**	**-**	**269**	**142**
Dividends paid	(179)	(88)	14	33	-	-	(165)	(55)
Return of capital (including fees)	-	(484)	-	201	-	-	-	(283)
Interest & other borrowing costs [4]	(2)	(1)	-	(1)	-	-	(2)	(2)
Other [5]	2	(11)	-	(6)	-	-	2	(17)
Transfers from financial assets - deposits	-	-	-	-	-	15	-	15
Net amounts drawn down on borrowings	-	-	-	-	44	140	44	140
Net (decrease) / increase in cash	**(31)**	**(357)**	**143**	**142**	**36**	**155**	**148**	**(60)**
Net cash at start of the year	**84**	**453**	**(141)**	**(284)**	**143**	**(16)**	**86**	**153**
Movement to restricted cash	(8)	-	-	-	8	-	-	-
Foreign currency exchange translation	(9)	(12)	(2)	1	27	4	16	(7)
Net cash at year end	**36**	**84**	**-**	**(141)**	**214**	**143**	**250**	**86**

[1] Underlying EBITDA includes the following line items in the statutory cash flow: (Loss) / profit for the year, separately disclosed items, tax expense before separately disclosed items, financial income, financial expense, and depreciation and amortisation before separately disclosed items.

[2] Capex (including retail & HRTV acquisitions) includes loss on disposal of PPE and intangible assets, purchase of property, plant and equipment, purchase of intangible assets, purchase of retail businesses (net of cash acquired), capitalised internal development expenditure, payment of contingent deferred consideration and proceeds from disposal of property, plant and equipment and intangible assets.

[3] Working capital & tax includes (increase) / decrease in trade and other receivables, (decrease) / increase in trade, other payables and provisions, taxes paid, cash acquired from merger with Betfair, employee equity-settled share based payments expense before separately disclosed items, and foreign currency exchange gain. Note the 2016 adjustment to exclude Betfair pre-merger completion cash flow includes £147.5m of Betfair cash acquired on completion.

[4] Interest & other borrowing costs includes interest paid, interest received and fees in respect of borrowings facility.

[5] Other includes proceeds from the issue of new shares and purchase of shares by employee benefit trust.

CONDENSED CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2016

	Note	**Before separately disclosed items 2016 £m**	**Separately disclosed items (Note 4) 2016 £m**	**Total 2016 £m**	Restated (Notes 18 & 19) Before separately disclosed items 2015 £m	Restated (Note 19) Separately disclosed items (Note 4) 2015 £m	Restated (Notes 18 & 19) Total 2015 £m
Continuing operations							
Revenue	3	**1,500.8**	**-**	**1,500.8**	794.3	-	794.3
Cost of sales		**(346.5)**	**-**	**(346.5)**	(191.3)	-	(191.3)
Gross profit		**1,154.3**	**-**	**1,154.3**	603.0	-	603.0
Operating costs excluding depreciation and amortisation		**(767.3)**	**(123.1)**	**(890.4)**	(432.1)	(7.4)	(439.5)
EBITDA [1]		**387.0**	**(123.1)**	**263.9**	170.9	(7.4)	163.5
Depreciation and amortisation		**(67.9)**	**(180.6)**	**(248.5)**	(38.4)	-	(38.4)
Operating profit / (loss)		**319.1**	**(303.7)**	**15.4**	132.5	(7.4)	125.1
Financial income		**1.5**	**-**	**1.5**	1.4	-	1.4
Financial expense		**(5.0)**	**-**	**(5.0)**	(2.0)	-	(2.0)
Profit / (loss) before tax		**315.6**	**(303.7)**	**11.9**	131.9	(7.4)	124.5
Tax (expense) / credit	5	**(49.0)**	**31.4**	**(17.6)**	(19.7)	3.4	(16.3)
Profit / (loss) for the year – all attributable to equity holders of the Company		**266.6**	**(272.3)**	**(5.7)**	112.2	(4.0)	108.2
(Loss) / earnings per share							
Basic	6			**(£0.072)**			£2.399
Diluted [2]	6			**(£0.072)**			£2.358

1 EBITDA is defined as profit for the year before depreciation and amortisation, financial income, financial expense and tax expense / credit. It is considered by the Directors to be a key measure of the Group's financial performance, as it is commonly reported and widely used by investors as an indicator of operating performance and ability to incur and service debt, and as a valuation metric.

2 Where any potential ordinary shares would have the effect of decreasing a loss per share, they have not been treated as dilutive.

Notes 1 to 19 on pages 26 to 53 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Note	**2016**	Restated (Note 19) 2015
		£m	£m
(Loss) / profit for the year – all attributable to equity holders of the Company		**(5.7)**	108.2
Other comprehensive income / (loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		**7.6**	(4.5)
Fair value of foreign exchange cash flow hedges transferred to income statement		**(9.3)**	8.3
Foreign exchange gain / (loss) on translation of the net assets of foreign currency denominated entities		**49.7**	(20.2)
Deferred tax on fair value of cash flow hedges		**0.2**	(0.5)
Other comprehensive income / (loss)		**48.2**	(16.9)
Total comprehensive income for the year – all attributable to equity holders of the Company		**42.5**	91.3

Notes 1 to 19 on pages 26 to 53 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	**31 December 2016 £m**	Restated (Notes 18 & 19) 31 December 2015 £m	Restated (Notes 18 & 19) 31 December 2014 £m
Assets				
Property, plant and equipment		**134.0**	92.0	98.7
Intangible assets		**581.2**	60.3	59.5
Goodwill	7	**3,891.1**	79.9	80.1
Deferred tax assets		**8.6**	6.7	6.4
Investments		**0.1**	-	-
Available for sale financial assets	9	**1.3**	-	-
Trade and other receivables	9	**5.8**	-	1.5
Total non-current assets		**4,622.1**	238.9	246.2
Trade and other receivables	9	**55.2**	22.7	25.2
Derivative financial assets	9	**-**	1.8	-
Financial assets – restricted cash	10	**64.8**	60.2	53.7
Financial assets – deposits	10	**-**	-	15.0
Cash and cash equivalents	10	**249.9**	86.1	153.3
Total current assets		**369.9**	170.8	247.2
Total assets		**4,992.0**	409.7	493.4
Equity				
Issued share capital and share premium	11	**417.2**	8.7	39.0
Treasury shares		**(40.7)**	(40.7)	(44.8)
Shares held by employee benefit trust		**(30.9)**	(49.2)	(47.9)
Other reserves		**173.0**	8.5	27.2
Retained earnings		**3,798.0**	123.6	327.9
Total equity attributable to equity holders of the Company		**4,316.6**	50.9	301.4
Liabilities				
Trade and other payables	13	**320.6**	184.1	156.9
Derivative financial liabilities	13	**8.6**	12.5	13.2
Provisions		**4.6**	0.4	0.4
Current tax payable		**38.8**	10.9	13.5
Borrowings	14	**0.2**	0.2	-
Total current liabilities		**372.8**	208.1	184.0
Trade and other payables	13	**26.9**	5.0	4.5
Derivative financial liabilities	13	**-**	-	0.1
Provisions		**1.1**	1.0	0.9
Deferred tax liabilities		**61.0**	2.9	2.5
Borrowings	14	**213.6**	141.8	-
Total non-current liabilities		**302.6**	150.7	8.0
Total liabilities		**675.4**	358.8	192.0
Total equity and liabilities		**4,992.0**	409.7	493.4

Notes 1 to 19 on pages 26 to 53 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Breon Corcoran
Chief Executive Officer

