5 March 2013

Paddy Power plc
Preliminary Results Announcement for the year to 31 December 2012

Group Highlights:

- Record profit before tax, up 15% to €139.2m and diluted EPS up 17% to 248.1 cent[1];
- Net revenue growth of 25% in constant currency and increased revenue in every division;
- Four new online ventures with start-up losses of €20.5m;
- Dividend growth of 20% to 120 cent per share for the year proposed with a 16% increase in the final dividend to 81 cent per share;
- Strong balance sheet with net cash of €209m (or €153m excluding customer balances) at 31 December 2012.

Online Highlights:

- Accelerated growth, off a bigger base, with customer acquisition up 51%, active customers up 44% to 1.6m and net revenue up 31% in constant currency to €410m. Operating profit up 8% to €102.1m (up 27% before investment in new ventures):
    - Online (ex Aus): customer acquisition up 48%, active customers up 44% to 1.3m and net revenue up 27% in constant currency. Operating profit up 23% before investment in new ventures;
    - Online Australia: customer acquisition up 62%, active customers up 43% and net revenue up 41% in constant currency. Operating profit up 35% to €30.8m;
- Leading mobile market shares: mobile net revenue up 185% in constant currency to €129m or 32% of online revenue, with 61% of active sportsbook customers and 30% of active eGaming customers transacting via mobile last month;
- Entry into the Italian online market in May, ending 2012 with in excess of 5% of the online sports betting market, top 5 spontaneous brand awareness and our casino product 'live';
- Further significant investment in our social media strategy with a twelve-fold increase in Facebook fans and Twitter followers to over 1.3 million.

Retail Highlights:

- UK Retail like-for-like net revenue up 7% in constant currency and operating profit up 46% to €15.3m. UK Retail estate now 217 shops with a record 44 shops opened in 2012;
- Irish Retail operating profit up 32% to €14.4m, driven by the normalisation of sports results. Like-for-like, net revenue up 7% and stakes down 2%.

Patrick Kennedy, Chief Executive, Paddy Power plc said:

"*This has been another strong year for Paddy Power. Our turnover grew by 25% to €5.7 billion as payback from ongoing investment continued to deliver growth across the Group. Online goes from strength to strength. The adoption of mobile across our markets, combined with our e-commerce capabilities, technology and brand, means we now have nearly twice as many active online customers than we had in 2010. We also expanded our social media activities, and opened 44 new shops in the UK.*

Trading in January to February has been strong and has also benefitted from favourable sports results. Sportsbook amounts staked are up 19% and total net revenue is up 34% in constant currency. However, current exchange rates, if they continue, could reduce operating profits by approximately €10m this year. We're well positioned in attractive and growing markets through sustained investment and strong capabilities and, as a consequence, look forward to 2013 and beyond with confidence."

[1] *Results throughout this statement exclude impact of net after-tax one-off gains of €18m in 2011*

ENDS

5 March 2013

Issued on behalf of Paddy Power plc by Powerscourt

For reference:

Patrick Kennedy Chief Executive Paddy Power plc Tel: + 353 1 905 1011	Cormac McCarthy Chief Financial Officer Paddy Power plc Tel: + 353 1 905 1013	Jack Massey Director of Finance & Company Secretary Paddy Power plc Tel: + 353 1 905 1013
Billy Murphy / Karen Ferris Drury Tel: + 353 1 260 5000 Mobile: + 353 86 317 1248 (KF)		Jon Earl / Rob Greening Powerscourt Limited Tel: + 44 20 7250 1446 Mobile: + 44 7809 698 259 (RG)

Analyst Briefing:

The Company will host an analyst presentation at 9:00am this morning at the Merrion Hotel, Upper Merrion St, Dublin 2. A conference call facility will also be available. To participate in the conference call please dial 01296 480 100 from the UK, (01) 242 1074 from Ireland and + 44 1296 480 100 from elsewhere. The passcode is 936 935.

A presentation replay facility will be available for 21 days. To listen to the replay, callers from the UK should dial 0207 136 9233, and all other callers should dial +44 207 136 9233. The passcode is 72649898.

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to report on another year of strong growth at your Company.

The Group achieved record turnover of €5.7 billion and operating profit of €136m. Earnings per share grew by 17% and the Board's proposed final dividend makes for a total 2012 dividend of 120 cent per share, an increase of 20% versus 2011. All divisions achieved higher revenues and double-digit profit growth (before investment in four new online ventures).

€m	**2012**	**2011**	**% Change**	**% Change in Constant Currency ('CC')**
Amounts staked	5,694	4,555	+25%	+19%
Sportsbook gross win %	*9.4%*	*8.8%*		
Net revenue	**653.8**	**499.3**	**+31%**	**+25%**
Gross profit	553.6	428.2	+29%	+24%
Operating costs	(417.6)	(308.6)	+35%	+31%
Operating profit	**136.0**	**119.5**	**+14%**	**+6%**
Profit before tax	**139.2**	**121.2**	**+15%**	**+7%**
EPS, adjusted diluted	248.1 cent	212.3 cent	+17%	
Dividends	120.0 cent	100.0 cent	+20%	
Net cash at year end	**€209m**	**€136m**		

Note 1: Results throughout this statement exclude net after-tax one-off gains of €18m in 2011.

Business development activity was also strong last year. We launched in the Italian online market, and whilst we still have much to do, progress to date has been encouraging. We also advanced our positions in key growth areas such as smartphone and tablet betting, social media and social gaming and increased our proprietary product content. We opened a record 44 shops in the UK last year, with our estate in the UK now larger than in Ireland.

Overall, the year illustrates great progress on our strategy to develop a leadership position in the increasingly global betting market through sustained investment in people, product, value and brand.

Betting Regulation & Taxation

The global betting and gaming industry is becoming more regulated, and more taxed, which presents both opportunities and challenges for Paddy Power.

Online

In Ireland and the UK, the proposed new online license and tax regimes on a 'point of consumption' basis have been well flagged and are expected to increase our costs, as detailed within the Operating & Financial Review under Taxation.

We urge governments when implementing point of consumption taxation to recognise the highly competitive nature of the industry, the challenges of enforcing taxes on rogue offshore operators and the propensity for consumers to migrate to the best value offers. High-tax regimes can drive consumers to non-compliant operators that are more price competitive, as they neither pay the betting tax nor observe player protection regulations, thereby frustrating the original policy objectives. Therefore to be effective, a point of consumption taxation and licensing regime requires appropriate resourcing and implementation of a wide range of enforcement mechanisms.

Similar considerations arise where governments prohibit some or all types of online betting activity. Rogue offshore operators fill the consumer demand without adherence to player protection regulations, sports integrity measures, paying local taxes or providing local employment. Thus there is a strong case for countries to move from prohibition to responsible regulation and taxation. Such developments would enable us to broaden our product offer in Australia, Italy and Canada, and possibly enter new geographies.

Retail

Betting shops and casinos in the UK are allowed to offer gaming machines (known as B2/B3 machines) which take stakes of up to £100 and pay prizes of up to £500. The Government and Association of British Bookmakers have called for an 'evidence based debate' on how customers use B2/B3 machines. We fully support this and look forward to seeing the results of the Responsible Gambling Trust's major research project into machine gaming.

In Ireland, we welcome the proposals within the Betting (Amendment) Bill 2012 which will give us the option of opening our shops until 10pm during September to April, irrespective of whether there is an evening Irish race meeting.

Employment & Tax

Paddy Power has a strong track record of providing high quality jobs and making a significant tax contribution in the countries in which we operate. We provided 3,767 jobs at the end of 2012 and paid total taxes and duties of €159m during the year.

	Employment 31 Dec 2012	**% Change in 2012**	**Tax/Duty Paid 2012**	**% Change in 2012**
Ireland	2,166	+15%	€70m	+22%
UK	1,129	+22%	€52m	+54%
Australia and Rest of World	472	+48%	€37m	+24%
Group	**3,767**	**+20%**	**€159m**	**+32%**

The Board

David Power has advised me that he will retire from the Board at the conclusion of the 2013 AGM. We thank David for his fundamental contribution to Paddy Power's success, both as a co-founder in 1988 and as a non-executive director since that date.

Financial Position and Dividends

Net cash at the end of 2012 was €209m, an increase of €74m compared to a year earlier, notwithstanding a 37% increase in dividends paid to shareholders and significant investment in new shops and our new and existing online businesses.

The Board is proposing an increase in the final dividend of 16% to 81.0 cent per share. This would bring the total dividend in respect of 2012 to €58.9m or 120.0 cent per share, an increase of 20% on 2011, and equivalent to a 49% payout ratio of underlying 2012 earnings.

While the Board remains committed to capital discipline, as demonstrated by the upward trend in its payout ratio and previous share buybacks, it also wants to maintain flexibility for future growth. The current pace of change in the global betting industry emphasises the need for such flexibility.

Outlook

Trading in January to February has been strong and has also benefitted from favourable sports results. Sportsbook amounts staked are up 19% and total net revenue is up 34% in the first two months (in constant currency versus the same days last year). However, current Sterling and Australian dollar exchange rates against the euro, if they continue, would reduce operating profits by approximately €10m in 2013. The Board remains confident of the Group's prospects for 2013 and I look forward to updating you on progress at our AGM in May.

Nigel Northridge
Chairman

4 March 2013

CHIEF EXECUTIVE'S REVIEW

Introduction

The track record of strong financial performance at Paddy Power continued last year. Since its first year as a public company in 2001, the Group has achieved compound annual growth of 25% in revenues, 30% in earnings per share and 33% in dividends per share.

This historic performance is encouraging but our focus is very much on the future. We do not underestimate the potential impact of increased taxation, regulation or competition but we believe the effective execution of our strategy will continue to deliver long term growth and value for our shareholders given:

- The attractiveness of our markets;
- Our strong positions within those markets;
- Our significant and sustained level of investment;
- Our payback and momentum.

Attractive Markets

Online
Our existing online markets are large, legal regulated markets which have consistently averaged double-digit growth rates. We expect smartphones, tablet computers, social media and migration from retail to continue to drive strong online market growth.

Our markets are becoming less fragmented over time as continuous innovation puts pressure on sub-scale operators, with consumers naturally migrating to the strongest products, services and brands. Market research in the UK indicates that in the year to September 2012, regular gamblers that use just one brand increased from 48% to 55% of those surveyed, while those that use four or more brands fell from 23% to 12% of respondents.

There is also a global trend towards countries regulating their online gambling markets, which has already opened up new markets for us, most recently Italy. Paddy Power may also benefit, at some point, from the regulation of products currently not allowed within our existing online markets, such as betting-in-play in Australia.

Overall, only 9% of the €333 billion global gambling market is currently online.

Retail
While retail faces challenges from online migration, on-going product innovation such as Self Service Betting Terminals, plus the attractions of betting in a social environment and in cash, do help make betting in shops a distinct and appealing proposition for many customers. Market research in the UK in September 2012 shows that one in two regular online gamblers still use betting shops on a monthly basis.

Strong Positions

Scale
Paddy Power has developed a position of some scale in the industry, with net revenue of €654m, over 1.6m online active customers and 422 shops in 2012. This scale allows us to continue to invest, particularly in our e-commerce and technology capabilities, to maintain a virtuous circle of revenue growth, generating more cash for investment to drive further revenue growth.

Mobile
Paddy Power is disproportionately large within the fast growing mobile segment, holding a leadership position in all our major markets. In the UK, we have approximately a 27% share of the mobile sports betting market, which is around double our share of the total online sports betting market. In Australia, a market leading 32% of regular online bettors on sport surveyed cited Sportsbet as the brand they used most often for mobile betting.

