8 March 2016

Paddy Power Betfair plc

Preliminary Results Announcement for the year to 31 December 2015

Paddy Power and Betfair performed well pre-merger

Paddy Power Betfair plc ('the Group') today announces preliminary results for the year ended 31 December 2015. As the merger of Paddy Power plc ("Paddy Power") and Betfair Group plc ("Betfair") completed in February 2016, these preliminary results represent the 2015 performance of Paddy Power prior to the merger. This announcement also includes Betfair third quarter results for the three months ending 31 January 2016 ('Q3 FY16'), representing the period immediately prior to completion of the merger, and Proforma 2015 information for the combined Group for the year ended 31 December 2015.

Paddy Power 2015 highlights:

Group[1]:

- Revenue up 24% to €1,094m, with double digit growth across all Online and Retail divisions;
- Operating profit up 10% to €180m, or 50% before €66m in new taxes and product fees;
- Diluted EPS up 12% to 332.8 cents per share;
- Full year dividend up 18% to 180 cents per share; additional €8 per share cash return during 2015;

Online highlights[2]:

- Revenue growth of 23%, with sportsbook up 28% and eGaming up 10%. Operating profit up 11% to €152m.
  - Online (ex Australia): revenue up 12%; operating profit of €73m up 48% before €54m of new taxes;
  - Online Australia: revenue up 43% and stakes up 39%; operating profit increased 54% to €80m;
  - Mobile revenue accounted for 68% of online revenue, with 80% of active customers transacting via mobile.

Retail highlights[2]:

- UK Retail revenue up 15% (up 6% like-for-like). Operating profit of €23m up 12% before €5m of additional Machine Gaming Duty. Estate now 341 shops with a net 20 units opened in 2015;
- Irish Retail revenue up 14% (up 11% like-for-like). Operating profit of €20m up 44%. Estate now 259 shops with 14 units opened in 2015.

Betfair 'Q3 FY16' highlights:

- Revenue up 21% to £138m, driven primarily by 51% growth in sportsbook stakes and improved football results;
- Revenue in regulated markets up 31% following a 27% increase in the number of active customers;
- EBITDA[1] up 10% to £26m, or 30% growth before £5m in new taxes.

Breon Corcoran, Chief Executive, Paddy Power Betfair plc said:

"*We were very pleased to complete the merger of Paddy Power and Betfair, creating one of the world's largest online betting and gaming companies with enlarged scale, enhanced capability and distinctive complementary brands. These results show that both businesses entered this merger on the back of strong trading momentum.*

Our belief in the strategic rationale for the deal has only been strengthened following our early days as a combined operator. The combination of two industry leading operators, with aligned strategies and a strong cultural fit, is hugely exciting and the enhanced efficiency from operating at greater scale means we are well positioned to compete in both existing and new markets.

The integration of the two businesses is progressing well and we look forward to capitalising on the opportunity we have to drive future profitable growth."

ENDS

[1] *Before exceptional items*

[2] *All growth percentages are in constant currency*

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Analyst Call:

The Group will host a conference call for institutional investors and analysts this morning at 9:30am. To dial into the conference call, participants should dial 01296 480 100 from the UK, (01) 242 1074 from Ireland and +44 1296 480 100 from elsewhere. The passcode is 509 235.

A call replay facility will be available for 21 days. To listen to the replay, callers should dial +44 207 136 9233. The passcode is 886 70819.

PADDY POWER BETFAIR

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am delighted to update you on a truly transformational year for the Group.

Paddy Power saw continued strong growth, culminating in record revenues of €1,094m and operating profits of €180m. This was underpinned by a strong operational performance and significant strategic progress. The business' attractive cash flow generation, coupled with a strong balance sheet, allowed the return of over €390m to shareholders in June via a B-Share scheme.

In September we announced that the Boards of Paddy Power plc and Betfair Group plc had agreed terms on an all-share merger of the two companies. Following shareholder approval in December, the merger completed on 2 February 2016 with the formation of Paddy Power Betfair plc.

The merger has created one of the world's largest online betting and gaming companies with enlarged scale, market leading capability and distinctive, complementary brands. On a proforma basis the enlarged group had £1,318m of revenues and £229 million of underlying operating profits for the year ended 31 December 2015. Our online businesses contributed 80% of Group revenues and 87% of operating profits.

£m **Unaudited**	**Paddy Power Betfair** **Proforma 2015**
Sportsbook stakes	7,999
Total net revenue	**1,318**
Gross profit	1,007
Operating costs	(711)
Underlying EBITDA	**296**
Depreciation & amortisation	(67)
Underlying operating profit	**229**

Proforma 2015 above represents the aggregation of Paddy Power plc and Betfair Group plc results for year ended 31 December 2015.
Further details, including segment analysis, is on page 5.

Board & People

On 1 July 2015, I replaced Nigel Northridge as Chairman of Paddy Power plc. I would like to thank Nigel for his successful leadership of Paddy Power over six years. On 2 February 2016, following completion of the merger, the Board of Paddy Power Betfair plc was established with twelve directors, drawn equally from the 18 directors sitting on the individual company boards. Accordingly Cormac McCarthy, Tom Grace and Ulric Jerome stepped down from the Paddy Power Board. I would like to thank each of them for their valued contribution as directors and also acknowledge the contribution of Gerald Corbett and the other outgoing Betfair directors, Mark Brooker and Leo Quinn, to the success of Betfair.

Apart from myself, the Group's Board now comprises Breon Corcoran as Chief Executive Officer, Andy McCue as Chief Operating Officer, Alex Gersh as Chief Financial Officer and eight non-executive directors (four from each of Paddy Power and Betfair).

The Group currently employs over 7,000 people globally. The Board recognises the importance of the skill, experience and dedication of the Group's employees and is committed to maintaining the necessary expertise to support the Group's future success. We also note that as part of achieving the £50m of identified cost synergies from integrating the two businesses it will be necessary to rationalise some duplicated roles. The Board is committed to ensuring that people are treated equitably in this process and would like to thank departing colleagues for their contribution.

Regulation & Tax

The Group operates in a highly regulated industry across multiple geographical jurisdictions, with investment focused on sustainable markets that have been regulated. The Group makes substantial tax contributions in the countries in which it operates and also contributes significantly to sporting and racing bodies globally.

Financial Position, Capital Structure and Dividends

The Group currently has net debt excluding customer balances of approximately £63 million, after allowing for the payment of costs, fees and stamp duty relating to the merger totalling £56m and dividends in 2016 to date of £146m.

