

“This is really a lovely horse, I once rode her mother.”

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“I owe a lot to my parents, especially my mother and father.”

“One of the reasons Arnie (*Arnold Palmer*) is playing so well is that, before each tee-shot, his wife takes out his balls and kisses them.
– Oh my God, what have I just said?”

“Ah, isn’t that nice, the wife of the Cambridge president is kissing the cox of the Oxford crew.”

“It’s a game of two halves”

“A fascinating duel between 3 men.”

“Séan Óg Ó hAilpín. His father’s from Fermanagh, his mother’s from Fiji, neither a hurling stronghold.”

“I spent a lot of money on booze, birds and fast cars. The rest I squandered.”

“For those of you watching in black and white, Spurs are in the all-yellow strip.”

“The lead car is absolutely unique, except for the one behind it which is identical.”

Paddy Power plc

ANNUAL REPORT 2004

“These greens are so fast they must bikini wax them.”

“Well, Clive, it’s all about the two M’s. Movement and positioning.”

Who said what?

These are some of the classic sporting quotes of all time. Many have been spoken in the heat of the moment by sportsmen, sportswomen, managers, officials and media commentators, both great and, well, not so great.

“This is really a lovely horse, I once rode her mother.”

Ted Walsh, horse racing commentator

“Ah, isn’t that nice, the wife of the Cambridge president is kissing the cox of the Oxford crew.”

Harry Carpenter, BBC TV Boat Race

“I owe a lot to my parents, especially my mother and father.”

Greg Norman, golfer

“If the bible has taught us nothing else, and it hasn’t, it’s that girls should stick to girls’ sports, such as hot oil wrestling, foxy boxing and such and such.”

Homer Simpson, *The Simpsons*

“A fascinating duel between 3 men.”

David Coleman, BBC commentator at the World Athletics Hammer Throw

“One of the reasons Arnie (Arnold Palmer) is playing so well is that, before each tee-shot, his wife takes out his balls and kisses them. – Oh my God, what have I just said?”

U.S. TV commentator

“Séan Óg Ó hAilpín. His father’s from Fermanagh, his mother’s from Fiji, neither a hurling stronghold.”

RTÉ’s Michael Ó Muircheartaigh

“I spent a lot of money on booze, birds and fast cars. The rest I squandered.”

George Best, former footballer

“For those of you watching in black and white, Spurs are in the all-yellow strip.”

John Motson, BBC commentator

“The lead car is absolutely unique, except for the one behind it which is identical.”

Murray Walker, TV commentator

“These greens are so fast they must bikini wax them.”

Gary McCord commentating at the Masters in Augusta

“Well, Clive, it’s all about the two M’s. Movement and positioning”

Ron Atkinson

“Strangely, in slow motion replay, the ball seemed to hang in the air even longer.”

David Acfield, footballer

“Have you ever thought of writing your autobiography? On what?”

Chris Eubank

“It’s hard to be passionate twice a week.”

George Graham, former Arsenal manager on their punishing schedule

“It was the fastest-ever swim over that distance on American soil.”

Greg Philips, *Portsmouth News*

“I love Cork so much that if I caught one of their hurlers in bed with my missus, I’d tiptoe downstairs and make him a cup of tea.”

Joe Lynch, actor and singer

“I never comment on referees and I’m not going to break the habit of a lifetime for that prat.”

Ron Atkinson

“Julian Dicks is everywhere. It’s like they’ve got eleven Dicks on the field.”

Metro Radio

“Life isn’t all beer and football. Some of us haven’t touched a football in months.”

Kerry footballer getting ready for start of the winter league

“Sure there have been injuries and deaths in boxing – but none of them serious.”

Alan Minter, boxer

“Teddy McCarthy to John McCarthy, no relation, John McCarthy to Teddy McCarthy, still no relation.”

RTÉ’s Michael Ó Muircheartaigh

“We’ll still be happy if we lose. It’s on at the same time as the Beer Festival.”

Noel O’Mahony, Cork City boss before the game in Munich

“I got into the ring with Muhammad Ali once, and I had him worried for a while. He thought he’d killed me!”

Tommy Cooper, comedian

“Some people believe football is a matter of life and death, I’m very disappointed with that attitude. I can assure you it is much, much more important than that.”

Bill Shankly, former Liverpool manager

“Is the ref going to finally blow his whistle? No, he’s going to blow his nose!”

Radio Kilkenny

“Sex is an anti-climax after that!”

Grand National winning jockey Mark Fitzgerald

“Well, you gave the horse a wonderful ride, everybody saw that.”

Desmond Lynam, (then) BBC commentator

“In cycling, you can put all your money on one horse.”

Stephen Roche, former professional cyclist and Eurosport commentator

“She’s about as cuddly as a dead hedgehog. The alsatians in her yard would go around in pairs for protection.”

John Francombe, jockey

“If you’d offered me a 69 at the start this morning I’d have been all over you.”

Sam Torrance, golfer

“That boy throws a ball further than I go on holiday.”

Ron Atkinson

“There are the boys, their balls between their legs.”

Amanda Redington, GMTV

“There are two things in Ireland that would drive you to drink. GAA referees would drive you to drink and the price of drink would drive you to drink.”

A Sligo football fan after the 2002 Connaught final

“... and Ray Illingworth is relieving himself in front of the pavilion.”

John Arlott, TV commentator

“There goes Juantorena down the back straight, opening his legs and showing his class.”

David Coleman – BBC commentator at the Montreal Olympics

“It took a lot of bottle for Tony (Adams) to own up.”

Ian Wright – commenting on his teammate’s alcoholism

“Batistuta is very good at pulling off defenders.”

Kevin Keegan, football manager

“Statistics are like miniskirts: they give you good ideas but hide the important things.”

Aberdeen manager, Ebbe Skovdahl

“Apart from their goals, Norway haven’t scored.”

Terry Venables

“He dribbles a lot and the opposition don’t like it – you can see it all over their faces.”

Ron Atkinson

“Azinger is wearing an all black outfit: black jumper, blue trousers, white shoes and a pink ‘tea-cosy’ hat.”

Renton Laidlaw

January

January began with the usual hangovers, punters spluttering to life following a glut of quality sport over Christmas.



The Piersie Hurdle at Leopardstown was once again won by a heavily backed favourite. This time round it was the turn of the Charles Byrne's yard, who rarely leave their money behind. They certainly didn't have too many worries when Dromlease Express won very smoothly at odds of 6/1 in the ultra competitive field.



There were no prizes for originality in the first major tennis tournament of the year, the well backed 4/1 shot, and reigning Wimbledon Champion, Roger Federer disposed of Marat Safin in the final to win the Australian Open.



But January belongs to Ireland's luckiest punter, Catherine Egan. She had a €10 accumulator on all seven races at Fairyhouse, lo and behold they all won and she walked away with the less than miserly sum of €424,710!

The jammiest thing about her bet was that one of the horses she wanted to back was a non-runner and she put in a horse called "Munster". Shrewd you may think, but the reason was that Munster had won their Rugby match the previous day!



You can put your violins away because it wasn't all bad news for the bookies in January. 8/1 outsider Foreman held on by the shortest of margins to beat 25/1 shot Georges Girl in the AIG Champion Hurdle at Leopardstown.

February

February started with the Superbowl on the very first day. New England just pipped Carolina 32-29 in a thriller.



Florida Pearl surprised everyone by winning his fourth Hennessy at Leopardstown. He was nearly brought down by the loose Harbour Pilot at the last, but that would have been the travesty of travesties. The cheer at Leopardstown was even louder than when Danoli won, which says it all!



Everyone was happy. The punters may not have backed Florida, but were still delighted to see him win, and of course the bookies absolutely cleaned up with the well backed favourite, Le Coudray, finishing 3 lengths back in second.

The next week the Irish Rugby team travelled to France to start their 6 Nations Campaign. Despite the usual pre-season hype, we were well and truly stuffed – yet another blow for the patriotic punters.



Things took a turn for the better when we hammered Wales a couple of weeks later and suddenly our rugby odds compilers weren't looking so smug about Ireland having no chance for the triple crown.



Vijay Singh also got into winning ways in February, winning his first tournament of the year at Pebble Beach. They call him the hardest working pro on tour, the work was starting to pay off.



The month ended with the Oscars. *The Lord of the Rings, Return of the King* was surely the longest name ever of a Best Picture winner. It was the worst kept secret of all time though, and was unbackable at ridiculously short odds from early on. Sean Penn claimed top spot among the men and Charlize Theron landed a *Monster* gamble in capturing the best Actress award.

March

An unlikely respite for the despairing punters of 2004 – Twickenham in March. Ireland's odds of victory are smashed from 9/1 down to 6/1 by the patriotic posse. The bookies just smile and fill the satchel.



Then Girvan Dempsey scores that try. The Paddy Power risk managers tighten the bicycle clips on their trousers. It may be the year of the bookie so far, but that's the best ever rugby result for punters – the satchels are emptied!

Judging by how the year had started, surely what had gone around was about to come back around. Going in to Cheltenham, the bookies' knees were knocking; the punters believed they were due a change of luck.

The three big races of the week didn't exactly go to plan. 33/1 outsider, Hardy Eustace won the Champion Hurdle on Tuesday. He was meant to run in the Coral Cup, but nobody told his trainer Dessie Hughes.



However, the real sucker punch of the week for punters was the Queen Mother Chase on Wednesday. The champion, Moscow Flyer, was being taken on by the unspellable young pretender to his throne, Azertyuiop. The Irish banker crashed out four from home and left Azertyuiop clear. Rumour has it that there was a mass Cheltenham exodus of penniless Irish punters that night, all grumbling under their breath that God must be a bookie!



Thursday belonged to the punters' Best Mate and bookies' worst enemy. Matey emulated Arkle by winning his third Gold Cup.

Overall, the sequel to last year's festival was called *Revenge of the Bookies*.



March finished with a very well backed Padraig Harrington going close in the Tour Players Championship at Sawgrass. Adam Scott stuttered on the 18th hole of his final round, hitting the drink with his second shot. However, he obviously took his fix of Imodium and got up and down for victory as Harrington looked on from the practice range.

April

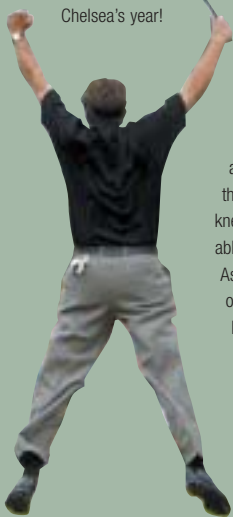
The bloodied battlefield of Aintree started us off in April. The well backed favourite Clan Royal for Jonjo O'Neill looked set to land another National touch in the greatest of races when jockey Liam Cooper lost his map. The horse led at the last but tried to go for another circuit of the track rather than head up the home straight.



Galway man Graham Lee didn't need to be asked twice and stormed home on Amberleigh House for a fairytale victory for Red Rum's trainer. Ginger McCain said after the race that he wanted to be taken behind the stands and shot as he'd never be as happy again, there might have been a few favourite backers who'd have queued up for the first shot!

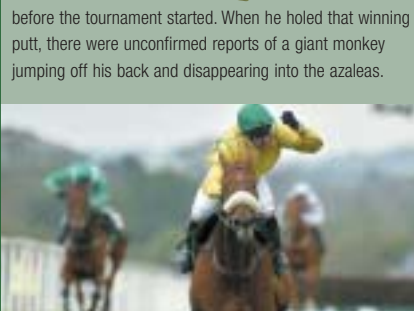


The Champions League form book was also torn to shreds in early April. Chelsea knocked out Arsenal amid famous scenes of Claudio Ranieri crying like a baby and they were joined in the semi finals by such prestigious teams as Monaco, Porto and Deportivo. It was going to be Chelsea's year!



Back to golf, this time Augusta. Phil Mickelson had the best course form of any player going into the Masters, but we all knew that he'd never be able to hold it all together. As soon as the headlights of victory were in sight, he was bound to freeze like a startled deer.

The punters disagreed. Mickelson landed an almighty touch, backed from 25/1 down to 7/1



We ended April with another monkey off another back, Beef or Salmon bounced back to form with a bloodless victory in the Heineken Gold Cup at Punchestown.

May



After Mickelson winning the Masters, punters must have felt that their luck was changing. A Rosanna Davison-esque public gamble gathered momentum in the shape of Waterford man Chris Doran. He stormed to victory in "You're a Star", winning the honour of representing Ireland in the Eurovision Song Contest. We were looking at the biggest ever payout on a novelty event had he won. What a damp squib! He hardly got a point and the punters didn't even get a run for their money, normal service resumed!



Porto won the Champions League in May. The now infamous Jose Mourinho had completed a famous clean sweep of trophies. Get your calculators out for this one! He won the Portuguese League and Cup in 2003 along with the UEFA Cup, and now he'd won the Portuguese League and Cup along with the Champions League – is that a double treble?

Depending on Chelsea this year, he could be the best manager ever!



The Irish Guineas meeting came and went. 12/1 outsider, Bachelor Duke stunned punters by winning the 2000 Guineas, while Manchester United were busy winning their umpteenth FA Cup. The next day 2/1 favourite Attraction got a few quid back for favourite backers in the 1000 Guineas.



June

One of the 10 Commandments of betting is to follow the form book. So why didn't we? Euro 2004 kicked off in June with a victory for no-hopers, Greece, over hosts Portugal, in the very first match. An unlikely preplay of the final. The English assault began with a storming performance against France.



Lampard put them in front before Beckham decided that there was no need to add his penalty to the tally. He would have got away with it had Zinedine Zidane not popped up to score two late goals to stun the barny army. It brought back memories of the Man Utd/Bayern Munich Champions League Final.

Ouija Board ran away with the Oaks at Epsom under Kieran Fallon. The 7/2 shot was well backed, so just



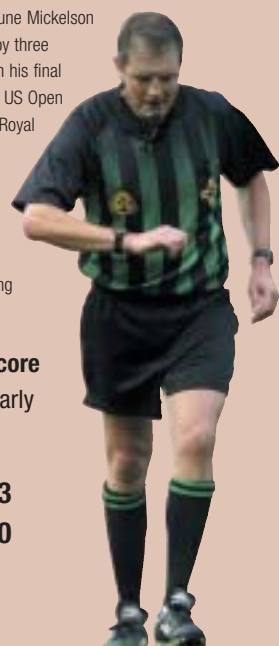
maybe we were witnessing a change in luck for punters. Fallon must have taken it easy that Friday night, as he gave the 7/2 joint favourite, North Light, a cracker of a ride the very next day to land a tidy gamble in the Derby. The bookies were considering cancelling the Rolls Royces they had on order!



In the middle of June Mickelson returned to form by three putting the 17th in his final round to hand the US Open to Retief Goosen. Royal Ascot also came and went, as usual there was a mixed bag of results with the bookies just coming out on top.

Half Time Score
(Blow it up early ref!):

Bookies 3
Punters 0



Betting Review 2004 - 1st half

“A Game of Two Halves”

Some quotes are timeless. This is one of them. It can be attributed to almost every sporting commentator and unimaginative football manager. It’s never been more apt than in 2004.

It neatly sums up the nature of sport and of betting in general. Just ask marathon runner Vanderli de Lima who lost his gold medal when the controversial former Irish priest, Cornelius Horan, tackled him close to home.

Or what about all the punters who backed England to beat France in their Euro 2004 encounter, and were sitting pretty at 1-0 up in the closing stages, only for France to stun them with two late goals and a last gasp victory.

In exactly the same vein, bookies seemed to be in an unassailable lead at the half way stage of 2004, but just like Amberleigh House in the Grand National, the punters came with a late rattle close to home to even up the scores.

We’ve picked a selection of quotes which sum up many of the highlights and lowlights of 2004. Enjoy!

Contents

2	Directors and Other Information
3	Financial Highlights
6	Chairman’s Statement
10	Operations Review
16	Financial Review
22	Board of Directors
23	Directors’ Report
28	Statement of Directors’ Responsibilities
29	Corporate Governance
36	Remuneration Committee Report
40	Independent Auditors’ Report
41	Accounting Policies
42	Consolidated Profit and Loss Account
43	Consolidated Balance Sheet
44	Company Balance Sheet
45	Consolidated Cash Flow Statement
46	Reconciliation of Movements in Consolidated Equity Shareholders’ Funds
47	Notes to the Financial Statements
62	Five Year Financial Summary
63	Additional Information for Shareholders
66	Letter to Shareholders
67	Notice of Annual General Meeting of Paddy Power plc

Leinster Society of Chartered Accountants
2005 Published Accounts Awards
Winner Large Quoted Irish Companies

1/2	Paddy Power
9/4	C.R.H.
4/1	D.C.C.
8/1	Irish Life & Permanent
10/1	Grafton Group
14/1	Irish Continental
16/1	Viridian

Prices subject to fluctuation.

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Fintan Drury Chairman
John O'Reilly Chief Executive
Ross Ivers Finance Director
Breon Corcoran Commercial Director
Stewart Kenny Non-Executive Director
Patrick Kennedy Non-Executive Director
Nigel Northridge Non-Executive Director
David Power Non-Executive Director
Brody Sweeney Non-Executive Director
Stephen Thomas Non-Executive Director

COMPANY SECRETARY AND REGISTERED OFFICE

Nuala Hunt
Airton House
Airton Road
Tallaght
Dublin 24

STOCKBROKERS

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4

Investec
2 Gresham Street
London
EC2V 7QP

LEGAL ADVISERS

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

Kennedy McGonagle Ballagh
20 Northumberland Road
Ballsbridge
Dublin 4

AUDITORS

KPMG
1 Stokes Place
St Stephen's Green
Dublin 2

PRINCIPAL BANKERS

AIB Bank plc
100-101 Grafton Street
Dublin 2

Allied Irish Bank GB Ltd
361 King Street
Hammersmith
London W69 NA

REGISTRARS

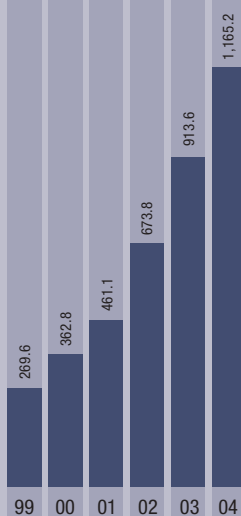
Computershare Investor
Services (Ireland) Limited
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18

Registered Number
16956

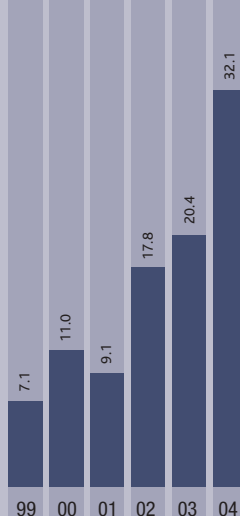
FINANCIAL HIGHLIGHTS

	Year ended 31 December 2004 €'000	Year ended 31 December 2003 €'000	Year on year % Change
TURNOVER			
Retail	688,651	551,136	+25.0
Telephone	236,546	177,418	+33.3
Online	239,968	185,070	+29.7
Total Group turnover	1,165,165	913,624	+27.5
Group profit before taxation	32,140	20,410	+57.5
Profit after taxation	27,478	17,551	+56.6
Profits retained for the year	18,138	11,391	+59.2
EARNINGS PER SHARE			
Basic earnings per share	€0.5661	€0.3697	+53.1
Diluted earnings per share	€0.5431	€0.3502	+55.1
DIVIDENDS PER SHARE			
Interim paid	€0.0620	€0.0430	+44.2
Final proposed	€0.1252	€0.0859	+45.7
TOTAL	€0.1872	€0.1289	+45.2

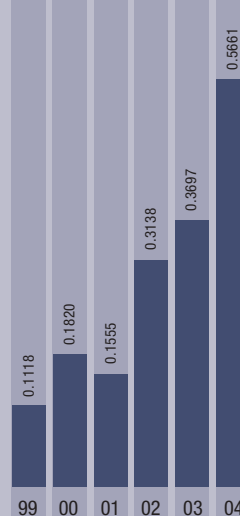
GROUP TURNOVER
(€m)



GROUP PROFIT
(€m)



EARNINGS PER SHARE
(€)







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**“These
trainers
aren’t for
show: I am
an athlete.”**

**Andy “The Viking” Fordham,
30-stone World Darts Champion.**

Celebrity Fat Club legend Andy Fordham in action, winning the World Darts Championships at a meaty 20/1. Even in the final he was the outsider, but managed eagle-eyed accuracy to out-throw the odds on favourite Mervyn King. We know they’re not for show Andy – what an athlete!