Brand
Innovative marketing and exploiting new ways to engage with an increasingly online and mobile customer base is crucial in our industry. Market research in the UK and Australia, and now Italy as well, consistently shows that we are the only brand in the sector with a real personality, built on leading on key metrics such as 'entertaining', 'modern' and 'value for money'. Social media have enabled us to communicate this distinctive brand personality even more effectively online. For example, every man over the age of 18 on Facebook in the UK (of which there are 13 million) is now connected to at least one Paddy Power fan, giving us the opportunity to market to them on Facebook via a friend of theirs.

Retail Unit Profitability, Growth Potential and Resilience
Our retail positions in Ireland and the UK continue to stand out. In Ireland, our turnover per shop is 118% higher than the rest of the market. In the UK, our turnover is 92% higher than the average of our quoted competitors. This top-line outperformance feeds through to very attractive EBITDA levels and returns on capital. Last year, average EBITDA for our UK shops of £140,000 compared to a capital cost per organic opening of £254,000.

With less than a 3% share of the shops in the UK market, we also have a unique opportunity to grow our estate materially in the UK. Even with our selective approach to new openings, we successfully opened 44 shops last year increasing our average UK shop numbers by 28% and operating profits by 29% in constant currency.

Top line outperformance also gives our shops a different level of resilience in the face of any adverse developments relative to the shops of our competitors. Since August 2008 our competitors have closed some 341 shops in Ireland, while we have opened 25 units and closed none.

B2B & B2C Capabilities
New geographies may regulate in a way which does not allow, or may not make attractive, a market entry by Paddy Power on a B2C basis. This was the case in France and in Canada; however we successfully entered both markets on a B2B basis, establishing credentials for possible further partnerships. We have also successfully entered new geographies on a B2C basis both organically (UK) and via acquisition (Australia).

Significant Investment

Paddy Power has been investing aggressively in recent years in both existing and new capabilities in order to drive future performance.

Our internal product development capabilities were boosted with the acquisition in November 2011 of Bulgarian based games developer, Cayetano. We now employ 74 staff in Sofia compared with 32 on acquisition, who delivered 25 games since July (which are generating higher average revenue per game than our new third party games).

Other online and technology headcount has been increased dramatically, from 338 to 918 over the last three years, with new specialist teams focussed on mobile development, mobile marketing, social media, customer intelligence and 24x7 technical operations. We continue to invest in our Risk Quants team, thereby delivering more betting opportunities, greater efficiency and better margin control. Last year, we introduced new proprietary mathematical models for cricket, US basketball, NFL and darts.

Our new online ventures, particularly our Italian launch, have great potential if we can replicate the success we have achieved elsewhere, particularly given the size of the markets being targeted. These investments also give us additional insights and capabilities which can position us for future opportunities.

Every year, we also invest significantly in our unique approach to offering better value to our customers, and in building the distinctiveness of our brand. Last year delivered some spectacular successes including our Ryder Cup ‘Sky Tweets’, Nicklas Bendtner in lucky Paddy Power pants, and our largest ever Money-Back Special. Being able to showcase the distinct personality of the Paddy Power brand in such a variety of different ways, across a wide range of media, is a key asset in competitive markets with significant marketing inflation.

Payback & Momentum

The compelling combination of attractive market positions and significant investment is evident in our strong payback and momentum. Over the last three years, we have achieved average annual growth in online customer acquisition of 44% and online active customers of 41%, with growth actually accelerating last year, off a much higher base. Over the same period, we have also boosted our Retail profitability, despite the economic conditions, with average annual growth in EBITDA per shop of 14% in the UK and 1% in Ireland (and like-for-like net revenue in constant currency increased by 7% in both estates last year).

Conclusion

Paddy Power is well positioned in growing and attractive markets. We have made significant investment in our brand, operational capabilities and people. These investments are paying back strongly and we expect that this will continue. Underlying this, a strong balance sheet gives us further opportunities to create value for shareholders. We look forward to 2013 and beyond with confidence.

Patrick Kennedy
Chief Executive

4 March 2013

OPERATING & FINANCIAL REVIEW

Introduction

Paddy Power is an international betting and gaming group. Three quarters of profits last year came from the fast growing online segment. In addition, the Group benefits from being a multi-channel operator in the UK and Ireland. Shops boost brand recognition, trust and scale, as well as directly contributing 22% of operating profit in 2012.

Operating Profit by Division	**2012**		**2011**		**% Change**
	€m	**% of Group**	**€m**	**% of Group**	
Online (ex Australia)	72.7	53%	74.3	62%	(2%)
Online Australia	30.8	23%	22.8	19%	+35%
Irish Retail	14.4	11%	10.9	9%	+32%
UK Retail	15.3	11%	10.5	9%	+46%
Telephone	2.7	2%	1.1	1%	+156%
Group Operating Profit	**136.0**	**100%**	**119.5**	**100%**	**+14%**

(Online (ex Australia) '% Change' is after an increase in start-up losses of €19.0m in 2012 on four new online ventures)
(Online Australia also includes legacy telephone operations accounting for less than 10% of gross and operating profit)

In recent years, Paddy Power has been spreading around the world faster than a video of a cat playing a piano with online betting services now provided to consumers in Italy, Australia and to business-to-business clients in France and Canada. Customers outside Ireland accounted for 74% of total operating profit last year. This was unchanged compared to 2011, primarily due to start-up losses in Italy offsetting a significantly increased contribution from customers in the UK and Australia.

Operating Profit by Geography	**2012**		**2011**		**% Change**
	€m	**% of Group**	**€m**	**% of Group**	
UK	81.7	60%	64.1	54%	+27%
Australia	30.8	23%	22.8	19%	+35%
Ireland and Rest of World	23.5	17%	32.6	27%	(28%)
Group Operating Profit	**136.0**	**100%**	**119.5**	**100%**	**+14%**

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

Sports Results & Trading

Based on our current expectations for normal gross win percentages, sports results had an overall immaterial impact on profits last year, but there were still a fair few hairy moments.

We regularly come unstuck at Cheltenham and the Grand National but actually came out ahead on both last year, despite our biggest ever Money-Back Special refunding all losing bets when Sprinter Sacre won the Arkle, and our usual generous offer paying an extra place on the world's most unpredictable steeplechase.

We expected to be out of harm's way until Ascot and the Euros. We certainly didn't count on losing our shirt in the second half of May from an accumulation of relatively small bookie-beating results in racing, golf, boxing, rugby and the Champions League final. With Chelsea riding their luck all the way to Munich, we were confident our offer of 'Money-Back if the Blues lifted the trophy' would never come to pass but we were left with a refund that looked like Tiger Woods' divorce bill.

At least results in the Euros went well (eventually), with the Group taking stakes of €78m and gross win of €7.6m. The London Olympics were another big event to showcase Paddy Power. We were the only bookie to offer bets on the winners of every single event, and to challenge the draconian brand police by advertising our official sponsorship of 'the largest athletic event in London' – our egg-and-spoon race in London, France that is!

The show was back on the road – then the wheels came off, again. Whether you call him Irish, British or simply this generation's Leo Sayer, the fantastic curls of Rory McIlroy started the slide with victory in the USPGA. He then played his part in an expensive Ryder Cup. In fairness to Rory, it was Tiger that left us feeling like we'd crashed the SUV into a tree by conceding the final putt to ensure a European win rather than the draw. We really shouldn't bait him so much!

While things weren't exactly going our way, we never let that affect our unique long term approach in all our geographies to give value to customers. In Italy, we decided punters shouldn't suffer because the referee decides to disallow a goal while on the way home after the match (well practically) and we paid out on the win for both Catania and Juventus. Nor should our customers lose money if a national hero shows less bottle than six tinnies of VB – with one hand on the Claret Jug, Adam Scott bogeyed the last four holes to lose the Open, so it was 'Justice Payout' time in Australia. We're also exporting extra-place-payouts to the Aussies, with our four places on the Melbourne Cup new and unrivalled in the market. Despite this generosity, the Spring carnival was one of many highlights for us in November, and even with one final kicking in UK and Irish Christmas racing, we finished ahead.

Last year illustrates that even with all the benefits of more diversification, technology and geeky maths folk, our short term profitability can still be influenced by the vagaries of sporting results. More importantly, it shows our unstinting emphasis on entertainment, great product and exceptional value for customers. This approach consistently resonates with punters across all our markets, strongly contributing to the 51% increase in online customer acquisition achieved last year.

ONLINE

€m	2012	2011	% Change	% Change in CC
Sportsbook net revenue	300.5	210.3	+43%	+35%
Gaming & other net revenue	109.1	85.0	+28%	+23%
Total net revenue	**409.6**	**295.3**	**+39%**	**+31%**
Gross profit	338.2	248.0	+36%	+29%
Operating costs	(236.1)	(153.3)	+54%	+48%
Operating profit	**102.1**	**94.8**	**+8%**	**+0%**
% of Group operating profit	75%	79%		
Active customers	**1,628,198**	**1,130,912**	**+44%**	

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

We grew online profits by 8% (or 27% before investment in four new ventures) to €102m last year and dramatically added to our online scale. Active customers of 1.6 million increased 44% versus 2011 and almost doubled as compared to 2010, all via organic growth, solely in regulated markets. Mobile revenue increased by 185% in constant currency to an industry-leading 32% of total online revenue. Improvements in our risk management and business mix increased our actual and expected online sportsbook gross win percentages, notwithstanding the outstanding value we offer customers.

We invested heavily to drive and support this growth, and to take Paddy Power into new markets. Online operating costs were up €15.8m due to our entry into the Italian online market, plus investments in a new mobile casino product and brand (*Roller*), a sports betting based social game (*BetDash*) and proprietary gaming development through Cayetano.

Excluding these four new ventures, online operating costs increased by 38% in constant currency, broadly in line with the growth in customers, stakes and revenues. This continuing investment was across people, operations, technology, brand and product – an approach that has driven our growth for many years – and included:

- An upgraded technology infrastructure to significantly increase availability, resilience and capacity, as well as addressing increased complexity from different mobile channels and devices;
- Investing in new media for ongoing growth as consumers' media consumption shifts to social, online and mobile channels;
- Expansion in betting markets, betting events and gaming content, for both online and mobile;
- An increase of 337 or 52% last year in online and technology headcount.

ONLINE DIVISION (Excluding Australia)

€m	2012	2011	% Change	% Change in CC
Amounts staked	2,112	1,561	+35%	+29%
Sportsbook net revenue	154.0	114.2	+35%	+29%
Sportsbook gross win %	*8.4%*	*8.2%*		
Gaming & other net revenue	109.1	85.0	+28%	+23%
Total net revenue	**263.1**	**199.2**	**+32%**	**+27%**
Gross profit	226.1	175.1	+29%	+24%
Operating costs	(153.4)	(100.8)	+52%	+49%
Operating profit	**72.7**	**74.3**	**(2%)**	**(9%)**
New ventures	*(20.5)*	*(1.5)*		
Underlying profit	***93.2***	***75.8***	***+23%***	***+15%***

Underlying profit for our Online Division (ex Australia) was up 23%, although operating losses in our new online ventures increased by €19.0m to €20.5m, resulting in €1.6m lower operating profit. Net revenue increased 27% in constant currency to €263m. Active customers of 1.3 million were up 44% last year and almost triple the 2009 level. Excluding our new online ventures, online operating costs increased by 34% in constant currency.

Our organic entry into the Italian online market is still at an early stage but has started well. We are positioning Paddy Power as the leading innovator for betting product, for mobile, for social media and for customer service. Key developments to date have included:

- Going live, on schedule, with sports betting in mid-May;
- Stepping-up marketing activity in August with our first national TV advertising campaign;
- Launching our casino product in December (coinciding with the regulation of online slots).