The Board is adopting a progressive dividend policy consistent with the Group's expected growth, which balances returns to shareholders with the need to retain sufficient funds to drive growth through investment. The target payout ratio for the Group's dividend will be approximately 50% of underlying profits after tax. The efficiency of the Group's capital structure is kept under regular review by the Board. Relevant considerations include the Group's strong cash flow generation, its investment plans and general capital market conditions.

Gary McGann
Chairman

7 March 2016

PADDY POWER BETFAIR

CHIEF EXECUTIVE'S STATEMENT

We were very pleased to complete the merger of two industry leading groups to form Paddy Power Betfair on 2 February 2016. The combination of two operators with significant growth momentum, aligned strategies and a strong cultural fit is hugely exciting and our belief in the strategic rationale for the deal has only been strengthened following our early days as an enlarged group.

Strong growth momentum

Both Paddy Power and Betfair have a track record of substantial growth in revenues and profits and they enter the merger with strong momentum. In 2015 Paddy Power's revenues were up 24% and operating profit increased 10%, or 50% before the impact of new taxes. In the same period, Betfair increased revenues by 17% and operating profit increased 9%, or 63% before new taxes.

Enlarged scale and enhanced capabilities

Combining two of the leading operators in the industry creates a business of significant scale with over £1.3 billion of revenues. The enlarged scale ensures the Group is better positioned to generate returns from investment in people, technology and marketing. The enhanced efficiency from operating at greater scale means we are well positioned to compete in both existing and new markets. For instance, the Group's combined marketing, technology and product spend, which totalled £429 million in 2015, can now be applied more efficiently over a larger number of customers.

Diversified Group with complementary products, channels and capabilities

The Paddy Power and Betfair businesses have highly complementary products, channels and capabilities, with successful online and retail businesses in the UK and Ireland alongside attractive international growth opportunities in Australia, the US and Europe. The Group has four well established and leading brands each with distinctive attributes.

Integration

It is early days for Paddy Power Betfair but integration of the two businesses is progressing well. We have appointed our leadership team which combines significant experience and knowledge from both Paddy Power and Betfair, and we are excited about the pool of talent we have available across the Group.

Detailed work has commenced on delivering the previously announced synergy cost savings of £50m per annum and we remain confident that this target will be achieved. While it is important to act quickly to bring the best attributes of each business together to create a stronger combined operation, it is crucial that we don't disrupt the momentum of the existing businesses. This is particularly relevant as the merger completed at the start of a key trading period that encompasses the Cheltenham Festival, Aintree and the Euro 2016 football championships.

Outlook

We continue to operate in a highly competitive industry. We are excited however, by the opportunity to enhance our competitive position through leveraging our enlarged scale and capabilities as we integrate two leading businesses. We believe we are well placed to achieve profitable growth and deliver shareholder value and will update you further on progress and the strategy of the combined Group at our Interim Results in August.

The new financial year has started well for Paddy Power Betfair. The revenue growth momentum has continued and trading across the Group is in line with our expectations.

Breon Corcoran
Chief Executive

7 March 2016

PADDY POWER BETFAIR 2015 PROFORMA RESULTS

For the year ended 31 December 2015, unaudited
Represents the aggregation of Paddy Power plc and Betfair Group plc results for year ended 31 December 2015.

£m	Online			Australia			US			Retail			Group		
	H1'15	**H2'15**	**FY'15**	**H1'15**	**H2'15**	**FY'15**	**H1'15**	**H2'15**	**FY'15**	**H1'15**	**H2'15**	**FY'15**	**H1'15**	**H2'15**	**FY'15**
Sportsbook stakes	2,242	2,174	4,416	973	1,080	2,053				773	757	1,530	3,989	4,011	7,999
Sportsbook net revenue %	*6.1%*	*7.2%*	*6.6%*	*11.4%*	*11.3%*	*11.3%*				*11.5%*	*11.9%*	*11.7%*	*8.4%*	*9.2%*	*8.8%*
Sports net revenue	262	273	534	111	122	232	31	33	64	89	90	178	492	517	1,009
Gaming net revenue	103	111	214	-	-	-	4	3	7	43	45	88	150	159	309
Total net revenue	**365**	**383**	**748**	**111**	**122**	**232**	**35**	**36**	**71**	**132**	**135**	**266**	**642**	**676**	**1,318**
Regulated markets revenue	324	352	676	111	122	232	35	36	71	132	135	266	601	645	1,246
Unregulated markets revenue	41	31	73	-	-	-	-	-	-	-	-	-	41	31	73
Total net revenue	**365**	**383**	**748**	**111**	**122**	**232**	**35**	**36**	**71**	**132**	**135**	**266**	**642**	**676**	**1,318**
Cost of sales	87	92	178	26	33	58	8	8	16	29	30	58	149	162	311
Gross Profit	**278**	**291**	**570**	**85**	**89**	**174**	**27**	**28**	**55**	**103**	**105**	**208**	**493**	**514**	**1,007**
Sales & marketing	82	76	159	26	25	51	7	7	15	3	3	6	119	112	231
Product & technology	56	61	117	9	10	19	2	3	5	3	2	5	70	76	147
Operations	35	31	66	16	18	34	13	13	26	70	75	145	134	137	271
Unallocated central costs													31	31	62
Operating costs	**174**	**169**	**343**	**51**	**54**	**104**	**23**	**23**	**45**	**76**	**80**	**156**	**355**	**356**	**711**
Underlying EBITDA	**104.3**	**122.7**	**227.0**	**33.8**	**35.7**	**69.5**	**4.2**	**5.7**	**9.9**	**26.9**	**24.8**	**51.6**	**138.0**	**157.7**	**295.7**
Depreciation & amortisation	16.6	19.3	35.9	4.1	4.6	8.7	3.0	4.2	7.2	7.9	7.4	15.3	31.5	35.6	67.1
Underlying operating profit	**87.7**	**103.3**	**191.1**	**29.8**	**31.0**	**60.8**	**1.2**	**1.6**	**2.7**	**19.0**	**17.3**	**36.4**	**106.5**	**122.1**	**228.6**
Separately disclosed items													-	(9.1)	(9.1)
Operating profit													**106.5**	**113.0**	**219.5**

Notes:

- Sportsbook stakes includes amounts staked via SSBTs and excludes the exchange, gaming and business-to-business activities.
- Sportsbook net revenue % is calculated after deduction of costs for customer promotions and bonuses.
- Sports net revenue includes sportsbook net revenues, exchange commissions and revenues from business-to-business activities.
- Paddy Power Telephone business is included in the 'Online' segment.
- Regulated markets currently include UK, Australia, Ireland, US, Italy, Bulgaria, Denmark, Gibraltar, Malta, Romania, Spain and business-to-business activities.
- Cost of sales primarily comprises betting and gaming taxes, customer payment transaction fees, software supplier costs, sporting levies and other data rights charges.
- Sales & marketing costs include all marketing costs including affiliate commissions and people costs for employees working in marketing roles.
- Separately disclosed items relate to £7.4 of exceptional items included in Paddy Power's 2015 financial statements and £1.7m of merger related costs incurred by Betfair in the year ended 31 December 2015.