Alex Gersh
Chief Financial Officer

7 March 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2016

	Note	2016 £m	Restated (Notes 18 & 19) 2015 £m
Cash flows from operating activities			
(Loss) / profit for the year – all attributable to equity holders of the Company		**(5.7)**	108.2
Separately disclosed items	4	**272.3**	4.0
Tax expense before separately disclosed items		**49.0**	19.7
Financial income		**(1.5)**	(1.4)
Financial expense		**5.0**	2.0
Depreciation and amortisation before separately disclosed items		**67.9**	38.4
Employee equity-settled share-based payments expense before separately disclosed items		**20.8**	12.1
Foreign currency exchange gain		**(2.5)**	(1.9)
Loss on disposal of property, plant and equipment and intangible assets		**0.3**	0.2
Cash from operations before changes in working capital		**405.6**	181.3
(Increase) / decrease in trade and other receivables		**(3.5)**	0.2
(Decrease) / increase in trade, other payables and provisions		**(50.4)**	33.6
Cash generated from operations		**351.7**	215.1
Tax paid		**(43.1)**	(19.2)
Net cash from operating activities before merger fees and integration and restructuring costs		**308.6**	195.9
Merger fees and integration and restructuring costs paid		**(104.4)**	(7.4)
Net cash from operating activities		**204.2**	188.5
Purchase of property, plant and equipment		**(40.8)**	(20.2)
Purchase of intangible assets		**(32.3)**	(21.9)
Purchase of retail businesses, net of cash acquired	8	**(0.2)**	(4.0)
Cash acquired from merger with Betfair Group plc	8	**147.5**	-
Capitalised internal development expenditure		**(7.0)**	-
Payment of contingent deferred consideration	8	**(3.8)**	(1.1)
Proceeds from disposal of property, plant and equipment and intangible assets		**0.2**	0.2
Transfers from financial assets – deposits		**-**	15.4
Interest received		**1.3**	1.5
Net cash from / (used in) investing activities		**64.9**	(30.1)
Proceeds from the issue of new shares	11	**2.5**	2.0
Purchase of shares by employee benefit trust		**-**	(18.5)
Dividends paid	12	**(142.3)**	(55.4)
Return of capital to shareholders (including associated costs)		**-**	(282.8)
Net amounts drawn down on borrowings facility	14	**44.1**	139.6
Fees in respect of borrowings facility		**-**	(1.8)
Interest paid		**(2.9)**	(1.5)
Betfair Group plc closing dividend	12	**(22.6)**	-
Net cash used in financing activities		**(121.2)**	(218.4)
Net increase / (decrease) in cash and cash equivalents		**147.9**	(60.0)
Cash and cash equivalents at start of year		**86.1**	153.3
Foreign currency exchange gain / (loss) on cash and cash equivalents		**15.9**	(7.2)
Cash and cash equivalents at end of year	10	**249.9**	86.1

Notes 1 to 19 on pages 26 to 53 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Attributable to equity holders of the Company (see Note 11)									
	Number of ordinary shares in issue millions	Issued share capital and share premium £m	Foreign exchange translation reserve £m	Cash flow hedge reserve £m	Other reserves £m	Treasury shares £m	Shares held by employee benefit trust £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2016	*46.0*	8.7	(20.2)	1.5	1.7	(40.7)	(49.2)	25.5	123.6	50.9
Total comprehensive income / (loss) for the year										
Loss for the year	-	-	-	-	-	-	-	-	(5.7)	(5.7)
Foreign exchange translation	-	-	49.7	-	-	-	-	-	-	49.7
Net change in fair value of cash flow hedge reserve	-	-	-	(1.7)	-	-	-	-	-	(1.7)
Deferred tax on cash flow hedges	-	-	-	0.2	-	-	-	-	-	0.2
Total comprehensive income / (loss) for the year	-	-	49.7	(1.5)	-	-	-	-	(5.7)	42.5
Transactions with owners of the Company, recognised directly in equity										
Shares issued (Note 11)	*0.4*	2.5	-	-	-	-	-	-	-	2.5
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	28.4	-	28.4
Equity-settled transactions – vestings	-	-	-	-	-	-	18.3	(19.8)	2.0	0.5
Tax on share-based payments	-	-	-	-	-	-	-	-	(1.5)	(1.5)
Transfer to retained earnings on exercise of share options (Note 11)	-	-	-	-	-	-	-	(25.6)	25.6	-
Shares issued as consideration for acquisition of Betfair Group plc (Note 8)	*39.6*	4,202.3	-	-	-	-	-	-	-	4,202.3
Capital reduction – share premium cancellation (Note 11)	-	(3,796.3)	-	-	-	-	-	-	3,796.3	-
Dividends to shareholders (Note 12)	-	-	-	-	-	-	-	-	(142.3)	(142.3)
Issue of replacement share options (Note 8)	-	-	-	-	-	-	-	111.4	-	111.4
Replacement share options – expense recorded in income statement (Note 4)	-	-	-	-	-	-	-	21.9	-	21.9
Total contributions by and distributions to owners of the Company	*40.0*	408.5	-	-	-	-	18.3	116.3	3,680.1	4,223.2
Balance at 31 December 2016	*86.0*	417.2	29.5	-	1.7	(40.7)	(30.9)	141.8	3,798.0	4,316.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to equity holders of the Company (see Note 11)									
	Number of ordinary shares in issue millions	Restated Issued share capital and share premium £m	Restated Foreign exchange translation reserve £m	Restated Cash flow hedge reserve £m	Restated Other reserves £m	Restated Treasury shares £m	Restated Shares held by employee benefit trust £m	Restated Share-based payment reserve £m	Restated Retained earnings £m	Restated Total equity £m
Balance at 1 January 2015	*51.1*	39.0	-	(1.8)	1.0	(44.8)	(47.9)	28.0	327.9	301.4
Total comprehensive income / (loss) for the year										
Profit for the year	-	-	-	-	-	-	-	-	108.2	108.2
Foreign exchange translation	-	-	(20.2)	-	-	-	-	-	-	(20.2)
Net change in fair value of cash flow hedge reserve	-	-	-	3.8	-	-	-	-	-	3.8
Deferred tax on cash flow hedges	-	-	-	(0.5)	-	-	-	-	-	(0.5)
Total comprehensive (loss) / income for the year	-	-	(20.2)	3.3	-	-	-	-	108.2	91.3
Transactions with owners of the Company, recognised directly in equity										
Shares issued (Note 11)	-	2.0	-	-	-	-	-	-	-	2.0
Own shares acquired by employee benefit trust – net of B shares' receipt	-	-	-	-	-	-	(18.5)	-	-	(18.5)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	12.1	-	12.1
Equity-settled transactions – vestings	-	-	-	-	-	-	17.2	(14.0)	(2.5)	0.7
Tax on share-based payments	-	-	-	-	-	-	-	-	0.1	0.1
Transfer to retained earnings on exercise of share options (Note 11)	-	-	-	-	-	-	-	(0.6)	0.6	-
Return of capital to shareholders (including related costs) (Note 11)	-	-	-	-	-	-	-	-	(282.8)	(282.8)
Capital reduction – share consolidation	*(5.1)*	(0.7)	-	-	0.7	4.1	-	-	(4.1)	-
Capital reduction – share premium cancellation (Note 11)	-	(31.6)	-	-	-	-	-	-	31.6	-
Dividends to shareholders (Note 12)	-	-	-	-	-	-	-	-	(55.4)	(55.4)
Total contributions by and distributions to owners of the Company	*(5.1)*	(30.3)	-	-	0.7	4.1	(1.3)	(2.5)	(312.5)	(341.8)
Balance at 31 December 2015	*46.0*	8.7	(20.2)	1.5	1.7	(40.7)	(49.2)	25.5	123.6	50.9

Notes 1 to 19 on pages 26 to 53 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Paddy Power Betfair plc (the "Company") and its subsidiaries (together referred to as the "Group") is a global sports betting and gaming group, whose headquarters are in Dublin, Ireland. The Group currently operates across four divisions; (i) Online, which includes the online brands of Paddy Power and Betfair, the Paddy Power telephone sportsbook, as well as a number of business-to-business partnerships; (ii) Australia, consisting of Sportsbet, the market leader in the fast-growing Australian online betting market; (iii) Retail, which operates over 600 Paddy Power betting shops across the UK and Ireland; and (iv) US, which combines TVG, America's leading horse-racing TV and betting network, Betfair Casino, an online casino in New Jersey, and the Betfair New Jersey Exchange.

During the year ended 31 December 2016, the Company completed an all-share merger with Betfair Group plc (the "Merger") – see Note 8 for further information on the Merger. The results of Betfair Group plc prior to completion of the Merger are not included in these condensed consolidated financial statements.

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

The financial information presented herein does not comprise full statutory financial statements and therefore does not include all of the information required for full annual financial statements. Full statutory financial statements for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") together with an unqualified audit report thereon under Section 391 of the Companies Act 2014, will be annexed to the annual return and filed with the Registrar of Companies.

The consolidated financial statements of the Group for the year ended 31 December 2016 comprise the financial statements of the Company and its subsidiary undertakings and were approved for issue by the Board of Directors on 7 March 2017.

2. Basis of preparation and summary of significant accounting policies

The condensed consolidated financial statements are prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Republic of Ireland's Financial Regulator. The condensed consolidated financial statements are prepared on the historical cost basis except for betting transactions 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 condensed consolidated financial statements are presented in pounds sterling, a change from the previous presentation currency of euro, and are rounded to the nearest million.