We are gradually building a critical mass of customers and ended the year with in excess of 5% of the online sports betting market by turnover. We have also established Paddy Power's usual distinctive brand positioning in Italy. This year, we are looking forward to an expected extension in the range of betting products which the regulator allows and to adding more gaming product, including Games, 'live' casino, mobile casino product and Bingo.

In other new business developments, we now have 25 Cayetano games live since their roll-out started in July. The games have strong graphical themes, engaging gameplay and are exclusive to Paddy Power, making them highly popular – in the second half of the year, the average revenue per Cayetano game per month was over twice the average for the 40 third party games launched. October saw us launch a new casino product for the fast growing UK tablet and smart phone gaming market. As planned, we launched the product under a second brand, *Roller*, and also made it available under the *Paddy Power Vegas* brand last month. *Betdash* went live in August, winning the E-Gaming Review award for 'best innovation in gaming' and giving us further insights and credentials in social gaming.

Online (Ex Aus) Active Customers	**2012**	**2011**	**% Change**
UK	1,021,517	710,043	+44%
Ireland and Rest of World	285,181	196,680	+45%
Total	**1,306,698**	**906,723**	**+44%**

Online (Ex Aus) Customers Product Usage	**2012**	**2011**	**% Change**
Sportsbook only	767,566	513,201	+50%
Gaming only	146,752	118,404	+24%
Multi-product customers	392,380	275,118	+43%
Total	**1,306,698**	**906,723**	**+44%**

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

(A) Online Sportsbook

The amounts staked on the online sportsbook increased by 29% in constant currency to €2.0 billion. Within this, bet volumes grew 41% to 135.2m, while the average stake per bet decreased by 8% in constant currency to €14.72. Net revenue increased by 29% in constant currency.

We continue to use our scale and momentum to develop our products, and while continuous innovations in technology do create some complexity and cost, they also provide a rich pipeline of development and differentiation opportunities not readily accessible by smaller operators. Last year, we enriched our mobile offer with easier to use racing pages including exclusive *Racing Post* content, bespoke apps for Cheltenham, Euro 2012 and the Premier League and a unique TV bet feature – simply point the app at the TV when watching the Premier League and it will bring up the latest odds. Mobile turnover increased by 121% to €807m last year, with 61% of sportsbook customers transacting with us via mobile last month generating 50% of sportsbook turnover.

Other sportsbook innovations included new football 'my team' personalised pages, suggested bets wizardry from our proprietary 'stats likely' data analysis and over 4,500 extra streaming events a year for football, tennis and basketball.

(B) Online Gaming & B2B

Gaming and other revenue increased by 23% in constant currency to €109m driven by growth in Games, Casino, Bingo and B2B. Gaming growth was particularly strong in the last quarter of 2012 helped by mobile revenues, which reached 25% of total gaming revenue in December 2012, as compared to 6% a year earlier. Our Poker business continues to perform well relative to its peers but faces a challenging industry backdrop.

Exciting new content remains a key driver of gaming growth and we launched 91 new titles for Games last year. Our range brings together the best games from over 20 different suppliers, proprietary Paddy Power slots from Cayetano and other exclusive content developed with third party suppliers (such as our Deal-or-No-Deal© app). Our mobile products available directly from the app store were significantly expanded with the roll-out of Casino, Bingo and *Roller* and extra titles for Games. This also more than triples to 64 the games accessible from our sportsbook mobile app, which helps us to use that number one market position to grow mobile gaming.

Our B2B supply of sports betting risk management and pricing expertise to British Columbia Lottery Corporation ('BCLC') in Canada launched on schedule in July. Our product is now also supplied to neighbouring Manitoba Lotteries, via BCLC, creating additional revenue (in return for toning down our Celine Dion and Bryan Adams jokes). In January, our B2B partner in France, PMU, reported 62% growth in its online sports turnover in 2012, as compared to overall market growth of 19%.

ONLINE AUSTRALIA DIVISION

€m	**2012**	**2011**	**% Change**	**% Change in CC**
Amounts staked	1,710	1,370	+25%	+15%
Net revenue	**156.4**	**107.4**	**+46%**	**+34%**
Sportsbook gross win %	*9.4%*	*8.1%*		
Gross profit	119.4	81.1	+47%	+36%
Operating costs	(88.6)	(58.3)	+52%	+40%
Operating profit	**30.8**	**22.8**	**+35%**	**+24%**
Active customers	324,341	226,513	+43%	

(Active customers defined as customers who have deposited real money and have bet in the year)
(The division also includes legacy telephone operations accounting for less than 10% of its gross and operating profit)

Our Australian Division had an excellent year, increasing its online market share and growing its operating profit by 35%, notwithstanding a very competitive market. This performance was driven by the cumulative impact of increased investment since 2011, when the Group acquired 100% of Sportsbet, including:

- Enhancement of our product offer with more betting markets, mobile product and streaming;
- Implementation of improved customer analytics, acquisition and retention techniques;
- Progressing a differentiated 'Paddy-Power-like' brand personality, through our unique approach to value, social media activity and the occasional bit of mischief;
- Expansion of our headcount by 124 to 370 over the two years to December 2012, including the addition of new specialist teams;
- Structural improvements to the expected normal gross win percentage.

Last year, the gross win percentage, including legacy telephone operations, increased by 1.3% to 9.4%.

In constant currency, operating costs grew by 40%, online net revenue by 41% and online stakes by 27% (24% in the first half and 28% in the second half, notwithstanding more difficult comparatives). Online active customers grew by 43% and new active customers by 62%. In constant currency, mobile turnover increased almost five-fold to €360m last year, with 59% of our online customers transacting with us via mobile last month, generating 32% of sportsbook turnover.

As a result of the decision of the High Court in March 2012 to allow the turnover based product fees charged by Racing New South Wales, some other racing and sporting bodies started to levy higher fees over the course of the year. This increased the level of deductions between net revenue and gross profit, although the impact was partially mitigated by the higher gross win percentage.

The Australian Department of Broadband, Communications and the Digital Economy published an Interim Report of its review of the 2001 Interactive Gambling Act in May. Its recommendations included the regulation of online betting-in-running, new responsible gambling measures, a five year trial of online tournament poker and increased enforcement against unlicensed offshore operators. Nonetheless, given the political reaction to date and a general election in 2013, it seems unlikely there will be any regulatory change in the short term.

RETAIL

Our retail profits increased by €8.3m or 39% last year, with the benefits of improved sports results, new openings and product development more than compensating for the economic conditions, some migration online and increased weather-related racing cancellations.

Both Irish and UK Retail experienced a better year-on-year gross win percentage, with Irish Retail's up 1.0% to 12.0% and UK Retail's up 0.3% to 11.3%. The improvement in Irish Retail was more pronounced helped by a complete reversal of fortunes for Irish trained horses at Cheltenham in 2012 versus 2011. That Cheltenham bounce back was less marked for UK Retail which also had less favourable results in Euro 2012 given the relative showings of the Irish and English teams. Our normal expected gross win percentage in Retail is 11% to 13%, significantly less than our competitors in the UK reflecting the materially better value offered by Paddy Power. We are, for example, the only major bookmaker in the UK offering the same odds over-the-counter as we do online. We believe this approach, as well as being more sustainable, strongly contributed to our UK sports betting stakes per shop being 92% higher than the average of our quoted competitors last year.

This higher turnover per shop also supports a better invested estate, with better product. For example, we were the first bookmaker to offer a Self Service Betting Terminal in all our shops in Great Britain in July 2011. We continue to lead that market and have more than doubled the number of terminals installed across our combined UK and Irish estate since the start of 2012. We also enhanced our machine gaming offer last year with the introduction of a loyalty programme (now rolled-out across our estate), new cabinet bays and 15 new games (giving us the largest selection of games of all the major bookmakers). In addition, we completed the roll-out of our dedicated 'virtual' product channel; a popular addition given the extent to which 'real' product was rained-off last year.

Cost management continues to be a priority. In our Irish estate over the last five years, average direct costs per shop have been reduced by 21%. Our full estate of 430 shops is now managed under a new Head of Retail position, filled by Andy McCue, our Head of UK Retail since 2009. This structure will make it easier to share insights, make best use of our scale and achieve other synergies between the two estates.

IRISH RETAIL DIVISION

€m	**2012**	**2011**	**% Change**
Amounts staked	927	935	(1%)
Net revenue	**110.4**	**102.8**	**+7%**
Gross win %	*12.0%*	*11.0%*	
Gross profit	100.5	93.2	+8%
Operating costs	(86.1)	(82.3)	+5%
Operating profit	**14.4**	**10.9**	**+32%**
Shops at year end	213	210	+1%

Irish Retail operating profit increased by 32% to €14.4m, driven by the return to a more normal run of sports results. While the amounts staked declined by 1% to €927m, net revenue was up 7% to €110m.

We opened three new shops last year. Excluding the impact of new units, like-for-like amounts staked were down 2%, net revenue was up 7% and operating costs (including central costs) increased by 3% in constant currency. The reduction in like-for-like stakes was driven entirely by a fall in average stake per slip of 8% to €15.44, with a 7% increase in like-for-like bet volumes.

Our market share in Irish retail was approximately 35% in 2012, as compared to some 26% five years ago.

UK RETAIL DIVISION

€m	2012	2011	% Change	% Change in CC
Amounts staked	531	377	+41%	+31%
Sportsbook net revenue	53.9	37.5	+44%	+34%
Sportsbook gross win %	*11.3%*	*11.0%*		
Machine gaming net revenue	47.5	34.6	+37%	+28%
Total net revenue	**101.3**	**72.2**	**+40%**	**+31%**
Gross profit	85.3	61.1	+40%	+31%
Operating costs	(70.0)	(50.6)	+38%	+31%
Operating profit	**15.3**	**10.5**	**+46%**	**+29%**
Shops at year end	209	165	+27%	

(Machine net revenue above and throughout this statement excludes VAT at 20%;'Sportsbook' includes over-the-counter and SSBTs)

UK Retail profits continued to grow strongly with an increase of 46% from €10.5m to €15.3m. The new shops we opened in 2012 and a full year impact from the shops we opened in 2011 were the main drivers of this growth, but our existing shops also increased their profitability, notwithstanding a weak economy and an increasingly competitive environment.

In constant currency, turnover grew 31% to €531m, while net revenue also increased by 31% to €101m. Like-for-like net revenue grew 7% in constant currency, which comprised machine gaming net revenue growth of 1% and sportsbook net revenue growth of 13% on like-for-like sportsbook turnover up 10%. Like-for-like bet volumes were up 11%, while the average sportsbook stake per bet decreased by 1% in constant currency to €16.48.

The average gross win per gaming machine per week including VAT was in line with 2011 at £1,210, primarily reflecting increased competition. We progressed a number of enhancements to our offer last year, including a loyalty programme, new cabinet bays and extra content, and have seen a return to growth in February 2013. There were 831 gaming machines installed at 31 December 2012, an increase of 176 compared to the previous year, entirely as a result of new shops.

Operating costs grew 31% in constant currency primarily driven by a 28% increase in average shop numbers. Like-for-like shop operating costs were up 2% in constant currency.

We opened 44 new shops last year, including nine which we acquired, at an average capital cost per unit of €350,000 (£284,000) including lease premia and the costs of acquisition and refit for acquired units. The average cost per unit for organic openings was €314,000 (£254,000). EBITDA per shop pre central costs averaged €172,000 (£140,000).