PADDY POWER BETFAIR 2015 PROFORMA RESULTS

For the year ended 31 December 2015, unaudited

Quarterly Key Performance Indicators

Represents the aggregation of Paddy Power plc and Betfair Group plc results for three month periods ended 31 March 2015, 30 June 2015, 30 September 2015 and 31 December 2015.

£m	**Online**				**Australia**				**US**				**Retail**				**Group**			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Sportsbook stakes	1,059	1,183	1,036	1,138	454	519	506	574					375	399	377	380	1,888	2,101	1,919	2,091
Sportsbook net revenue %	*5.3%*	*6.7%*	*7.3%*	*7.2%*	*10.5%*	*12.2%*	*10.8%*	*11.7%*					*11.3%*	*11.7%*	*11.3%*	*12.4%*	*7.7%*	*9.0%*	*9.0%*	*9.4%*
Sports net revenue	116	146	134	139	47	63	55	67	14	17	18	15	42	47	43	47	219	273	249	268
Gaming net revenue	51	53	52	58	-	-	-	-	1	3	2	2	21	21	22	23	74	77	76	84
Total net revenue	**167**	**198**	**186**	**197**	**47**	**63**	**55**	**67**	**15**	**20**	**20**	**16**	**64**	**68**	**64**	**71**	**293**	**349**	**324**	**351**
Regulated markets revenue	146	177	170	182	47	63	55	67	15	20	20	16	64	68	64	71	273	328	309	336
Unregulated markets revenue	20	21	16	16	-	-	-	-	-	-	-	-	-	-	-	-	20	21	16	16
Total net revenue	**167**	**198**	**186**	**197**	**47**	**63**	**55**	**67**	**15**	**20**	**20**	**16**	**64**	**68**	**64**	**71**	**293**	**349**	**324**	**351**
Underlying EBITDA																	**46.7**	**91.3**	**73.7**	**83.7**
Underlying operating profit																	**31.2**	**75.3**	**56.8**	**65.4**

Summary	**Q3 FY16**	**Q3 FY15**	**Change %**
Revenue	138.3	114.6	+21%
EBITDA	26.0	23.6	+10%

Revenue by product (£m)	**Q3 FY16**	**Q3 FY15**	**Change %**
Sports	93.0	76.7	+21%
Gaming	28.8	24.1	+20%
Betfair US	16.3	13.5	+21%
Management of customer funds	0.2	0.3	-33%
Total	**138.3**	**114.6**	**+21%**

Revenue by market (£m)	**Q3 FY16**	**Q3 FY15**	**Change %**
Sustainable markets	121.3	92.9	+31%
Other markets	17.0	21.7	-22%
Total	**138.3**	**114.6**	**+21%**

Sustainable markets in Q3 FY16 included the UK, the US, Australia, Bulgaria, Denmark, Gibraltar, Ireland, Italy, Malta, Romania, Spain

Revenue growth in regulated markets (up 31%) was driven by a 27% increase in the number of customers active in the period. The decline in revenue from other markets included the impact of exiting from Portugal in July 2015.

Sports revenue increased by 21% to £93m, following a 51% increase in sportsbook stakes and favourable football results. Betfair's new 'Acca Edge' feature was rolled out in November and offers tailored money-back insurance on all accumulators with three or more legs. The product has proved popular, with almost half of accumulator customers using the feature since the launch.

Gaming revenue was up 20% to £29m driven by more Sports customers using these products and strong growth in mobile revenues (up 63%).

Betfair US revenue was up 15% (constant currency) with ongoing revenue and handle growth at TVG and growth in the online casino in New Jersey. Regulatory clearance has now been received for a horseracing Exchange in New Jersey and we are planning to launch the product in summer 2016.

The strong revenue growth led to a 10% increase in EBITDA, excluding £5m merger related costs, to £26m (Q3 FY15: £24m), or 30% growth before the incremental impact of new point of consumption taxes in the UK and Ireland of £5m.

PADDY POWER 2015 OPERATING & FINANCIAL REVIEW

Paddy Power's revenue grew 24% in 2015 and surpassed €1 billion for the first time, with double digit growth across all Online and Retail divisions. Operating profit before exceptional items[1] was up 10% on 2014 to €180m, or 50% before €66m[2] in new taxes and product fees. Fully diluted earnings per share grew by 12% to €3.33 and the regular full year dividend increased by 18% to €1.80 per share. In June 2015 an additional cash return to shareholders of €8 per share was paid.

Substantial strategic progress was made in 2015, with significant product enhancements, new marketing campaigns and efficiency gains.

€m	2015[1]	2014	% Change	% Change in CC
Sportsbook amounts staked	8,646	7,003	+23%	+18%
Sportsbook gross win %	*10.1%*	*9.9%*		
Sportsbook net revenue %	*9.3%*	*9.2%*		
Net revenue	**1,094.0**	**881.6**	**+24%**	**+19%**
Gross profit	817.7	713.9	+15%	+9%
Operating costs	(637.3)	(550.1)	+16%	+12%
Operating profit	**180.4**	**163.8**	**+10%**	**+2%**
Profit before tax	179.7	166.6	+8%	+0%
EBITDA	233.0	211.8	+10%	+3%
EPS, diluted	**332.8 cent**	**297.6 cent**	**+12%**	**+2%**
Dividend per share	180.0 cent	152.0 cent	+18%	
Net (debt)/cash at year end[3]	**(€76m)**	**€218m**		

Paddy Power's operations remained focused on the fast growing online betting market with 84% of total 2015 operating profits generated online (2014: 77%).