Except as set out below under 'Changes in accounting policies and restatement of comparatives', the financial information contained in these condensed consolidated financial statements has been prepared in accordance with the accounting policies set out in the Group's last annual financial statements for the year ended 31 December 2015.

Changes in accounting policies and restatement of comparatives

The Group has reviewed and amended its accounting policies in light of the Merger. The changes do not impact the Group's reported operating profit, or amounts reported in the statement of financial position. The treatment of these items has developed over the past few years and the Group has reviewed its presentation of these items to align reporting for the Group subsequent to the Merger and to bring treatment in line with current industry practice for comparability purposes. Where adjustments have been made to comparative information in respect of the year ended 31 December 2015 the relevant financial statement or note is headed up as 'Restated'.

The revised accounting policy for revenue is:

Revenue
The services provided by the Group comprise sports betting (sportsbook, the exchange sports betting product and pari-mutuel betting products), fixed odds games betting, online games and casino, peer-to-peer games including online bingo and poker and business-to-business services. Revenue is stated exclusive of value-added tax.

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

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

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

These derivatives are recognised initially at fair value and subsequently at fair value through profit or loss, within the revenue line as this represents the Group's principal activity. Customer promotions (including free bets) and bonuses are deducted from sportsbook betting revenue.

Revenue from the exchange sports betting product represents commission earned on betting activity and is recognised on the date the outcome for an event is settled.

Revenue from pari-mutuel betting products represents a percentage of stake and is recognised on settlement of the event, and is stated net of customer promotions and bonuses in the period.

Revenue 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 customer promotions and bonuses incurred in the period. Revenue 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. Revenue from business-to-business services represents fees charged for the services provided in the period.

There are no changes to revenue recognition for prior year comparatives as per the new accounting policy outlined above.

The revised accounting policy for cost of sales is:

Cost of sales
Cost of sales principally comprises betting and gaming taxes, software supplier costs, customer payment transaction fees, sporting levies and other data rights charges.

The revised accounting policy for operating segment reporting is:

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, Australia, US and Retail are its reportable segments. See Note 3 for further information on operating segments.

The revised accounting policy for other non-derivative financial instruments is:

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.

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

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 on the balance sheet in designated client fund accounts where certain jurisdictions require the Group to do so, or as collateral for a bank guarantee), and to which the Group has restricted access for a period of time. It includes funds held to cover monies owed to customers, as per the terms of the Australian corporate sports book making licenses issued to Sportsbet. 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.

Neither cash and cash equivalents or restricted cash include certain customer funds deposited in a stakeholder account held by The Sporting Exchange (Clients) Limited, a wholly-owned subsidiary of the Group, on the basis that they are held on trust for customers and do not belong to and are not at the disposal of the Group.

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, deposits and trade and other payables are measured at amortised cost.

The revised accounting policy for bank and credit card charges is:

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 'cost of sales' in the condensed consolidated income statement. Bank charges and fees that are related to the Group's financing activities are recognised in 'financial expense' in the condensed consolidated income statement.

The impact of the changes, by reporting segment, on the major components of operating profit (before separately disclosed items), on the condensed consolidated statement of financial position, and on the major components of the condensed consolidated statement of cash flows, for the year ended 31 December 2015 is disclosed in Note 18 to the condensed consolidated financial statements.

Following the Merger with Betfair Group plc, the Group changed its presentation currency from euro to pounds sterling. The change in presentation currency has been applied retrospectively.

The revised accounting policy for functional and presentation currency is:

Functional and presentation currency
Pounds sterling represents the primary currency for transactions and as such the Group has chosen to present its financial statements in pounds sterling, a change from the previous presentation currency of euro. The Company's functional currency is euro. 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 are primarily pounds sterling, euro, Australian dollar and US 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.

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

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

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

Further information on the procedures used to restate comparative information is provided in Note 19 to the condensed consolidated financial statements.

Going concern
The Group has considerable financial resources. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and therefore they continue to adopt the going concern basis in the condensed consolidated financial statements.

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 2016:

- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation
- Amendments to IAS 1: Disclosure Initiative

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

Adopted IFRS not yet applied
The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

- IFRS 9 Financial Instruments (effective date 1 January 2018).
- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018).
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective date to be confirmed).
- Amendments to IAS 7: Disclosure Initiative (effective date to be confirmed).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date to be confirmed).
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date to be confirmed).

The following Adopted IFRS has been issued but has not been applied in these financial statements. The Group is currently considering the impact of this amendment on future Annual Reports:

- IFRS 16 Leases (effective date to be confirmed).

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

Basis of consolidation

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

Critical Accounting Estimates and Judgements

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

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

3. Operating segments

The Group's reportable segments are divisions that are managed separately, due to a combination of factors including method of service delivery, geographical location and the different services provided.

Reportable business segment information

Subsequent to the Merger, the Group's reportable segments are as follows:

- Online;
- Australia;
- Retail;
- US.

The reportable segments reflect the way financial information is reviewed by the Group's Chief Operating Decision Maker ("CODM"). The Group has restated the operating segment information for 2015 accordingly.

The Online segment derives its revenues primarily from sports betting (sportsbook and the exchange sports betting product) and / or gaming (games, casino, bingo and poker) services in all business-to-customer ("B2C") geographies that the Group operates in except the US and Australia, and business-to-business ("B2B") services globally. Online services are delivered primarily through the internet with a small proportion delivered through the public telephony system. The previous reportable segments of Online (ex Australia) and Telephone are included in the Online segment.

The Australia segment earns its revenues from sports betting services provided to Australian customers using primarily the internet with a small proportion using the public telephony system. The Australia segment was previously called Online Australia.

The Retail segment derives its revenues from sports betting and / or gaming machine services delivered through licenced bookmaking shop estates in the UK and Ireland. The previous reportable segments of UK Retail and Irish Retail are included in the Retail segment.

The US segment earns its revenues from sports betting (including the exchange sports betting product) and gaming services provided to US customers via the internet.

Corporate administrative costs (Board, Finance, Legal, Internal Audit, HR, Property and other central functions) cannot be readily allocated to individual operating segments and are not used by the CODM for making operating and resource allocation decisions. These are shown in the reconciliation of reportable segments to Group totals.

The accounting policies in respect of operating segments reporting are the same as those described in the basis of preparation and summary of significant accounting policies set out in Note 2.

3. Operating segments (continued)

The Group does not allocate income tax expense or interest to reportable segments. Treasury management is centralised for the Online, US and Retail segments. The Australian 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.

Reportable business segment information for the year ended 31 December 2016:

	Online	**Australia**	**Retail**	**US**	**Corporate**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue from external customers	**809.4**	**311.5**	**295.3**	**84.6**	**-**	**1,500.8**
Cost of sales	**(183.4)**	**(80.5)**	**(62.8)**	**(19.8)**	**-**	**(346.5)**
Gross profit	**626.0**	**231.0**	**232.5**	**64.8**	**-**	**1,154.3**
Operating costs excluding depreciation and amortisation	**(352.1)**	**(137.4)**	**(170.2)**	**(53.4)**	**(54.2)**	**(767.3)**
EBITDA	**273.9**	**93.6**	**62.3**	**11.4**	**(54.2)**	**387.0**
Depreciation and amortisation	**(32.6)**	**(9.6)**	**(17.7)**	**(8.0)**	**-**	**(67.9)**
Reportable segment profit / (loss) before separately disclosed items	**241.3**	**84.0**	**44.6**	**3.4**	**(54.2)**	**319.1**
Separately disclosed items (Note 4):						
- Merger fees and associated costs						**(35.5)**
- Integration and restructuring costs						**(65.7)**
- Amortisation of merger related intangible assets						**(174.1)**
- Replacement share options						**(21.9)**
- Impairment of property, plant and equipment, and intangible assets						**(6.5)**
Operating profit						**15.4**

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

	Restated Online	Restated Australia	Restated Retail	Restated US	Restated Corporate	Restated Total
	£m	£m	£m	£m	£m	£m
Revenue from external customers	295.5	232.5	266.3	-	-	794.3
Cost of sales	(74.4)	(58.4)	(58.5)	-	-	(191.3)
Gross profit	221.1	174.1	207.8	-	-	603.0
Operating costs excluding depreciation and amortisation	(138.5)	(104.5)	(156.2)	-	(32.9)	(432.1)
EBITDA	82.6	69.6	51.6	-	(32.9)	170.9
Depreciation and amortisation	(14.4)	(8.7)	(15.3)	-	-	(38.4)
Reportable segment profit / (loss) before separately disclosed items	68.2	60.9	36.3	-	(32.9)	132.5
Separately disclosed items (Note 4):						
- Merger fees and associated costs						(4.2)
- Restructuring costs						(3.2)
Operating profit						125.1