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CHAIRMAN'S STATEMENT

"It's a game of two halves"

Dear Shareholder,

The old football cliché '*it's a game of two halves*' could certainly be applied to the past year in Paddy Power.

The year had its ups and downs (in that order), but was consistently exciting and interesting. Through it all, the team at Paddy Power produced yet another record year. This is the 16th consecutive year of turnover growth and, with the exception of one year when we had significant start-up costs associated with the introduction of the online service, the 16th consecutive year of earnings growth. All in all an outstanding achievement.

Turnover	€1,165.2m (+27.5%)
Pre-tax profit	€32.1m (+57.5%)
EPS	56.61cent (+53.1%)
Dividend	18.72 cent (+45.2%)
Cash balances	€47.2m (+20.5%)

We frequently comment on the impact of short-term sporting results on earnings. Favourable results (if you are a bookie) generated a bumper first half for Paddy Power, well ahead of everybody's expectations. Then, with the pendulum swinging back to punters, second half earnings were flat on 2003. Proof again that, while results often happen in 'runs', they average out over time. Unfortunately, favourites win or lose to their own schedule, not necessarily to that of any public company's six month reporting timetable.

Earnings for the year are well ahead of both our 2004 budget and the highest analyst forecast at the start of the year. However, poor sporting results in the fourth quarter, particularly December, meant we came in at the lower end of analysts' revised year end

forecasts. This highlights once again that re-forecasting based on interim "sporting results" is a hazardous occupation.

Your Company enters 2005 in excellent health. Turnover growth, a key measure, continued strongly in the second half of 2004 as organic expansion continued across all divisions supplemented by the acquisition of two retail outlets in the United Kingdom (UK). The pipeline of properties and licences, in both Ireland and the UK, should deliver sustained outlet growth in 2005. Our online division goes from strength to strength adding new products and diversifying into non-bookmaking products such as casino, poker and peer-to-peer games.

The superior quality of paddypower.com was acknowledged in January when it was voted the Best Online Bookmaker in the Racing Post/Netprophet survey of bookmakers. Our telephone business also saw significant development, particularly in the UK, and continued to make a significant contribution to the Group.

STRATEGY

2005 will see a continuation of our existing strategy across all three divisions. Underlying this is a fixation with the customer; delivering a superior product range and customer service while increasing our distribution capacity. We continue to obsess about the Paddy Power brand, which remains one of our key assets. However, given our relative size and differing objectives in each market we must carefully select our marketing opportunities ensuring that they are cost effective and appropriate for those markets.

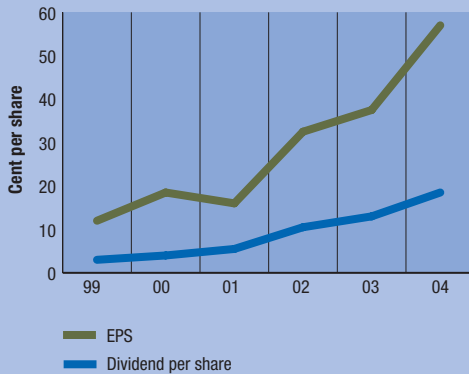
The past year has seen a further evolution of the business as Paddy Power generated new non-bookmaking income. The success of

Paddy Power Casino, virtual games and peer-to-peer games in 2004 has had a significant positive impact on the income volatility that is a feature of the traditional business. The revenues from these activities are closely tied to turnover performance, and are not subject to the vagaries of sporting results which impact betting revenues. We will see further growth in these revenues in 2005, together with new revenues from both online poker and fixed odds betting terminals (FOBTs) in our expanding UK retail estate. This overall change in revenue mix will increase absolute earnings while reducing volatility due to "sporting results".

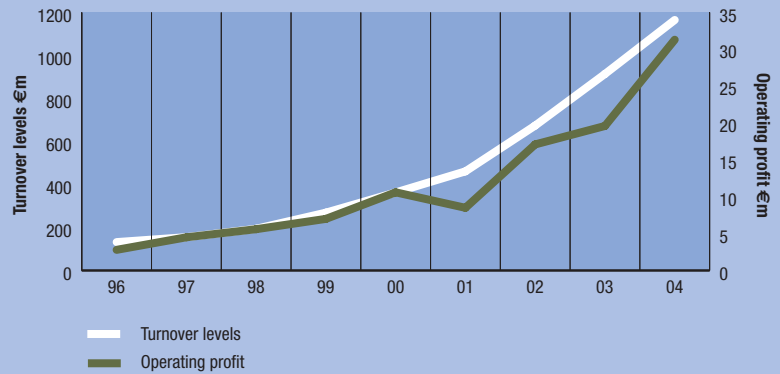
While Ireland clearly remains the heart of our business, our success in the UK will see it become an increasingly significant part of the Group. We enter 2005 with 31 UK retail outlets as well as significant telephone and online businesses. The coming year will be an important year for the UK retail business. Given the growth to date in the retail estate, and our expected future growth through the opening of new outlets, increasing focus will be placed on the operational aspects associated with managing the enlarged estate. Our approach continues to be one of sensible organic growth in new outlets coupled with opportunistic acquisition, such as the two outlets acquired this year.

2005 should see continued progress in gambling deregulation in the UK. After much high profile progress in 2004, casino deregulation came to a surprise halt late in the year. Bookmaking deregulation, however, has continued. Pending the passing of the Gambling Bill, the formation of the Gambling Commission and the issuance of their policies and guidelines, it is too early to predict the exact impact on Paddy Power. We remain optimistic that deregulation in this area will be delivered and that it will benefit Paddy Power. Until the Gambling Commission is established

EPS AND DIVIDENDS PER SHARE



OP AND TURNOVER TREND LINE



and relevant policies and guidelines are issued I do not envisage any change in strategy.

Data rights charges have been a strategic issue facing the industry for some time as sporting organisations sought to charge bookmakers for taking bets on their sport, based on their alleged database rights over the underlying data. However, the outcome of the European Court of Justice ruling in the British Horse Racing Board (BHB) V William Hill case has cast significant doubt on the existence of these rights and the BHB's ability to charge for them. This is a matter which is being actively reviewed by Paddy Power both in the context of the BHB and others.

PEOPLE

People are our greatest asset, and 2004 has seen significant progress in strengthening the organisation as the size and complexity of the business has continued to grow. With almost 1,200 staff at year end, and further increases planned for 2005, continued investment in people and management structures is essential.

The new appointments made throughout 2004, and referred to in my previous reports, are having a positive impact on the organisation. There is also a wealth of knowledge and experience within the

existing organisation that has developed over the past 16 years. Increasing focus on performance management and training and development throughout the organisation will help nurture the best talent. The increasing size of the Group will provide many opportunities for talented staff to progress their careers while providing succession throughout the organisation.

BOARD

2004 was a year of significant change for the Board as it develops to meet the new commercial challenges facing the Group, as well as meeting corporate governance standards. As mentioned in last year's Annual Report and announced during the year, Messrs Ian Armitage, Edward McDaid and John Corcoran have retired from the Board. Each has made a magnificent contribution to the Group. On your behalf, I want to acknowledge their contribution once again and thank them for their commitment.

The process of redeveloping the Board is in progress. During the year Patrick Kennedy joined as a non-executive director and Breon Corcoran as an executive director. Both have already made a significant contribution to the Board. As announced on 16 February 2005, Brody Sweeney has joined the Board and I look forward to his contribution in the years ahead.

The development of the Board is ongoing and further appointments are anticipated. Our belief is that finding the best people is paramount and one for which we are happy to suffer some time delays.

DIVIDENDS

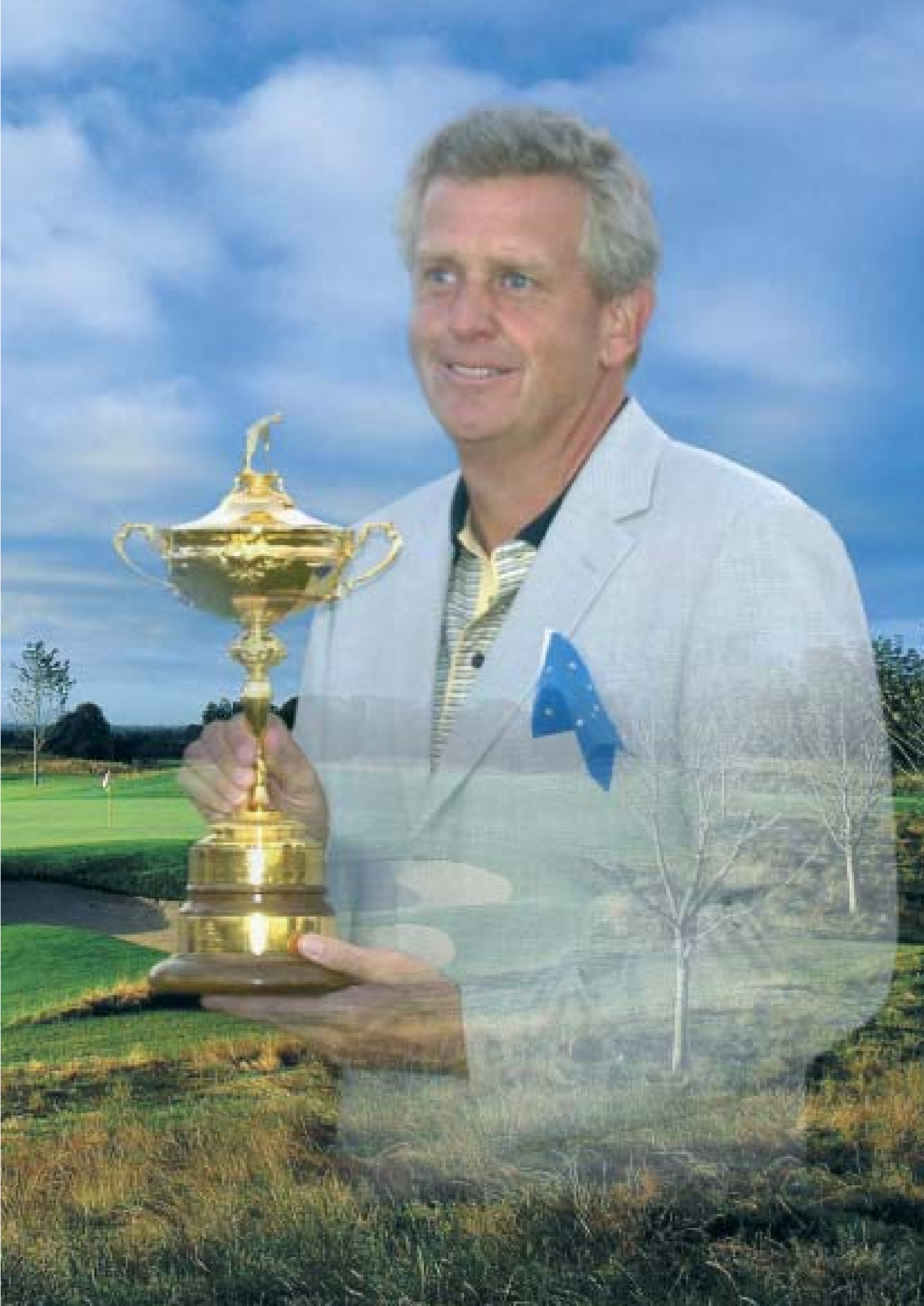
The Board is recommending a final dividend of 12.52 cent per share payable to shareholders on the register at 4 March 2005, bringing the total dividend for the year to 18.72 cent per share, an increase of 45.2% on 2003 (12.89 cent). The Board's intention is to pay approximately one third of after tax earnings by way of annual dividend.

I look forward to the coming year with confidence as we continue to deliver on our promises. Together with the Board and the Paddy Power team I anticipate that 2005 will be another successful year for your Company.

Fintan Drury
Chairman

22 February 2005

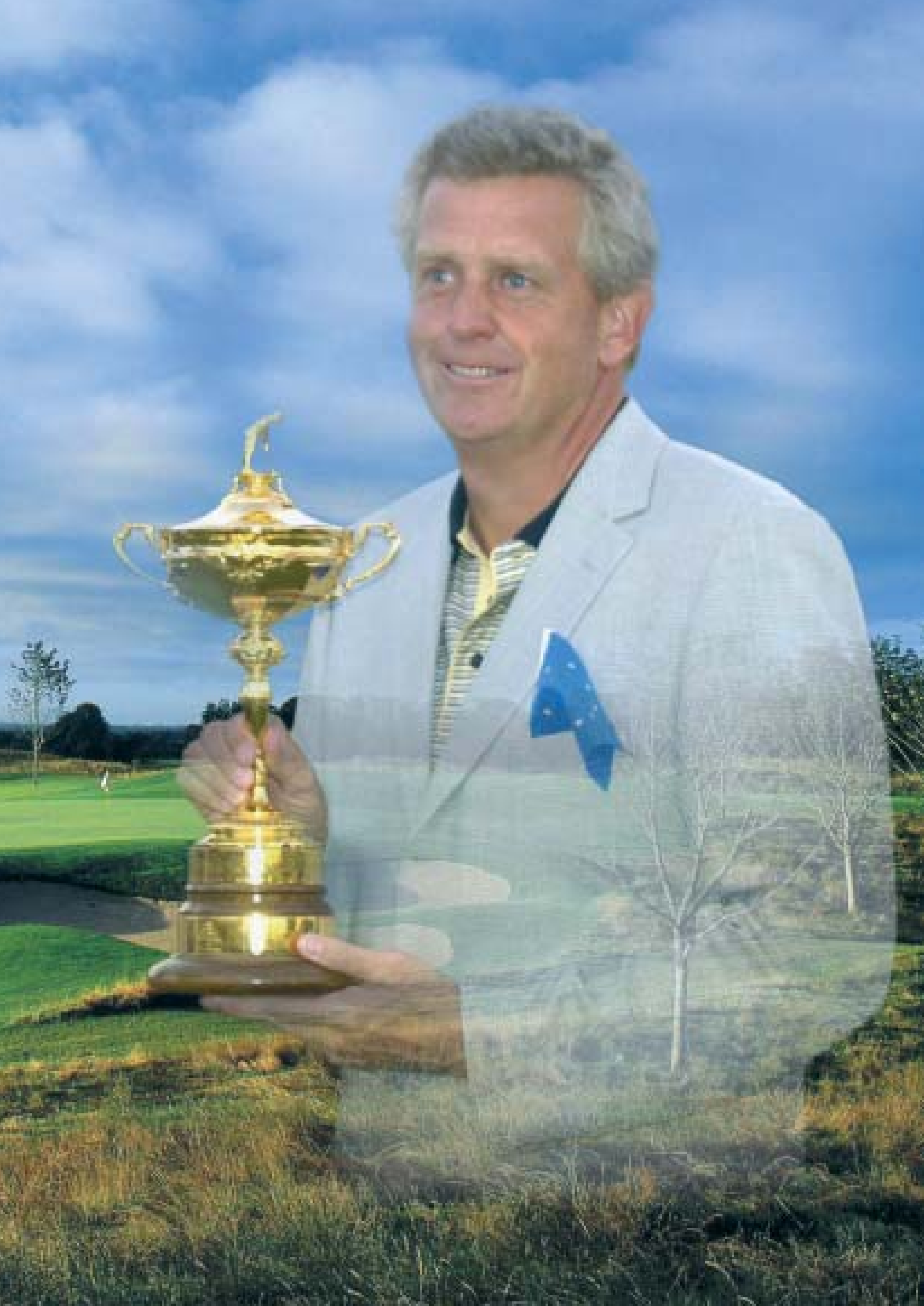




**“ I will pray that
His will, will
be done. He is
almighty and
all powerful.
I will certainly
pray for His
blessings and
wisdom.”**

**Bernhard Langer, Europe's captain,
on Colin Montgomerie, or God.**

Saint Colin seen holding yet another Ryder Cup. In hindsight the result was never in doubt with Europe having a direct line to the Man upstairs! European Captain, Bernhard Langer knew Monty was the equivalent of Divine Intervention, as did those shrewdies who backed him at 20/1 to hole the winning putt!



OPERATIONS REVIEW

Although Paddy Power is primarily a small stake fixed odds bookmaker, 2004 has seen a move into non-bookmaking activities through the online casino, fixed odds betting games and peer-to-peer games. Our UK retail estate also operates fixed odds betting terminals (FOBTs).

The past year has been a very busy one across all three divisions as we continue to see significant expansion. This has been driven by the growth in the two key economies in which we operate, together with an increase in brand awareness, distribution capacity and new product launches. The quality of our core bookmaking product continues to lead the market, driven by both our investment in product development and ongoing focus on our customers. Volume growth in bets layed continued in all divisions which in turn drives turnover, operational complexity, costs and ultimately profit.

Customer service is, as always, central to our philosophy. We continue to lead the market in generosity, be it via contracted money back specials or just refunding money when it was fair to do so, and we remain the benchmark that others must attempt to follow.

THE RETAIL DIVISION – BETTING OFFICES

The retail estate finished the year with 174 outlets (2003: 149), with 143 (2003: 137) in Ireland and 31 (2003: 12) in the UK.

It was a year of significant activity in the Irish and UK retail divisions with both finishing the year with record numbers of outlets. However, just as important as the expansion of the estate, is the continued commitment to the existing estate through an ongoing programme of refurbishments, extensions and relocations. This continuous improvement in the quality of our retail

space, together with the increasing investment in screens/broadcasting technology, is key to driving the excellent like-for-like sales growth that we have enjoyed. Investment in capital across the retail estate totalled a record €23.1m in 2004.

Six (2003: 8) new outlets were opened in Ireland during the year. 2005 is expected to see approximately eight new outlets opened. In addition to new openings, four (2003: 10) relocations, four extensions (2003: 3) and 27 (2003: 10) refits were undertaken during 2004. The total number of premises developed totalled 41 (2003: 31), a new record for the Irish business. This process will continue through 2005 and at the time of writing we have already completed one relocation, two extensions and seven refits. We also continue to operate four racecourse shops as well as the stadium shops at Lansdowne Road. There were five (2003: 5) surplus property leases at year end.

Expansion in the UK continues apace with the retail estate increasing to 31 outlets (2003: 12) as at the year end. In addition, successful licence applications mean that a further five licences are held at the year end and these outlets will be opened during 2005. We expect to have between 45 and 50 outlets opened by the end of 2005. Our 31 outlets in the UK include two outlets purchased during 2004.

Having now established over 30 outlets in the UK, 2005 will see a requirement to focus on the additional operational aspects of running the enlarged UK estate as well as continuing to open new outlets in line with our stated objectives. The UK team is now *in situ* in our new office in London and the divisional management structure is in place.