As announced by HM Treasury in March 2012, the VAT and Amusement Machine License Duty regime for machine taxation has been replaced by Machine Gaming Duty ('MGD') at 20% on net revenue effective from February 2013. The new regime would have reduced operating profit by €2.2m in 2012.

TELEPHONE DIVISION

€m	2012	2011	% Change	% Change in CC
Amounts staked	415	312	+33%	+27%
Net revenue	**22.5**	**17.8**	**+26%**	**+22%**
Gross win %	*5.8%*	*6.2%*		
Gross profit	22.2	17.7	+26%	+21%
Operating costs	(19.5)	(16.6)	+17%	+15%
Operating profit	**2.7**	**1.1**	**+156%**	**+97%**

Our telephone channel once again grew its turnover strongly in the UK, more than offsetting the impact of competition from the internet and the downturn in Ireland. In constant currency, amounts staked increased by 27%, driven by the strong 13% growth in UK active customers and the average stake per bet increasing by 22% in constant currency to €65.99.

While the gross win percentage fell by 0.4% in comparison with 2011, net revenue increased by 22% in constant currency driving the €1.6m increase in operating profit to €2.7m.

Telephone Channel Active Customers	2012	2011	% Change
UK	58,916	52,026	+13%
Ireland and Rest Of World	24,119	24,280	(1%)
Total	**83,035**	**76,306**	**+9%**

(Active customers defined as those who have deposited real money and have bet in the year)

Brand & Marketing

Paddy Power took its entertainment ambitions to a whole new level last year. Consistent with putting customers at the heart of everything we do, we started with a new campaign based on responding to punters' comments on social media. 'We Hear You' launched in time for Cheltenham with our cross-dressed themed inaugural ad, Ladies' Day. Sadly that lasted about as long as a Chelsea manager and it was taken off air after just four days – a record even by our standards! But we were quickly back in business with a viral ad depicting Chavs being 'selectively removed' by a Paddy Power vet at the course. The two ads received over 2.4 million views on YouTube.

The campaign ramped up for the Euros with everything from a giant Vuvuzela mounted on a truck, to a 100ft 'Roy the Redeemer' statue towering over the White Cliffs of Dover, and of course the now infamous revealing of a very lucky pair of pants sported by Nicklas Bendtner after scoring his equalising goal against Portugal. That story featured on over 2,000 online news sites and made the Lucky Pants the eighth biggest news story in the world that day on Twitter.

We found that Italian punters also love a bit of Paddy Power mischief. Admittedly, the launch TV ad was always likely destined for the 'YouTube only' box – bunga bunga politicians are one thing but depicting Jesus saving Italian football is another, and the ad was banned after a week. Similar typical-Paddy-Power activity, adapted for local tastes, is helping us successfully establish the same distinctive brand positioning in Italy, as we have in the UK, Ireland and Australia. During the last quarter of 2012, independent market research shows us rated number one versus the competition in Italy for being 'fun', 'value for money' and 'mischievous', whilst also achieving a top 5 position for spontaneous brand awareness.

September saw a stunt combining punters' comments on social media and five pimped out planes sky-writing the messages of support to the European Ryder Cup team. We like to think #helpayanktoshank was the tipping point for victory! The 'Sky Tweets' reached a combined Twitter audience of over 31 million people.

We were voted Britain's Most Admired Company for our marketing again last year in a Management Today / Accenture poll. We also collected a number of major social media honours including the Grand Prix at the Social Buzz Awards.

Of course, what really matters is what our punters think, and they tell us we are hitting the mark. Independent market research shows significant increases in our leadership on key brand attributes last year such as 'fun', 'value for money' and 'cool', as well as stronger brand awareness, advertising awareness and association with mobile betting ('handsome' and 'attractive to the opposite sex' haven't yet featured, but we live in hope). We also achieved a more than twelve-fold increase in our Facebook fans and Twitter followers to over 1.3 million people across the world, with Euro 2012 engagement rates that peaked higher than some of the biggest global brands out there…eat your heart out Nike!

Taxation

The underlying effective tax rate was 13.0%, as compared to an underlying rate of 13.5% in 2011.

In March 2012, the UK Government confirmed its intention to change the tax regime on remote gambling from a 'point of supply' tax on operators based in the UK, for which a 15% rate currently applies, to a 'point of consumption' tax on all remote gambling operators supplying UK customers. It indicated that it currently expects to implement the new regime from December 2014, however the exact timing and rate will be reviewed as part of an ongoing process. Depending on the tax rate, this change could add significantly to our costs. If the tax was in place at a rate of 15% of net revenue throughout 2012, it would have increased our tax payable by €31m (2011: €22m), although opportunities exist to mitigate this gross impact through lower revenue share and marketing costs, and potential market share gains from weaker operators forced to exit or compromise their offer.

In July, the Irish Government published the Betting (Amendment) Bill 2012 which will introduce a licensing regime for remote bookmakers and betting exchanges supplying Irish consumers. As expected, this will facilitate the extension of the 1% tax on Irish retail stakes to online and telephone sportsbooks in respect of bets taken from customers in Ireland. Such a tax would have cost the Group €6m in 2012.

Cash Flow & Cash Balances

Profit growth at Paddy Power converts strongly into increased cash flow. Operating cashflow (after LTIP trust share purchases and estimated maintenance capex of €16m) was €160m or 132% of profit after tax in 2012, in line with the average of the last five years. Estimated enhancement capex of €35m mainly related to new shop openings and technology spending for product improvements and new businesses. As at 31 December 2012, the Group had net cash of €209m or €153m excluding customer balances (2011: €136m and €86m respectively).

Foreign Exchange Risk and Impact of Sterling Weakness

Sterling and Australian Dollar denominated operating profits were approximately £124m and AUD49m respectively last year. Accordingly, Group operating profit can be positively impacted by a weaker Euro versus these currencies and adversely impacted by a stronger Euro versus these currencies.

In order to reduce this volatility, the Group periodically sells Sterling forward for Euro and has sold approximately half of its expected 2013 Sterling denominated operating profit for settlement in 2013 at an average rate of 0.812. Notwithstanding these transactions, weakness in Sterling and Australian dollar exchange rates against the euro since the Group's November trading update, if applied to the whole year, would reduce operating profits by approximately €10m in 2013.

Patrick Kennedy
Chief Executive

Cormac McCarthy
Chief Financial Officer

4 March 2013

CONDENSED CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2012

	Note	2012 €'000	Before exceptional items 2011 €'000	Exceptional items (Note 5) 2011 €'000	2011 €'000
Amounts staked by customers		**5,694,496**	4,554,919	-	4,554,919
Continuing operations					
Income		**653,750**	499,330	-	499,330
Direct betting costs	4	**(100,197)**	(71,170)	27,277	(43,893)
Gross profit		**553,553**	428,160	27,277	455,437
Employee expenses		**(202,184)**	(143,795)	-	(143,795)
Property expenses		**(44,288)**	(36,386)	-	(36,386)
Marketing expenses		**(67,878)**	(43,336)	-	(43,336)
Technology and communications expenses		**(35,033)**	(30,931)	-	(30,931)
Depreciation, amortisation and impairment		**(32,159)**	(27,125)	(5,423)	(32,548)
Other expenses, net		**(36,011)**	(27,041)	363	(26,678)
Total operating expenses		**(417,553)**	(308,614)	(5,060)	(313,674)
Operating profit		**136,000**	119,546	22,217	141,763
Financial income	6	**3,440**	2,187	-	2,187
Financial expense	6	**(285)**	(571)	-	(571)
Profit before tax		**139,155**	121,162	22,217	143,379
Income tax expense	7	**(18,156)**	(16,400)	(4,242)	(20,642)
Profit for the year		**120,999**	104,762	17,975	122,737
Attributable to:					
Equity holders of the Company		**120,999**	103,513	17,975	121,488
Non-controlling interest		**-**	1,249	-	1,249
		120,999	104,762	17,975	122,737
Earnings per share					
Basic	8	**€2.511**			€2.553
Diluted	8	**€2.481**			€2.492

Notes 1 to 20 on pages 20 to 34 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Cormac McCarthy**

4 March 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Net change in fair value of cash flow hedge reserve	6	**515**	-
Foreign exchange gain on translation of the net assets of foreign currency denominated subsidiaries	6	**237**	2,829
Deferred tax on fair value of cash flow hedges		**(64)**	-
Deferred tax on share-based payments		**294**	(409)
Other comprehensive income		**982**	2,420
Profit for the year		**120,999**	122,737
Total comprehensive income for the year		**121,981**	125,157
Attributable to:			
Equity holders of the Company		**121,981**	124,406
Non-controlling interest		**-**	751
Total comprehensive income for the year		**121,981**	125,157

Notes 1 to 20 on pages 20 to 34 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Cormac McCarthy**

4 March 2013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Note	**31 December 2012 €'000**	31 December 2011 €'000
Assets			
Property, plant and equipment		**105,536**	95,599
Intangible assets		**62,482**	51,000
Goodwill	9	**96,582**	93,607
Financial assets – restricted cash	13	**5,359**	6,409
Deferred tax assets		**6,561**	2,594
Trade and other receivables	11	**4,837**	6,735
Total non-current assets		**281,357**	255,944
Trade and other receivables	11	**26,063**	31,165
Derivative financial assets	12	**375**	-
Financial assets – restricted cash	13	**32,961**	18,149
Financial assets – deposits	13	**42,014**	-
Cash and cash equivalents	13	**129,004**	111,139
Total current assets		**230,417**	160,453
Total assets		**511,774**	416,397
Equity			
Issued share capital	14	**5,085**	5,072
Share premium		**40,038**	37,826
Treasury shares		**(34,177)**	(34,177)
Shares held by long term incentive plan trust		**(56,191)**	(33,397)
Other reserves including foreign currency translation, cash flow hedge and share-based payment reserves		**38,593**	36,976
Retained earnings		**284,308**	218,086
Total equity attributable to equity holders of the Company		**277,656**	230,386
Liabilities			
Trade and other payables	16	**173,467**	136,925
Derivative financial liabilities	16	**11,767**	9,715
Provisions		**460**	593
Current tax payable		**18,287**	11,408
Total current liabilities		**203,981**	158,641
Trade and other payables	16	**23,663**	20,347
Derivative financial liabilities	16	**228**	194
Provisions		**1,419**	1,649
Deferred tax liabilities		**4,827**	5,180
Total non-current liabilities		**30,137**	27,370
Total liabilities		**234,118**	186,011
Total equity and liabilities		**511,774**	416,397

Notes 1 to 20 on pages 20 to 34 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Cormac McCarthy**