Operating Profit by Division	**2015**		**2014**		**% Change**
	€m	**% of Group**	**€m**	**% of Group**	
Online (ex Australia)	72.9	41%	75.3	46%	(3%)
Online Australia	79.5	44%	52.4	32%	+52%
UK Retail	23.4	11%	21.2	13%	+31%
Irish Retail	20.3	13%	15.6	9%	+10%
Telephone	(15.7)	(9%)	(0.7)	0%	n/a
Group Operating Profit	**180.4**	**100%**	**163.8**	**100%**	**+10%**

In 2015 Paddy Power operated in three main geographies: the UK, Australia and Ireland. In addition, we had an early stage B2C business in Italy and B2B partnerships with French, Canadian, Spanish and Slovakian operators.

Operating Profit by Geography[4]	**2015**		**2014**		**% Change**
	€m	**% of Group**	**€m**	**% of Group**	
UK	72.9	40%	91.7	56%	(21%)
Australia	79.5	44%	52.4	32%	+52%
Ireland, Italy and Rest of World	28.0	16%	19.8	12%	+42%
Group Operating Profit	**180.4**	**100%**	**163.8**	**100%**	**+10%**

Sports Results and Trading

While the sportsbook gross win percentage was marginally ahead of the prior year, this increase was driven by positive structural and channel mix changes. Sports results favoured the customer, most notably in the first half where the industry was hit with three significant loss making football weeks and our Telephone channel incurred some freakish results.

But it wasn't all one way traffic and it is unpredictability that makes betting so fascinating for punters and bookies alike. In football, at the start of 2015 things seemed very predictable (…Chelsea led by the 'special one' on top of the table; Leicester City at the bottom facing relegation…) and in the first half punters benefitted from their favourites regularly delivering. But the new season showed previous form to be as reliable as a Volkswagen emission test, bringing less predictability, epitomised by Leicester's dominance and Chelsea's woes, and more bookie friendly results ensued (albeit some things became very predictable such as goalless draws at Old Trafford and Daniel Sturridge constantly 'making a comeback from injury').

[1] *Note results throughout this 2015 Paddy Power Operating & Financial Review ('OFR') are before exceptional items (€10.2m of exceptional operating losses relating to restructuring and merger related costs. The tax credit for these costs (€0.5m) along with a €4.3m credit from the release of a historic corporation tax provision results in an overall exceptional after tax losses of €5.5m).*

[2] *Comprises €49m from incremental UK Point of Consumption Tax ('POCT'); €3m from Irish POCT introduced from 1 August 2015, €6m from increased rates of Australian product fees, €5m from increased Machine Gaming Duty rate and €3m from the introduction of VAT on eGaming with Irish customers.*

[3] *Excludes customer balances of €80m (2015) and €67m (2014).*

[4] *Online and Telephone operating profit allocated by geography based on average divisional profit margins applied to net revenue.*

In racing, Cheltenham was again dominated, to punters' delight, by Willie Mullins, with Ryan Moore also leaving bookies licking their wounds by riding a record nine winners at Royal Ascot. The Grand National result went with the bookies when AP McCoy, aboard the hotly backed favourite, missed out on a fairy tale win in his last National. Paddy Power customers did take some consolation as we were the only major multichannel operator to pay on his fifth place across all channels. In Australia, overall results across the Spring Racing Carnival favoured punters however the bigger races favoured the bookies, most notably the 100/1 outsider, Prince of Penzance, winning the Melbourne Cup with Michelle Payne bringing gender equality to the sporting pages by becoming the first 'Sheila' to win the race that stops a nation.

Equality was also a theme of our mischief activity in 2015. We reacted to newly crowned heavyweight champion Tyson Fury's well publicised comments on homosexuality and women's rights (a rant that made Donald Trump's manifesto seem refined), by welcoming him to the BBC SPOTY Awards by projecting a 100ft super camp, rainbow coloured image onto the SSE Arena containing the line "Don't be Furious, Be Fabulous!". We also weighed in on the marriage equality debate in Ireland with prominent billboards provocatively promoting our referendum odds. Our odds of 1/10 for a 'Yes' vote proved to be on the money as the 'Yes' campaign stormed to a landslide victory making Ireland the first country in the world to hold, and successfully pass, a referendum on legalising same-sex marriage.

The Rugby World Cup was also a significant event last year. Whilst it is clearly not on the same scale as the football equivalent (although England's capitulation did make it feel quite similar!) that didn't stop us showcasing our brand and product. Mischief and marketing - standout money back specials on all group games, erecting a giant statue of fallen Irish captain Paul O'Connell outside the Millennium Stadium, Danny Cipriani as brand ambassador, sponsorship of the free to air coverage in Australia - were all supported by leading product. The release of our new rugby union trading model enabled us to provide a greater number of markets, quicker bet settlement, and crucially, less bet suspension time during matches.

ONLINE

€m	**2015**	**2014**	**% Change**	**% Change in CC**
Sportsbook amounts staked	5,832	4,644	+26%	+20%
Sportsbook net revenue	541.3	412.9	+31%	+28%
Sportsbook net revenue %	*9.3%*	*8.9%*		
Gaming & other net revenue	166.0	140.5	+18%	+10%
Total net revenue	**707.3**	**553.4**	**+28%**	**+23%**
Gross profit	515.8	446.5	+16%	+11%
Operating costs	(364.2)	(319.9)	+14%	+11%
Operating profit	**151.6**	**126.6**	**+20%**	**+11%**
% of Group operating profit	84%	77%		
Active customers[5]	**2,535,270**	**2,414,439**	**+5%**	

We continued to build our online scale in 2015, with 20%[6] growth in sportsbook stakes and 23% growth in total net revenue. This growth was again driven by mobile which accounted for 68% of online revenue with 80% of active customers transacting via mobile.

Online operating profits increased by 11% to €152m, representing 84% of Group operating profit. This profit growth was achieved despite €59m of additional taxes in 2015 and was driven by continued substantial investment in differentiated product and marketing. This increased investment was successfully funded through savings generated by more focused and efficient execution.

We achieved cost savings from a range of measures which included tightly controlling costs in central functions, the consolidation of our product development activities, reduced investment in poker and bingo, and curtailing low value customer acquisition.