The Group commenced testing an EPOS solution in late 2004. Having completed

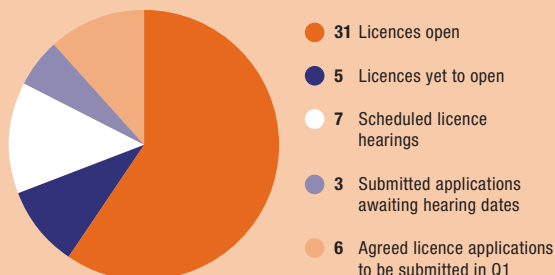
head office trials this is now in place in a small number of outlets where it is undergoing field testing and modification. Subject to satisfactory performance, a more extensive test will be undertaken in mid 2005 before a final decision is made on a full estate roll-out. The cost of installing EPOS in the current estate would be approximately €8 million.

While there are many potential benefits of EPOS to both our customers and to Paddy Power, our intention would be to use it to improve the quality of customer service by increasing the speed and accuracy of payout and expanding the product range. The improved availability of risk information from the retail estate should also help manage the gross win percentage over time. The technology infrastructure to support EPOS should also allow other benefits as it would provide an intranet communications infrastructure within the estate, allowing e-mail communication and local printing of marketing material and coupons. It would also provide an infrastructure for customer facing information terminals or even internet access.

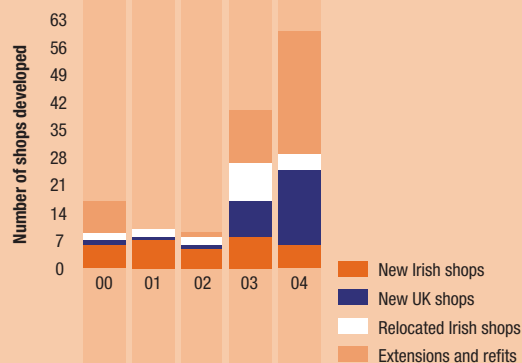
Investment in technology has also continued with the installation of the new screens system throughout the retail estate. The system, which allows for a 24 screen display, is now installed in all of our UK estate and has been refitted into 75 outlets in Ireland. It is expected that, by end of 2005, all of the estate that can be refitted will be. This is expected to be approximately 110 of the Irish outlets.

In conjunction with these improvements in our outlets, the head office screens technology is also changing with a new version of our current software being implemented. This will allow us to tailor screen content for different geographies.

52 UK SHOPS IN PROGRESS



RETAIL ESTATE DEVELOPMENTS



NON RETAIL

Non retail comprises the online division (internet betting, casino, and interactive TV) and the telephone division.

Active Customers (Online)

	2004	2003
Ireland + rest of world	16,721	14,026
UK	29,982	22,174

Active Customers (Telephone)

	2004	2003
Ireland + rest of world	10,207	9,601
UK	8,326	8,361

(Active customers are defined as those who have bet on the sportsbook in the last three months)

THE ONLINE DIVISION

The online division has seen significant development in 2004 as it has moved from being a bookmaking business to an increasingly "leisure betting and gaming business". There have been significant ongoing improvements to the product offering over the course of the year. These range from relatively simple activities such as relaying out a web page and reskinning the website through to the introduction of new functionality and products.

The online division remains the fastest moving part of the business and 2004 has seen the introduction of a significant number of gaming products. The most prominent of these is the Paddy Power Casino which was launched in the UK in early 2004. We have seen continued growth in this business over the course of the year and it has generated a significant gross win contribution in 2004, as discussed in the financial review. In addition to the casino there have been a host of smaller product launches. These include Paddy Park, Hi-Lo, Penalty Shoot Out, and Spin 2 Win, the first two of which are available as mobile games. All of these activities are algorithm based, thereby reducing our reliance on sporting activity and consequently reducing the volatility of earnings over time.

In addition to the gaming products noted above, 2004 also saw the addition of a suite of peer-to-peer games where Paddy Power takes no risk position in the game but earns its income by way of a commission on betting between two third parties. Early 2005 saw the launch of our poker product from which we earn commission and which will further insulate us from the short-term impact of sporting results.

Notwithstanding the increased emphasis on non-bookmaking products, we have also seen considerable investment in the core

bookmaking product as we continue to improve the range of events covered, and the depth of markets offered on each event. This is discussed further in the trading and risk management section of this review.

THE TELEPHONE DIVISION

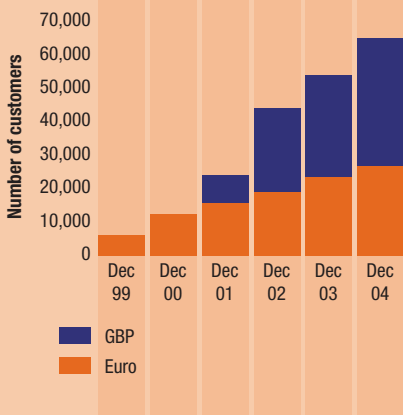
The telephone business has continued to develop in Ireland and the UK reflecting our market leading position in Ireland and relative newcomer status in the UK. As discussed below and in the 2004 interim statement, our UK business has been slightly repositioned over the course of the year given the different characteristics of the telephone business and our different position in the UK market as compared to Ireland.

The telephone business is characterised by a high variable cost structure. Cost is primarily driven by the volume of bets processed, not their value. This is compounded by the need to flex the call center staffing to handle the varying call volume levels experienced over the course of any given week. Consequently there is a need to have a higher average bet value than the other channels.

Our telephone customer base continues to develop. Given our leading position in the Irish market, the telephone business plays several roles. As well as servicing our core

OPERATIONS REVIEW (CONTINUED)

NON RETAIL ACTIVE CUSTOMERS



telephone customers, it provides an alternative means of access for customers who cannot get to an outlet or the internet. It also provides access outside outlet opening hours.

In the UK, the emphasis differs, as there is a smaller retail estate to support. Following the repositioning of the telephone business in 2004, we expect that as the UK retail estate and online businesses grow they will provide additional support to the UK telephone business.

In 2004, product development, driven by the trading and risk management group, has also been a key feature of the telephone business particularly in the area of betting-in-running. While betting-in-running is predominantly a football and golf activity, the US presidential elections also saw significant betting taking place throughout the night of the results.

TRADING AND RISK MANAGEMENT

One of the core skills of a bookmaking business is the compilation of odds and the trading of the "book". Together with a significant product development role this activity is undertaken through our trading and risk management group.

This group has been busy in 2004 under its new head. The increasing size of the business creates many new opportunities and, therefore, warrants continued investment in this function. Secondary markets which were previously too small to justify investment have reached critical mass e.g. financial betting. Investment in sophisticated mathematical models and processes that were previously uneconomic have become viable. Furthermore, opportunities in the online division create a demand for new products that can also be marketed through the telephone and retail

channels. In addition, the increasing size of the UK retail division is changing the overall risk profile of the business due to a different product mix in our UK estate i.e. increased football business.

The increasing size and complexity of these activities demands increasingly structured internal processes. 2004 has seen changes to staff roles together with more detailed trading rules and limits. Rather than restrict the activities of the division, these processes have improved its operation and are reflected in our market leading product range.

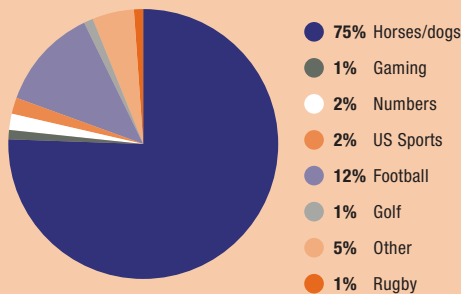
The number of events and associated markets that Paddy Power now offers continues to increase with over 118,000 events bet on in 2004. While the amount of money taken on each event varies, there remains a number of very popular high turnover betting events during the year. However, the gross win percentage continues to be determined by the overall mix rather than a few key events. For instance in the non retail business, the top 1,100 events only account for 10% of turnover.

MARKETING

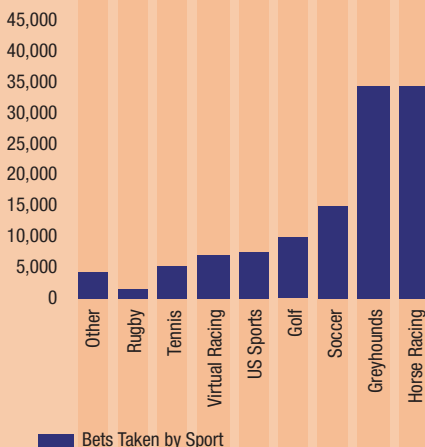
The Paddy Power brand has been built over 16 years thanks to a constant focus on fun (sometimes irreverent) and innovation and we are committed to maintaining our position as the punter friendly bookmaker. Irrespective of the size and type of marketing activity undertaken, it all contributes to our punter friendly image and overall brand recognition. Our brand remains a key point of differentiation.

Some of the highlights of 2004 include our ongoing sponsorship of all live horse racing coverage on RTÉ, our sponsorship of the Football Association of Ireland and the Irish

TURNOVER BY SPORT



MARKETS PRICED BY SPORT



Rugby Football Union. Our racing sponsorships include the very successful Paddy Power Gold Cup in Cheltenham and the Paddy Power Chase in Leopardstown. Our more fun sponsorships, such as Brock the Jack Russell, who added so much to this year's Australian/Gaelic Compromise Rules match between Ireland and Australia, continue to be a strong feature of our marketing activity.

Much of this activity is opportunistic. Coverage of our market leading customer friendly pursuits generates significant exposure through betting related media and, most importantly, word of mouth. From the payment of €424,710 in January 2004 to Catherine Egan as Ireland's largest single winning bet with a bookmaker, refunding money recently for the Tottenham goal that was, but was not, given against Manchester United to the plethora of other events throughout the year, Paddy Power continues to lead the way. We continue to be the most frequently mentioned bookmaker in the Irish media and have clearly broken into the top echelon of UK bookmakers on the basis of media mentions. This success is driven by hard work together with the quality of the underlying product, accessibility and the customer friendly nature of the brand.

PEOPLE

I talked at length last year about the importance of people to the organisation and referred to a number of senior appointments that were made or were in the process of being made. Now, a year on, I am more convinced than ever of the need to continue to invest in quality people throughout the organisation.

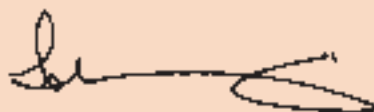
Having put in place a very capable senior management team, attention must now turn to succession planning and development of

talent throughout the organisation. We are putting in place plans to develop the next layer of talent to ensure that we will have the best cashiers in the shops, the best shop managers and the best telephone operators in the call center.

Paddy Power is a fast growing Company and our people needs are evolving. We need more of our existing skill sets as well as new ones. This opens opportunities for both internal promotions and for attracting new talent. This growth brings challenges to the Paddy Power culture. As we bring new people into the organisation it is imperative that the training and induction process ensures that the values of the organisation are made clear and that people subscribe to these values. This is particularly important in the UK retail business where the organisation is relatively new and staff numbers are growing. It is essential that they are fully integrated into the distinctive Paddy Power culture.

LOOKING FORWARD

2005 promises to be another exciting year for all in Paddy Power as we continue with our successful organic growth based strategy. This will deliver expansion of both the Irish and UK retail estates, while the non retail business will see the development of its existing business channels and products, supplemented by the addition of new products such as the new poker business.



John O'Reilly

Chief Executive

22 February 2005





Guest at a charity dinner:

“You have a gun with one bullet. Who would you shoot: Victoria Beckham or Arsene Wenger?”

Alex Ferguson:

“Could I have two bullets?”

Alex Ferguson exchanges pleasantries with the back of Arsene Wenger's head as the fourth official looks on helplessly (he looks a bit like Jose Mourinho too!). There was no need for Fergie to lose his cool though, he managed to mastermind the end of the Gunners' record 49 game unbeaten run in the Premiership, landing a tidy gamble at odds of 6/4 in the process.



FINANCIAL REVIEW

The Group has no discontinued operations and all activities are considered core.

TURNOVER

Bookmaking turnover is recorded as the amount staked by the customer with customer winnings recorded as a cost. However, given the high predictability and low inherent gross win percentage in the casino and FOBT products, their turnover is recorded as net customer losses i.e. amount staked less customer winnings ("the drop"). The impact of this is that the relevance of turnover growth in the online division as a measure of business growth is reduced.

As always the sporting calendar will vary from year to year with regard to high profile sporting tournaments. In 2003 the Rugby World Cup took place, while in 2004 we had the benefit of the European Football Championships. While these types of events can have a small impact on year-to-year comparisons, they do not impact trends in any material way.

Turnover for the year to 31 December 2004 was €1,165.2m (2003: €913.6m) an increase of 27.5% on 2003. Turnover growth has been strong across all three channels ranging from 25.0% to 33.3%.

Retail turnover grew by 25.0% in 2004 from €551.1m to €688.7m. The Irish estate grew by 18.4% to €628.1m from €530.6m in 2003. Like-for-like growth rates within Ireland were 14.1% in 2004 reflecting the continued strength of the market and Paddy Power's strong position within it. Like-for-like growth includes the impact of our continuing refurbishment programme referred to in the operations review, but excludes the impact of the six

new outlets opened during the year. We continue to invest in new in-shop display systems which, through the display of additional product, will continue to drive turnover growth.

The UK retail estate saw turnover growth of 198.3% to reach €60.6m (2003: €20.5m) as the rollout of the estate continued with eight of the 31 (2003: 12) outlets opened in December 2004. We are pleased with the turnover growth in the UK which has been driven by growth in the number of outlets, improving brand recognition and continued product development. Customers now have the ability to take advantage of our larger estate by placing and collecting bets in different outlets.

The online division continued to see strong growth with turnover increasing by 29.7% to €240.0m (2003: €185.1m). Growth in the sportsbook was 22.4% which was driven by continued improvement in the online product offering. The quality of the product was recognised during the year when paddypower.com was voted the best online bookmaker by the Racing Post readers in 2004.

Also included in online turnover is the turnover from gaming products of €13.4m (2003: nil) driven by the casino, fixed odds games and peer-to-peer games, all introduced in 2004.

The telephone business continued to develop in both markets, growing by a total of 33.3% to €236.5m (2003: €177.4m). The UK now accounts for 46.67% of this turnover increasing from 37% in 2003, as we continue to expand in this relatively new market for Paddy Power.

Average slip/bet values by channel

	2004	2003	Change
	€	€	%
Retail	18.21	16.98	7.2
Telephone	83.45	67.64	23.4
Online	27.09	27.18	(0.3)

(Note: Retail slips can contain more than one bet per slip, while other channels have a single bet per slip. Online comprises the sportsbook only.)

Average bet size continues to develop in the retail estate. Average bet size in the UK estate is larger than in the Irish estate due to the different age profiles of the estates. However, it is similar to the average of our equivalent new Irish shops. Given the different cost dynamics of handling bets through each channel, we continue to seek a higher average bet size in the telephone channel where the cost of delivery is higher. The overall stake patterns are consistent with the previous year and with our expectations.

Gaming machine income continues to grow in our UK estate with 97 machines installed at year end. Average gross drop per machine per month was €2.5k although this is improving in the latter part of the year due to a change in machine suppliers and a changing mix between FOBTs and AWP machines. Gaming machines are not generally permitted in Ireland.

Bet volumes

	2004	2003	Change
	€'000	€'000	%
Retail	37,811	32,464	16.5
Telephone	2,835	2,623	8.1
Online	8,363	6,808	22.8

(Note: Retail volumes refer to the number of slips processed while other channels refer to the number of bets processed. Online comprises the sportsbook only.)

GROSS WIN AND GROSS PROFIT

Gross win is measured as the amounts staked (excluding betting tax and levies) less the amount returned to customers as winnings. Gross profit is measured as gross win less discount on bets and gross win taxes. Customer drop from the casino, FOBTs and most other gaming products are included in gross win at 100% margin.

Gross win percentages by channel are set out in the table below:

Gross win %

	2004 12 mths to 31 Dec %	2004 6 mths to 31 Dec %	2003 12 mths to 31 Dec %
Retail	12.88	11.61	12.32
Telephone	8.31	6.66	7.43
Online	10.73	9.69	7.31

Gross win percentages in the sportsbook are driven by a number of factors including the underlying margin in the odds, the mix of events, the mix of bet types, customer behaviour, the accuracy of the odds offered and the run of results. In particular the run of results has a significant impact on margin, with winning favourites giving poor results for the bookmaker and vice versa. In contrast, the gross win percentage from gaming activities is lower, but less volatile given the inherent mathematics and different customer betting patterns.

The first half of the year saw strong gross win driven by continued turnover growth, a good run of sporting results together with the new gaming revenues from the online casino and peer-to-peer games. The second half of the year saw continued growth in turnover and improvement in the performance of the casino while sporting

results in the fourth quarter, particularly in the busy December period, were poor. The benefits of the increased gaming revenues can be clearly seen in the second half where its predictability mitigated the impact of poor sporting results. As the casino and other non-bookmaking income grows, overall gross win volatility should reduce.

We continue to expect the sportsbook gross win percentage to fall within annual ranges for each channel as follows:

Retail	12% – 14%
Telephone	8.5% – 9.5%
Online	7.5% – 8.5%

Gross win increased by 41.8% compared to an increase in turnover of 27.5% as set out below. This reflects improved gross win across the sportsbook together with €7.9m (2003: nil) of online gaming drop.

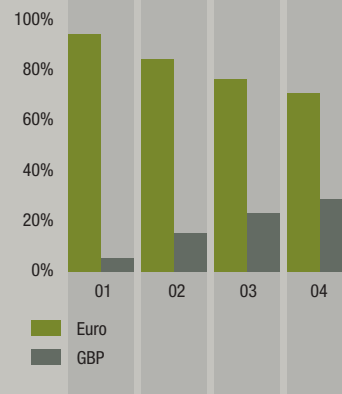
Gross win by channel

	2004 €'000	2003 €'000	Change %
Retail	88,701	67,907	30.6
Telephone	19,664	13,179	49.2
Online	25,745	13,524	90.4
Total	134,110	94,610	41.8

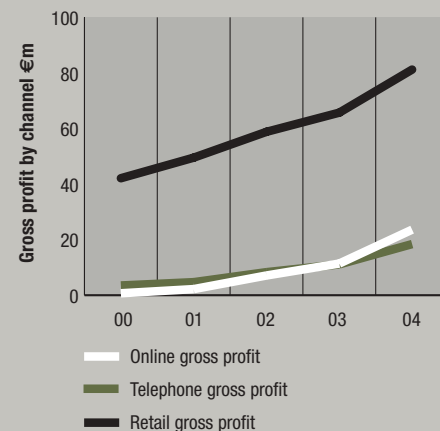
Gross win in the UK shops is developing and we have seen continued improvement as the estate develops and the volume of bets increases. We expect margin to continue to improve over time as the shops increase their bet volume and enhance their product mix.

Gross profit reflects the application of UK/Isle of Man betting taxes to the gross win and discounting of bets in Ireland. For business conducted under a UK betting licence, 15% of the bookmaker's gross win is paid in betting tax, while for business

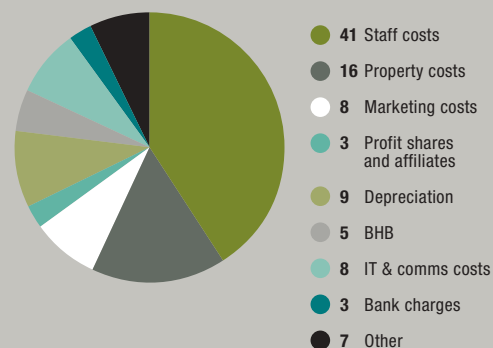
TURNOVER BY CURRENCY



GROSS PROFIT BY CHANNEL



OPERATING COSTS BY CATEGORY (%)



FINANCIAL REVIEW (CONTINUED)

conducted under an Isle of Man betting licence, 1.5% of gross win is paid in betting tax.