3. Operating segments (continued)

Reconciliation of reportable segments to Group totals:

	2016 £m	Restated 2015 £m
Revenue		
Total revenue from reportable segments, being total Group revenue	**1,500.8**	794.3
Profit and loss		
Operating profit	**15.4**	125.1
Unallocated amounts:		
Financial income – non-Australia [1]	**0.6**	0.3
Financial income – Australia	**0.9**	1.1
Financial expense – non-Australia [1]	**(4.9)**	(1.9)
Financial expense – Australia	**(0.1)**	(0.1)
Profit before tax	**11.9**	124.5

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

Geographical segment information

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

Group revenues by geographical segment are as follows:

	2016 £m	Restated 2015 £m
UK and Ireland	**978.3**	539.8
Australia	**311.5**	232.5
US	**84.6**	-
Rest of World	**126.4**	22.0
Total	**1,500.8**	794.3

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

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

	31 December 2016 £m	Restated 31 December 2015 £m	Restated 31 December 2014 £m
UK and Ireland	**4,137.3**	146.1	149.1
Australia	**94.1**	63.1	65.2
US	**365.0**	-	-
Rest of World	**17.1**	23.0	25.5
Total	**4,613.5**	232.2	239.8

4. Separately disclosed items

	2016 £m	Restated 2015 £m
Merger fees and associated costs	**(35.5)**	(4.2)
Integration and restructuring costs	**(65.7)**	(3.2)
Amortisation of merger related intangible assets	**(174.1)**	-
Replacement share options	**(21.9)**	-
Impairment of property, plant and equipment and intangible assets	**(6.5)**	-
Operating profit impact of separately disclosed items	**(303.7)**	(7.4)
Tax credit on separately disclosed items	**31.4**	0.4
Corporation tax provision	**-**	3.0
Total separately disclosed items	**(272.3)**	(4.0)

Merger fees and associated costs
Merger fees and associated costs relate to costs incurred in the period directly as a result of the Merger. This includes stamp duty of £20.7m and professional fees of £14.8m which were subject to completion of the Merger. This does not include any professional fees incurred by Betfair Group plc and its subsidiaries prior to the Merger.

Integration and restructuring costs
Integration costs relate to incremental, one-off costs incurred as a result of integration and restructuring related activities.

Amortisation of merger related intangible assets
Non-cash amortisation of £174.1m has been incurred in the period primarily as a result of intangible assets separately identified under IFRS 3 as a result of the Merger.

Replacement share options
Under the terms of the Merger, outstanding unvested share option awards granted under the Betfair Long Term Incentive Plan in 2013/14, 2014/15 and 2015/16 and the Betfair Sharesave Plans would not vest on completion but would be replaced by share option awards over an equivalent number of ordinary shares in the Company, calculated by reference to the exchange ratio of 0.4254. Whilst the awards will vest in line with their previous terms, the replacement of the options, under IFRS 3, requires them to be accounted for at fair value on acquisition. As a result, non-cash accounting charges of £21.9m were incurred in the period.

Impairment of property, plant and equipment and intangible assets
Non-cash impairments amounting to £6.5m in relation to certain property, plant and equipment and intangible assets has also been incurred in light of integration related activities post-Merger.

Corporation tax provision
In 2015, the Group released a specific historic provision of £3.0m that was no longer required.

Merger fees and associated costs, integration and restructuring costs and replacement share options are included in the condensed consolidated income statement within operating costs excluding depreciation and amortisation. Amortisation of merger related intangible assets and impairment of property, plant and equipment and intangible assets are included in the condensed consolidated income statement within depreciation and amortisation.

5. Tax expense

	2016 £m	Restated 2015 £m
Recognised in profit or loss:		
Current tax charge	**44.0**	20.9
Prior year over provision	**(1.9)**	(4.0)
Total current tax	**42.1**	16.9
Deferred tax credit	**(25.3)**	(1.4)
Prior year under provision	**0.8**	0.8
Decrease in net deferred tax liability	**(24.5)**	(0.6)
Total tax expense in income statement	**17.6**	16.3

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

	2016 £m	Restated 2015 £m
Profit before tax	**11.9**	124.5
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5%	**1.5**	15.5
Depreciation on non-qualifying property, plant and equipment	**1.4**	1.1
Effect of different statutory tax rates in overseas jurisdictions	**7.6**	4.1
Non-deductible expenses	**10.2**	(1.2)
Interest income taxable at higher rates	**-**	0.1
Effect of changes in statutory tax rates	**(1.7)**	(0.1)
Movement on deferred tax balances not recognised	**(0.3)**	-
Over provision in prior year	**(1.1)**	(3.2)
Total tax expense	**17.6**	16.3

Total tax expense for 2016 includes a credit for separately disclosed items amounting to £31.4m (2015: £3.4m) (see Note 4).

Tax rates

The Group’s consolidated effective tax rate on profits including separately disclosed items for 2016 is 148.2%. The tax effect of separately disclosed items in the current year amounted to a tax credit of £31.4m.

The Group's underlying effective tax rate of 15.5% is materially impacted by the geographic mix of profits and reflects a combination of higher and lower headline rates of tax in the various jurisdictions in which the Group operates when compared with the Irish standard rate of corporation tax of 12.5%.

The increase in the tax effect of non-deductible expenses during the year primarily relates to additional disallowable expenditure incurred as a result of the acquisition of Betfair Group plc in February 2016.

No significant changes are expected to statutory tax rates other than those announced and enacted at 31 December 2016; principally the reduction in the headline rate of UK corporation tax to 19% in April 2017 and further to 17% in April 2020.

The effect of the reduction in the UK headline rate of corporation tax on deferred tax balances in the UK is reflected in the above tax reconciliation.

The future effective tax rate of the Group is principally affected by the ongoing geographic mix of profits in accordance with the OECD guidelines in relation to Base Erosion and Profit Shifting.

6. 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 year. The weighted average number of shares has been adjusted for amounts held as Treasury Shares and amounts held by the Group's Employee Benefit Trust ("EBT").

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.

The calculation of basic and diluted EPS is as follows:

	2016	Restated 2015
Numerator in respect of basic and diluted earnings per share (£m):		
(Loss) / profit attributable to equity holders of the Company	**(5.7)**	108.2
Numerator in respect of adjusted earnings per share (£m):		
(Loss) / profit attributable to equity holders of the Company	**(5.7)**	108.2
Separately disclosed items (See Note 4)	**272.3**	4.0
Profit for adjusted earnings per share calculation	**266.6**	112.2
Weighted average number of ordinary shares in issue during the year (in 000's)	**79,986**	45,115
Basic (loss) / earnings per share	**(£0.072)**	£2.399
Adjusted basic earnings per share	**£3.333**	£2.488
Adjustments to derive denominator in respect of diluted earnings per share (in 000's):		
Weighted average number of ordinary shares in issue during the year	**79,986**	45,115
Dilutive effect of share options and awards on issue	**-**	780
Adjusted weighted average number of ordinary shares in issue during the year	**79,986**	45,895
Diluted (loss) / earnings per share	**(£0.072)**	£2.358
Adjusted diluted earnings per share	**£3.333**	£2.445

The average market value of the Company's shares of £90.40 (2015: £63.54) was used to calculate the dilutive effect of share options based on the market value for the period that the options were outstanding.

Where any potential ordinary shares would have the effect of decreasing a loss per share, they have not been treated as dilutive.

7. 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 £m	Australia £m	US £m	UK Retail £m	Irish Retail £m	Total £m
Balance at 1 January 2015 (restated)	10.4	40.5	-	16.3	12.9	80.1
Arising on acquisitions during the year (Note 8)	-	-	-	0.4	3.8	4.2
Foreign currency translation adjustment	(0.6)	(2.5)	-	(0.5)	(0.8)	(4.4)
Balance at 31 December 2015 (restated)	9.8	38.0	-	16.2	15.9	79.9
Arising on acquisitions during the year (Note 8)	**3,420.9**	**-**	**324.5**	**0.1**	**0.1**	**3,745.6**
Foreign currency translation adjustment	**1.6**	**7.2**	**52.5**	**1.6**	**2.7**	**65.6**
Balance at 31 December 2016	**3,432.3**	**45.2**	**377.0**	**17.9**	**18.7**	**3,891.1**

The Online segment goodwill amount arose from the acquisition by the Group in 2011 of CT Networks Limited ("Cayetano"), a games developer based in the Isle of Man and Bulgaria, and the Betfair online business (excluding operations in the US) acquired as part of the all-share merger with Betfair Group plc in 2016, described more fully in Note 8.