ONLINE (Excluding Australia)

€m	**2015**	**2014**	**% Change**	**% Change in CC**
Sportsbook amounts staked	3,226	2,763	+17%	+8%
Sportsbook net revenue	232.8	194.2	+20%	+13%
Sportsbook net revenue %	*7.2%*	*7.0%*		
Gaming & other net revenue	166.0	140.5	+18%	+10%
Total net revenue	**398.8**	**334.6**	**+19%**	**+12%**
Gross profit	288.9	280.7	+3%	(4%)
Operating costs	(216.1)	(205.4)	+5%	+1%
Operating profit – total	**72.9**	**75.3**	**(3%)**	**(16%)**
Operating loss - paddypower.it	*(7.9)*	*(14.7)*	*n/a*	*n/a*
Operating profit - ex Aus, ex Italy	*80.7*	*90.0*	*(10%)*	*(20%)*

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

[5] Active customers throughout this statement are defined as those who have deposited real money and have bet in the year, excluding indirect B2B customers.

[6] This and subsequent growth percentages in the OFR are in constant currency ('CC'), as compared to the equivalent period in the prior year, unless otherwise stated. The OFR financial tables include both nominal and constant currency growth percentages.

PADDY POWER 2015 OPERATING & FINANCIAL REVIEW

Net revenue grew by 12% to €399m with sportsbook growth of 13% and eGaming growth of 10%. This revenue growth combined with the benefit of cost efficiency initiatives led to operating profit growth of 48% before the €55m impact of new taxes. Operating profit as a percentage of net revenue, excluding POC taxes, increased by 7 percentage points to 32%.

Active customers fell 3%, with customer acquisition down 12% due to the 2014 World Cup in the comparative period and the curtailment of low value customer acquisition, particularly during the Grand National. Excluding the impact of the 2014 World Cup and the Grand National, *paddypower.com* new customer acquisition grew by 11%.

Online (Ex Aus) Active Customers	**2015**	**2014**	**% Change**
UK	1,383,031	1,434,335	(4%)
Ireland and Rest of World	398,704	405,318	(2%)
Total	**1,781,735**	**1,839,653**	**(3%)**

Online (Ex Aus) Customers Product Usage	**2015**	**2014**	**% Change**
Sportsbook only	1,079,978	1,238,619	(13%)
Gaming only	157,542	157,988	(0%)
Multi product customers	544,215	443,046	+23%
Total	**1,781,735**	**1,839,653**	**(3%)**

paddypower.com

In 2015, our UK and Irish online customers saw a significant transformation in paddypower.com with substantial product enhancements and a new marketing campaign. This was the result of focusing our strategy and investment on releasing differentiated product and ensuring our marketing continues to deepen the distinctiveness of the Paddy Power brand.

We started 2015 with a sports betting app that whilst it was ground breaking when it was first launched, had become visually dated, less competitive and needed refreshing. Therefore our objective was clear, to develop and release new market leading sports betting apps. To achieve this, new apps were designed and built in-house, and focused on addressing the primary drivers of customer satisfaction with core values of simplicity, usability and speed.

In November we released our new native iOS app, delivering significantly improved customer navigation for iPhone betting with, for example, faster price updates and bet placement. This was followed in December with our new proprietary HTML5 web app which delivered similar benefits to Android and iOS web customers. The seamless launch and intuitive design of the new apps have resulted in very positive customer reaction to date. In addition, the development of proprietary platforms has laid a strong foundation for further innovation and differentiation by giving us increased agility and speed, which we will take full advantage of with the launch of new product innovations we have in development.

Our new 'You're Welcome!' marketing campaign is resonating strongly with customers, driving increased brand awareness and showcasing our significantly enhanced product offering. The campaign is reaching significant TV audiences via our strategic media assets including leading packages for football on BT Sport and Sky Sports and for racing on Channel 4.

paddypower.it

Following a strategic review, in early 2015, we have made substantial operational improvements to position our Italian business, *paddypower.it,* for long term growth and profitability. We restructured our cost base to levels appropriate to the current market opportunity, and whilst growing net revenue by 18%, we reduced operating costs by 19% and took cost of sales as a percentage of net revenue down by 14%. The operating loss reduced by €6.8m to €7.9m.

The review also highlighted that inconsistent investment in marketing had resulted in limited awareness of our brand. Accordingly, we undertook detailed market research to develop a new marketing campaign to build sustainable brand awareness, build association of the brand with key consideration attributes and ultimately drive profitable revenue growth. The new "You've Got the Power" campaign went live on TV in January 2016, encouraging Italian men to 'man-up' and take back their power, whilst also building brand trust and highlighting how our mobile product makes betting quicker, simpler and more fun.

We continue to improve and expand our overall customer proposition. In eGaming, we added our exclusive proprietary content in 2015 and also released new Casino web and native apps. Last month we increased our addressable market with the rollout of Virtuals product.

From January 2016 the Italian sports betting tax regime changed from a turnover basis to a gross gaming revenue basis at 22%. If this had been in place in 2015 we would have paid approximately €0.7m less betting tax. The change is particularly beneficial for higher volume, lower margin operators.

We continue to invest to achieve the best position for the long term in a market where the medium to long term dynamics are attractive and where mobile will be the key driver of future growth.

PADDY POWER 2015 OPERATING & FINANCIAL REVIEW

(A) Online Sportsbook

Sportsbook net revenue grew 13% with stakes growth of 8% to €3.2 billion and an improved year-on-year net revenue percentage. Within the stakes growth, bet volumes grew 5% to 206m, while the average stake per bet increased by 3% to €15.63. Mobile stakes grew 21% to €2.1 billion, or 66% of online stakes, with 81% of our online customers transacting with us via mobile in December.

Stakes growth was adversely impacted by the 2014 World Cup in the comparative period, the curtailment of low value customer acquisition and reduced recycling of winnings from customers with the improved year-on-year sports results. Excluding the 2014 World Cup from the comparative, sportsbook net revenue grew 23% and stakes grew 13% in *paddypower.com*.

Key product developments last year prior to the new app releases included the extension of 'cash-out' to each-way and multiple bets, the addition of partial 'cash-out', betting-in-running product enhancements such as improved visualisations, streaming and statistics and investment in further extending our industry leading bet settlement times.

The new proprietary apps allow us to release new product features and enhancements more frequently – updates to date include PIN login and the addition of 3D Touch, Racing Post tips and more live streaming. Last week we also added 'One Touch Betting' allowing customers to enter their stake and place a bet with a single touch.

We are also continuing to ensure we are seen as being competitive on value through distinctive, simple and relevant customer acquisition and retention offers. For example, our new app launches were heavily promoted through 'PowerPlay' enhanced prices being prominently featured on the new app. The offer banners also highlight the key product benefits in typical Paddy Power fashion, with taglines such as "*Faster* than a FIFA payment to Platini" and "*Easier* than selling Liverpool a donkey".