Gross profit in the year grew by 39.7% to €123.2m. This reflects the increased gross win above offset by an increased level of discounted bets in Ireland and a change in mix of gross win based betting taxes. There was no change in the gross win tax rates in the period.

OPERATING PROFIT

2004 operating profit was €31.1m, an increase of 58.6% over 2003. This excellent performance was driven by the 39.7% increase in gross profit referred to above offset by a 34.3% increase in operating costs.

Operating profit by channel

	2004 €'000	2003 €'000	Change €'000
Retail	17,752	17,402	350
Telephone	4,552	861	3,691
Online	8,830	1,369	7,461
Total	31,134	19,632	11,502

The retail division was almost flat for the year as the 13.55% increase in the operating profit for the Irish estate was offset by expected start up losses in the UK estate. We believe that losses in the UK have now peaked and expect the core estate of UK shops to trade profitably in 2005 and beyond. Continued investment in both management and new outlets means that we do not expect an overall profit from the UK until 2006, and we remain confident that the UK retail estate will be a significant profit contributor over time. We expect the Irish estate to show continued earnings growth and cash generation.

The telephone business had an excellent operating profit of €4.6m (2003: €0.9m) driven by strong turnover, an improvement in the average stake size, improved gross win percentage and good cost containment. As noted above, the cost dynamics of this channel differ from the other channels given the capacity constraints of a call center and the high costs per transaction. Good earnings growth is dependent on increasing the average contribution per call, tight cost control as well as absolute turnover growth.

The online business had an outstanding year as its profit contribution rose to €8.8m from €1.4m. This reflects the combination of strong gross profit growth within the core business and new gaming revenues. The relatively fixed cost nature of the business allowed approximately 60% of the gross profit increase to fall to operating profit.

While overall costs have increased by 34.3% this must be looked at in the context of a 27.5% increase in turnover and a 39.7% increase in gross profit. Costs are driven by both turnover and by gross profit (i.e. commissions, BHB levies, etc.) as well as the need for investment in marketing new products, development of the brand and investment in the new UK retail division. We remain confident that the cost base is correctly sized for the business.

TAX RATE

The corporation tax charge for the year was €4.6m (2003: €2.9m) representing an effective tax rate of 14.5% (2003: 14%). This compares with the statutory rate in Ireland of 12.5% and the UK statutory rate of 30%. No corporation tax is payable in the UK in respect of 2004 due to tax losses. The Group's effective tax rate remains above the statutory rate due to the disallowance of certain expenses and this is likely to continue going forward.

CASH FLOW, CASH BALANCES AND FOREIGN EXCHANGE RISK

Cash balances at 31 December 2004 were €47.2m (2003: €39.2m), an increase of €8.0m. This includes cash held in customer accounts of €6.5m (2003: €4.8m).

Cash from operating activities totalled €45.0m, an increase of €12.9m from 2003. Cash from operating activities included net cash inflow from customer accounts of €1.7m. Interest income was €1.0m, an increase of €0.2m, reflecting higher average cash balances offset by lower average interest rates. Capital expenditure increased by 27.5% to €27.2m from €21.4m in 2003.

The significant capital expenditure reflects the high levels of property activity in both Ireland and the UK due to the expansion and refurbishment of the retail estate. We expect this to continue as we expand at similar rates in the future.

Cash balances are invested in accordance with defined treasury policies approved by the Board. These policies limit the risk rating of institutions that can be used, the concentration of risk with any one institution or within any category of institutions and the term of deposits. Cash balances are substantially invested in short-term bank deposits with maturities of 120 days or less. At the year end all deposits were available at twenty four hour notice.

The Group has no borrowings. Interest rate exposure is thereby limited to interest income on deposits and the impact of the economy in general. The Group remains highly cash-generative and this, together with existing cash balances, will be used to fund expansion. As has been previously stated, only on determination of the scale of expansion in the UK, which is partly dependent on the timing of deregulation, can the Board clearly identify potential surplus cash. Should the Group not require any of its cash reserves, the Board will determine the best method of returning it to shareholders. The Company has the ability to buy back its own shares, which was granted by shareholders during 2004.

Foreign exchange risk in the business is small. As the Group expands in the UK it will require sterling to fund its capital expenditure. Much of this can be naturally hedged from the sterling gross profit generated in sterling from the online and telephone divisions, as these divisions primarily have a euro cost base and so generate surplus sterling. Group policy allows the Group to hedge the foreign exchange exposure for up to six months. At the year end, no foreign exchange contracts were open. The Group's functional currency is the euro and translation risk exists with its sterling subsidiaries.

EMPLOYEES

The average number of employees of the Group during 2004 was 1,076 (2003: 913). At the year end, the total number of employees was 1,199 (2003: 1,032).

SHARE PRICE

The Group's share price traded in the range of €7.15 to €11.00 in 2004 with the year's high reached on 25 November 2004.

The share price at 31 December 2004 was €10.85 (2003: €7.15) giving a market capitalisation of €543m (2003: €342m). The year end free float (shares not held by the directors or related parties) was 88.03% (2003: 78.8%).

Following a change implemented by the London Stock Exchange on 20 December 2004, the shares are now quoted only in euro.

TRADING AND RISK MANAGEMENT

The Group manages its betting risk through a central risk management and trading team whose role is to compile the initial odds and, subsequently, manage the odds and risk exposures through the life of the event. Risk limits are in place within the trading room and compliance with limits is reported daily to senior management and internal audit. Internal audit also carries out reviews of the risk function.

A betting risk management sub-committee of the Board was established in 2003 under the chairmanship of David Power, a non-executive director. This Committee sets overall policy for betting risk. Limits are agreed with the Committee and set annually but are subject to review by the Committee at any time.

The Group does not offer credit betting.

DIVIDEND

The 2004 interim and proposed final dividend total 18.72 cent per share, (2003: 12.89 cent per share), amounting to €9.3m (2003: €6.2m) an increase of 45.2% on 2003. This represents dividend cover of 2.94 times (2003: 2.85). It is the Board's intention to pay approximately one third of after tax earnings in annual dividends on average.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Group is preparing for the implementation of IFRS in 2005. A review has been completed on the differences between current standards and IFRS. With the exception of accounting for share based payment schemes the impact of the changeover will be limited to a small number of areas of disclosure. The different accounting treatment for both share option schemes and the long-term incentive plan will give rise to small balance sheet and profit and loss account adjustments. Our estimate is that the impact on the 2004 EPS of accounting under IFRS would have resulted in a reduction in EPS of less than one cent.

OUTLOOK

Trading for the year to date is satisfactory.

While the pendulum of sporting results will continue to swing between Paddy Power and the punters, we look forward to continued growth across all channels in line with our stated objectives.



Ross Ivers

Finance Director

22 February 2005





“I’ve had such a lovely time here, you can take me round the corner and shoot me now. I don’t give a monkey’s.”

Ginger McCain, after training Amberleigh House to Grand National victory.

Obviously fresh from celebrations, Ginger McCain shares a joke with his new stable star Amberleigh House. The horse came from a mile back to snatch the Grand National from the Jonjo O’Neill trained favourite Clan Royal. The 14/1 was popular with some, but not as popular as the favourite – thanks Ginger!



BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

John O'Reilly (aged 54) is the Chief Executive. He joined the Group in 1988 as Financial Controller and Company Secretary, positions he held until March 2000, when he was appointed a director. Over this period of time, he built up considerable industry and company-specific knowledge and was responsible for expanding the Group's online business. He is a Fellow of the Institute of Chartered Accountants in Ireland.

Ross Ivers (aged 42) is the Finance Director. He joined the Group in July 2001. He has considerable international business and listed company experience gained from his previous roles with PricewaterhouseCoopers, Jardine Matheson plc and Astec (BSR) plc in Dublin, Hong Kong and internationally. He is a Fellow of the Institute of Chartered Accountants in Ireland.

Breon Corcoran (aged 33) is the Commercial Director. He joined the Group in April 2001 and since then has been responsible for development of the Non-Retail business. He previously worked with J.P. Morgan and Bankers Trust. He is a graduate of Trinity College with an MBA from INSEAD. He was appointed to the Board on 31 August 2004.

NON-EXECUTIVE DIRECTORS

Fintan Drury (aged 46), Chairman, is chairman of sports management company Platinum One (formerly called DSMI), and is a director of a number of other private companies. He is also a non-executive director of Anglo Irish Bank plc. A former news journalist with RTÉ, Mr Drury founded Drury Communications, a leading corporate communications consultancy, in 1988. He retired from this business in 1999 when he sold his controlling interest in the company. He was appointed Chairman of Paddy Power plc in May 2003.

Patrick Kennedy (aged 35) was appointed to the Board on 23 March 2004. Patrick is the Chief Financial Officer of Greencore Group plc. He previously worked with KPMG Corporate Finance both in Ireland and internationally and with McKinsey Management Consultants in London, Dublin and Amsterdam as a strategy consultant across a variety of sectors. He joined Greencore in 1998 with responsibility for Group Development. He was appointed to the Board of Greencore Group plc in 2001 and assumed his current role in 2002.

Stewart Kenny (aged 53) was a co-founder of Paddy Power in 1988. He has considerable experience in the betting industry, training with Ladbrokes in London for two years before establishing a chain of betting shops, Kenny O'Reilly Bookmakers. He sold that business to Coral in 1986 and subsequently re-entered the business, opening ten betting shops between 1986 and 1988. He was the Group Chief Executive and also Chairman until May 2003.

Nigel Northridge (aged 49) was appointed non-executive director in July 2003. He is the Chief Executive of Gallaher Group plc. He held various sales

and marketing roles with Gallaher after joining the Company in 1976, before assuming responsibility for continental Europe in 1988. In 1990, he was appointed Managing Director of Gallaher (Dublin) in his native Ireland and was subsequently appointed UK Sales and Marketing Director in 1994 and Group Sales and Marketing Director in 1996. He was appointed Chief Executive of Gallaher in January 2000. He is also a non-executive director of Aggreko plc.

David Power (aged 58) co-founded Paddy Power in 1988 and has been a non-executive director since that date. He merged a significant proportion of the betting shops controlled by him and trading as Richard Power Bookmakers with Paddy Power in 1988. He is an on-course bookmaker.

Brody Sweeney (aged 44) was appointed non-executive director in February 2005. He is one of Ireland's leading entrepreneurs being the founder and Chief Executive of O'Brien's Irish Sandwich Bars, which has over 260 outlets in Ireland, the UK, Europe and Asia.

Stephen Thomas (aged 52) was appointed non-executive director in August 2002. He has extensive experience of the UK leisure sector and is Chief Executive of Luminar plc. He co-founded Luminar in 1997, which today is the largest independent operator of late night entertainment venues in the UK comprising over 280 UK-based businesses including national brands such as; Chicago Rock Café, Jumpin Jaks, Liquid, The Orange House, and The Jam House. Prior to this he held senior positions with a number of UK-based leisure companies including Whitbread & Co plc, Grosvenor Leisure Limited and Rank Leisure Services.

DIRECTORS' REPORT

The directors submit their report together with the financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Group provides sports betting services through a chain of licensed betting offices ('Paddy Power Bookmaker') together with telephone betting ('Dial-a-Bet') and online interactive betting services ('paddypower.com'). It provides online gaming services through 'paddypower.com' and 'paddypowercasino.com'. It provides its services in Ireland and the United Kingdom.

RESULTS

The Group's profit after taxation of €27.5 million reflects an increase of 56.6% on the 2003 profit figure. Basic earnings per share amounted to €0.5661 compared with €0.3697 in the previous year, an increase of 53.1%. The financial results for the year are set out in the Profit and Loss Account on page 42. The retained profit for the year amounted to €18.1 million (2003: €11.4 million). Shareholders' funds at 31 December 2004 amounted to €71.8 million (2003: €52.3 million).

DIVIDENDS

An interim dividend amounting to 6.2 cent per share was paid during 2004. The directors recommend that a final dividend of 12.52 cent per share, amounting to €6.2 million, be paid on 20 May 2005 to shareholders registered at close of business on 4 March 2005. This would make a total distribution of profit to shareholders of €9.3 million in respect of the year ended 31 December 2004 (2003: €6.2 million). No further dividends or transfers to reserves are recommended by the directors.

BUSINESS REVIEW AND OUTLOOK

A detailed commentary is contained in the Operations and Financial Reviews on pages 10 to 19.

MARKET RESEARCH

The Group continues using standard research techniques to track key performance measures. As part of our ongoing market research, in 2004 the Group commissioned research to validate consumer appreciation of Paddy Power's core brand values, with reassuring results.

EVENTS SINCE THE YEAR END AND FUTURE DEVELOPMENTS

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

SUBSTANTIAL HOLDINGS

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

	Holding at 15 February 2005		%
Fidelity Investments Ltd	6,731,173		13.45
John Corcoran	2,590,176		5.18
Merrill Lynch	2,584,915		5.17

BOARD OF DIRECTORS

Messrs Edward McDaid, Ian Armitage and John Corcoran retired from the Board on 22 June 2004, 22 June 2004 and 1 December 2004 respectively. Mr Patrick Kennedy was appointed to the Board on 23 March 2004, and re-appointed by the shareholders at the AGM in June 2004. Mr Breon Corcoran and

Mr Brody Sweeney were appointed to the Board on 31 August 2004 and 16 February 2005 respectively, and are proposed for re-appointment by the shareholders at the AGM in May 2005. Mr Ross Ivers retires by rotation in 2005 and being eligible offers himself for re-appointment. Further information on the dates of appointment and re-election of the directors is given in the Remuneration Committee's Report on page 36.

DIRECTORS' REMUNERATION

Details of directors' remuneration are given in the Remuneration Committee's Report on page 36 and in Note 5 to the financial statements on page 49.

DIRECTORS' AND SECRETARY'S INTERESTS

The interests of the directors and secretary who held office at 31 December 2004 in the share capital of Paddy Power plc, all of which were beneficial, were as follows:

Number of ordinary shares of €0.10 each

	31 Dec 2004	31 Dec 2003 (or date of appointment if later)
Fintan Drury	19,400	19,400
John O'Reilly	613,889	613,889
Ross Ivers ¹	3,007	3,007
Breon Corcoran	20,000	20,000
David Power	4,898,788	4,898,788
Nigel Northridge	1,000	—
Patrick Kennedy	3,000	—
Stewart Kenny	419,832	259,832
Stephen Thomas	5,000	5,000
Brody Sweeney	—	—
Nuala Hunt (<i>Secretary</i>)	3,500	—

¹ Shares are held via the Noosa Pension Fund in which Ross Ivers has a beneficial interest.

DIRECTORS' REPORT (CONTINUED)

There have been no changes in the above shareholdings between 31 December 2004 and the date the directors approved these financial statements.

On 22 June 2004 the directors were conditionally awarded the following shares, granted under the long-term incentive plan scheme:

John O'Reilly	60,000
Ross Ivers	40,000
Breon Corcoran	30,000

The share price at the date of the grant was €9.43. The awards are subject to the rules of the scheme and will vest to the directors if the growth performance targets are met over the minimum vesting period. Further details of the scheme are outlined in the directors remuneration report and in detail in Note 15 (e) to these financial statements.

The directors and the Company Secretary have the following options at 31 December 2004:

EMPLOYEES

An enthusiastic and energised team of employees is essential to Paddy Power's success. Paddy Power aims to deliver the best customer experience and recognise that people make the difference. The continued success of Paddy Power is due to its ability to respond quickly to the ever changing and expanding environment in which it operates. The Group continues to attract new talent, as well as focusing on the development and retention of employees. All vacancies are advertised internally. Paddy Power is committed to constantly reviewing work practices and procedures to ensure that the Group provides a rewarding career and a friendly favourable working environment, whilst meeting the demands and customer requirements of the business.

The Group has an established employee communications group comprising of representatives from staff and management who meet regularly. This discussion group is

encouraged to offer suggestions for change and ideas that are promptly considered and responded to. This forum also gives the Group an opportunity to provide information about the Group's plans, activities and results, and ensures that new developments are communicated and agreed with staff.

Paddy Power is an equal opportunities employer and strongly promotes a work environment free from discrimination.

SAFETY, HEALTH AND WELFARE AT WORK ACT, 1989

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

	Number of Options at start of year (or date of appointment if later)	Exercised during the year	Number of Options at end of year	Exercise Price	Exercise period
Stewart Kenny	720,000	720,000 (a)	–	1.16	1 May 2003-1May 2006
John O'Reilly	900,000	600,000(a)	300,000	1.16	1 May 2003-1 May 2006
Ross Ivers	332,466	30,000(a)	302,466	3.59	1 August 2004 -1 August 2007
Breon Corcoran	50,000	–	50,000	3.59	1 August 2004-1 August 2007
	20,000	–	20,000	8.15	24 February 2007-24 February 2010
	448	–	448	4.95	1 July 2005 - 31 December 2005
Nuala Hunt (Secretary)	25,000	–	25,000	5.25	24 July 2005-24 July 2008
	8,000	–	8,000	8.15	24 February 2007-24 February 2010

(a) These options were exercised on 1 September 2004 when the market price of the shares was €9.80.

The share price during the year ended 31 December 2004 ranged from €7.15 to €11.00 and was €10.85 at year end.

Transactions with directors and parties related to them have been disclosed in Note 21 to the financial statements on page 59.

The directors and secretary have no interests in shares in any other Group companies.

include safety statements at all locations, induction training in health & safety and fire safety for all new employees, receipt of method safety statements from contractors and proactive updating and actioning of shop risk assessments.

CHARITIES

Paddy Power maintains relationships with a large number of charitable organisations, ranging from those supporting the local communities in which our shops play a key role, through to national charities focusing on the welfare of specific groups. During the year the Group spent €90,730 on charitable donations (2003: €81,508).

POLITICAL DONATIONS

No political donations greater than €5,080 were made during the year.

CORPORATE AND SOCIAL RESPONSIBILITY

Social responsibility is an important issue for Paddy Power. The Group's strategy is predicated on looking after customers over the longer-term. Paddy Power acknowledges that there are significant behavioural differences between traditional fixed-odds betting, and new gaming products. In recognition of these differences the Group engaged the expertise of the UK's pre-eminent gambling researchers to develop policies for the Group. In 2004 we also commenced work with Gamcare, a registered charity and leading authority on the provision of information, advice and practical help promoting responsible gambling. Gamcare have provided training to shop staff in responding to individuals who might be suffering from problem gambling. Currently in test phase, this initiative will ultimately be rolled out across the estate.

ENVIRONMENT

The Group has a proactive approach to assisting all personnel to conduct our business in a manner that protects the environment. The Group encourages efficient use of resources and encourages recycling where possible and is compliant with relevant environmental legislation. Examples of some initiatives adopted in 2004 include: improvements in energy efficiency with the installation of long life light bulbs in all of the refitted shops; reduction in packaging waste on all case goods and furniture; installation of a water efficient flushing system in the refitted shops which reduces water wastage by one third; and use of a mobile phone and used inkjet recycling plan in head office, administered by a charity.

We also want to keep the environmental impact of our annual report package to a minimum. Thus, the paper used was manufactured in a mill with ISO1 4001 accreditation and the report contains 80% minimum de-inked post consumer waste content.