The 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.

The US segment goodwill amount arose from the acquisition by the Group in 2016 of the US business associated with Betfair Group plc, consisting of TVG, an online horseracing betting operator based in California, and Betfair Casino, an online casino site in New Jersey (see Note 8).

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 8).

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 8).

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 2016. Based on the reviews as described above, with the exception of the IAS brand impairment of AUD6.9m initially provided for in 2011, no impairment has arisen.

8. Business combinations

Year ended 31 December 2016

Acquisition of Betfair Group plc

On 2 February 2016, Paddy Power plc completed an all-share merger with Betfair Group plc (the "Merger") resulting in Paddy Power plc shareholders owning 52% and Betfair Group plc shareholders owning 48% of Paddy Power Betfair plc (previously Paddy Power plc) (the "Company", together with its subsidiaries, the "Group"), on a fully diluted basis taking into account existing share options and award schemes for both companies as at the date of the Rule 2.7 announcement in relation to the agreement of the terms of the Merger (8 September 2015). Post-merger, the Company is the Ultimate Parent of Betfair Group Limited (previously Betfair Group plc).

Under the terms of the Merger, holders of Betfair Group plc shares received 0.4254 ordinary shares with nominal value of EUR 0.09 each in the Company ("ordinary shares") in exchange for one ordinary share of 0.095 pence each held in Betfair Group plc ("Exchange Ratio"). Accordingly, the Company issued a total of 39,590,574 ordinary shares in exchange for 93,066,700 shares in Betfair Group plc, in addition to replacement share option awards in lieu of outstanding unvested share option awards granted under the Betfair Long Term Incentive Plan in 2013/14, 2014/15 and 2015/16 and the Betfair Sharesave Plans. The consideration was £4.3bn based on the value of the Company's shares issued to Betfair Group plc's shareholders and the fair value of the replacement share options. No cash consideration was transferred.

Betfair was an innovative online betting and gaming operator which pioneered the betting exchange in 2000, changing the landscape of the sports betting industry. The main drivers for the Merger include increased scale driving growth and creating greater returns on product and marketing investment; highly complementary products and geographies; distinct brands with strong online capabilities; and a stronger combined group with market-leading talent, technology and operations.

In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. IFRS 3 provides guidance as to how to identify the acquirer in a business combination and consideration was given to this when concluding on the accounting for the Merger and subsequent recognition of Betfair Group plc as an acquisition by Paddy Power plc.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

8. Business combinations (continued)

	As at 2 February 2016 £m
Assets	
Property, plant and equipment	18.8
Intangible assets	680.5
Available-for-sale financial asset and Investments	1.4
Total non-current assets	700.7
Trade and other receivables	22.9
Financial assets – restricted cash	17.1
Cash and cash equivalents	147.5
Total current assets	187.5
Total assets	888.2
Liabilities	
Trade and other payables	184.9
Provisions	4.3
Current tax payable	33.2
Total current liabilities	222.4
Trade and other payables	20.9
Deferred tax liabilities	76.6
Total non-current liabilities	97.5
Total liabilities	319.9
Net assets acquired	**568.3**
Goodwill	**3,745.4**
Consideration	**4,313.7**

Consideration satisfied by:	
Issue of 39,590,574 PPB plc ordinary shares	4,202.3
Issue of replacement share options	111.4
Consideration	**4,313.7**

Included within the intangible assets were £627.6m of separately identifiable intangibles comprising brands, customer relations, technology and licences acquired as part of the acquisition, with the additional effect of a deferred tax liability of £95.0m thereon. These intangible assets are being amortised over their useful economic lives of up to eight years.

The main factors leading to the recognition of goodwill (none of which is deductible for tax purposes) is growth by combining business activities, a strong workforce, leveraging existing products and synergy cost savings of the merged operations.

Receivables acquired amounted to £22.9m. The book value equated to the fair value as all amounts are expected to be received. The Group also acquired £250.1m of cash and cash equivalents held on trust in The Sporting Exchange (Clients) Limited, on behalf of the customers of Betfair Group plc and its subsidiaries (the "Betfair Group"), and is equal to amounts deposited into customer accounts. These balances are not consolidated and reported in the condensed consolidated statement of financial position for the Group.

The Betfair Group operates in an uncertain marketplace where many governments are either introducing or contemplating new regulatory or fiscal arrangements. Given the lack of a harmonised regulatory environment, the value and timing of any obligations in this regard are subject to a high degree of uncertainty and cannot always be reliably predicted. No contingent liabilities have been booked on acquisition. Total revenue and total profit of the combined entities is disclosed in the operating and finance review on page 8. Betfair Group's statutory revenue and profit cannot be readily defined due to the integration of the two business during the period post-Merger. Merger and acquisition costs in respect of this acquisition can be found in Note 4.

8. Business combinations (continued)

Shop property business acquisitions
In 2016, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in the UK 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 2016 £m
Identifiable net assets acquired:	
Property, plant and equipment	**0.1**
Goodwill arising on acquisition – UK Retail and Irish Retail	**0.2**
Consideration	**0.3**
The consideration is analysed as:	
Cash consideration	**0.2**
Contingent deferred consideration	**0.1**
	0.3

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 Group.

Information in respect of revenue, operating profit and cash flows for the acquired businesses in the period from acquisition and for the year ended 31 December 2016 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 £0.1m at 31 December 2016 represents management's best estimate of the fair value of the amounts that will be payable.

During 2016, the Group settled deferred consideration liabilities of £0.4m in relation to prior years' Retail acquisitions.

8. Business combinations (continued)

Year ended 31 December 2015

Shop property business acquisitions

In 2015, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Great Britain and Ireland.

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

	Restated Fair values 31 December 2015 £m
Identifiable net assets acquired:	
Property, plant and equipment	0.5
Goodwill arising on acquisition – UK Retail and Irish Retail	4.2
Consideration	4.7
The consideration is analysed as:	
Cash consideration	4.0
Contingent deferred consideration	0.7
	4.7

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 Group.

Information in respect of revenue, operating profit and cash flows for the acquired businesses in the period from acquisition and for the year ended 31 December 2015 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed financial targets for the 12 months following the date of acquisition. The contingent deferred consideration amount of £0.7m at 31 December 2015 represents management's best estimate of the fair value of the amounts that will be payable.

During 2015, the Group settled deferred consideration liabilities of £1.1m in relation to prior years' Retail acquisitions (see below).

Net cash (inflow) / outflow from purchase of businesses

	31 December 2016 £m	Restated 31 December 2015 £m
Cash consideration – acquisitions in the year	**0.2**	4.0
Cash acquired – acquisitions in the year	**(147.5)**	-
Cash consideration – acquisitions in previous years	**3.8**	1.1
	(143.5)	5.1
Analysed for the purposes of the statement of cash flows as:		
Purchase of retail businesses, net of cash acquired	**0.2**	4.0
Cash acquired from merger with Betfair Group plc	**(147.5)**	-
Payment of contingent deferred consideration	**3.8**	1.1
	(143.5)	5.1

In addition to settlement of deferred consideration liabilities for prior years' Retail acquisitions (£0.4m), the Group also paid £3.4m relating to deferred consideration payable to the Stronach Group, due to Betfair's historical acquisition of HRTV, a horseracing television network based in the US.

9. Available-for-sale financial assets, trade and other receivables and derivative financial assets

Non-current assets

	31 December 2016 £m	31 December 2015 £m	31 December 2014 £m
Available-for-sale-financial assets	**1.3**	-	-

Available-for-sale financial assets

As a result of the Merger, the Group at 31 December 2016, has a non-controlling interest in LMAX Limited of 31.4% (£1.2m) and a non-controlling interest in Featurespace of 6.4% (£0.1m). The Group does not have any significant influence over the operations and decision making of LMAX Limited and does not have any representation on the Board.

	31 December 2016 £m	31 December 2015 £m	Restated 31 December 2014 £m
Trade and other receivables			
Prepayments and accrued income	**5.8**	-	1.5

Current assets

	31 December 2016 £m	Restated 31 December 2015 £m	Restated 31 December 2014 £m
Trade and other receivables			
Trade receivables – credit betting customers	**3.5**	2.5	3.2
Trade receivables – other sports betting counterparties	**6.8**	1.6	1.1
Trade receivables	**10.3**	4.1	4.3
Other receivables	**3.7**	1.1	1.3
Value-added tax and goods and services tax	**-**	-	1.0
Prepayments and accrued income	**41.2**	17.5	18.6
	55.2	22.7	25.2

Trade and other receivables

Trade and other receivables are non-interest bearing.