4 March 2013

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2012

	Note	**2012**	Before exceptional items 2011	Exceptional items (Note 5) 2011	2011
		€'000	€'000	€'000	€'000
Cash flows from operating activities					
Profit before tax		**139,155**	121,162	22,217	143,379
Financial income		**(3,440)**	(2,187)	-	(2,187)
Financial expense		**285**	571	-	571
Depreciation, amortisation and impairment		**32,159**	27,125	5,423	32,548
Employee equity-settled share-based payments charge		**12,462**	10,323	-	10,323
Foreign currency exchange gain		**(472)**	(2,438)	-	(2,438)
Loss on disposal of property, plant and equipment and intangible assets		**123**	94	-	94
Cash from operations before changes in working capital		**180,272**	154,650	27,640	182,290
Decrease / (increase) in trade and other receivables		**7,359**	(10,109)	(11,025)	(21,134)
Increase / (decrease) in trade and other payables and provisions		**40,632**	17,813	(1,103)	16,710
Cash generated from operations		**228,263**	162,354	15,512	177,866
Income taxes paid		**(15,361)**	(16,588)	-	(16,588)
Net cash from operating activities		**212,902**	145,766	15,512	161,278
Purchase of property, plant and equipment		**(32,743)**	(33,532)	-	(33,532)
Purchase of intangible assets		**(18,702)**	(7,634)	-	(7,634)
Purchase of businesses, net of cash acquired	10	**(3,705)**	(7,729)	-	(7,729)
Payment of contingent deferred consideration	10	**(857)**	(50)	-	(50)
Proceeds from disposal of property, plant and equipment and intangible assets		**80**	81	-	81
Transfers to financial assets – deposits		**(42,639)**	-	-	-
Interest received		**3,410**	2,120	-	2,120
Net cash used in investing activities		**(95,156)**	(46,744)	-	(46,744)
Proceeds from the issue of new shares under option arrangements		**2,237**	3,734	-	3,734
Purchase of shares by long term incentive plan trust		**(36,281)**	(9,623)	-	(9,623)
Purchase of non-controlling interest	10	**-**	(85,311)	-	(85,311)
Dividends paid	15	**(53,477)**	(38,944)	-	(38,944)
Movements in current and non-current restricted cash balances		**(12,738)**	(518)	-	(518)
Repayment of non-controlling shareholder loans		**-**	(1,038)	-	(1,038)
Payment of dividends to non-controlling shareholders	15	**-**	(9,244)	-	(9,244)
Secured bank loan repayments		**-**	(2,197)	-	(2,197)
Finance lease repayments		**-**	(1,206)	-	(1,206)
Interest paid		**(128)**	(445)	-	(445)
Net cash used in financing activities		**(100,387)**	(144,792)	-	(144,792)
Net increase / (decrease) in cash and cash equivalents		**17,359**	(45,770)	15,512	(30,258)
Cash and cash equivalents at start of year		**111,139**	139,581	-	139,581
Foreign currency exchange gain in cash and cash equivalents		**506**	1,816	-	1,816
Cash and cash equivalents at end of year	13	**129,004**	95,627	15,512	111,139

Notes 1 to 20 on pages 20 to 34 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Cormac McCarthy**

4 March 2013

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Attributable to equity holders of the Company (see Note 14)										
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Cash flow hedge reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2012	*50,725,021*	5,072	37,826	13,873	-	1,185	(34,177)	(33,397)	21,918	218,086	230,386
Total comprehensive income for the year											
Profit	-	-	-	-	-	-	-	-	-	120,999	120,999
Foreign exchange translation	-	-	-	237	-	-	-	-	-	-	237
Net change in fair value of cash flow hedge reserve	-	-	-	-	515	-	-	-	-	-	515
Deferred tax on cash flow hedges	-	-	-	-	(64)	-	-	-	-	-	(64)
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-	294	294
Total comprehensive income for the year	-	-	-	237	451	-	-	-	-	121,293	121,981
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 14)	*125,827*	13	2,212	-	-	-	-	-	-	-	2,225
Own shares acquired by the long term incentive plan trust – 627,808 ordinary shares (Note 14)	-	-	-	-	-	-	-	(36,281)	-	-	(36,281)
Other (Note 14)	-	-	-	-	-	55	-	-	-	(55)	-
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	12,462	-	12,462
Equity-settled transactions – vestings (Note 14)	-	-	-	-	-	-	-	13,487	(10,929)	(2,198)	360
Transfer to retained earnings on exercise of share options (Note 14)	-	-	-	-	-	-	-	-	(659)	659	-
Dividends to shareholders (Note 15)	-	-	-	-	-	-	-	-	-	(53,477)	(53,477)
Total contributions by and distributions to owners of the Company	*125,827*	13	2,212	-	-	55	-	(22,794)	874	(55,071)	(74,711)
Balance at 31 December 2012	*50,850,848*	5,085	40,038	14,110	451	1,240	(34,177)	(56,191)	22,792	284,308	277,656

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2012

	Attributable to equity holders of the Company (see Note 14)											
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2011	*49,954,114*	4,995	20,876	10,572	1,217	(34,177)	(33,890)	21,910	236,936	228,439	15,798	244,237
Total comprehensive income for the year												
Profit	-	-	-	-	-	-	-	-	121,488	121,488	1,249	122,737
Foreign exchange translation	-	-	-	3,327	-	-	-	-	-	3,327	(498)	2,829
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	(409)	(409)	-	(409)
Total comprehensive income for the year	-	-	-	3,327	-	-	-	-	121,079	124,406	751	125,157
Transactions with owners of the Company, recognised directly in equity												
Shares issued (Note 14)	*770,907*	77	16,950	-	-	-	-	-	-	17,027	-	17,027
Own shares acquired by the long term incentive plan trust – 240,587 ordinary shares (Note 14)	-	-	-	-	-	-	(9,623)	-	-	(9,623)	-	(9,623)
Purchase of non-controlling interest – Sportsbet (Note 10)	-	-	-	-	-	-	-	-	(101,451)	(101,451)	(7,271)	(108,722)
Discount on loans from non-controlling interest	-	-	-	(26)	21	-	-	-	5	-	-	-
Repayment of non-controlling interest loans	-	-	-	-	(53)	-	-	-	-	(53)	(34)	(87)
Other	-	-	-	-	-	-	-	-	(50)	(50)	-	(50)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	10,323	-	10,323	-	10,323
Equity-settled transactions – vestings (Note 14)	-	-	-	-	-	-	10,116	(9,218)	(586)	312	-	312
Transfer to retained earnings on exercise of share options (Note 14)	-	-	-	-	-	-	-	(1,097)	1,097	-	-	-
Dividends to shareholders (Note 15)	-	-	-	-	-	-	-	-	(38,944)	(38,944)	(9,244)	(48,188)
Total contributions by and distributions to owners of the Company	*770,907*	77	16,950	(26)	(32)	-	493	8	(139,929)	(122,459)	(16,549)	(139,008)
Balance at 31 December 2011	*50,725,021*	5,072	37,826	13,873	1,185	(34,177)	(33,397)	21,918	218,086	230,386	-	230,386

Notes 1 to 20 on pages 20 to 34 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Patrick Kennedy **Cormac McCarthy**

4 March 2013

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

The financial information presented herein does not comprise full statutory financial statements and therefore does not include all of the information required for full annual financial statements. Full statutory financial statements for the year ended 31 December 2012, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU together with an unqualified audit report thereon under Section 193 of the Companies Act 1990, will be annexed to the annual return and filed with the Registrar of Companies.

The consolidated financial statements of the Group for the year ended 31 December 2012 comprise the financial statements of the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 4 March 2013.

2. Basis of preparation and summary of significant accounting policies

The condensed consolidated financial statements have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Republic of Ireland's Financial Regulator. The consolidated financial statements are prepared on the historical cost basis except for betting transactions and foreign exchange forward contracts (which are recorded as derivative financial instruments), contingent deferred consideration and certain share-based payments, all of which are stated at fair value (grant date fair value in the case of share-based payments). The condensed consolidated financial statements are presented in euro, the Company's functional currency, rounded to the nearest thousand.

Except as set out below under 'Recent accounting pronouncements', the financial information contained in the condensed consolidated financial statements has been prepared in accordance with the accounting policies set out in the Group's last annual financial statements in respect of the year ended 31 December 2011 and last half yearly financial report in respect of the six months ended 30 June 2012.

Recent accounting pronouncements
The IASB have issued the following standards and interpretations which were effective for the Group in the year ended 31 December 2012:

Amendments to IFRS 7, 'Financial Instruments Disclosures – Transfers of Financial Assets'
From 1 January 2012, the Group has applied Amendments to IFRS 7, 'Financial Instruments Disclosures – Transfers of Financial Assets'. The amendments address disclosures required to help users of financial statements evaluate the risk exposures relating to the transfer of financial assets and the effect of those risks on an entity's financial position. These amendments did not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 12, 'Deferred Tax: Recovery of Underlying Assets'
From 1 January 2012, the Group has applied Amendments to IAS 12, 'Deferred Tax: Recovery of Underlying Assets'. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40, 'Investment Property'. These amendments did not have a significant impact on the Group's consolidated financial statements.

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

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

- Amendments to IAS 1, 'Presentation of Items of Other Comprehensive Income', (effective for the Group's 2013 consolidated financial statements).
- Amendments to IFRS 7, 'Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities', (effective for the Group's 2013 consolidated financial statements).
- Amendments to IAS 32, 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities', (effective for the Group's 2014 consolidated financial statements).
- IFRS 10, 'Consolidated Financial Statements', (effective for the Group's 2014 consolidated financial statements).
- IFRS 11, 'Joint Arrangements', (effective for the Group's 2014 consolidated financial statements).
- IFRS 12, 'Disclosure of Interests in Other Entities', (effective for the Group's 2014 consolidated financial statements).
- IFRS 13, 'Fair Value Measurement', (effective for the Group's 2014 consolidated financial statements).
- IAS 27, 'Separate Financial Statements', (effective for the Group's 2014 consolidated financial statements).
- IAS 28, 'Investments in Associates and Joint Ventures', (effective for the Group's 2014 consolidated financial statements).
- Amendments to IAS 19, 'Employee Benefits', (effective for the Group's 2013 consolidated financial statements).
- Improvements to IFRSs 2009-2011 (effective for the Group's 2013 consolidated financial statements).

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

Basis of consolidation
The Group's financial statements consolidate the financial statements of Paddy Power plc and its subsidiary undertakings based on accounts made up to the end of the financial year. A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated on consolidation except to the extent that unrealised losses provide evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group equity therein. Non-controlling interest comprises the amount of such interests at the date of original business combination, either as a proportion of the fair value of identifiable assets acquired or at full fair value, and the non-controlling interest's share of changes in equity since the date of original combination.

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

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

3. Operating segments

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

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

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

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

3. Operating segments (continued)

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

Reportable business segment information for the year ended 31 December 2012:

	Online (ex Australia) €'000	**Online Australia €'000**	**Irish Retail €'000**	**UK Retail €'000**	**Telephone €'000**	**Total reportable segments €'000**
Income from external customers	**263,065**	**156,427**	**110,434**	**101,428**	**22,396**	**653,750**
Inter-segment trading	**-**	**-**	**(2)**	**(83)**	**85**	**-**
Total income	**263,065**	**156,427**	**110,432**	**101,345**	**22,481**	**653,750**
Direct betting costs	**(36,955)**	**(37,006)**	**(9,969)**	**(15,998)**	**(269)**	**(100,197)**
Gross profit	**226,110**	**119,421**	**100,463**	**85,347**	**22,212**	**553,553**
Depreciation and amortisation	**(9,130)**	**(7,469)**	**(7,724)**	**(6,567)**	**(1,269)**	**(32,159)**
Other operating expenses	**(144,243)**	**(81,116)**	**(78,366)**	**(63,440)**	**(18,229)**	**(385,394)**
Reportable segment profit	**72,737**	**30,836**	**14,373**	**15,340**	**2,714**	**136,000**

Reportable business segment information for the year ended 31 December 2011:

	Online (ex Australia) €'000	Online Australia €'000	Irish Retail €'000	UK Retail €'000	Telephone €'000	Total reportable segments €'000
Income from external customers	199,162	107,401	102,791	72,153	17,823	499,330
Inter-segment trading	-	-	-	39	(39)	-
Total income	199,162	107,401	102,791	72,192	17,784	499,330
Direct betting costs	(24,074)	(26,342)	(9,599)	(11,056)	(99)	(71,170)
Gross profit	175,088	81,059	93,192	61,136	17,685	428,160
Depreciation and amortisation	(5,217)	(5,180)	(9,780)	(5,834)	(1,114)	(27,125)
Other operating expenses	(95,569)	(53,121)	(72,525)	(44,764)	(15,510)	(281,489)
Reportable segment profit before exceptional items	74,302	22,758	10,887	10,538	1,061	119,546
Exceptional items	-	22,217	-	-	-	22,217
Reportable segment profit	74,302	44,975	10,887	10,538	1,061	141,763

Reconciliation of reportable segments to Group totals:

	2012 €'000	2011 €'000
Income		
Total income from reportable segments, being total Group income	**653,750**	499,330
Profit and loss		
Total profit and loss from reportable segments	**136,000**	141,763
Unallocated amounts:		
Financial income – non-Online Australia (1)	**695**	555
Financial income – Online Australia	**2,745**	1,632
Financial expense – non-Online Australia (1)	**(279)**	(156)
Financial expense – Online Australia	**(6)**	(415)
Profit before tax	**139,155**	143,379

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

3. Operating segments (continued)

(b) Geographical segment information

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

Group revenues by geographical segment are as follows:

Income	**2012** **€'000**	2011 €'000
UK	**310,252**	220,140
Australia	**156,427**	107,401
Ireland and rest of world	**187,071**	171,789
Total	**653,750**	499,330

(a) Revenues are attributed to geographical location on the basis of the customer's location.
(b) Revenues from any single customer do not amount to ten per cent or more of the Group's revenues.