BOOKS OF ACCOUNT

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

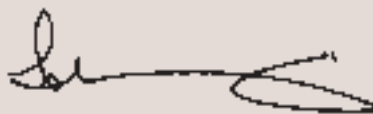
AUDITORS

In accordance with Section 160 (2) of the Companies Act 1963, the auditors, KPMG, will continue in office.

GOING CONCERN

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

On behalf of the Board



John O'Reilly



Ross Ivers

22 February 2005





**“You know
what to do
with your
chariots.”**

**RTÉ's Tom McGurk's message to Clive Woodward and Co.
after Ireland's triumph at Twickenham.**

His expression says it all. England's coach Clive Woodward wonders where it all went wrong. 6/1 outsiders, Ireland, beat the old enemy at Twickenham. 6/1 outsiders, Ireland, beat the old enemy at Twickenham. Sorry, couldn't resist saying it twice!



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2003 and all Regulations to be construed as one with those Acts. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of the Board



John O'Reilly



Ross Ivers

22 February 2005

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The 2003 Annual Report discussed at length the Board's view on corporate governance, its importance, its role in your Company and how the Board expects to fulfil its obligations as well as giving a number of undertakings.

Corporate governance is constant. We continue to believe that good corporate governance is important, but that it must be balanced with the need to bring commercial and business experience to bear. Maintaining this balance is difficult as the complexity of the business environment changes and the level of corporate governance compliance work continues to expand.

In Ireland, 2004 saw the passing of the Companies (Auditing and Accounting) Act 2003. While parts of the Act have yet to be enacted it brings further onerous responsibilities on your Board some of which, in practical terms, are very difficult to meet.

2004 has seen significant change in your Board. In last year's Report, I discussed at length the structure and nature of the Paddy Power Board. The evolution that I referred to then has continued in 2004. John Corcoran, Edward McDaid and Ian Armitage retired from the Board. They all served your interests well and I again thank them on your behalf. In 2004 one new executive director, Breon Corcoran and one new non-executive director, Patrick Kennedy joined your Board. Since the year end we have appointed Brody Sweeney as non-executive director. He has already attended his first Board meeting and we expect him to make an excellent contribution in the years ahead.

There are corporate governance implications in the Board restructuring. Given the number of independent non-executive directors, it has not been possible to staff all the committees in accordance with best practice and some temporary appointments were put in place. This is discussed in further detail under Board Operations and Committees.

What follows represents our policy on corporate governance:

BOARD COMPOSITION

It will be at the discretion of the Board itself to decide on the right number of directors for the business at any point. The majority of the Board should be non-executive and the majority of non-executives should be independent. The Board should comprise a mix of the necessary business skills required to provide the basic oversight of the management of the business and to contribute to the development and advancement of business strategy. Paddy Power is a specialist business and should always retain the betting industry nous that has been part of the fabric of its Board, both as a private and public company. The Board should also comprise high quality non-executives from the different geographic markets in which the Group operates.

What we want to ensure is that Board members have sufficient time to add real value to your Company. The regulatory obligations and the wider demands of this Board mean that it has been agreed that no non-executive director should hold more than three directorships of publicly quoted companies. The Chairman cannot be the chairman of any other publicly quoted company. It is also agreed that there should be no more than two Paddy Power directors

on the Board of any one other listed company. Executive directors should hold no more than one non-executive director position.

TENURE

The current Board comprises a mix of founding directors and those who were recruited for the particular skill and experience they would bring to Paddy Power. The Company is going through a period of change. Of the seven non-executive directors currently serving on the Board, two have been members since the Company was launched on the Stock Exchange in 2000, reduced from five in 2003.

The Board decided that from the date of flotation all non-executive directors of Paddy Power would serve a maximum of two three-year terms. The Nominations Committee would retain the right, in special circumstances, to extend the tenure of any non-executive director for a further term, to an absolute maximum of nine years in total.

THE NON-EXECUTIVE DIRECTORS' RESPONSIBILITIES

In addition to their statutory responsibilities as outlined in the Statement of Directors Responsibilities on page 28, it has been agreed by your Board that all directors will have three specific responsibilities:

- Attendance at Board meetings
- Membership of at least one Board sub-committee
- Role as a 'mentor' to a particular area of the business

CORPORATE GOVERNANCE (CONTINUED)

Regular contact with each other, and availability to the Chairman and to the Chief Executive for advice and ideas, remain critical. To be an effective Paddy Power Board member means being an enthusiast for the business. Attendance at meetings is not sufficient. Active participation during formal Board and committee meetings is what matters.

The non-executive directors also meet once a year without their executive director colleagues or your Chairman.

In addition to the 'standard' roles, the Board felt it would be very beneficial if individual non-executive directors were in a position to act as a mentor to an individual or a team within the business on strategic issues they might face where the director involved would have relevant skills and experience. This is not about non-executives straying into operational affairs that are the business of management. It is about giving life to the Board's real desire to provide business counsel that can help grow the business and, with it, shareholder value. It is also a further check on the growing pressures on a Board to just supervise, dot i's and cross t's.

In that context, it is important too that non-executives do not feel either restricted by the corporate governance rules of engagement or feel that simple compliance with them will be sufficient to meet their obligations. That has never been the Paddy Power way and a commitment to corporate governance should not be interpreted as a change in our drive for innovation.

THE CHAIRMAN'S ROLE

The Chairman is a non-executive director and carries the same responsibilities as all his non-executive colleagues. His role is wider of course. As well as conducting Board meetings and being a member of sub-committees, your Chairman is the one constant in the management of Board affairs.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. The Chairman is also responsible for ensuring that all directors receive accurate, timely and clear information. The Chairman facilitates the effective contribution of his non-executive colleagues and ensures constructive relationships exists between executive and non-executive directors. He is the guarantor of effective communications with shareholders.

Performance evaluation of the Board, its committees and its individual directors is undertaken annually. Your Chairman acts on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board and, where appropriate, appointing new members to the Board or seeking the resignation of directors.

While there may be a perception that Board business revolves exclusively around meetings, this is not the case. Board counsel must be available to senior management at all times. Your Chairman

is the normal source of such advice and encouragement, but by no means the only one. The need to source the most relevant expertise at short notice means that the Chairman must have regular contact with individual Board members to ensure that there is a seamless interaction between the senior executive team and the non-executive directors.

As Chairman, I also meet with the non-executive directors independently of the executive directors. I meet formally with the Chief Executive and the Finance Director at least once a fortnight to discuss all aspects of the business performance. I also have regular meetings with the Chief Executive and on an occasional basis, with him, I meet with other senior members of the management team.

DIRECTORS' FEES

In July 2003, the standard non-executive fee was set at €40,000. It was agreed that chairs of committees would be paid an additional fee of €10,000 and that, as Chairman, I would receive an annual fee of €110,000. These figures were set for an eighteen month period until 31 December 2004. The Board has decided to retain the same fee levels for 2005. Given the increasing responsibilities carried by non-executive directors of publicly quoted companies, I would expect that there would be a marked increase in these fees from 2006.

BOARD EFFECTIVENESS

Each director is expected to perform to the highest standards with regard to both their general contribution and their contribution through committees and mentoring.

It is my responsibility to ensure the performance of all directors. In addition to the formal Board meeting I have met with all directors individually to discuss their performance. The non-executive directors have also met without myself and the executive directors. David Power has conducted a detailed review of my performance with all directors the results of which have been discussed with me. In the absence of having a senior independent director David Power undertook the review as it was felt he was in the best position to do so. David was not appointed during my tenure and has had the benefit of serving under each of the chairmen of Paddy Power.

BOARD OPERATIONS AND COMMITTEES

The Board holds at least nine full Board meetings each year. Each member sits on at least one committee and each non-executive director is also being asked to 'mentor' one part of the business where it is felt they could provide additional specialist advice to senior management. I expect all Board members to be available to me between meetings.

The composition of the Board committees as at 22 February 2005 is:

REMUNERATION

Stephen Thomas (Chair); David Power; Fintan Drury.

NOMINATIONS

Fintan Drury (Chair); Nigel Northridge; John O'Reilly; Stewart Kenny.

AUDIT

Patrick Kennedy (Chair); David Power; Brody Sweeney.

RISK MANAGEMENT

David Power (Chair); Ross Ivers; John O'Reilly; Nigel Northridge; Breon Corcoran.

AUDIT COMMITTEE

The Audit Committee's responsibilities include:

- monitoring the integrity of the financial statements of the company
- reviewing the company's internal financial controls
- monitoring and reviewing the effectiveness of the Group's internal audit function
- making recommendations to the Board in relation to the appointment and removal of the Group's external auditors
- approving the remuneration and terms of engagement of the external auditor
- evaluating the performance of the external auditors, including their independence and objectivity
- approving non-audit services provided by the auditors in accordance with the group policy on non-audit services
- developing and ensuring compliance with the Group's policy on the provision of non-audit services
- reviewing arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters

The Audit Committee has unrestricted access to the Group's external auditors and internal auditors with whom it meets twice a year both with and without management.

REMUNERATION COMMITTEE

The Remuneration Committee is primarily responsible for making recommendations to the Board on remuneration policy for the Group's executive directors and selected senior management. The report of the Remuneration Committee is set out on pages 36 to 37.

NOMINATIONS COMMITTEE

The Nominations Committee is primarily responsible for recommending candidates to the Board for appointment as directors and ensuring that appropriate procedures are followed for all such appointments.

In appointing new directors the Committee agrees the preferred profile of the director with the Board as a whole and receives written recommendations from existing directors. Given the industry knowledge of the Board and the committee members, as well as their general commercial experience, it is felt that this approach is more effective than using either advertised search or recruitment agencies. The quality of directors found using this approach has been excellent and the Board believes this is the best method for your Company.

RISK COMMITTEE

The Risk Committee is responsible for ensuring that policies in respect of betting risk are appropriate to a Group of Paddy Power's size, for monitoring that policies are being correctly applied and that the expertise and systems within the organisation are consistent with the level of risk undertaken.

CORPORATE GOVERNANCE (CONTINUED)

The attendance at Board and committee meetings by the directors is set out below:

	Note	Number of meetings held and attended by the directors				
		Board	Audit	Remuneration	Nominations	Risk
Number of meetings held in 2004:		9	5	4	5	4
Attended by:						
F Drury*		8		4	5	
N Northridge*		8			5	4
P Kennedy*	a.	5	4			
S Thomas*		8		4		
B Sweeney*	b.	N/A	N/A	N/A	N/A	N/A
D Power**	c.	8	3	4		4
S Kenny**		7			5	
J O'Reilly***		9			5	4
R Ivers***		8				4
B Corcoran***	d.	2				

* Independent Non-Executive Director

** Non-Executive Director

*** Executive Director

- a. Patrick Kennedy was appointed to the Board on the 23 March 2004 after which there were six Board meetings and he attended five of them. He also attended all four of the audit committee meetings held after he joined the Board.
- b. Brody Sweeney was appointed to the Board on 16 February 2005.
- c. David Power was appointed to the Audit Committee in June 2004, after which there were three meetings, all of which he attended.
- d. Breon Corcoran was appointed to the Board on 31 August 2004 after which there were two Board meetings and he attended both of them. He was appointed to the Risk Committee in January 2005.

As discussed, the Board is in a state of transition and the number of independent directors has increased substantially from last year such that the Board composition is now four independent directors (excluding the chairman) and five non-independent directors. Over the year three non-independent directors left the Board to be replaced by two independent directors.

No senior independent director has been appointed as the Board wishes to complete the appointment of new independent directors and give the new Board some time to consider this matter.

Given the small number of independent directors serving in 2004 it was not possible to populate the committees in accordance with the Combined Code at all times. Given the appointment made on the 16 February 2005 the committees will now be reviewed and adjusted as appropriate.

In respect of the Nominations Committee, which comprises four directors, two of which are independent directors, the Board believes that the balance of independence, industry knowledge and experience best suits the task at hand. The quality of their

work is reflected in the excellent quality of the appointments and no changes to the composition of this committee are planned.

INTERNAL CONTROL

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

1. The Board should maintain a sound system of internal control to safeguard shareholders' investment and Group assets.

2. The directors should, at least annually, conduct a review of the effectiveness of the Group's system of internal control and should report to shareholders that they have done so. The review should cover all controls, including financial, operational and compliance controls and risk management. The directors have overall responsibility for the Group's system of internal control and have delegated responsibility for the implementation of this system to executive management. This system includes financial controls which enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

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

The principal processes comprising the system of internal control are:

- Budgets are prepared for approval by executive management and inclusion in a Group budget approved by the Board.
- Expenditure and income are regularly compared to previously approved budgets.
- The Board establishes treasury risk policies as appropriate, for implementation by executive management. Compliance with risk limits is reported on daily by the risk management department and reviewed by senior management and internal audit.
- All material commitments for expenditure and payments are compared to previously approved budgets and are subject to prior approval by personnel designated by the Board of Directors.
- Regular financial results are submitted to and reviewed by the Board of Directors.
- The directors, through the Audit Committee, review the effectiveness of the Group's system of internal control.
- A security department, independent of operations, monitors the activities of the betting operations and the risk management division, including the verification of winning bets. An internal audit department undertakes internal control reviews throughout the organisation. The Head of this Department meets regularly with the Audit Committee and also presents annually to the Board.

A review of the effectiveness of the system of internal control was carried out during the year to 31 December 2004. The directors considered that the procedures necessary to implement the Turnbull guidelines on internal control in the Combined Code have been properly established.

RELATIONS WITH SHAREHOLDERS

The Group is committed to ongoing communication with its shareholders. The Group operates an investor relations section on the corporate website. This contains copies of investor presentations and annual reports as well as providing access to RNS statements and corporate press releases.

There is regular discussion between Group management and analysts, brokers and institutional shareholders, ensuring that the market is collectively informed on business operations. Visits to the Group headquarters are encouraged and tours of our retail outlets are undertaken regularly. All shareholders are encouraged to attend the Annual General Meeting where they are afforded the opportunity to question the Board.

COMPLIANCE

The directors confirm that the Company has complied throughout the accounting period with the provisions of the Combined Code, except as noted above.

CONCLUSION

In 2003 I set out in detail our views on corporate governance together with our policies. As anticipated, 2004 has proved to be a year of change for the Board. The Board is confident, having worked within these policies for a year, that they are appropriate to a business of our size and stature. There are a number of challenges to be dealt with in 2005 in both completing the Board and preparing for the new Irish legislation. Your Board will continue to review best practice in corporate governance and adapt our practices as appropriate.

Once again I invite you all to consider the above carefully, and encourage any shareholders who have questions relating to this Corporate Governance Statement to contact me by email at fdrury@paddypower.com.





**“...believe it
or not, the little
dog is still on
the field and he’s
now on the ball
again, lovely
dribble...”**

**RTÉ’s Michael Ó Muircheartaigh, commentating
on the International Rules match at Croke Park
between Ireland and Australia.**

The highlight of the Compromise Rules test between Ireland and Australia was Brock’s intervention. He became an overnight superstar in Ireland and was snapped up by Paddy Power to launch their new mobile betting service. Incidentally, 8/11 favourites, Ireland, easily regained the series having lost the previous year down under.



REMUNERATION COMMITTEE REPORT

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

THE REMUNERATION COMMITTEE

As at the date of this report, the Remuneration Committee consisted of the following non-executive directors;

Stephen Thomas (*Chairman*)
David Power
Fintan Drury

The majority of members of the Committee are independent; they have no personal financial interest (other than as shareholders) in the matters addressed by the Committee and have no conflicts of interest arising from cross-directorships. The Committee meets as required, but at least twice each year, and operates within agreed terms of reference. The Committee has responsibility for making recommendations to the Board on the Group's general policy relating to executive remuneration and to determine, on behalf of the Board, specific remuneration packages for the executive directors. Outside independent professional advice is sought where necessary. The Committee is also responsible for approving executive remuneration of a limited group of senior executives as well as the bonus schemes in operation within the Group.

The remuneration of the Chairman of the Board is determined by the Board excluding the Chairman.

The remuneration of the non-executive directors is determined by the Board, including the non-executive directors.

REMUNERATION POLICY

General

The Remuneration Committee determines the Group's policy on executive directors' remuneration.

The objectives of the policy are:

- To reward executive directors in a manner that ensures that they are properly rewarded and motivated to perform in the best interests of shareholders.
- To provide the level of remuneration required to attract, retain and motivate executive directors of an appropriate calibre.

Salaries and other benefits are reviewed annually. The Remuneration Committee takes into account the performance of the individual, comparisons with peer group companies, institutional guidelines and reports from specialist consultants. The experience of the individual and his/her level of responsibility are also taken into account.

Consistent with the policy, the benefit packages awarded to executive directors are intended to be competitive and comprise a mix of performance-related and non-performance-related remuneration, designed to motivate them, but not to detract from the goals of corporate governance.

BASIC SALARIES

Salaries of executive directors are set by reference to those prevailing in the market.

PERFORMANCE BONUS

Under current arrangements, which are reviewed annually by the Remuneration Committee, executive directors have target bonuses of 40% to 50% of salary subject to the attainment of specific and stretching targets set for each individual. The level earned in any one year depends on the Committee's assessment of each individual's performance and the overall performance of the Group against predetermined targets for the year. The maximum payout under the bonus scheme can be twice the bonus target and this will only be achieved with substantial out-performance of strict financial targets that are set annually. The minimum payment is 30% of bonus target.

LONG-TERM INCENTIVE PLAN

It is Group policy to motivate senior management to deliver superior performance over the long-term and at the Annual General Meeting, held on 22 June 2004, the shareholders approved the 2004 Long-Term Incentive Plan. This plan, details of which are included in note 15 (e) to the financial statements, vests shares conditionally awarded to executives to be earned over a five year period subject to the achievement of testing earnings per share growth targets.

SHARE OPTIONS

The policy of the Remuneration Committee is to motivate its executive directors and other executives by granting them share options. Accordingly, options have been granted under the terms of employee share incentive plans approved by shareholders. Further details of these plans are given in Note 15 to the financial statements. Details

of options granted to the executive directors are included with the directors' interests in the Report of the Directors on pages 23 to 25. Non-executive directors are not eligible to participate in the employee share incentive plans. All options are granted at the market price on the date of grant. No options are granted at a discount.

The market price of the Company's shares at 31 December 2004 was €10.85 and for the year then ended the range was between €7.15 and €11.00.

TARGETED REMUNERATION

The targeted composition of each director's annual remuneration (excluding sundry benefits) is as follows:

	Performance-Related	Non-Performance-Related
Executive		
John O'Reilly	34%	66%
Ross Ivers	29%	71%
Breon Corcoran	29%	71%
Non-Executive		
Fintan Drury		100%
Patrick Kennedy		100%
Stewart Kenny		100%
Nigel Northridge		100%
David Power		100%
Brody Sweeney		100%
Stephen Thomas		100%

DIRECTORS' SERVICE CONTRACTS

The notice period for John O'Reilly, Ross Ivers and Breon Corcoran is one year. No executive director is entitled to any contractual termination payment other than for payment in lieu of notice.

Non-executive directors, in accordance with best practice, are not appointed on service contracts. They are appointed for a fixed initial period of three years, and may be re-appointed for further fixed periods, up to a total of six years unless there are exceptional circumstances. This is referred to in more detail in the Corporate Governance report. Non-executive directors are issued on appointment or re-appointment with a letter confirming the terms of their appointment. Non-executive directors are expected to give three months' notice of resignation, but this is without prejudice to their right to resign immediately if they feel it appropriate. All directors must offer themselves for re-election by shareholders every three years.

Executive directors are employed on rolling contracts with a retirement age of sixty five and all directors cease holding office on reaching their seventy fifth birthday.