	31 December 2016 £m	Restated 31 December 2015 £m	31 December 2014 £m
Derivative financial assets			
Foreign exchange forward contracts – cash flow hedges	**-**	1.8	-

Foreign exchange forward contracts – cash flow hedges

The notional principal amount of outstanding foreign exchange forward contracts at 31 December 2015 was £74.8m. Gains and losses recognised in the cash flow hedge reserve in equity at 31 December 2015 on foreign exchange forward contracts designated as cash flow hedges under IAS 39, 'Financial Instruments: Recognition and Measurement', were released to the income statement at various dates during 2016.

10. Financial assets and cash and cash equivalents

	31 December 2016 £m	Restated 31 December 2015 £m	Restated 31 December 2014 £m
Current			
Financial assets – restricted cash	**64.8**	60.2	53.7
Financial assets – deposits	**-**	-	15.0
Cash and cash equivalents	**249.9**	86.1	153.3
Total	**314.7**	146.3	222.0

The effective interest rate on bank deposits at 31 December 2016 was 0.65% (2015: 1.78%, 2014: 1.05%); these deposits have an average original maturity date of 14 days (2015: 12 days, 2014: 41 days). The bank deposits also have an average maturity date of 7 days from 31 December 2016 (2015: 4 days, 2014: 19 days). The Directors believe that all short term bank deposits can be withdrawn without significant penalty.

Financial assets – restricted cash, financial assets – deposits and cash and cash equivalents are analysed by currency as follows:

	31 December 2016 £m	Restated 31 December 2015 £m	Restated 31 December 2014 £m
GBP	**185.4**	76.8	74.4
EUR	**41.0**	26.4	93.2
AUD	**52.1**	41.2	51.1
USD	**27.2**	1.8	2.7
Other	**9.0**	0.1	0.6
	314.7	146.3	222.0

Financial assets

Included in financial assets – restricted cash at 31 December 2016 are bank deposits which were either (1) restricted at that date, as they represented customer funds balances securing player funds held by the Group or (2) required to be held to guarantee third party letter of credit facilities. These customer funds that are not held in trust are matched by liabilities of equal value.

As at 31 December 2016, £349.2m (31 December 2015: £Nil, 31 December 2014: £Nil) was held in trust in The Sporting Exchange (Clients) Limited on behalf of the Group's customers and is equal to the amounts deposited into customer accounts.

11. Share capital and reserves

The total authorised share capital of the Company comprises 150,000,000 ordinary shares of €0.09 each (2015: 150,000,000 ordinary shares of €0.09 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.

The movement in the number of issued ordinary shares during the period was as follows:

On 2 February 2016, the Company completed an all-share merger with Betfair Group plc. The Merger resulted in the holders of Paddy Power plc shares owning 52% of the Company, and the holders of Betfair Group plc shares owning 48% of the Company, on a fully diluted basis taking into account existing share options and share award schemes for both companies as at the date of the Rule 2.7 announcement in relation to the agreement of the terms of the Merger (8 September 2015).

Under the terms of the Merger, holders of Betfair Group plc shares received 0.4254 ordinary shares of €0.09 each ("ordinary shares") in the Company in exchange for each Betfair Group plc ordinary share of 0.095 pence each. The Company issued 39,590,574 ordinary shares in exchange for 93,066,700 shares in Betfair Group plc giving rise to a share premium of £4.2bn.

During the year ended 31 December 2016, 318,523 ordinary shares (2015: 77,150) were issued as a result of the exercise of share options under employee share schemes, giving rise to a share premium of £2.5m (2015: £2.0m).

In 2016, following shareholder approval at an Extraordinary General Meeting on 21 December 2015 and court approval on 28 April 2016, the Company cancelled a portion of its share premium account transferring £3.8bn (€4.9bn) to the retained earnings account within reserves. In 2015, following shareholder approval at the Annual General Meeting on 14 May 2015 and court approval on 6 November 2015, the Company cancelled a portion of its share premium account and transferred £31.6m (€44.9m) to the retained earnings account within reserves.

Also in 2015, the Group returned £282m (€391.5m) to shareholders via a B share scheme, and completed a capital reorganisation which involved the consolidation of its ordinary share capital on a nine for ten basis. The transaction involved a number of steps. The existing ordinary shares in issue at the date of the capital reorganisation of 51,118,370 of €0.10 each were converted into 51,118,370 'intermediate' ordinary shares of €0.081 each and 51,118,370 B shares of €0.019 each. An amount of 2,184,000 B shares were issued to the Company and certain of its subsidiaries as a result of treasury shares held. Such shares were not entitled to receive a dividend or redemption payment. The holders of the remaining B shares in issue of 48,934,370 were entitled to receive a payment of €8 per share by way of a once off dividend or a redemption payment. Subsequent to the dividend or redemption payment all B shares were cancelled during the year. The 'intermediate' ordinary shares were consolidated and sub-divided into 46,006,533 'new' ordinary shares of €0.09 each.

A total of 1,965,600 ordinary shares were held in treasury as of 31 December 2016 (31 December 2015: 1,965,600). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Group's distributable reserves are restricted by the value of the treasury shares, which amounted to £40.7m as of 31 December 2016 (31 December 2015: £40.7m). The cost of treasury shares held by the Company at 31 December 2016 was £4.2m (2015: £4.2m), with a further £36.5m of shares being held by the Company's subsidiaries (2015: £36.5m).

At 31 December 2016, the Paddy Power Betfair plc Employee Benefit Trust ("EBT") held a further 478,392 (2015: 874,890) of the Company's own shares, which were acquired at a total cost of £30.9m (2015: £49.2m), in respect of potential future awards relating to the Group's employee share plans. The Company's distributable reserves at 31 December 2016 are further restricted by this cost amount. In the year ended 31 December 2016, 396,498 shares with an original cost of £18.3m were transferred from the EBT to beneficiaries of the EBT consequent to the vesting thereof (2015: 410,499 shares with an original cost of £17.2m). During the year ended 31 December 2015, the EBT purchased 327,004 Paddy Power plc ordinary shares for a total consideration of £22.1m and received £3.6m from the B share scheme return of capital to shareholders. No such purchases were made in 2016.

11. Share capital and reserves (continued)

The foreign exchange translation reserve at 31 December 2016 had a credit balance of £29.5m (2015: debit balance of £20.2m), and arose from the retranslation of the Group's net investment in Euro, AUD and USD functional currency entities. The movement in the foreign exchange translation reserve for the year ending 31 December 2016 reflects the strengthening of USD, AUD and Euro against GBP in the year.

Other reserves comprise a capital redemption reserve fund, a capital conversion reserve fund and a net wealth tax reserve. The capital redemption reserve fund of £1.4m (2015: £1.4m) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled, and in 2015, the nominal value of shares in the Company cancelled as part of the return of capital to shareholders. The capital conversion reserve fund of £0.2m (2015: £0.2m) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to Euro.

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 had entered into foreign exchange forward contracts to hedge a portion of GBP exposures expected to arise from GBP denominated income in the year ended 31 December 2016. No such contracts were outstanding at 31 December 2016.

In 2016, an amount of £25.6m (2015: £0.6m) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of £5.9m of deferred tax relating to the Group's share-based payments was charged to retained earnings in 2016 (2015: credit of £0.1m). An amount of £4.4m of current tax relating to the Group's share-based payments was credited to retained earnings in 2016 (2015: £Nil).

12. Dividends paid on ordinary shares

	2016 **£m**	Restated 2015 £m
Ordinary shares:		
- final dividend of €1.20 (£0.933) per share for the year ended 31 December 2015 (31 December 2014: €1.02)	**40.8**	36.1
- special dividend of €1.814 (£1.411) per share (31 December 2015: €Nil)	**61.9**	-
- Paddy Power plc 1st interim dividend of €0.18 (£0.140) per share (31 December 2015: €Nil)	**6.1**	-
- 2nd interim dividend of £0.40 per share (2015: €0.60 (£0.44))	**33.5**	19.3
Amounts recognised as distributions to equity holders in the year	**142.3**	55.4

The Directors have proposed a final dividend of 113.0 pence per share which will be paid on 24 May 2017 to shareholders on the Company's register of members at the close of business on the record date of 7 April 2017. This dividend, which amounts to approximately £95.0m, has not been included as a liability at 31 December 2016.

The Paddy Power plc 1st interim dividend represented the period from 1 January 2016 to 1 February 2016.