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

Non-current assets	**2012** **€'000**	2011 €'000
UK	**104,854**	89,531
Australia	**91,764**	93,302
Ireland and rest of world	**72,819**	64,108
Total	**269,437**	246,941

4. Direct betting costs

Direct betting costs comprise:

	2012 **€'000**	Before exceptional items 2011 €'000	Exceptional items (Note 5) 2011 €'000	2011 €'000
Betting taxes	**33,165**	25,492	(27,277)	(1,785)
Software supplier costs	**22,676**	16,553	-	16,553
Other direct betting costs	**44,356**	29,125	-	29,125
Direct betting costs	**100,197**	71,170	(27,277)	43,893

Betting taxes comprise betting taxes levied on gross win and amounts staked, and Goods and Services Tax ('GST') on Online Australia segment gross win.

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

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

5. Exceptional items

	2012 **€'000**	2011 €'000
Goods and Services Tax ('GST') refund	**-**	27,277
GST refund – related interest and legal costs	**-**	363
Provision against carrying value of IAS brand	**-**	(5,423)
Operating profit impact of exceptional items	**-**	22,217
Income tax expense on GST refund	**-**	(8,180)
Release of deferred tax liability – Sportsbet brand	**-**	3,938
Income tax expense impact of exceptional items	**-**	(4,242)
Total exceptional items	**-**	17,975

GST refund
On 26 July 2011, the Federal Court of Australia found in favour of Sportsbet and IAS in a case brought by them against the Australian Commissioner of Taxation relating to the interpretation and application of certain legislation pertaining to Australian Goods and Services Tax ('GST'). The judgement related to the calculation of GST for tax periods between 2005 and 2009, with the relevant legislation being changed in April 2010 to remove the uncertainty of interpretation at issue. The Commissioner of Taxation subsequently decided not to appeal the decision to a higher court.

Income of €27.6m (AUD35.9m) in respect of the GST refund, interest and related legal costs was recognised as an exceptional item. This income was taxable at the standard Australian corporation tax rate of 30%, with a related income tax charge of €8.2m being recognised as part of the exceptional item. During 2011, Sportsbet and IAS received €16.4m (AUD21.3m) in the form of cash in respect of court-ordered GST repayments (plus associated interest) and revised GST returns for the period December 2009 to November 2010; after deduction of associated costs and expenses, the net cash receipt in 2011 amounted to €15.5m (AUD20.1m). The remainder of the exceptional item is composed of amounts that were expected to be received as credits against future GST payments over the next seven years approximately and an estimate of interest and legal costs to be awarded.

Provision against value of IAS brand
In 2011, the Group decided to cease investing in and trading under the IAS brand. It was and is currently intended that existing customers of IAS will be migrated to the existing Sportsbet brand at a point in the future. Accordingly, full provision was made against the carrying value of the IAS brand at 31 December 2011, which amounted to €5,423,000 (AUD6,900,000) at that date. There was no tax impact arising from this provision.

Release of deferred tax liability – Sportsbet brand
Following a restructuring of the Group's Australian operations after the acquisition by the Group in March 2011 of the non-controlling interest in Sportsbet (see Note 10), the deferred tax liability initially recognised on the acquisition of 51% of Sportsbet in July 2009 (€3,938,000 or AUD5,010,000) was derecognised due to a change in the Australian tax base of the related Sportsbet assets.

6. Financial income and expense

	2012 **€'000**	2011 €'000
Recognised in profit or loss:		
Financial income:		
On financial assets at amortised cost		
Interest income on bank deposits	**3,440**	2,187
	3,440	2,187
Financial expense:		
On financial liabilities at amortised cost		
Bank loans	**-**	349
Bank guarantees	**121**	75
Finance leases	**-**	59
Unwinding of the discount on provisions and other non-current liabilities	**164**	88
	285	571

6. Financial income and expense (continued)

	2012 €'000	2011 €'000
Recognised in other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	**(1,324)**	-
Fair value of foreign exchange cash flow hedges transferred to income statement	**1,839**	-
Net change in fair value of cash flow hedge reserve	**515**	-
Foreign exchange gain on translation of the net assets of foreign currency denominated subsidiaries	**237**	2,829
	752	2,829

No amounts were recorded in the income statement in respect of ineffective cash flow hedges in the year ended 31 December 2012 (2011: €nil).

7. Income tax expense

	2012 €'000	2011 €'000
Recognised in profit or loss:		
Current tax charge	**24,250**	21,059
Prior year (over) / under provision	**(1,800)**	747
	22,450	21,806
Deferred tax (credit) / charge	**(4,664)**	827
Prior year under / (over) provision	**370**	(1,991)
Decrease in net deferred tax liability	**(4,294)**	(1,164)
Total income tax expense in income statement	**18,156**	20,642

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

		2012 €'000		2011 €'000
Profit before tax		**139,155**		143,379
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5%	12.5%	**17,394**	12.5%	17,922
Depreciation on non-qualifying property, plant and equipment	0.2%	**274**	0.3%	392
Effect of different statutory tax rates in overseas jurisdictions	0.9%	**1,304**	2.3%	3,327
UK tax loss deferred tax asset utilised in year	0.0%	**-**	0.7%	994
Brands and licences	(0.3%)	**(434)**	(2.1%)	(2,948)
Other differences	0.7%	**990**	1.5%	2,143
Interest income taxable at higher rates	0.0%	**58**	0.0%	56
Over provision in prior year	(1.0%)	**(1,430)**	(0.9%)	(1,244)
Total income tax expense	13.0%	**18,156**	14.4%	20,642

Tax rates

No significant changes are expected to statutory tax rates in Ireland or Australia. The UK Budget in 2012 announced that the UK corporation tax rate was to reduce to 21% over a period of three years from 2012. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted in July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted in March 2011 and July 2011 respectively. The Finance Act 2012, which was substantively enacted on 17 July 2012, amended the main rate of corporation tax to 24% effective from 1 April 2012 and to 23% effective from 1 April 2013. This will reduce the group's future current tax charge accordingly. UK deferred tax balances have been calculated based on the rate, 23%, substantively enacted at the reporting date.

8. Earnings per share

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

	2012	2011
Numerator in respect of basic and diluted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**120,999**	121,488
Numerator in respect of adjusted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**120,999**	121,488
Less: Exceptional items (Note 5)	**-**	(17,975)
Profit for adjusted earnings per share calculation	**120,999**	103,513
Denominator in respect of basic earnings per share:		
Ordinary shares in issue at beginning of year	**50,725,021**	49,954,114
Adjustments for weighted average number of:		
– ordinary shares issued during year	**36,838**	417,314
– ordinary shares held in treasury	**(1,734,000)**	(1,734,000)
– ordinary shares held by long term incentive plan trust	**(843,957)**	(1,054,758)
Weighted average number of ordinary shares	**48,183,902**	47,582,670
Basic earnings per share	**€2.511**	€2.553
Adjusted earnings per share	**€2.511**	€2.175
Denominator in respect of diluted earnings per share:		
Basic weighted average number of ordinary shares in issue during year	**48,183,902**	47,582,670
Adjustments for dilutive effect of the Share Option Scheme, Sharesave Scheme, share award schemes and shares held by long term incentive plan trust	**581,723**	1,170,636
Weighted average number of ordinary shares	**48,765,625**	48,753,306
Diluted earnings per share	**€2.481**	€2.492
Adjusted diluted earnings per share	**€2.481**	€2.123

9. Goodwill

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

	Irish Retail €'000	**UK Retail €'000**	**Online (ex Australia) €'000**	**Online Australia €'000**	**Total €'000**
Balance at 1 January 2011	8,207	9,996	-	58,764	76,967
Arising on acquisitions during the year (Note 10)	-	1,201	13,303	-	14,504
Foreign currency translation adjustment	-	229	-	1,907	2,136
Balance at 31 December 2011	8,207	11,426	13,303	60,671	93,607
Arising on acquisitions during the year (Note 10)	**125**	**2,604**	**-**	**-**	**2,729**
Foreign currency translation adjustment	**-**	**194**	**-**	**52**	**246**
Balance at 31 December 2012	**8,332**	**14,224**	**13,303**	**60,723**	**96,582**

Goodwill on Irish Retail properties arose from the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988, the acquisition of three retail bookmaking businesses in 2007 and the acquisition of a number of retail bookmaking shop properties in 2009, 2010 and 2012 (see Note 10).

Goodwill on UK Retail properties arose from the acquisition of two London bookmaking businesses in 2004, the acquisition of a retail bookmaking company in Northern Ireland in 2008 and the acquisition of a number of retail bookmaking shop properties in 2010, 2011 and 2012 (see Note 10).

The Online (ex Australia) segment goodwill amount arose from the acquisition by the Group in November 2011 of CT Networks Limited ('Cayetano'), a games developer based in the Isle of Man and Bulgaria. Cayetano develops games for the online and mobile gaming markets (see Note 10).

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

9. Goodwill (continued)

Impairment tests for cash generating units containing goodwill and indefinite life intangible assets
In accordance with accounting requirements, the Group performs an annual test for impairment of its cash generating units. The most recent test was performed at 31 December 2012. Based on these reviews, with the exception of the IAS brand impairment of €5,428,000 at 31 December 2012 (2011: €5,423,000) (see Note 5), no impairment has arisen.

10. Business combinations and purchase of non-controlling interest

Year ended 31 December 2012

Business combinations in 2012
In 2012, the Group, in the absence of available comparable sites for organic shop openings, acquired two retail licensed bookmaking businesses in Great Britain and one in Ireland, comprising ten shops in total.

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

	Provisional fair values 31 December 2012 €'000
Identifiable net assets acquired:	
Property, plant and equipment	**1,070**
Goodwill arising on acquisition – UK Retail and Irish Retail	**2,729**
Consideration	**3,799**
The consideration is analysed as:	
Cash consideration	**3,705**
Contingent deferred consideration	**94**
	3,799
Net cash outflow from purchase of businesses for the purposes of the statement of cash flows	
Purchase of businesses, net of cash acquired	**3,705**
Acquisition expenses paid	**-**
	3,705

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

Information in respect of amounts staked, income, operating profit and cash flows for the acquired businesses in the period from acquisition and for the year ended 31 December 2012 has not been presented on the basis of immateriality.