(B) Online Gaming & B2B

Gaming and other revenue was up 10%, or 12% before the impact of the new Irish eGaming VAT introduced in 2015. Growth was driven by continued strong performance from mobile and proprietary games within our Games and Casino channels. Mobile net revenue increased by 46%, accounting for 55% of total online gaming.

eGaming active customers grew by 17%, driven by significantly stronger cross selling from sportsbook and direct customer acquisition into Games and Casino, supported by differentiated product.

Key to this differentiation are our in-house developed games which contributed 24% of total *paddypower.com* eGaming revenues (2014: 13%). Revenue per game from proprietary content averaged twice that of our externally supplied content. We are also developing a new proprietary bonus engine management system giving us the ability to use customer analytics to intelligently promote our proprietary products, which we expect will drive further revenue growth.

In B2B, during 2015 we renewed our long-term partnerships with PMU (France) and BCLC (Canada); added Reta (Spain) as a new partner; and our partnership with Niké (Slovakia) was enhanced with their expansion into the Czech market. All these partnerships reinforce our position as a global industry leader in product and betting risk management.

ONLINE AUSTRALIA - *sportsbet.com.au*

€m	2015	2014	% Change	% Change in CC
Online sportsbook amounts staked	**2,605**	**1,881**	**+39%**	**+40%**
Total sportsbook amounts staked	2,832	2,056	+38%	+39%
Net revenue	**320.8**	**226.9**	**+41%**	**+43%**
Sportsbook net revenue %	*11.3%*	*11.0%*		
Gross profit	237.0	171.3	+38%	+40%
Operating costs	(157.4)	(118.9)	+32%	+33%
Operating profit	**79.5**	**52.4**	**+52%**	**+54%**
Online active customers	753,535	574,786	+31%	

In Australia our track record of strong market share gains, top-line growth, and profit margin expansion continued in 2015, driving operating profit growth of 54%. Sportsbet became Australia's largest online brand, with accelerated stakes growth of 40% driven by 23% growth in customer acquisition and 31% growth in active customers, and the second largest operator for total stakes. Mobile stakes increased by 76% to €1.7bn or 66% of online stakes, with 87% of our online customers transacting with us via mobile. Growth in Telephone, which is predominantly a betting-in-running channel, also accelerated significantly with net revenues up 49%.

The track record of growth in Australia is driven by ongoing investment in innovative, differentiated product, and distinctive brand and marketing capabilities.

In product last year, we launched 'Punters Club', a unique betting club product that is fully integrated into our betting platform, providing a seamless social betting experience for customers which will, in turn, drive additional revenues. In December we released 'Bet Live' our new betting-in-running product which has contributed to accelerating telephone stakes growth over the last few months with, for example, January 2016 phone stakes doubling compared to the prior year comparative. The product, which utilises traditional phone service capabilities with our app, delivers a much faster and simpler live betting experience to our mobile customers. Other significant product enhancements in 2015 included 'cash-out', fingerprint login for smartphones and streaming of live Victorian racing.

In brand, we continued to materially increase our level of investment to showcase our leading product and reinforce our number one ranking for spontaneous brand awareness at 57% for 2015, nine percentage points ahead of our nearest competitor. Total marketing spend in 2015 was more than double our 2013 spend, illustrating our substantial growth and scale.

The investment included significantly increased promotional activity over the racing Spring Carnival period, prominent TV campaigns to showcase our 'cash-out' features and in an industry first, a TV campaign to promote 'Take A Break' our innovative responsible gambling product allowing customers to choose when and how long they take a break from betting. We also secured key media deals for 2016 including leading free to air TV summer cricket assets, Fox Sports AFL game day coverage, beIN Sports soccer coverage and Network Nine NRL assets.

Product fee changes increased costs in 2015 by approximately €6m with the majority of this related to increases implemented in 2014 by racing bodies in Victoria, Western Australia, Queensland and South Australia. Rate increases announced in 2015 by Racing New South Wales and other bodies will increase costs by approximately €3m in 2016. We were encouraged by the decision of Queensland Racing to incentivise bookmakers to promote their products by implementing reductions in product fees from November 2015. Accordingly, we have increased our investment in Queensland racing products with promotions and media support (which included a prominent money back special each Saturday in December) and it was our fastest growing state in terms of stakes in December.

In November 2015, we completed a detailed submission to the Federal Government's *Review of the Impact of Illegal Offshore Wagering* in which we advocated for the removal of the outdated ban on online in-play wagering and a raft of other measures to mitigate against the impacts of Australians betting with illegal offshore operators. We expect the report and its response to be released in the coming months.

RETAIL

Our retail businesses in Ireland and the UK continue to grow strongly and take market share. Top-line momentum accelerated in 2015 with like-for-like net revenue up 8%. Operating profits grew by 18% on average over the three years to 2014 and grew by a further 11% in 2015 to €44m, despite increased taxes and regulation.

Ensuring our customers get the best product, service and value is central to this strong performance. In sports betting, we continue to extend our long-standing leadership position in Self Service Betting Terminals (SSBTs) both through having the leading number of terminals per shop and through continued optimisation of our already superior content and promotions. We recently added an exclusive new bet tracking feature allowing customers to place a bet on an SSBT and track it at *www.trackmybet.co.uk* where they can also access in-play visualisation and cash out bets directly to their online account.

Our UK machine gaming terminals carry the widest selection of games in the market and we now offer in-house developed games, which also help to deliver consistency of exclusive content across online and retail channels.

Following the introduction of self-service sign-up tablets, we are acquiring significant numbers of multichannel customers via our shops. The initiative which is now rolled out across our entire UK estate, enables us to target the online spend of multichannel bettors and early indications of it driving incremental revenues and returns are encouraging.

In 2015 we opened a net 34 new shops and last week we opened our 600th shop. Whilst increased taxes and regulations, coupled with our greater estate size, means the rate at which we are opening new units has declined, we are still identifying attractive locations.

UK RETAIL

€m	**2015**	**2014**	**% Change**	**% Change in CC**
Sportsbook amounts staked	897	710	+26%	+14%
Sportsbook net revenue	100.9	80.5	+25%	+13%
Sportsbook net revenue %	*11.3%*	*11.4%*		
Machine gaming net revenue	121.1	93.5	+30%	+17%
Total net revenue	**222.0**	**173.9**	**+28%**	**+15%**
Gross profit	157.8	129.5	+22%	+10%
Operating costs	(134.4)	(108.3)	+24%	+14%
Operating profit	**23.4**	**21.2**	**+10%**	**(8%)**
Shops at year end	341	321	+6%	

UK Retail operating profit of €23 million was up 12% before €5 million of additional Machine Gaming Duty ('MGD') payable following the rate increase from 20% to 25% from March 2015. The top-line grew strongly with total net revenue up 15% and sportsbook stakes growth of 14%. Excluding the impact of new openings, like-for-like net revenue grew by 6%, comprised of 5% in sportsbook and 6% in machine gaming.