The details of the service agreements for the non-executive directors throughout the year were as follows:

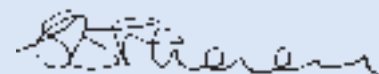
	Appointed by Board	Re-appointed By Shareholders	Term Expires	Contractual Termination Payment
Fintan Drury	29 August 2002	3 June 2003	AGM 2006	Nil
Patrick Kennedy	23 March 2004	22 June 2004	AGM 2007	Nil
Stewart Kenny	1 June 1988	22 June 2004	AGM 2007	Nil
Nigel Northridge	22 July 2003	22 June 2004	AGM 2007	Nil
David Power	1 June 1988	22 June 2004	AGM 2007	Nil
Stephen Thomas	29 August 2002	3 June 2003	AGM 2006	Nil
Brody Sweeney	16 February 2005	Proposed for 17 May 2005	Proposed for AGM 2008	Nil

DIRECTORS' PENSION ENTITLEMENTS

The Group does not operate any defined benefit pension plan or Group defined contribution scheme for non-executive directors. Each executive director has an independent pension trust into which the Group makes defined contributions. The Group makes no pension provision in respect of the non-executive directors.

DIRECTORS' DETAILED EMOLUMENTS

Full details of the emoluments of the directors are set out in note 5 to the financial statements on page 49.



Stephen Thomas

Chairman, Remuneration Committee

22 February 2005





**“England fans
will be talking
about their 1-0
win for years.”**

**Clive Tyldesley, ITV Commentator, shortly before
Zinedine Zidane scored twice in France's 2-1
Euro 2004 victory.**

A great shot of a not so great shot. Fabien Barthez compounds David Beckham's penalty phobia in the ultra dramatic Euro 2004 clash between France and England. France were available at an unbelievable 33/1 to win the match before Zidane equalised, the commentator obviously didn't get on!



INDEPENDENT AUDITORS' REPORT

to the Members of Paddy Power plc

We have audited the financial statements on pages 41 to 59.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report. As described on page 28, this includes responsibility for preparing the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board, the Listing Rules of the Irish Stock Exchange, and by our profession's ethical guidance.

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

- the Company has kept proper books of account;
- the directors' report is consistent with the financial statements;
- at the balance sheet date a financial situation existed that may require the Company to hold an extraordinary general meeting, on the grounds that the

net assets of the Company, as shown in the financial statements, are less than half of its called up share capital.

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

We review whether the corporate governance statement on pages 29 to 33 reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

BASIS OF AUDIT OPINION

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with

sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2004, and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003 and all Regulations to be construed as one with those Acts.

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

In our opinion, the information given in the directors' report on pages 23 to 25 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet on page 44, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2004, a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.



Chartered Accountants
Registered Auditors

Dublin

22 February 2005

ACCOUNTING POLICIES

Year ended 31 December 2004

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

BASIS OF PREPARATION

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

BASIS OF CONSOLIDATION

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

TURNOVER

Turnover comprises proceeds from sports betting and gaming activities. Sports betting turnover, which is exclusive of betting tax and levies, represents amounts received in respect of bets placed on events that occurred during the year. In accordance with industry practice, gaming turnover represents "customer drop" which comprises amounts staked net of customer winnings.

PENSIONS

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

FOREIGN CURRENCY

Transactions denominated in foreign currencies are translated at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date. The resulting profits and losses are dealt with in the profit and loss account. For the purposes of consolidation of subsidiaries, the closing rate method is used, under which

translation gains or losses are shown as movements in reserves. Profit and loss accounts of overseas subsidiaries are translated at average exchange rates.

FINANCIAL FIXED ASSETS

Interests in subsidiary undertakings are stated in the Company balance sheet at cost less, where necessary, provisions for impairment.

INTANGIBLE FIXED ASSETS – GOODWILL

Goodwill arising on the acquisition of a subsidiary or business, representing the excess of cost over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised by equal annual installments against profit over its expected useful life, currently 20 years. Provision is made for any impairment.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is calculated so as to write off the cost less estimated residual value of tangible fixed assets on a straight line basis over their estimated useful lives, as follows:

- Freehold property – 50 years
- Leasehold property and improvements – unexpired term of the lease, except for leases with an initial term of ten or less years, which are depreciated over the unexpired term of the lease plus the renewal length of the lease, if there is a right of renewal.
- Fixtures, fittings and equipment – 5/7 years
- Computer equipment – 3 years
- Equipment screens – 5 years
- Leased equipment screens – 3 years
- Motor vehicles – 5 years

LEASES

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

account over the term of the lease to produce a constant rate of charge on the balance of capital repayment outstanding. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term.

TAXATION

Current tax, including Irish corporation tax and foreign tax, is provided on the Group's taxable profits, at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

LONG-TERM INCENTIVE PLAN

In accordance with UITF Abstract 17 (revised) "Employee Share Schemes", the excess of the fair market value of the related shares over the exercise price of the share award on the grant date, is charged as employees' remuneration over the period to which employee performance relates. A corresponding amount is credited to the profit and loss account reserve.

Payments to the Plan's Trustees to acquire Company shares which have been conditionally allocated to executives under the terms of the long-term incentive plan are shown as a deduction from shareholders' funds in the consolidated balance sheet.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

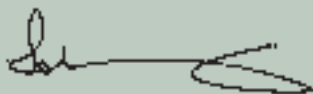
Year ended 31 December 2004

	<i>Notes</i>	Year ended 31 December 2004 €'000	Year ended 31 December 2003 €'000
Turnover	1	1,165,165	913,624
Cost of sales	2	(1,041,960)	(825,429)
Gross profit	1	123,205	88,195
Operating expenses		(92,071)	(68,563)
Operating profit	1	31,134	19,632
Interest receivable and similar income		1,060	883
Interest payable and similar charges	3	(54)	(105)
Profit on ordinary activities before taxation	4	32,140	20,410
Tax on profit on ordinary activities	7	(4,662)	(2,859)
Profit on ordinary activities after taxation		27,478	17,551
Dividends on equity shares	8		
– paid		(3,105)	(2,053)
– proposed		(6,235)	(4,107)
		(9,340)	(6,160)
Retained profit for the year		18,138	11,391
Profit & Loss account, start of year		42,596	31,205
Transfer in respect of long-term incentive plan	15	754	–
Profit & Loss account, end of year		61,488	42,596
Earnings per Share			
Basic	9	€0.5661	€0.3697
Diluted	9	€0.5431	€0.3502

All results arise from continuing operations.

The Group had no recognised gains or losses during the financial year or the preceding financial year other than those dealt with in the consolidated profit and loss account.

Approved on behalf of the Board



John O'Reilly

22 February 2005



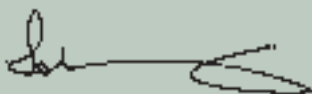
Ross Ivers

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	<i>Notes</i>	Year ended 31 December 2004 €'000	Year ended 31 December 2003 €'000
Fixed assets			
Intangible fixed assets – goodwill	10	1,759	904
Tangible fixed assets	11	60,651	41,571
		62,410	42,475
Current assets			
Debtors	12	2,290	2,188
Cash at bank and in hand	17 (b)	47,206	39,173
		49,496	41,361
Creditors (amounts falling due within one year)	13	(39,241)	(30,585)
Net current assets		10,255	10,776
Total assets less current liabilities		72,665	53,251
Provision for liabilities and charges	14	(876)	(977)
Net assets		71,789	52,274
Capital and reserves			
Called up share capital	15	5,005	4,781
Share premium	16	6,680	3,975
Capital redemption reserve fund	15	662	662
Capital conversion reserve fund	15	260	260
Shares held by long-term incentive plan trust	15	(2,306)	–
Profit and loss account		61,488	42,596
Shareholders' funds – all equity interests		71,789	52,274

Approved on behalf of the Board



John O'Reilly

22 February 2005



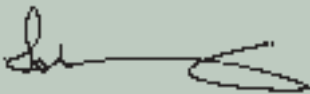
Ross Ivers

COMPANY BALANCE SHEET

As at 31 December 2004

	<i>Notes</i>	31 December 2004 €'000	31 December 2003 €'000
Fixed assets			
Intangible fixed assets – goodwill	10	1,096	1,217
Tangible fixed assets	11	42,068	32,322
Financial fixed assets	18	103	103
		43,267	33,642
Current assets			
Debtors	12	28,034	13,367
Cash at bank and in hand		46,558	38,086
		74,592	51,453
Creditors (amounts falling due within one year)	13	(42,867)	(22,154)
Net current assets		31,725	29,299
Total assets less current liabilities		74,992	62,941
Provision for liabilities and charges	14	(997)	(1,032)
Net assets		73,995	61,909
Capital and reserves			
Called up share capital	15	5,005	4,781
Share premium	16	6,680	3,975
Capital redemption reserve	15	662	662
Capital conversion reserve fund	15	260	260
Shares held by long-term incentive plan trust	15	(2,306)	–
Profit and loss account		63,694	52,231
Shareholders' funds – all equity interests		73,995	61,909

Approved on behalf of the Board


John O'Reilly

22 February 2005



Ross Ivers

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2004

	<i>Notes</i>	Year ended 31 December 2004 €'000	Year ended 31 December 2003 €'000
Net cash inflow from operating activities	17(a)	45,021	32,144
Returns on investments and servicing of finance			
Interest received		1,086	865
Interest element of finance lease payments		(54)	(106)
		1,032	759
Taxation			
Corporation tax paid		(3,800)	(3,923)
Capital expenditure and financial investment			
Acquisition of tangible fixed assets		(26,262)	(21,439)
Sale proceeds on disposal of tangible fixed assets		69	96
		(26,193)	(21,343)
Acquisitions			
Purchase of business		(1,017)	–
Equity dividends paid		(7,212)	(5,262)
Net cash inflow before financing		7,831	2,375
Financing			
Capital element of finance lease payments		(421)	(312)
Proceeds from the issue of new shares		2,929	737
Purchase of shares by long-term incentive plan trust		(2,306)	–
		202	425
Net cash inflow	17(b)	8,033	2,800

Approved on behalf of the Board



John O'Reilly

22 February 2005



Ross Ivers

**RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY
SHAREHOLDERS' FUNDS** Year ended 31 December 2004

	Year ended 31 December 2004	Year ended 31 December 2003
	€'000	€'000
Profit for the financial year	27,478	17,551
Dividends on equity shares	(9,340)	(6,160)
Transfer in respect of long-term incentive plan	754	–
Share issues, net of costs	2,929	737
Shares purchased by long-term incentive plan trust	(2,306)	–
Opening shareholders' funds	52,274	40,146
Closing shareholders' funds	71,789	52,274

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

1. Turnover and Segmental Information

The turnover, operating profit and net assets of the Group relate to the provision of betting and gaming activities, substantially all of which are conducted in the Republic of Ireland and the UK.

Turnover by Delivery Channel

	Year Ended 31 December 2004 €'000	Year Ended 31 December 2003 €'000
Retail	688,651	551,136
Telephone	236,546	177,418
Online	239,968	185,070
	1,165,165	913,624

Turnover by Region

	Year Ended 31 December 2004 €'000	Year Ended 31 December 2003 €'000
Ireland & other	829,541	702,240
United Kingdom	335,624	211,384
	1,165,165	913,624

Gross Win by Delivery Channel

	Year Ended 31 December 2004 €'000	Year Ended 31 December 2003 €'000
Retail	88,701	67,907
Telephone	19,664	13,179
Online	25,745	13,524
	134,110	94,610

Gross win is measured as being amounts staked (excluding betting tax and levies) less the amount returned to customers as winnings.

Gross Profit by Delivery Channel

	Year Ended 31 December 2004 €'000	Year Ended 31 December 2003 €'000
Retail	81,196	65,676
Telephone	18,381	11,096
Online	23,628	11,423
	123,205	88,195

Gross profit is measured as gross win less discount on bets and gross win taxes.

Operating Profit by Delivery Channel

	Year Ended 31 December 2004 €'000	Year Ended 31 December 2003 €'000
Retail	17,752	17,402
Telephone	4,552	861
Online	8,830	1,369
	31,134	19,632

Net assets by delivery channel, and operating profit and net assets by geographic segment are not disclosed as, in the opinion of the directors, this disclosure would be seriously prejudicial to the interests of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

2. Cost of Sales

Cost of Sales comprises:	Year Ended 31 December 2004 €'000	Year Ended 31 December 2003 €'000
Cost of winning bets paid	1,031,055	819,014
Other cost of sales	10,905	6,415
	1,041,960	825,429

Other cost of sales comprises discounts on bets and taxes paid in relation to gross win.

3. Interest Payable and Similar Charges

	Year Ended 31 December 2004 €'000	Year Ended 31 December 2003 €'000
Finance lease interest	54	105

4. Statutory and Other Information

	Year Ended 31 December 2004 €'000	Year Ended 31 December 2003 €'000
The profit on ordinary activities before taxation is stated after charging/(crediting):		
Directors' emoluments		
– fees	414	326
– other emoluments including pension costs	1,548	855
Depreciation	8,624	6,405
Auditors' remuneration for audit services	77	46
(Gain)/loss on disposal of tangible fixed assets	(31)	34
Amortisation of goodwill	121	121
Operating lease rentals, principally premises	7,119	5,460

As permitted by section 3(2) of the Companies (Amendment) Act, 1986 no separate profit and loss account is presented in respect of the Company. The Company recorded a profit for the year of €20.0 million (2003: €17.2 million).

Amounts paid to the auditors in respect of non-audit services, comprising tax fees were €204,000 (2003: €169,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

5. Directors' Emoluments

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

	Fees	Salary	Pension	Benefits	Annual	Total	Emoluments
	€'000	€'000	Costs	€'000	Bonus	2004	2003
			€'000		€'000	€'000	€'000
Executive							
John O'Reilly	-	375	113	39	356	883	466
Ross Ivers	-	233	47	25	193	498	373
Breon Corcoran (1)	-	62	9	4	92	167	-
Non-Executive							
Fintan Drury	110	-	-	-	-	110	70
Stewart Kenny	40	-	-	-	-	40	81
Nigel Northridge	40	-	-	-	-	40	18
David Power	50	-	-	-	-	50	33
Stephen Thomas	50	-	-	-	-	50	40
Patrick Kennedy (2)	38	-	-	-	-	38	0
Edward McDaid (3)	24	-	-	-	-	24	33
Ian Armitage (3)	25	-	-	-	-	25	28
John Corcoran (4)	37	-	-	-	-	37	39
	414	670	169	68	641	1,962	1,181

1. Breon Corcoran was appointed to the Board on 31 August 2004.
2. Patrick Kennedy was appointed to the Board on 23 March 2004.
3. Edward McDaid and Ian Armitage retired from the Board on 22 June 2004.
4. John Corcoran retired from the Board on 1 December 2004.

Benefits include provision of a company car, life and medical insurance.

There were no loans outstanding to any director at any time during the year.

Other related party transactions between the Group and the directors, which are on normal commercial terms are set out in Note 21 on page 59.

6. Staff Numbers and Costs

	Year Ended	Year Ended
	31 December 2004	31 December 2003
	€'000	€'000
The average number of persons employed by the Group (including executive directors), all of whom were involved in the provision of betting services, during the year was:	1,076	913

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

6. Staff Numbers and Costs (continued)

	Year Ended 31 December 2004	Year Ended 31 December 2003
	€'000	€'000
Aggregate payroll costs were as follows:		
Wages and salaries	33,631	26,806
Long-term incentive plan costs	754	–
Social welfare costs	2,726	2,743
Other pension costs and life assurance	1,011	687
	38,122	30,236

7. Tax on Profit on Ordinary Activities

	Year Ended 31 December 2004	Year Ended 31 December 2003
	€'000	€'000
The charge based on profit on ordinary activities comprises:		
Corporation tax, principally at 12.5% (2003 – 12.5%)	4,705	2,993
Under provision in previous year	58	66
Total current tax charge	4,763	3,059
Deferred tax (note 14)	(101)	(200)
	4,662	2,859

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

Profit on ordinary activities before tax	32,140	20,410
Tax on Group profit on ordinary activities at the standard Irish corporation tax rate of 12.5% (2003 – 12.5%)	4,018	2,551
Interest income taxable at higher rates	133	111
Expenses deductible for tax purposes	(22)	(25)
Depreciation in excess of capital allowances	576	356
Under provision in prior year	58	66
Total current tax charge	4,763	3,059

No corporation tax is payable in the UK due to the availability of tax losses. A deferred tax asset of €2.3m relating to these losses forward has not been recognised in accordance with the Group's accounting policy for deferred tax. No significant changes are expected to tax rates in the future.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

8. Dividends

	Year Ended 31 December 2004 €'000	Year Ended 31 December 2003 €'000
Ordinary shares:		
– interim paid of €0.0620 per share (2003: €0.043)	3,105	2,053
– final proposed of €0.1252 per share (2003: €0.0859)	6,235	4,107
	9,340	6,160

9. Earnings per Share

	Year Ended 31 December 2004 €'000	Year Ended 31 December 2003 €'000
Profit for the financial year	27,478	17,551
Weighted average number of shares in issue	48,536	47,479
Dilutive effect of share options outstanding	2,054	2,638
Diluted weighted average number of shares	50,590	50,117
Basic earnings per share	€0.5661	€0.3697
Diluted earnings per share	€0.5431	€0.3502

10. Intangible Fixed Assets – Goodwill

	Group €'000	Company €'000
Cost		
At 1 January 2004	2,108	2,421
Additions	976	–
At 31 December 2004	3,084	2,421
Amortisation		
At 1 January 2004	1,204	1,204
Amortisation for year	121	121
At 31 December 2004	1,325	1,325
Net book value		
At 31 December 2003	904	1,217
At 31 December 2004	1,759	1,096

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

Additions to goodwill during the year arose on the acquisition of two bookmaking businesses in London on 1 December 2004. Total consideration, all paid in cash, amounted to €1,017,000. Separable assets and liabilities, principally fixtures and fittings to which no adjustments were required on acquisition, amounted to €22,000. Acquisition costs amounted to €19,000, resulting in goodwill of €976,000. The results and cashflows of the acquired business are not material to the results and cashflows of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

11. Tangible Fixed Assets

Group	Freehold & Leasehold Property & Improvements €'000	Fixtures, Fittings & Equipment €'000	Computer Equipment €'000	Equipment Screens €'000	Motor Vehicles €'000	Total €'000
Cost						
At 1 January 2004	29,054	25,734	10,434	6,386	757	72,365
Additions	7,833	12,855	4,557	2,208	289	27,742
Disposals	(254)	(4,227)	–	–	(195)	(4,676)
At 31 December 2004	36,633	34,362	14,991	8,594	851	95,431
Accumulated Depreciation						
At 1 January 2004	6,053	12,445	7,978	4,059	259	30,794
Charge for year	1,670	4,113	1,808	771	262	8,624
Disposals	(254)	(4,227)	–	–	(157)	(4,638)
At 31 December 2004	7,469	12,331	9,786	4,830	364	34,780
Net Book Value						
At 31 December 2003	23,001	13,289	2,456	2,327	498	41,571
At 31 December 2004	29,164	22,031	5,205	3,764	487	60,651

Company	Freehold & Leasehold Property & Improvements €'000	Fixtures, Fittings & Equipment €'000	Computer Equipment €'000	Equipment Screens €'000	Motor Vehicles €'000	Total €'000
Cost						
At 1 January 2004	23,982	22,456	2,612	5,988	606	55,644
Additions	3,956	7,385	2,812	1,227	245	15,625
Disposals	(254)	(4,226)	–	–	(173)	(4,653)
At 31 December 2004	27,684	25,615	5,424	7,215	678	66,616
Accumulated Depreciation						
At 1 January 2004	5,701	11,936	1,447	4,025	213	23,322
Charge for year	1,253	3,144	585	682	196	5,860
Disposals	(254)	(4,226)	–	–	(154)	(4,634)
At 31 December 2004	6,700	10,854	2,032	4,707	255	24,548
Net Book Value						
At 31 December 2003	18,281	10,520	1,165	1,963	393	32,322
At 31 December 2004	20,984	14,761	3,392	2,508	423	42,068

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

12. Debtors

	Group	Group	Company	Company
	31 December 2004	31 December 2003	31 December 2004	31 December 2003
	€'000	€'000	€'000	€'000
Sundry debtors and prepayments	2,290	2,188	1,491	1,634
Amounts owed by Group companies	–	–	26,543	11,733
	2,290	2,188	28,034	13,367

All of the above debtors fall due within one year.