During the year end ended 31 December 2016, the Group paid the Betfair Group plc closing dividend amounting to £22.6m, which represented the period prior to Merger completion.

13. Trade and other payables and derivative financial liabilities

Current liabilities

	31 December 2016 £m	Restated 31 December 2015 £m	Restated 31 December 2014 £m
Trade and other payables			
Trade payables	**9.8**	12.1	8.8
Customer balances	**62.2**	58.4	52.3
PAYE and social security	**6.6**	4.7	4.5
Value-added tax and goods and services tax	**0.2**	3.1	-
Betting duty, data rights, and product and racefield fees	**40.4**	26.1	12.6
Employee benefits	**46.1**	25.9	24.3
Contingent deferred consideration – business combinations	**3.7**	0.8	1.5
Accruals and other liabilities	**151.6**	53.0	52.9
	320.6	184.1	156.9
Derivative financial liabilities			
Foreign exchange forward contracts – cash flow hedges	**-**	-	2.1
Sports betting open positions	**8.6**	12.5	11.1
	8.6	12.5	13.2

Non-current liabilities

	31 December 2016 £m	Restated 31 December 2015 £m	Restated 31 December 2014 £m
Trade and other payables			
PAYE and social security	**0.2**	0.1	0.2
Employee benefits	**5.0**	4.1	3.8
Contingent deferred consideration – business combinations	**20.4**	-	0.1
Accruals and other liabilities	**1.3**	0.8	0.4
	26.9	5.0	4.5
Derivative financial liabilities			
Sports betting open positions	**-**	-	0.1
	-	-	0.1

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.

Included within non-current liabilities is contingent deferred consideration of £20.4m which was acquired as a result of the Merger. This is payable to the Stronach Group due to Betfair's historical acquisition of HRTV, a horseracing television network based in the US. The amount payable at 31 December 2016 amounted to £23.9m, with £20.4m due after one year from the reporting date.

14. Borrowings

Current liabilities

	Restated	Restated
	31 December 2016	31 December 2015	31 December 2014
	£m	£m	£m
Accrued interest on borrowings	**0.2**	0.2	-

Non-current liabilities

		Restated	Restated
	31 December 2016	31 December 2015	31 December 2014
	£m	£m	£m
Revolving credit facility	**214.0**	143.1	-
Less: expenses relating to revolving credit facility	**(0.4)**	(1.3)	-
	213.6	141.8	-

In 2015, the Group secured a committed revolving credit bank loan facility ("RCF”) of €300m provided by a syndicate of banks which expires in May 2020. At 31 December 2016, €250m (£214.0m) of this facility was drawn down (2015: €195m (£143.1m). During 2016, the Group drew down €211.0m (£170.9m) and repaid €156.0m (£126.8m) under this facility.

Borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries. Borrowings under the RCF incur interest at EURIBOR plus a margin of between 1.10% and 1.95%. A commitment fee, equivalent to 35% of the margin, is payable in respect of available but undrawn borrowings.

Upfront participation and arrangement fees plus associated costs incurred in arranging the RCF have been capitalised and offset against the loan in the condensed consolidated statement of financial position and are being amortised to the income statement over the expected life of the facility.

It is the Directors’ opinion that due to the Group’s bank borrowings being subject to floating interest rates and the proven cash generation capability of the Group, there is no significant difference between the book value and fair value of the Group’s borrowings.

Under the terms of the RCF, the Group is required to comply with the following financial covenants on a semi-annual basis.

- **Net Leverage Ratio:** Consolidated net borrowings shall not be more than 3.0 times underlying consolidated EBITDA.
- **Interest Cover Ratio:** Underlying consolidated EBITDA shall not be less than 4.0 times net finance charges.

During the year ended 31 December 2016, all covenants have been complied with.

15. Commitments and contingencies

(a) Guarantees
The Group has uncommitted working capital overdraft facilities of £12.4m (2015: £11.7m) with Allied Irish Banks p.l.c. These facilities are secured by a Letter of Guarantee from Paddy Power Betfair 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 2016 was £29.1m (2015: £11.2m). No claims had been made against the guarantees as of 31 December 2016 (2015: £Nil). The guarantees are secured by counter indemnities from Paddy Power Betfair plc and certain of its subsidiary companies. The value of cash deposits over which the guaranteeing banks hold security was £0.9m at 31 December 2016 (2015: £Nil).

The Australian corporate sports bookmaking licences issued to Sportsbet require those companies to hold sufficient cash funds to cover monies owed to customers. At 31 December 2016, the total value of relevant customer balances attributable to the Australia business segment was £39.8m (AUD68.0m) (2015: £25.5m (AUD51.8m)) and the combined cash and cash equivalent balances held by Sportsbet at that date totalled £50.9m (AUD86.8m) (2015: £41.2m (AUD83.6m)). The Group holds cash amounts totalling £25.0m in respect of customer funds that are not held on trust in The Sporting Exchange (Clients) Limited in accordance with local regulations. Customer funds that are not held on trust are matched by liabilities of an equal value.

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

As mentioned in Note 14, borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

(b) Contingent liabilities

The Group operates in an uncertain marketplace where many governments are either introducing or contemplating new regulatory or fiscal arrangements.

The Board monitors legal and regulatory developments and their potential impact on the business, however given the lack of a harmonised regulatory environment, the value and timing of any obligations in this regard are subject to a high degree of uncertainty and cannot always be reliably predicted.

(c) Capital commitments

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

	31 December 2016	31 December 2015
	£m	£m
Property, plant and equipment	**3.9**	0.7

15. Commitments and contingencies (continued)

(d) 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 six 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 2016 and 2015, the future minimum rentals payable under non-cancellable operating leases on properties were as follows:

	31 December 2016	Restated 31 December 2015
	£m	£m
Within one year	**32.6**	24.8
Between two and five years	**100.1**	77.6
After five years	**52.7**	51.8
	185.4	154.2

The Group has a small number of shop properties that are sublet. Sublease payments of £0.4m (2015: £0.4m) are expected to be received during the year ended 31 December 2017.

During 2016, an amount of £33.3m was recognised in profit or loss in respect of operating leases (2015: £25.3m). Contingent rent expense in profit or loss amounted to a credit of £0.5m (2015: credit of £0.5m). Sublease income (netted against operating lease expense on the basis of immateriality) amounted to £0.4m in 2016 (2015: £0.3m).

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.

16. Related parties

There were no transactions with related parties during the years ended 31 December 2016 and 2015 that materially impacted the financial position or performance of the Group.

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

17. Events after the reporting date

Dividend
In respect of the current year, the Directors propose that a final dividend of 113.0 pence per share will be paid to shareholders on 24 May 2017. 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 7 April 2017. The total estimated dividend to be paid amounts to £95.0m.

18. Changes in accounting policies

Under the new Group accounting policies as outlined in Note 2, payment transaction costs, previously accounted for as operating expenses are accounted for as cost of sales, and affiliate commissions, previously accounted for as cost of sales are accounted for as operating expenses. In addition, certain amounts previously reported within the Online, Australia and Retail operating segments are reported within the Corporate operating segment. The impact of the changes, by reporting segment, on the major components of operating profit for the year ended 31 December 2015 are as follows:

	Year ended 31 December 2015					
	Online	Australia	Retail	US	Corporate	Total
	£m	£m	£m	£m	£m	£m
Cost of sales						
As reported under previous accounting policies	(79.9)	(60.6)	(57.2)	-	-	(197.7)
Restatement	5.5	2.2	(1.3)	-	-	6.4
As reported under new accounting policies	(74.4)	(58.4)	(58.5)	-	-	(191.3)
Operating costs excluding depreciation and amortisation						
As reported under previous accounting policies	(159.7)	(105.5)	(160.5)	-	-	(425.7)
Restatement	21.2	1.0	4.3	-	(32.9)	(6.4)
As reported under new accounting policies	(138.5)	(104.5)	(156.2)	-	(32.9)	(432.1)
Impact on operating profit	26.7	3.2	3.0	-	(32.9)	-

The total restatement between cost of sales and operating costs excluding depreciation and amortisation for the year ended 31 December 2016 amounted to £6.4m (€8.8m).