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed targets in the year following the date of acquisition. The contingent deferred consideration amount of €92,000 at 31 December 2012 represents management's best estimate of the fair value of the amount that will be payable.

Contingent deferred consideration
During 2012, the Group also paid contingent deferred consideration of €450,000 for Irish Retail acquisitions, €60,000 for UK Retail acquisitions and €347,000 for the Online (ex Australia) acquisition.

Year ended 31 December 2011

Acquisition of additional 39.2% of Sportsbet Pty Limited
On 1 March 2011, the Company acquired the remaining 39.2% non-controlling shareholdings in Sportsbet following the granting of approval by shareholders at an EGM held on 22 February 2011. The initial AUD132.6m (€98.2m) consideration payable for the acquisition was satisfied by: AUD110.6m (€81.8m) in cash from the Group's existing cash reserves; the assumption and payment of a pre-existing AUD4.0m (€2.9m) obligation of the non-controlling shareholders to certain Sportsbet employees; and the issue of AUD18.0m (€13.4m) of new Paddy Power plc ordinary shares (totalling 455,535 ordinary shares and calculated by reference to a share price of €29.17 per share and the EUR-AUD exchange rate shortly prior to acquisition completion). The non-controlling shareholder loans with a face value of AUD1.4m (€1.0m) were also repaid as part of the transaction.

Additional consideration is payable to the extent that the EBITDA (post Group central cost allocations) of the Group's Australian operations for the year ended 31 December 2013 exceeds AUD65.0m (€51.1m). The maximum additional consideration of AUD25.0m (€19.7m) is payable in the event that 2013 EBITDA exceeds AUD80.0m (€62.9m). An amount of €3.2m was provided in respect of this contingent deferred consideration as of 31 December 2011.

10. Business combinations and purchase of non-controlling interest (continued)

	€'000
Purchase consideration – cash	84,749
Purchase consideration – Paddy Power plc ordinary shares (Note 14)	13,438
Contingent deferred consideration	2,989
Sportsbet buyout call options	6,978
Acquisition expenses	568
Total purchase consideration	108,722
Net assets acquired from non-controlling interest	(7,271)
Decrease in retained earnings	101,451

Net cash outflow from purchase of non-controlling interest for the purposes of the statement of cash flows

Purchase of non-controlling interest before acquisition expenses	84,743
Acquisition expenses paid	568
	85,311

Included in the cash purchase consideration of €84.7m is an amount of €2.9m that the non-controlling shareholders requested be paid to certain employees of Sportsbet as part of the purchase transaction. This payment related to a long term incentive plan put in place for the benefit of those employees by the non-controlling shareholders at the time of the original acquisition by the Company of 51% of Sportsbet.

Business combinations in 2011

In 2011, the Group, in the absence of available comparable sites for organic shop openings, acquired three retail licensed bookmaking businesses in Great Britain and one in Northern Ireland, comprising five shops in total. The Group also acquired CT Networks Limited ('Cayetano'), a games developer based in the Isle of Man and Bulgaria. Cayetano has developed a range of games for the online and mobile gaming markets.

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

	Book values on acquisition €'000	Fair value adjustments €'000	Fair values 31 December 2011 €'000
Identifiable net assets acquired:			
Property, plant and equipment	653	-	653
Intangible assets – computer software	38	744	782
Intangible assets – licences	436	-	436
Current assets (excluding cash and cash equivalents)	30	-	30
Current liabilities	(43)	-	(43)
Corporation tax payable	(2)	-	(2)
	1,112	744	1,856
Goodwill arising on acquisition – total			14,504
Consideration			16,360
The consideration is analysed as:			
Cash consideration			7,729
Contingent deferred consideration			8,631
			16,360

Net cash outflow from purchase of businesses for the purposes of the statement of cash flows

Cash consideration before acquisition expenses	7,729
Acquisition expenses paid	-
	7,729

The principal factors contributing to the UK Retail goodwill balance are the well-established nature of the acquired businesses within the locations in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired businesses within the Paddy Power group. The principal factor contributing to the Cayetano goodwill balance is that the acquisition provided a new internal source of games development expertise which allows the Group to expand its existing online and mobile gaming offerings and so grow revenues in the future.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired businesses in respect of the period from acquisition and for the year ended 31 December 2011 has not been presented on the basis of immateriality.

10. Business combinations and purchase of non-controlling interest (continued)

Contingent deferred consideration is payable to the vendors by reference to the various acquired businesses' performance against agreed targets and Group performance over the four years from 31 December 2011. The contingent deferred consideration amount of €8.8m at 31 December 2011 represented management's best estimate of the fair value of the amounts that will be payable (discounted as appropriate).

Contingent deferred consideration
During 2011, the Group also paid €50,000 in respect of contingent deferred consideration for Irish Retail acquisitions.

Net cash outflow from purchase of businesses and purchase of non-controlling interest for the purposes of the statement of cash flows

	2012	2011
	€'000	€'000
Cash consideration – acquisitions in the year	**3,705**	92,472
Cash consideration – acquisitions in previous years	**857**	50
Acquisition expenses paid	**-**	568
Purchase of businesses and purchase of non-controlling interest	**4,562**	93,090
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses, net of cash acquired	**3,705**	7,729
Payment of contingent deferred consideration	**857**	50
Purchase of non-controlling interest	**-**	85,311
	4,562	93,090

11. Trade and other receivables

Non-current assets

	31 December 2012	31 December 2011
	€'000	€'000
Prepayments and accrued income	**4,837**	6,735
	4,837	6,735

The amount in non-current prepayments and accrued income represents accrued GST refunds arising from the Australian GST court case as more fully described in Note 5.

Current assets

	31 December 2012	31 December 2011
	€'000	€'000
Trade receivables – credit betting customers	**5,975**	5,927
Trade receivables – other sports betting counterparties	**1,154**	1,367
Trade receivables	**7,129**	7,294
Other receivables	**1,453**	3,565
Prepayments and accrued income	**17,481**	20,306
	26,063	31,165

Trade and other receivables are non-interest bearing.

Included in other receivables and prepayments and accrued income at 31 December 2012 are amounts of €nil and €1,955,000, respectively (2011: €1,629,000 and €2,240,000, respectively), relating to costs receivable and accrued GST refunds arising from the Australian GST court case as more fully described in Note 5.

12. Derivative financial assets

	31 December 2012	31 December 2011
	€'000	€'000
Current		
Foreign exchange forward contracts – cash flow hedges	**375**	-
	375	-

The notional principal amount of outstanding foreign exchange forward contracts at 31 December 2012 was GBP55.5m (2011: GBPnil). Gains and losses recognised in the cash flow hedge reserve in equity at 31 December 2012 (see Note 14) on foreign exchange forward contracts designated as cash flow hedges under IAS 39, 'Financial Instruments: Recognition and Measurement', will be released to the income statement at various dates during the year ending 31 December 2013.

13. Financial assets and cash and cash equivalents

	31 December 2012 €'000	31 December 2011 €'000
Non-current		
Financial assets – restricted cash	**5,359**	6,409
	5,359	6,409
Current		
Financial assets – restricted cash	**32,961**	18,149
Financial assets – deposits	**42,014**	-
Cash and cash equivalents	**129,004**	111,139
	203,979	129,288
Total	**209,338**	135,697

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

	31 December 2012 €'000	31 December 2011 €'000
Cash	**42,488**	21,855
Short term bank deposits – with an original maturity of less than three months	**86,516**	89,284
Cash and cash equivalents in the statement of cash flows	**129,004**	111,139

The effective interest rate on bank deposits at 31 December 2012 was 1.74% (2011: 2.35%); these deposits have an average original maturity date of 78 days (2011: 42 days). The bank deposits also have an average maturity date of 41 days from 31 December 2012 (2011: 26 days).

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

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

	31 December 2012 €'000	31 December 2011 €'000
Euro	**82,643**	46,756
GBP	**54,461**	36,316
AUD	**69,453**	49,710
USD	**2,253**	2,915
Other	**528**	-
	209,338	135,697

Financial assets
Included in non-current financial assets – restricted cash at 31 December 2012 are amounts totalling €5,359,000 (2011: €6,409,000) which are restricted at that date and beyond 31 December 2013 (2011: beyond 31 December 2012). The balance comprises a bank deposit of €4,000,000 (2011: €4,000,000) relating to the Online (ex Australia) business segment which was restricted at that date as it formed part of a guarantee issued in favour of a gaming regulatory authority to guarantee the payment of player funds, prizes and taxes due by the Group (see Note 17). The remaining balance of €1,359,000 (2011: €2,409,000) relates to bank deposits held by the Online Australia business segment to guarantee certain obligations relating to gambling licences, accommodation held under operating leases and merchant facilities (see Note 17).

Included in current financial assets – restricted cash at 31 December 2012 are bank deposits totalling €32,961,000 (2011: €18,149,000) which were restricted at that date (2011: up to 3 January 2012), as they represented client funds balances securing player funds held by the Group or, in respect of 31 December 2011 balances, also formed part of a guarantee issued in favour of the Isle of Man Gambling Supervision Commission in respect of player funds held by the Group (see Note 17).

Included in current financial assets – deposits are bank deposits totalling €42,014,000 (2011: €nil) which had an initial cost of €42,159,000. The maturity of these investments falls outside the three months' timeframe for classification as cash and cash equivalents under IAS 7, 'Statement of Cash Flows', and, accordingly, the related balance has been separately reported in the consolidated statement of financial position.

14. Share capital and reserves

The total authorised share capital of the Company comprises 70,000,000 ordinary shares of €0.10 each (2011: 70,000,000 ordinary shares of €0.10 each). All issued share capital is fully paid. The holders of ordinary shares are entitled to vote at general meetings of the Company on a one vote per share held basis. Ordinary shareholders are also entitled to receive dividends as may be declared by the Company from time to time.

14. Share capital and reserves (continued)

During the year, 125,827 ordinary shares of €0.10 each (2011: 315,372 ordinary shares of €0.10 each) were issued as a result of the exercise of share options granted to employees of the Group under the terms of the Share Option and Sharesave Schemes, for a total consideration of €2,225,000 (2011: €3,589,000) and giving rise to a share premium of €2,212,000 (2011: €3,557,000). In 2011, as part of the purchase of the remaining 39.2% of Sportsbet on 1 March 2011, 455,535 ordinary shares of €0.10 each, with a total value of €13,438,000 and giving rise to a share premium of €13,393,000, were issued to the vendors of Sportsbet on that date (see Note 10). The total number of ordinary shares issued at 31 December 2012 was 50,850,848 (2011: 50,725,021), those shares having a total nominal value of €5,085,000 (2011: €5,072,000).

The total number of shares held in treasury at 31 December 2012 was 1,734,000 shares (2011: 1,734,000 shares). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Group's distributable reserves are restricted by the value of the treasury shares, which amounted to €34,177,000 as of 31 December 2012 (2011: €34,177,000). The value of treasury shares held by the Company at 31 December 2012 was €5,975,000 (2011: €5,975,000), with the remaining €28,202,000 of shares being held by Paddy Power Isle of Man Limited (2011: €28,202,000).

At 31 December 2012, the Company held a further 1,270,442 (2011: 1,178,069) of its own shares, which were acquired at a total cost of €56,191,000 (2011: €33,397,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan ('LTIP'). The Company's distributable reserves at 31 December 2012 are further restricted by this cost amount. In the year ended 31 December 2012, 535,435 shares originally valued at €13,487,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2011: 518,925 shares originally valued at €10,116,000). During the year ended 31 December 2012, the Trust purchased 627,808 Paddy Power plc ordinary shares for a total consideration of €36,281,000 (2011: 240,587 Paddy Power plc ordinary shares for a total consideration of €9,623,000).