13. Creditors (Amounts Falling Due Within One Year)

	Group	Group	Company	Company
	31 December 2004	31 December 2003	31 December 2004	31 December 2003
	€'000	€'000	€'000	€'000
Trade creditors	4,570	3,670	4,570	3,670
Accruals	16,174	12,895	9,610	10,052
Customer balances	6,462	4,866	–	–
Corporation tax	2,809	1,845	451	1,650
PAYE and Social Welfare	1,100	773	992	707
Betting duty	1,356	1,168	1,069	794
Value added tax	538	843	365	761
Dividends payable	6,232	4,104	6,234	4,104
Finance leases	–	421	–	350
Amounts owed to Group companies	–	–	19,576	66
	39,241	30,585	42,867	22,154

14. Provisions for Liabilities and Charges – Deferred Tax

	Group	Company
	31 December 2004	31 December 2004
	€'000	€'000
At 31 December 2003	977	1,032
Credit for the year (note 7)	(101)	(35)
At 31 December 2004	876	997

Deferred tax at 31 December 2004 relates to accelerated capital allowances.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

15. Share Capital

	31 December 2004	31 December 2003
	€'000	€'000
Authorised		
70,000,000 ordinary shares of €0.10 each	7,000	7,000
Allotted, called up and fully paid		
50,045,581 (2003: 47,807,120) ordinary shares of €0.10 each	5,005	4,781

During the year, 2,238,461 ordinary shares were issued as a result of the exercise of share options giving rise to total share premium, net of costs of €2,705,000 (2003: €670,000).

The capital redemption reserve fund of €662,000 (2003: €662,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled. The capital conversion reserve fund of €259,590 (2003: €259,590) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from IEP to euro.

The Company has the following employee share schemes:

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

Under the May 2000 Executive Share Option Scheme options over a total of 3,543,000 shares were granted at an exercise price of €1.16 per share. Since May 2000 options over 2,862,000 shares have been exercised and options over a further 90,000 shares have lapsed. Options over 591,000 shares are outstanding at 31 December 2004. Movements in the share options under this scheme during the year were as follows:

Earliest Exercise period	Options at 31 December 2003	Exercised 2004	Options at 31 December 2004	Market Price At Exercise Date
1 May 2003	2,160,000	1,860,000	300,000	€9.80
1 May 2004	141,000	99,000	42,000	€9.30 - €10.10
1 May 2005	249,000	–	249,000	

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

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

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

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

At 31 December 2004, 272,903 shares (2003: 262,045) owned by employees are held on their behalf by Power Leisure Employee Benefit Trust.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

15. Share Capital (continued)

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

The Share Option Scheme was adopted by shareholders on 21 November 2000 and modified by the shareholders on 22 June 2004. The Share Option Scheme is open to executive directors and employees. Options may be granted within a period of 10 years from 7 December 2000 at the higher of nominal and current market value. Options may not be exercised earlier than three years from the date of grant and may only be exercised if the Group meets certain targets and any further condition on exercise which the Board determines to be appropriate. These targets require real growth (Consumer Price Index plus 5 percent compounded annually) in earnings per share of the Group over a period of not less than three years following the grant of an option. Since November 2000, 964,631 options have been granted under the scheme, 85,290 have been exercised and options over 69,825 shares have lapsed. Options over 809,516 shares are exercisable at 31 December 2004. Movements in the share options under this scheme during the year were as follows:

Earliest Exercise Date	Options at 31 December 2003	Granted in 2004	Lapsed in 2004	Exercised in 2004	Options At 31 December 2004	Exercise Price	Market Price at Exercise Date
December 2003	50,000			50,000	—	2.40	8.45
January 2004	5,290			5,290	—	2.40	8.15
August 2004	382,466			30,000	352,466	3.59	8.45
July 2005	156,000		18,000		138,000	5.25	
May 2006	85,000				85,000	5.00	
February 2007		114,691	9,325		105,366	8.15	
March 2007		8,000			8,000	8.90	
June 2007		107,000			107,000	9.43	
September 2007		13,684			13,684	9.80	

(d) The Paddy Power plc Sharesave Scheme (the "Sharesave Scheme")

The Sharesave Scheme was adopted by shareholders on 21 November 2000 and was subsequently approved by the Revenue Commissioners.

All employees (including executive directors) who have not less than 12 months continuous service with the Group or any subsidiary nominated to join the Sharesave Scheme may be invited to apply for options to acquire shares. Options will normally be granted to all eligible employees in the 42 day period after the announcement of the interim or final results of the Company. The purchase price for each ordinary share in respect of which an option is granted shall not be less than 90 percent of the closing price of the shares on the Irish Stock Exchange on the dealing day last preceding the date of grant of the option or its nominal value.

Earliest Exercise Date	Options at 31 December 2003	Lapsed in 2004	Exercised in 2004	Options at 31 December 2004	Exercise Price
March 2004	199,502	5,331	194,171	—	€2.16
July 2005	55,475	7,597	—	47,878	€4.95

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

15. Share Capital (continued)

General

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

All exercise periods shown end after three years from the earliest exercise dates shown above.

(e) Long-Term Incentive Plan

On 22 June 2004 the 2004 Long-Term Incentive Plan ("LTIP") for senior executives was adopted by the Shareholders, under which the directors can make conditional awards of a number of Company shares to each eligible executive. The awards are subject to the rules of the scheme. In accordance with the rules, the award will vest if the growth target (EPS growth at least equal to the compound growth in CPI plus 12% per annum) is achieved over the minimum vesting period. To the extent that the award does not vest in full in respect of the minimum vesting period, the award will continue in effect in accordance with the rules and will vest if the growth target is met over the four-year period measured from the commencement of the minimum vesting period and to the extent that the award does not vest in full in respect of such four-year period, the award will continue in effect in accordance with the rules and will vest if the growth target is met over the five-year period measured from the commencement of the minimum vesting period, provided, however, that to the extent the award has not vested on or before the latest vest date specified above, the award will automatically lapse in its entirety immediately following such date.

Until the vesting of the award in accordance with the rules of the scheme, the awardholder has no rights over or in respect of the shares subject to the award and on vesting, the awardholder's rights are limited to those shares in respect of which the growth target has been achieved in accordance with the rules of the scheme. The awards are not transferable.

During the year awards of 240,000 shares were granted to senior management (including executive directors). The share price at the date of the grant was €9.43. The total cost of this award is estimated at €2,263,200 and is expensed in the Group profit and loss account over the minimum vesting period of the award (being the expected term of the award) i.e. 3 years. Thus the operating profit for the year ended 31 December 2004 is stated after the LTIP profit and loss account charge for 2004 of €754,400.

The Paddy Power plc Employee Benefit Trust ("the Trust") was established to manage the long-term incentive plan. The Trust purchased 240,000 Paddy Power plc shares on 28 June 2004 at a cost of €2.3 million. The results of the Trust are included in the Paddy Power plc Company financial statements. The shares held by the Trust at 31 December 2004 are shown as a deduction from shareholders' funds in the consolidated and Company balance sheet in accordance with the Group's accounting policy for the long-term incentive plan.

(f) Paddy Power 2004 Second Tier Option Scheme

On 22 June 2004 the shareholders approved the establishment of the Paddy Power 2004 Second Tier Option scheme, which allows the Company to grant options to employees, which will become exercisable after a five year performance period, upon the achievement by the Company of exceptional performance levels. To be exercisable, the Company's earnings per share must grow during the five year performance period by at least the percentage increase in the Consumer Price Index plus 10% per annum compounded and the Company's earnings per share growth must be in the top quarter in performance terms of a specified peer group.

No options have been granted to date under this scheme to any Group employees.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

16. Share Premium

	2004	2003
	€'000	€'000
At 1 January 2004	3,975	3,305
Premium less costs of share issue (Note 15)	2,705	670
At 31 December 2004	6,680	3,975

17. Cash Flows

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

	Year ended	Year ended
	31 December 2004	31 December 2003
	€'000	€'000
Operating profit	31,134	19,632
Charge for long-term incentive plan	754	–
Depreciation	8,624	6,405
Amortisation of goodwill	121	121
Increase in debtors and prepayments	(129)	(597)
Increase in creditors	4,548	6,549
(Gain)/loss on disposal of tangible fixed assets	(31)	34
Net cash inflow from operating activities	45,021	32,144

(b) Analysis of Changes in Cash During the Year

	Year ended	Year ended
	31 December 2004	31 December 2003
	€'000	€'000
Balance at 1 January 2004	39,173	36,373
Net cash inflow	8,033	2,800
Balance at 31 December 2004	47,206	39,173

(c) Analysis of Net Funds

	31 December 2003	Cashflows	31 December 2004
	€'000	€'000	€'000
Cash at bank and in hand	39,173	8,033	47,206
Finance leases	(421)	421	–
Total	38,752	8,454	47,206

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

18. Financial Fixed Assets – Company

In the opinion of the directors, the value to the Company of the unlisted investments in subsidiary companies is not less than the carrying amount of €103,000 (2003: €103,000). The Company had the following subsidiaries, all of which are wholly equity owned, at 31 December 2004:

Company	Country of Incorporation	Activity	Registered Office
Power Leisure Bookmaker Limited	UK	Bookmaker	5th Floor Crowne House 56-58 Southwark St London SE1 1UN
Leisurebet Limited	Ireland	Non-trading	Airton House Airton Road Tallaght Dublin 24 Ireland
Zephyr Limited	Ireland	Property holding	
KOR Enterprises Limited	Ireland	Property holding	
Rexbury Limited	Ireland	Property holding	
QC Holdings Limited	Ireland	Property holding	
Pridepark Developments Limited	Ireland	Property holding	
Paddy Power Call-Centre Services Limited	Isle of Man	Call-centre administration	64a Athol Street Douglas, Isle of Man IMI 1JE
Paddy Power Entertainment Limited	Isle of Man	Non-trading	28 Victoria Street Douglas, Isle of Man IMI 2LE
Paddy Power Isle of Man Limited	Isle of Man	Bookmaker	
Paddy Power BCI limited ⁽¹⁾	Alderney	Non-trading	York House Victoria Street Alderney GY9 3TA
Paddy Power Alderney Limited ⁽¹⁾	Alderney	Interactive Gaming	Alpine House San Gwan Malta
Paddy Power (Malta) Limited	Malta	Non-trading	

¹ These companies were incorporated during the year.

In addition to the above subsidiaries, as outlined in Note 15, the Group utilises two employee trusts. Power Leisure Employee Benefit Trust, with a registered address at Airton House, Airton Road, Tallaght, Dublin 24, holds the shares of the Restricted Share Scheme. Paddy Power plc Employee Benefit Trust, with a registered address at PO Box 76, Wests Centre, St Helier, Jersey, JE4 8PQ, holds the shares of the Long-Term Incentive Plan Scheme.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

19. Pension Arrangements

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

Pension costs for the year were €888,000 (2003: €609,000) and the amount due to the schemes at 31 December 2004 amounted to €72,000 (2003: €118,000).

20. Commitments and Contingencies

(a) Guarantees

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

These facilities are unsecured.

(b) Capital Commitments

The Group has entered into commitments for capital expenditure not provided for in the financial statements amounting to €1.5 million (2003: €4.1 million).

(c) Operating Lease Commitments

The Group has annual commitments of €7.8 million (2003: €5.7 million) in respect of operating leases on properties where the lease terms expire as follows:

	31 December 2004	31 December 2003
	€'000	€'000
Within 1 year	595	422
Between 2 and 5 years	1,219	1,302
After 5 years	5,975	4,040
	7,789	5,764

(d) Derivatives

The Group has no derivative financial instruments at 31 December 2004. The Group's policy in respect of treasury and foreign exchange exposures is set out in the Financial Review.

21. Transactions with Directors

In addition to the directors' emoluments disclosed in Note 5, in the year ended 31 December 2004 directors were paid the amounts set out below.

Stewart Kenny received €60,000 (2003: €35,000) in respect of consulting fees. The Group paid Cappagrove Limited €nil (2003: €40,000) in respect of consulting fees provided to the Group by Fintan Drury, who has a beneficial interest in Cappagrove Limited.

The Group engaged in hedging transactions with David Power in his capacity as an on-course bookmaker. In aggregate, bets totalling €15,900 (2003 – €18,841) were paid by the Group to Richard Power On-Course Bookmakers and that firm placed bets winning €20,289 (2003 – winning €36,808) with the Group.

The Group paid rent of €21,000 (2003 – €25,124) and €38,727 (2003 – €19,205) during the year for retail properties occupied by the Group under long-term leases and owned by Stewart Kenny and David Power respectively. From 1 October 2004 Stewart Kenny no longer holds an interest in any property leased by the Group.

All of the above transactions were conducted on an arm's length basis at normal commercial terms.





“It was bad. For me it’s very, very bad. If it were not for that lunatic I am sure I would have won the gold. The way I was running I was unstoppable.”

Brazil’s Vanderlei de Lima after Cornelius Horan scuppered his chances of marathon gold at the Olympics.

He was a rank outsider, any price you like before the Olympic marathon – and far less famous than his assailant. Vanderlei de Lima thought he was home and hosed before being tackled by former priest Cornelius Horan. The Italian Baldini went on to win the race at the much more realistic odds of 10/1. Some experts say that Baldini would have got there anyway, but as you can see from the quote, de Lima disagrees.



FIVE YEAR FINANCIAL SUMMARY

Financial information for the Group for the five years ended 31 December 2004 is set out below in euro and sterling.

	2004	2003	2002	2001	2000
	€'000	€'000	€'000	€'000	€'000
			(restated)	(restated)	(restated)
Turnover	1,165,165	913,624	673,788	461,075	362,825
Operating profit	31,134	19,632	17,083	8,507	10,629
Profit on ordinary activities before taxation	32,140	20,410	17,822	9,092	10,950
Profit on ordinary activities after taxation	27,477	17,551	14,793	7,555	7,216
Net cash inflow from operating activities	45,021	32,144	30,435	11,461	20,104
Net assets	71,789	52,274	40,146	30,162	25,291

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

	2004	2003	2002	2001	2000
	Stg£'000	Stg£'000	Stg£'000	Stg£'000	Stg£'000
Turnover	801,186	630,390	437,951	286,168	226,440
Operating profit	21,408	13,546	11,104	5,280	6,634
Profit on ordinary activities before taxation	22,100	14,083	11,584	5,643	6,834
Profit on ordinary activities after taxation	18,894	12,110	9,615	4,689	4,503
Net cash inflow from operating activities	30,957	22,179	19,782	7,114	12,547
Net assets	49,363	36,068	26,094	18,722	15,784
<i>Exchange rates used are</i>	<i>1.4543</i>	<i>1.4493</i>	<i>1.5385</i>	<i>1.611</i>	<i>1.6023</i>

ADDITIONAL INFORMATION FOR SHAREHOLDERS

1. Listings

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

2. Registrar

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

Computershare Investor Services (Ireland) Limited,
Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.
Telephone: +353-1-216 3100
Facsimile: +353-1-216 3151
Website: www.computershare.com

3. Payment of Dividends Direct to a Bank Account

Dividends are paid by cheque however, shareholders resident in Ireland or in the UK may have their dividends paid by electronic transfer direct to a designated bank account. Shareholders who wish to avail of this facility should contact the Company's Registrar (see 2 above).

4. Payment of Dividends in euro

Dividend payments are made in euro by default. However, shareholders wishing to opt for Sterling payments either by cheque or direct to their bank account may do so by contacting the Registrar. (see details at note 2 above)

5. Crest

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

6. Dividend Withholding Tax ('DWT')

Note: The following information, which is given for the general guidance of shareholders, does not purport to be a definitive guide to relevant taxation provisions. It is based on the law and practice as provided for under Irish tax legislation.

Shareholders should take professional advice if they are in any doubt about their individual tax positions. Further information concerning DWT may be obtained from:

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

General

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

A. Irish Resident Shareholders

Individuals

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

Shareholders not liable for DWT

Shareholders who receive the dividend in a beneficial capacity can be exempted from DWT. Provided the shareholder furnishes a properly completed declaration on a standard form to the Company's Registrar, not less than three working days prior to the relevant dividend payment record date, the following classes of shareholders may receive their dividends gross:

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

ADDITIONAL INFORMATION FOR SHAREHOLDERS (CONTINUED)

Copies of the relevant declaration form may be obtained from the Company's Registrar or from the Revenue Commissioners at their addresses shown on page 63. Once lodged with the Company's Registrar, the declaration form remains current from its date of issue until 31 December in the fifth year following the year of issue, or, within such period, until the exempt shareholder notifies the Registrar that entitlement to exemption is no longer applicable. Where DWT is deducted from dividends paid to shareholders not liable to DWT, the shareholder may apply to the Revenue Commissioners, at the address shown on page 63, for a refund of the DWT so deducted.

Qualifying Intermediaries

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

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

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

Information concerning conditions to be satisfied by intending qualifying intermediaries may be obtained from the Irish Revenue Commissioners at the address shown on page 63. A qualifying intermediary should ensure that it receives completed declarations from underlying shareholders eligible for DWT exemption, so as to be in a position to notify the Company's Registrar, in advance of each dividend record payment date, of the extent to which the dividend payable to the qualifying intermediary is to be paid without deduction of DWT. A shareholder wishing to ascertain whether an entity is a qualifying intermediary should contact the Irish Revenue Commissioners at the address shown on page 63.

B. Non-Irish resident shareholders

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

- (a) an individual who is neither resident nor ordinarily resident for the purpose of tax in the Republic of Ireland and who is resident for tax purposes in a relevant territory;
- (b) an unincorporated entity resident for tax purposes in a relevant territory;
- (c) a Company which is resident in a relevant territory and which is not under the control, whether directly or indirectly, of a person or persons who is/are residents for the purpose of tax in Ireland; or
- (d) a Company which is ultimately controlled, whether directly or indirectly, by a person or persons who is/are resident for the purposes of tax in a 'relevant territory';
- (e) a Company not resident in the Republic of Ireland, the principal class of whose shares are traded on a recognised stock exchange in a relevant territory or on such other stock exchange as may be approved by the Minister for Finance, including a Company which is a 75% subsidiary of such a Company; or a Company not resident in the Republic of Ireland that is wholly owned by two or more companies, each of whose principal class of shares is so traded.

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

- Categories (a) and (b): The declaration must be certified by the tax authority of the country in which the shareholder is resident for tax purposes. Where the shareholder is a trust, the declaration must be accompanied by a certificate signed by the trustee(s) showing the name and address of each settlor and beneficiary and a notice in writing from the Irish Revenue Commissioners stating that the Irish Revenue Commissioners have noted the contents of the certificate.
- Category (c): The declaration must be certified by the tax authority of the country in which the Company is resident for tax purposes. The Company's auditor must also certify the declaration.
- Categories (d) and (e): The declaration must be certified by the Company's auditor.
- Dividends received by a shareholder who is a qualifying intermediary on behalf of a qualifying non-resident person may be received without declaration of DWT – see 'Qualifying Intermediaries' under 'Irish Resident Shareholders' at A on page 64.