Under the new Group accounting policies as outlined in Note 2, certain amounts previously accounted for as cash and cash equivalents and included in the statement of cash flows are accounted for as financial assets – restricted cash and are excluded from the statement of cash flows. The impact of the changes on the major components of the condensed consolidated statement of cash flows in the year ended 31 December 2015 are as follows:

	2015 As reported under previous accounting policies £m	2015 As reported under new accounting policies £m
Net cash from operating activities	196.2	188.5
Net cash used in investing activities	(30.1)	(30.1)
Net cash used in financing activities	(222.2)	(218.4)
Net decrease in cash and cash equivalents	(56.1)	(60.0)
Cash and cash equivalents at start of year	176.4	153.3
Foreign currency exchange loss on cash and cash equivalents	(8.5)	(7.2)
Cash and cash equivalents at end of year	111.8	86.1

18. Changes in accounting policies (continued)

The impact of the changes on the condensed consolidated statement of financial position as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015 As reported under previous accounting policies £m	31 December 2015 As reported under new accounting policies £m	31 December 2014 As reported under previous accounting policies £m	31 December 2014 As reported under new accounting policies £m
Financial assets – restricted cash	34.5	60.2	30.6	53.7
Cash and cash equivalents	111.8	86.1	176.4	153.3

19. Change in presentation currency

In restating the Group financial statements for 2015, the reported information was converted to pounds sterling from euro using the following procedures:

- assets and liabilities of foreign operations where the functional currency is other than pounds sterling were translated into pounds sterling at the relevant closing rates of exchange, namely 1 January 2015 and 31 December 2015. Non-sterling trading results were translated into sterling at the actual rates of exchange for the transactions (or the relevant average rates of exchange where this was a reasonable approximation). Differences arising from the retranslation of the opening net assets and the results for the year have been taken to the foreign currency translation reserve;

- the cumulative foreign currency translation reserve was set to nil at 1 January 2015, the date at the beginning of the prior year comparative period. All subsequent movements comprising differences on the retranslation of the opening net assets of non-sterling entities have been taken to the foreign currency translation reserve. Share capital, share premium and other reserves were translated into pounds sterling at the rate of exchange at 1 January 2015 and at the historic rates prevailing at the dates of transactions thereafter; and

- all exchange rates used were extracted from the Group’s underlying financial records.

19. Change in presentation currency (continued)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Before separately disclosed items 2015 As restated in EUR €m	Separately disclosed items 2015 As restated in EUR €m	Total 2015 As restated in EUR €m	Before separately disclosed items 2015 As restated in GBP £m	Separately disclosed items 2015 As restated in GBP £m	Total 2015 As restated in GBP £m
Continuing operations						
Revenue	1,094.0	-	1,094.0	794.3	-	794.3
Cost of sales	(267.5)	-	(267.5)	(191.3)	-	(191.3)
Gross profit	826.5	-	826.5	603.0	-	603.0
Operating costs excluding depreciation and amortisation	(593.5)	(10.2)	(603.7)	(432.1)	(7.4)	(439.5)
EBITDA	233.0	(10.2)	222.8	170.9	(7.4)	163.5
Depreciation and amortisation	(52.6)	-	(52.6)	(38.4)	-	(38.4)
Operating profit / (loss)	180.4	(10.2)	170.2	132.5	(7.4)	125.1
Financial income	1.9	-	1.9	1.4	-	1.4
Financial expense	(2.6)	-	(2.6)	(2.0)	-	(2.0)
Profit / (loss) before tax	179.7	(10.2)	169.5	131.9	(7.4)	124.5
Income tax (expense) / credit	(27.0)	4.8	(22.2)	(19.7)	3.4	(16.3)
Profit / (loss) for the year – all attributable to equity holders of the Company	152.7	(5.4)	147.3	112.2	(4.0)	108.2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015 As originally reported €m	2015 As restated in GBP £m
Profit for the year – all attributable to equity holders of the Company	147.3	108.2
Other comprehensive income / (loss)		
Items that are or may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	(6.2)	(4.5)
Fair value of foreign exchange cash flow hedges transferred to income statement	11.3	8.3
Foreign exchange gain / (loss) on translation of the net assets of foreign currency denominated entities	3.9	(20.2)
Deferred tax on fair value of cash flow hedges	(0.6)	(0.5)
Other comprehensive income / (loss)	8.4	(16.9)
Total comprehensive income for the year – all attributable to equity holders of the Company	155.7	91.3

19. Change in presentation currency (continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2015 As restated in EUR €m	31 December 2015 As restated in GBP £m	31 December 2014 As restated in EUR €m	31 December 2014 As restated in GBP £m
Assets				
Property, plant and equipment	125.4	92.0	126.8	98.7
Intangible assets	82.1	60.3	76.4	59.5
Goodwill	108.9	79.9	102.8	80.1
Deferred tax assets	9.1	6.7	8.2	6.4
Trade and other receivables	-	-	2.0	1.5
Total non-current assets	325.5	238.9	316.2	246.2
Trade and other receivables	31.0	22.7	32.4	25.2
Derivative financial assets	2.4	1.8	-	-
Financial assets – restricted cash	81.9	60.2	68.9	53.7
Financial assets – deposits	-	-	19.3	15.0
Cash and cash equivalents	117.3	86.1	196.8	153.3
Total current assets	232.6	170.8	317.4	247.2
Total assets	558.1	409.7	633.6	493.4
Equity				
Issued share capital and share premium	6.8	8.7	50.1	39.0
Treasury shares	(51.8)	(40.7)	(57.5)	(44.8)
Shares held by employee benefit trust	(63.1)	(49.2)	(61.5)	(47.9)
Other reserves	40.9	8.5	34.8	27.2
Retained earnings	136.5	123.6	421.1	327.9
Total equity attributable to equity holders of the Company	69.3	50.9	387.0	301.4
Liabilities				
Trade and other payables	250.7	184.1	201.4	156.9
Derivative financial liabilities	17.0	12.5	17.0	13.2
Provisions	0.6	0.4	0.5	0.4
Current tax payable	14.9	10.9	17.4	13.5
Borrowings	0.3	0.2	-	-
Total current liabilities	283.5	208.1	236.3	184.0
Trade and other payables	6.8	5.0	5.8	4.5
Derivative financial liabilities	0.1	-	0.1	0.1
Provisions	1.3	1.0	1.2	0.9
Deferred tax liabilities	3.9	2.9	3.2	2.5
Borrowings	193.2	141.8	-	-
Total non-current liabilities	205.3	150.7	10.3	8.0
Total liabilities	488.8	358.8	246.6	192.0
Total equity and liabilities	558.1	409.7	633.6	493.4

19. Change in presentation currency (continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2015 As restated in EUR €m	2015 As restated in GBP £m
Cash flows from operating activities		
Profit for the year – all attributable to equity holders of the Company	147.3	108.2
Separately disclosed items	5.5	4.0
Tax expense before separately disclosed items	27.0	19.7
Financial income	(1.9)	(1.4)
Financial expense	2.6	2.0
Depreciation and amortisation before separately disclosed items	52.6	38.4
Employee equity-settled share-based payments expense before separately disclosed items	16.8	12.1
Foreign currency exchange gain	(2.1)	(1.9)
Loss on disposal of property, plant and equipment and intangible assets	0.3	0.2
Cash from operations before changes in working capital	248.1	181.3
Decrease in trade and other receivables	0.5	0.2
Increase in trade, other payables and provisions	45.0	33.6
Cash generated from operations	293.6	215.1
Tax paid	(26.3)	(19.2)
Net cash from operating activities before merger fees and integration and restructuring costs	267.3	195.9
Merger fees and integration and restructuring costs paid	(10.2)	(7.4)
Net cash from operating activities	257.1	188.5
Purchase of property, plant and equipment	(27.8)	(20.2)
Purchase of intangible assets	(30.1)	(21.9)
Purchase of retail businesses, net of cash acquired	(5.5)	(4.0)
Payment of contingent deferred consideration	(1.5)	(1.1)
Proceeds from disposal of property, plant and equipment and intangible assets	0.3	0.2
Transfers from financial assets – deposits	21.0	15.4
Interest received	2.0	1.5
Net cash used in investing activities	(41.6)	(30.1)
Proceeds from the issue of new shares	2.7	2.0
Purchase of shares by employee benefit trust	(25.3)	(18.5)
Dividends paid	(76.3)	(55.4)
Return of capital to shareholders (including associated costs)	(392.1)	(282.8)
Net amounts drawn down on borrowings facility	195.0	139.6
Fees in respect of borrowings facility	(2.5)	(1.8)
Interest paid	(2.1)	(1.5)
Net cash used in financing activities	(300.6)	(218.4)
Net decrease in cash and cash equivalents	(85.1)	(60.0)
Cash and cash equivalents at start of year	196.8	153.3
Foreign currency exchange gain / (loss) on cash and cash equivalents	5.6	(7.2)
Cash and cash equivalents at end of year	117.3	86.1