The foreign exchange translation reserve at 31 December 2012 had a balance of €14,110,000 (2011: €13,873,000) which arose from the retranslation of the Group's net investment in AUD and GBP functional currency subsidiary companies.

Other reserves comprise a capital redemption reserve fund, a capital conversion reserve fund and a net wealth tax reserve. The capital redemption reserve fund of €876,000 (2011: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled. The capital conversion reserve fund of €260,000 (2011: €260,000) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro. An additional €55,000 was transferred to the net wealth tax reserve from retained earnings in the year ended 31 December 2012 and the reserve had a balance of €104,000 at 31 December 2012 (2011: €49,000).

The cash flow hedge reserve of €451,000 at 31 December 2012 comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred at that date. During 2012, the Group entered into foreign exchange forward contracts to hedge a portion of GBP exposures expected to arise from GBP denominated income in the second six months of 2012 and the year ended 31 December 2013. The fair value gain of €451,000 at 31 December 2012 (2011: €nil), which is stated after applicable deferred taxation of €64,000 (2011: €nil), arises as the applicable forward contract EUR-GBP rates were stronger than the relevant forward foreign exchange rate ruling at 31 December 2012.

In 2012, an amount of €659,000 (2011: €1,097,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of €294,000 of deferred tax relating to the Group's share-based payments was credited to retained earnings in 2012 (2011: charge of €409,000).

15. Dividends paid on ordinary shares

	2012 **€'000**	2011 €'000
Ordinary shares:		
- final paid of 70.0 cent per share (2011: 50.0 cent)	**34,355**	24,340
- interim paid of 39.0 cent per share (2011: 30.0 cent)	**19,122**	14,604
	53,477	38,944
Proposed final dividend of 81.0 cent (2011: 70.0 cent) per share (see Note 19)	**39,790**	34,355

Immediately prior to the acquisition by the Group of the remaining 39.2% of Sportsbet on 1 March 2011 (see Note 10), Sportsbet paid an interim dividend to its shareholders. The non-controlling shareholders' share of this dividend, which has been treated as a deduction from the non-controlling interest balance, was €9,244,000.

16. Trade and other payables and derivative financial liabilities

Current liabilities

	31 December 2012	31 December 2011
	€'000	€'000
Trade and other payables		
Trade payables	**19,789**	13,004
Customer balances	**56,765**	49,430
PAYE and social security	**4,921**	4,697
Value added tax and goods & services tax	**4,670**	3,351
Betting duty, data rights and product & racefield fees	**4,865**	5,328
Employee benefits	**30,146**	15,734
Contingent deferred consideration – business combinations	**2,581**	1,023
Accruals and other liabilities	**49,730**	44,358
	173,467	136,925
Derivative financial liabilities		
Sports betting open positions	**11,767**	9,715

Non-current liabilities

	31 December 2012	31 December 2011
	€'000	€'000
Trade and other payables		
PAYE and social security	**593**	426
Employee benefits	**13,083**	8,472
Contingent deferred consideration – business combinations	**9,216**	11,449
Accruals and other liabilities	**771**	-
	23,663	20,347
Derivative financial liabilities		
Sports betting open positions	**228**	194

Contingent deferred consideration
The movements in contingent deferred consideration during 2012 and 2011 were as follows:

	31 December 2012	31 December 2011
	€'000	€'000
Balance at 1 January	**12,472**	350
Arising on acquisition (Note 10)	**94**	11,620
Paid during the year (Note 10)	**(857)**	(50)
(Credited) / charged to the income statement	**(125)**	169
Foreign currency translation adjustment	**213**	383
Balance at 31 December	**11,797**	12,472

Of the total contingent deferred consideration amount of €11,797,000 (2011: €12,472,000), €2,581,000 (2011: €1,023,000) is due within one year and €9,216,000 (2011: €11,449,000) is due within the following three years (2011: due within the following four years).

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

The carrying amount of the liabilities is not significantly different from the amount that the Group is expected to pay out at maturity of the financial instruments.

Sports bets are non-interest bearing. There is no interest rate or credit risk associated with open sports bets. A currency risk may arise where such bets are denominated in a currency other than the euro. This currency risk is not considered significant as any payout on such bets is made in the same currency as that in which the bet was originally staked.

17. Commitments and contingencies

(a) Guarantees
The Group has uncommitted working capital overdraft facilities of €15.5m (2011: €15.3m) with Allied Irish Banks plc. These facilities are secured by a Letter of Guarantee from Paddy Power plc.

The Group has bank guarantees: (1) in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Group companies; and (2) in respect of certain third party rental and other property commitments and merchant facilities. The maximum amount of the guarantees at 31 December 2012 was €5,629,000 (2011: €6,884,000). No claims had been made against the guarantees as of 31 December 2012 (2011: €nil). The guarantees are secured by counter indemnities from Paddy Power plc and certain of its subsidiary companies, and, at 31 December 2012, were also secured by cash deposits totalling €5,359,000 (2011: €6,409,000) over which the guaranteeing banks hold security. The fair value accounting impact of these guarantees is deemed to be immaterial.

The Group has cash amounts totalling €32,961,000 (2011: €8,861,000) deposited in client funds accounts held for the benefit of certain gaming regulatory authorities, of which the Isle of Man Gambling Supervision Commission is the most significant, as security for player funds owed by certain Group companies and as required under the terms of relevant gambling licences. At 31 December 2011, the Group had a bank guarantee in favour of the Isle of Man Gambling Supervision Commission as security for player funds owed by certain of the Group's Isle of Man Companies to their customers. The maximum amount of the guarantee at 31 December 2011 was GBP18,000,000 (euro equivalent of €21,549,000). No claims had been made against the guarantee as of 31 December 2011. The guarantee was secured by counter indemnities from Paddy Power plc and certain of its Isle of Man subsidiary companies, and, at 31 December 2011, was secured by a cash deposit of €9,288,000 over which the guaranteeing bank held a floating charge. The fair value accounting impact of this guarantee was deemed to be immaterial. The bank guarantee was released during 2012 and the Group now provides security for such player funds solely by means of cash deposited in client funds accounts.

The Australian corporate sports bookmaking licences issued to Sportsbet and IAS require those companies to hold sufficient cash funds to cover monies owed to customers. At 31 December 2012, the total value of relevant customer balances attributable to the Online Australia business segment was €25,546,000 (AUD32,474,000) (2011: €24,790,000 (AUD31,541,000)) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €64,747,000 (AUD82,307,000) (2011: €43,939,000 (AUD55,904,000)).

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

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

	31 December 2012	31 December 2011
	€'000	€'000
Property, plant and equipment	**3,342**	1,213
Intangible assets	**2,625**	866
	5,967	2,079

(c) Operating leases
The Group leases various licensed betting and other offices under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The leases have, on average, approximately eight years left to run (if the company was to exercise available break options), with a right of renewal after that date. Lease rentals are typically reviewed every five years to reflect market rental rates or changes in general inflation rates.

At 31 December 2012 and 2011, the future minimum rentals payable under non-cancellable operating leases on properties were as follows:

	31 December 2012	31 December 2011
	€'000	€'000
Within one year	**23,376**	20,690
Between two and five years	**82,371**	71,495
After five years	**97,804**	93,928
	203,551	186,113

Operating leases for licensed betting and other offices are entered into as combined leases of land and buildings. Since the title to the land does not pass, the rent paid to the landlord of the building is increased to market rent at regular intervals and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the offices are with the landlord. As such, the Group has determined that the leases are operating leases.

18. Related parties

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

There were no transactions with related parties during the years ended 31 December 2012 and 2011 that materially impacted the financial position or performance of the Group.

19. Events after the reporting date

Dividend

In respect of the current year, the directors propose that a final dividend of 81.0 cent per share (2011: 70.0 cent per share) will be paid to shareholders on 24 May 2013. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 15 March 2013. The total estimated dividend to be paid amounts to €39,790,000 (2011: €34,355,000).

20. Accounting estimates and judgements

Key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies

Goodwill of €96,582,000 (2011: €93,607,000) continues to be carried in the Group consolidated statement of financial position as the directors believe that there has been no impairment in the fair value of the net identifiable assets of the acquired businesses. In 2012, retail shop acquisitions in Ireland and the UK contributed additional goodwill of €125,000 and €2,604,000 to the Irish Retail and UK Retail operating segments, respectively. The acquisition of CT Networks Limited in November 2011 contributed goodwill of €13,303,000 (2011: €13,303,000) to the Online (ex Australia) operating segment. Retail shop acquisitions in Great Britain and Northern Ireland in 2011 contributed goodwill of €1,213,000 (2011: €1,201,000) and licences of €447,000 (2011: €436,000) to the UK Retail operating segment. During the year ended 31 December 2009, the acquisition by the Group of 51% of Sportsbet and Sportsbet's subsequent acquisition of IAS contributed goodwill of €60,723,000 (2011: €60,671,000) and brand intangible assets of €18,565,000 (2011: €18,549,000). Other acquisitions and amalgamations in 2010 and prior years contributed goodwill of €18,614,000 (2011: €18,432,000), including €5,000,000 (2011: €5,309,000) of deferred tax on the value of licences intangible assets recognised on the application of fair value accounting to the acquisitions, and €21,737,000 (2011: €21,238,000) of licence intangible assets. The directors believe that, with the exception of the IAS brand intangible of €5,428,000 (2011: €5,423,000), this goodwill and the brand and licence intangible assets have not been impaired as of 31 December 2012**.**

The share-based payment reserve, which includes amounts in relation to the LTIP and various share option schemes, amounted to €22,792,000 at 31 December 2012 (2011: €21,918,000). The fair value of share options granted after 7 November 2002 has been determined using a Black Scholes valuation model. The significant inputs into the model include certain management assumptions with regard to the standard deviation of expected share price returns, expected option life and annual risk free rates.

The fair value of the Group's sports betting open positions amounted to €11,995,000 at 31 December 2012 (2011: €9,909,000) and the Group considers such arrangements to be derivatives. The Group performs a revaluation of sports betting open positions at each reporting date. The revaluation takes into account the expected probability of such open positions resulting in a gain or loss to the Group in the future, and is dependent on factors that cannot always be reliably predicted.

The majority of the Group's retail premises are held under operating leases. Under accounting standards there is a requirement for management to examine the buildings element within such operating leases to determine if the lease meets the definition of a finance lease and, if so, it should be accounted for as such. This review involves determining the fair value of each property at the inception of the lease and analysing the minimum lease payments between their 'land' and 'buildings' elements. Based on management's review of operating leases for the years ended 31 December 2012 and 2011, all retail premises leases qualify as operating leases.

Included in trade receivables of €7,129,000 at 31 December 2012 (2011: €7,294,000) are gross receivable balances of €11,464,000 (2011: €11,434,000), stated net of an impairment provision for bad and doubtful accounts of €4,335,000 (2011: €4,140,000). Management believes that the impairment provision represents their best estimate of the value of receivable balances at 31 December 2012 that may not be recoverable from customers, and that the carrying value of trade receivables is their fair value.

Included in trade and other payables at 31 December 2012 are contingent deferred consideration amounts of €11,797,000 (2011: €12,472,000) relating to certain business combinations and the purchase of non-controlling interest. Contingent deferred consideration is payable to vendors by reference to the acquired businesses' performance against various agreed targets over the next three years. The contingent deferred consideration amount of €11,797,000 at 31 December 2012 represents management's best estimate of the fair value of the amounts that will be payable (discounted as appropriate).