Like-for-like sportsbook stakes growth at 5% continues to outperform the market, driven in part by our SSBT leadership position. This growth comprised a 10% increase in bet volumes, partially offset by a 5% decrease in the average stake per bet to €17.26. Notwithstanding the adverse mid-single digit percentage year-on-year impact from the introduction in April of new regulations for the '£50 staking journey', like-for-like machine revenue growth was 4% in the period April to December. This growth was driven by continued strong execution of carded play and strong B3 machine growth driven by regular new game releases.

Operating costs grew 14%, driven by a 12% increase in average shop numbers and like-for-like cost growth of 3%.

We opened 21 new shops last year (of which four were acquired) and closed one unit. The average capital cost per new shop was €391,000 (£282,000) including lease premia and the costs of acquisition and refit for the acquired units. The average annualised EBITDA per shop pre central costs for the mature shops opened pre 2014 was €184,000 (£135,000), 12% lower than the comparable group of shops in the prior year, driven by increased MGD and machine regulation.

IRISH RETAIL

€m	**2015**	**2014**	**% Change**	**% Change in CC**
Sportsbook amounts staked	1,205	1,093	+10%	+10%
Net revenue	**144.8**	**126.6**	**+14%**	**+14%**
Sportsbook net revenue %	*12.0%*	*11.6%*		
Gross profit	129.4	113.6	+14%	+14%
Operating costs	(109.1)	(98.0)	+11%	+10%
Operating profit	**20.3**	**15.6**	**+31%**	**+44%**
Shops at year end	257	243	+6%	

Irish Retail operating profits increased 44% to €20m driven by strong revenue growth in the existing estate and new shop openings.

Like-for-like net revenue grew 11% and amounts staked increased by 6%, driven by 9% growth in bet volumes, partially offset by a 2% decrease in the average stake per bet to €13.55. This strong growth was driven by our market leading customer offering, the benefit of an improving economy and new regulations allowing shops to open every evening all year round. The evening openings also contributed in part to like-for-like operating cost growth of 6%.

Following on from the 20 new shops opened in 2014, we opened a further 14 new shops last year. The average capital cost per unit of these 34 units was €568,000 (including the costs of acquisition and refit for acquired units) and they generated average annualised EBITDA of €140,000 in 2015.

TELEPHONE

€m	**2015**	**2014**	**% Change**	**% Change in CC**
Sportsbook amounts staked	484	380	+27%	+17%
Net revenue	**7.6**	**19.5**	**(61%)**	**(64%)**
Sportsbook net revenue %	*1.7%*	*5.2%*		
Gross profit	4.5	18.9	(76%)	(77%)
Operating costs	(20.2)	(19.5)	+4%	+0%
Operating (loss) / profit	**(15.7)**	**(0.7)**	**n/a**	**n/a**
Active customers	68,481	76,066	(10%)	

Our telephone channel includes betting via the phone, text and the PP Messenger App. Whilst stakes growth at 17% was strong, net revenue was significantly impacted by a freakish sequence of adverse sports results in the first half, resulting in a €16m operating loss for the year. Statistically such a run of results had less than a 1% probability of occurring and the net revenue percentage in the second half was in line with our normal expectations.

We continue to expect our Telephone channel to make an on-going positive contribution to the Group, with it sharing many common resources with our online business and allowing for the fact that phone registered customers spend a similar amount with us online as they do via the Telephone channel.

Taxation

The effective corporation tax rate before exceptional items, increased from 13% to 15%, as expected, due to changes in the mix of profits by geography.

Exceptional items

During 2015, Paddy Power incurred €10.2m of exceptional operating costs comprising €5.8m of merger advisory fees and legal costs and €4.5m of one-off costs incurred as we restructured certain parts of the business to bring them in line with the strategy set out in early 2015. In addition an exceptional €4.3m corporation tax credit was recognised following the release of a historic tax provision no longer required. The total net after tax impact of these exceptional items is €5.5m of losses.

Cashflows

Profit at Paddy Power converts strongly into cash flow. Operating cashflow (after LTIP trust share purchases and estimated maintenance capex of €19m) in 2015 was €224m or 152% of profit after tax. Estimated enhancement capex of €39m mainly related to technology spending for product development and new shop opening spend.