C. Dividend statements

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

7. Electronic Communications

Paddy Power offers shareholders the ability to receive shareholder communications electronically. To register for Electronic Shareholder Communications go to www.computershare.com/register/ie Scroll down to "Company Selection" and select "Paddy Power PLC" from the drop down menu. Click on "Submit". Shareholders will be asked for relevant details, including the Shareholder Reference Number (SRN). The SRN can be found on the share certificate or dividend counterfoil. Once the request has been processed confirmation email is sent and this must be returned by the shareholder to complete registration.

8. Financial calendar

Announcement of final results for 2004	23 February 2005
Ex-dividend date	2 March 2005
Record date for dividend	4 March 2005
Annual General Meeting	17 May 2005
Dividend payment date	20 May 2005
Announcement of interim results for 2005	September 2005

LETTER TO SHAREHOLDERS

To all shareholders

I am writing to you to outline the background to the resolutions to be proposed at the forthcoming annual general meeting of Paddy Power plc (the "Company"), all of which are recommended by the Board for approval. Your attention is drawn to the Notice of the Annual General Meeting of the Company, to be held at the Conrad Dublin Hotel, Earlsfort Terrace, Dublin 2 at 11.00 am on 17 May 2005. In addition to the ordinary business which deals with the Report and Accounts, the dividend, the re-appointment of directors, and the Auditors' remuneration, there are various items of special business which are described further below.

Resolutions 3 & 4 of the ordinary business recommend the re-appointment of three directors. Breon Corcoran and Brody Sweeney were appointed by the directors since the last Annual General Meeting and in accordance with the Articles of Association of the Company put themselves forward for re-appointment by the shareholders. Ross Ivers, having served on the Board for three years, retires in accordance with Regulation 87 of the Articles of Association and being eligible, offers himself for re-appointment. In view of their experience and skills, and their contribution to the Board to date, the Board recommends the re-appointment of these directors. Biographical information on these directors is given in the Annual Report.

Shareholders are being asked in resolution 6 to renew, for a period of five years, to 17 May 2010, the Board's authority to allot relevant securities up to an aggregate nominal value not exceeding the present authorised unissued capital of the Company i.e. 20 million shares, representing 39.9% of the total issued ordinary share capital of the Company as at 21 February 2005. The directors intend to use this authority to allot shares to Group employees who exercise options granted to them by the Company under the Group Employee Share Schemes. At 21 February 2005, the total outstanding employee share options unexercised are 1,448,394.

Shareholders are being asked in resolution 7 to renew the directors' authority to allot shares for cash without being required to offer them first to shareholders. This authority is limited to an allotment of up to an aggregate nominal value equal to 5% of the nominal value of the Company's issued ordinary share capital i.e. 2.5 million shares. If renewed, this authority will expire at the next Annual General Meeting or 16 November 2006, whichever is the earlier.

Shareholders are being asked in resolution 8 to renew the authority to empower the Company, or any Subsidiary, to make market purchases of the Company's shares and to determine the price at which treasury shares may be re-issued off market. No more than 10% of the issued share capital of the Company may be acquired under this authority at a price range which is no less than the

nominal value of the Company's shares and no greater than 105% of the average price of the Company's shares over the five dealing days prior to the date of purchase by the Company. Shares purchased by the Company may be cancelled or held in treasury pending cancellation or reissue. Any treasury shares which are re-issued off market must be re-issued within a price range determined by a special resolution of the Company which shall not be less than 95%, nor more than 120%, of the average price of the Company's shares over the ten dealing days prior to the date of re-issue by the Company.

The total number of options to subscribe for shares in the Company on 21 February 2005, is 1,448,394 which represents 2.9% of the issued share capital of the Company on that date. This percentage would increase to 3.2% if the full authority to buy shares is used. The authority sought will expire on the date of the next Annual General Meeting of the Company or 16 November 2006, whichever is earlier. The Board will only exercise the power to purchase shares in the future, at price levels at which it considers purchases to be in the best interest of the shareholders generally, after taking into account of the Group's overall financial position. The Board has no immediate plans to make any such purchase.

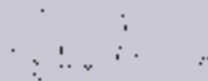
Action to be taken

A Form of Proxy for use at the Annual General Meeting is enclosed with this Annual Report. The Form of Proxy will be valid if lodged at the registered office of the Company or with the Company's registrars, Computershare Investor Services (Ireland) Ltd., Heron House, Carrig Road, Dublin 18. Alternatively you may wish to submit your votes via the internet and instructions on how to do so are shown on the form. All proxy forms must be lodged no later than 48 hours before the time appointed for the meeting. The completion and lodging of the Form of Proxy will not prevent you from attending and voting in person at the meeting should you so wish.

Recommendation

The directors believe that the resolutions proposed are in the best interests of the Company and its shareholders, and so they recommend that you vote in favour of these resolutions, as they intend to themselves in respect of their shares.

Yours Sincerely



Fintan Drury
Chairman

22 February 2004

NOTICE OF ANNUAL GENERAL MEETING OF PADDY POWER PLC

NOTICE is hereby given that the Annual General Meeting of Paddy Power plc (the "Company") will be held at the Conrad Dublin Hotel, Earlsfort Terrace, Dublin 2, on 17 May 2005 at 11.00 am for the following purposes:

To consider and if thought fit, to pass the following resolutions, which will be proposed as ordinary resolutions:

1. To receive and consider the financial statements for the year ended 31 December 2004 and the reports of the directors and auditors thereon.
2. To declare a final dividend of €0.1252 per share for the year ended 31 December 2004.
3. As separate resolutions, to reappoint the following persons as directors who are recommended by the Board for reappointment:
Resolution 3 (a) Breon Corcoran
Resolution 3 (b) Brody Sweeney
4. To reappoint Ross Ivers who retires in accordance with Regulation 87 of the Articles of Association and being eligible, offers himself for reappointment.
5. To authorise the directors to fix the remuneration of the auditors for the year ending 31 December 2005.
7. As a special resolution
"That for the purposes of Regulation 8(d) of the Articles of the Association of the Company, the directors are hereby empowered to allot equity securities for cash pursuant to and in accordance with the provisions of their authority pursuant to Section 20 of the Companies (Amendment) Act 1983 as if sub-section (1) of Section 23 of Companies (Amendment) Act did not apply; pursuant to Regulation 8(d)(ii), the maximum aggregate nominal value of shares to which this authority relates shall be an aggregate nominal value equal to 5% of the nominal value of the Company's issued ordinary share capital for the time being; and the authority hereby conferred shall expire at the close of business on the earlier of the date of the next Annual General Meeting of the Company or 16 November 2006 unless previously renewed, varied or revoked by the Company in general meeting."

Special Business

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

6. As an ordinary resolution
"That the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 20 of the Companies (Amendment) Act 1983) up to an aggregate nominal amount not exceeding the present authorised unissued capital of the Company; provided that this authority shall expire on the day which is five years after the date of the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired."
8. As a special resolution
"That the Company and/or any subsidiary (being a body corporate referred to in the European Communities (Public Limited Companies Subsidiaries) Regulations 1997) of the Company be generally authorised to make market purchases (as defined by Section 212 of the Companies Act, 1990) of shares of any class of the Company on such terms and conditions and in such manner as the directors may from time to time determine in accordance with and subject to the provisions of the Companies Act 1990 and to the restrictions and provisions set out in Regulation 47(a) of the Articles of Association of the Company.
That the re-issue price range at which any treasury share (as defined in Section 209 of the Companies Act 1990) for the time being held by the Company, may be re-issued off market, shall be the price range set out in Article 47(b) of the Articles of Association of the Company; and the authorities hereby conferred shall expire at the close of business on the earlier of the date of the next annual general meeting of the Company or 16 November 2006 unless, in any such case, previously renewed, varied or revoked by the Company in general meeting."

By Order of the Board



Nuala Hunt
Secretary

22 February 2005

NOTICE OF ANNUAL GENERAL MEETING OF PADDY POWER PLC (CONTINUED)

Registered Office:
Airton House
Airton Road
Tallaght
Dublin 24.

Notes

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

To be valid, Forms of Proxy duly signed must be returned together with the power of attorney or such other authority (if any) under which they are signed (or a notarially certified copy of such power or authority) so as to reach the Company's Registrar, Computershare Services (Ireland) Limited, P.O. Box 954, Sandyford, Dublin 18 by not later than 11.00a.m. on 15 May 2005. Alternatively, proxy votes may be submitted up to 11.00am on 15 May 2005, via the Internet by accessing the Registrar's website at www.computershare.com/ie/voting/paddypower. Instructions on how to vote electronically and the terms and conditions under which the electronic proxy is accepted are set out on the website.

The Company, pursuant to Regulation 14 of the Companies Act, 1990 (Uncertified Securities) Regulations, 1996, specifies that only those shareholders registered in the register of members of the Company as at 11.00a.m. on 15 May 2005 (or in the case of an adjournment as at 48 hours before the time fixed for the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries in the register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting.

Betting Review 2004 - 2nd half

July



Back to Euro 2004, England decided not to change the habit of a lifetime by getting knocked out in yet another heartbreaking penalty shootout in the quarter finals. It wasn't all bad news for their supporters though, Paddy Power refunded all losing bets on England to win Euro 2004.



Other highlights of July included Roger Federer's walk in the park at Wimbledon, he easily justified his hot favouritism. Speaking of hot favourites, she wasn't famous before the tournament but she's every red blooded man's favourite now! Maria Sharapova started the Russian revolution on the tennis circuit by storming to victory in the ladies.



No prizes for guessing who won the Tour De France! The red hot favourite Lance Armstrong won his sixth and now must surely be considered alongside darts legend Phil Taylor as one of the most dominant athletes of our time.



Todd Hamilton was any price you'd like before the British Open but he managed a gutsy win over Ernie Els in a playoff at Royal Troon. In a bizarre round of golf, we saw Ernie Els playing his ball from the middle of a bush, and Hamilton mixing up his 3 wood and his wedge to play a pitch shot. In fairness the ball ended up two feet from the hole, so maybe he knew what he was doing!



July will go down as a month for punters. The Thursday of the Galway Races summed it up. Cloone River had been unlucky in the Galway Hurdle the year before. He was laid out for the race, and by God did they plunge! He was backed from 7/1 that morning in to 7/2 favourite at the off. Galway City was invaded that night by Andy Williams fans singing "Cloone River" to the tune of the slightly better known hit, "Moon River".

August



The weekend of the 14th of August was pretty busy. The Premiership season started again, how did we last without football for that 10 minute off season!



The same weekend Vijay Singh's favourite sequence of numbers became 10, 10 & 1. He won the US PGA for his 10th victory of the year, his 10 million dollar in prize money and became world No. 1 for the first time.

It wasn't all plain sailing for the hotly tipped Vijay though. Justin Leonard suffered from a dose of the Mickelsons during his final round, bogeying two of the last three holes to fall into a playoff with the Fijian and Chris DiMarco, who had stormed out of the pack. Leonard and DiMarco buckled, Vijay chuckled! Another gamble landed!



Something else happened that weekend... it was a famous soap opera of mysterious motorcycle crashes, dubious dope tests and a Bob the Builder saga of can they fix it. Bring on the Olympics!



The highlights of the games were Kelly Holmes' two golds in the 800 & 1500m. The contrast to this was the less than glittering end to Sonia O'Sullivan's Olympic career. But even that wasn't as sad as Paula Radcliffe running out of steam in the ladies marathon.



She was probably lucky though, the main marathon headlines of the games belonged to an Irishman. A man who is no stranger to the Paddy Power annual report, ex-priest Cornelius Horan rugby tackled the Brazilian Vanderlei de Lima who looked certain to win.

September



Kilkenny forgot to show up to defend their All-Ireland Hurling crown on the second Sunday in September. They were overwhelmed by a sea of red as the rebels from Cork stormed to a famous and surprisingly easy victory.

In the All-Ireland Football final Kerry finally realised their potential, hitting overdrive and justifying hot favouritism by crushing Mayo. Sam had finally returned to the Kingdom after three years in the wilderness of Ulster and Connacht.



Speaking of one sided victories, what about the Ryder Cup? Looking at world rankings, Europe had no chance but nobody told them. Monty, Garcia and Westwood bounced back to form at the right time to lead the boys in blue to an easy victory. The Americans didn't like it up 'em. Their captain, Hal Sutton was full of fighting talk, but when the chips were down his boys buckled. Unfortunately the punters' chips were down on Europe who landed a tidy touch for all concerned.

The flat season was beginning to wind down, and the punters weren't showing any mercy in turning the screw. Small field after small field, and favourite after favourite. Roll on the jumps!



The richest greyhound race in the world, The Paddy Power Greyhound Derby, came to its climax in September and on paper it looked like one for the bookies. Like a Shot was 14/1 outsider of six in the final and finished with a late rattle to come from last to first and nail the favourite, Droopys Maldini on the line. He was a stinker in the early betting as he'd been backed at all odds from 66/1 right down to the 14/1 he was on the night – another Derby, another touch!

October

2005 produced the biggest ever soccer game from a betting point of view in the history of Paddy Power. It wasn't in Euro 2004; it was the Republic of Ireland's World Cup qualifier against France in Paris in October.



The patriotic punters piled in to the Republic at 6/1 and forced the odds down to 4/1 prior to kick off. It was a 0-0 thriller, a great result for the team and the fans, and as an added bonus the draw wasn't too bad a result for the bookies – everyone went home happy!



Speaking of October and football, will we ever forget the Pizzagate scandal when Utd played Arsenal? Alex Ferguson's men won the game 2-0 but nobody cared about that, we all wanted to know who threw the pizza at Fergie. Rumour had it that it was Ashley Cole, but that was misjudged.

We priced up who the phantom thrower was, it wasn't long before we were informed by a deluge of money for Fabregas that he was indeed the guilty party. His odds tumbled from 28/1 down to even money favourite before we pulled the plug, everyone wanted a pizza the action!

October also saw that unique event when Ireland take on Australia in a game of International Rules football. The recipe consists of Aussie Rules, Gaelic Football and for the first time a loose Jack Russell terrier.



Brock the dog stole the show chasing the ball around Croke Park for about 10 minutes before the ref decided to halt play while he was substituted. He went missing after the match and sparked a nationwide search. As soon as he turned up, never ones to miss an opportunity, we signed him up to launch our new Paddy Power mobile betting service. As you can see from the photo Brock was delighted with himself sporting his Paddy Power jacket!

November

Fresh from a butchering by Ouija Board at the Breeder's Cup in Texas, we went into November looking forward to one of the highlights of the racing season, The Paddy Power Gold Cup at Cheltenham.



Martin Pipe cheered home his 12/1 shot Celestial Gold. He was Pipe's first ever winner of the Paddy Power Gold Cup, but he had farmed the race in previous years under previous sponsors. Timmy Murphy had been getting a bit of stick since taking over the Pipe job from the living legend, AP McCoy. He let his riding do the talking and rode four of the six winners for his new boss on the day. One Pipe winner on a day is expensive for the bookies, but four! Pass the smelling salts!



The Springboks also came to visit in November, for a holiday they thought. According to Jake White, their coach, none of the Irish rugby team would get a sniff of a starting spot in

the real green fifteen. Would you like some ketchup with your words Mr. White? Need I remind you of that famous day when Ronan O'Gara scored all of the points to secure a famously satisfying victory. It was called a friendly, but let's just say that there was no love lost!

Speaking of famous victories, November also saw Luke Donald and Paul Casey, fresh

from their Ryder Cup heroics, put England firmly on the map as the country to follow for the future of golf. The 9/2 second favourites managed to hold off the home challenge of Spaniards Sergio Garcia & Miguel Angel Jiminez to win the World Cup of Golf for England.

December



Imagine waking up on Christmas morning, opening your curtains and seeing a €25,000 payout all over the road. That's what it was like for us this year. It's the first time since the 1960s that the bookies in Ireland had to pay out on a white Christmas, so some will claim that we had it coming!

Forget the snow! Racing went ahead as planned over the festive period and it didn't take long for punters to put the "bah humbug" back into the bookies' Christmas.

The first day of the Christmas racing festivals was a bloodbath. We saw Paul Carberry giving hot favourite, Harchibald one of the best rides ever to win the Christmas Hurdle at Kempton, beating Rooster Booster into second place.



Then it was Barry Geraghty's turn. He was aboard another favourite in Kicking King, and was nearly kicking himself when he crashed through the final fence in the King George. How did he stay aboard? It must have been the superglue on his bottom!

Things were just as bad back home. One of the highlights of the week was watching cheeky Paul Carberry wave bye-bye to Best Mate as he guided Beef or Salmon to a brilliant Lexus victory. It remains to be seen whether Carberry will regret the gesture come March '05!



At the end of the day, Christmas was all about the Paddy Power Chase at Leopardstown. Keypatem landed one of the gambles of the season for Mouse Morris, JP McManus and every man woman and child in Ireland. He went off 7/2 favourite and won with at least 2 stone in hand. "Gelded" was one of the words used to describe how the bookies fared over the Christmas festivals.

Full Time Score

(After a remarkable comeback!):

Bookies 3

Punters 3

2004 – "A game of two halves?"
you'd better believe it!



“Strangely, in slow motion replay, the ball seemed to hang in the air even longer.”

“Have you ever thought of writing your autobiography? On what?”

“It’s hard to be passionate twice a week.”

“It was the fastest-ever swim over that distance on American soil.”

“I love Cork so much that if I caught one of their hurlers in bed with my missus, I’d tiptoe downstairs and make him a cup of tea.”

“I never comment on referees and I’m not going to break the habit of a lifetime for that prat.”

“Julian Dicks is everywhere. It’s like they’ve got eleven Dicks on the field.”

“Life isn’t all beer and football. Some of us haven’t touched a football in months.”

Norway haven’t scored.”

“Sure there have been injuries and deaths in boxing - but none of them serious.”

“Teddy McCarthy to John McCarthy, no relation, John McCarthy to Teddy McCarthy, still no relation.”

“I got into the ring with Muhammad Ali once, and I had him worried for a while. He thought he’d killed me!”

“We’ll still be happy if we lose. It’s on at the same time as the Beer Festival.”

“Is the ref going to finally blow his whistle? No, he’s going to blow his nose!”

“Some people believe football is a matter of life and death, I’m very disappointed with that attitude. I can assure you it is much, much more important than that.”

“Sex is an anti-climax after that!”

“Well, you gave the horse a wonderful ride, everybody saw that.”

“Azinger is wearing an all black outfit: black jumper, blue trousers, white shoes and a pink ‘tea-cosy’ hat.”

“In cycling, you can put all your money on one horse.”

“She’s about as cuddly as a dead hedgehog. The alsatians in her yard would go around in pairs for protection.”

“If you’d offered me a 69 at the start this morning I’d have been all over you.”

“That boy throws a ball further than I go on holiday.”

“Apart from their goals,

“There are two things in Ireland that would drive you to drink. GAA referees would drive you to drink and the price of drink would drive you to drink.”

“There goes Juantorena down the back straight, opening his legs and showing his class.”

“... and Ray Illingworth is relieving himself in front of the pavilion.”

“Statistics are like miniskirts: they give you good ideas but hide the important things.”

“It took a lot of bottle for Tony (Adams) to own up.”

“He dribbles a lot and the opposition don’t like it - you can see it all over their faces.”

“There are the boys, their balls between their legs.”

Paddy Power plc

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