Andy McCue
Chief Operating Officer

Alex Gersh
Chief Financial Officer

7 March 2016

Appendix: Supplementary Disclosures

€'m	Group		Online (ex Australia)		Online Australia[viii]		UK Retail		Irish Retail		Telephone	
	2015	**YoY % Change in CC**	**2015**	**YoY % Change in CC**	**2015**	**YoY % Change in CC**	**2015**	**YoY % Change in CC**	**2015**	**YoY % Change in CC**	**2015**	**YoY % Change in CC**
Sportsbook:												
Amounts staked[i]	8,646	+18%	3,226	+8%	2,832	+39%	897	+14%	1,205	+10%	484	+17%
Gross win	869.8	+21%	278.1	+15%	330.3	+41%	103.9	+14%	147.2	+15%	10.3	(57%)
Customer promotions & bonuses	(57.1)	+26%	(40.7)	+30%	(9.5)	+4%	(2.3)	+127%	(2.4)	+60%	(2.2)	+0%
Foreign exchange hedging loss[ii]	(5.8)		(4.6)		-		(0.6)		-		(0.5)	
Net revenue[iii]	806.9	+16%	232.8	+13%	320.8	+43%	100.9	+13%	144.8	+14%	7.6	(64%)
Gross win %	*10.1%*	*+0.2%*	*8.6%*	*+0.5%*	*11.7%*	*+0.2%*	*11.6%*	*+0.1%*	*12.2%*	*+0.5%*	*2.1%*	*(3.6%)*
Net revenue %[iv]	*9.3%*	*+0.2%*	*7.2%*	*+0.3%*	*11.3%*	*+0.3%*	*11.3%*	*(0.1%)*	*12.0%*	*+0.4%*	*1.7%*	*(3.5%)*
Gaming and other net revenue[iii]	287.0	+13%	166.0	+10%	-	-	121.1	+17%	-	-	-	-
Total net revenue[iii]	1094.0	+19%	398.8	+12%	320.8	+43%	222.0	+15%	144.8	+14%	7.6	(64%)
Cost of sales	276.3	+58%	109.8	+93%	83.8	+33%	64.1	+31%	15.4	+18%	3.1	+305%
- % of net revenue	*25.3%*	*+6.3%*	*27.5%*	*+11.6%*	*26.1%*	*+1.7%*	*28.9%*	*+3.5%*	*10.6%*	*+0.3%*	*40.3%*	*+36.7%*
Operating Costs	637.3	+12%	216.1	+1%	157.4	+33%						
Depreciation & amortisation	52.6	+10%	19.2	+6%	11.7	+35%						
Marketing costs	118.0	+11%	54.0	(13%)	51.8	+63%						
Other costs	466.7	+12%	142.9	+7%	93.9	+21%						
Online active customers (000's)[v]	2,535	+5%	1,782	(3%)	754	+31%						
Online new customers (000's)[vi]	1,214	(5%)		(12%)		+23%						
Total online marketing costs[vii]	135.0	+11%										
- % of online net revenue	*19%*	*(2%)*										
- Per new customer acquired (€)	*111*	*+17%*										
Mobile % of online total:												
Sportsbook amounts staked	*66%*	*+10%*										
Gaming net revenue	*55%*	*+15%*										
Total online net revenue	*68%*	*+13%*										
LFL gross win per machine per week	£1,353	+7%										
Foreign Exchange Profile	**2015**	**2014**	**H1'15**	**H1'14**	**H2'15**	**H2'14**						
- GBP denominated operating profits	£126m	£142m	£55m	£55m	£70m	£87m						
- AUD denominated operating profits	A$133m	A$94m	A$60m	A$39m	A$74m	A$55m						
Average effective FX Rates												
- €:GBP, with hedging	0.778	0.830	0.797	0.845	0.763	0.820						
- €:AUD	1.475	1.465	1.424	1.495	1.519	1.445						

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

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

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

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

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

(vi) New customers are defined as those who have deposited real money and have bet for the first time in the year. Excluding the impact of the World Cup and Grand National acquisition, paddypower.com new customer acquisition grew by 11% in 2015

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

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

CONDENSED CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2015

	Note	**Before exceptional items 2015 €'000**	**Exceptional items (Note 5) 2015 €'000**	**Total 2015 €'000**	2014 €'000
Sportsbook amounts staked		**8,645,522**	**-**	**8,645,522**	7,003,252
Continuing operations					
Income	3	**1,093,950**	**-**	**1,093,950**	881,640
Direct betting costs	4	**(276,273)**	**-**	**(276,273)**	(167,746)
Gross profit		**817,677**	**-**	**817,677**	713,894
Employee expenses		**(292,850)**	**(4,067)**	**(296,917)**	(257,286)
Property expenses		**(68,645)**	**-**	**(68,645)**	(58,410)
Marketing expenses		**(117,952)**	**-**	**(117,952)**	(100,892)
Technology and communications expenses		**(58,733)**	**-**	**(58,733)**	(48,594)
Depreciation and amortisation		**(52,601)**	**-**	**(52,601)**	(48,015)
Other expenses, net		**(46,474)**	**(6,150)**	**(52,624)**	(36,891)
Total operating expenses		**(637,255)**	**(10,217)**	**(647,472)**	(550,088)
Operating profit		**180,422**	**(10,217)**	**170,205**	163,806
Financial income	6	**1,852**	**-**	**1,852**	2,925
Financial expense	6	**(2,560)**	**-**	**(2,560)**	(166)
Profit before tax		**179,714**	**(10,217)**	**169,497**	166,565
Income tax expense	7	**(26,957)**	**4,753**	**(22,204)**	(21,656)
Profit for the year – all attributable to equity holders of the Company		**152,757**	**(5,464)**	**147,293**	144,909
Earnings per share					
Basic	8			**€3.265**	€3.011
Diluted	8			**€3.209**	€2.976
Adjusted basic	8	**€3.386**			€3.011
Adjusted diluted	8	**€3.328**			€2.976

Notes 1 to 20 on pages 22 to 38 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015

	Note	**2015 €'000**	2014 €'000
Profit for the year – all attributable to equity holders of the Company		**147,293**	144,909
Other comprehensive income / (expense)			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	6	**(6,187)**	(6,313)
Fair value of foreign exchange cash flow hedges transferred to income statement	6	**11,272**	5,144
Foreign exchange gain on translation of the net assets of foreign currency denominated subsidiaries	6	**3,933**	7,628
Deferred tax on fair value of cash flow hedges		**(636)**	147
Other comprehensive income		**8,382**	6,606
Total comprehensive income for the year – all attributable to equity holders of the Company		**155,675**	151,515

Notes 1 to 20 on pages 22 to 38 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	**31 December 2015 €'000**	31 December 2014 €'000
Assets			
Property, plant and equipment		**125,368**	126,711
Intangible assets		**82,095**	76,391
Goodwill	9	**108,915**	102,838
Deferred tax assets		**9,091**	8,246
Trade and other receivables	11	**-**	1,972
Total non-current assets		**325,469**	316,158
Trade and other receivables	11	**30,940**	32,410
Derivative financial assets	11	**2,449**	-
Financial assets – restricted cash	12	**46,942**	39,213
Financial assets – deposits	12	**-**	19,258
Cash and cash equivalents	12	**152,322**	226,513
Total current assets		**232,653**	317,394
Total assets		**558,122**	633,552
Equity			
Issued share capital	13	**4,146**	5,110
Share premium		**2,651**	44,969
Treasury shares		**(51,752)**	(57,502)
Shares held by long term incentive plan trust		**(63,143)**	(61,454)
Other reserves including foreign currency translation, cash flow hedge and share-based payment reserves		**40,916**	34,849
Retained earnings		**136,470**	421,009
Total equity attributable to equity holders of the Company		**69,288**	386,981
Liabilities			
Trade and other payables	15	**250,845**	201,419
Derivative financial liabilities	15	**16,986**	16,981
Provisions		**590**	497
Current tax payable		**14,864**	17,377
Borrowings	16	**263**	-
Total current liabilities		**283,548**	236,274
Trade and other payables	15	**6,816**	5,821
Derivative financial liabilities	15	**60**	128
Provisions		**1,307**	1,174
Deferred tax liabilities		**3,933**	3,174
Borrowings	16	**193,170**	-
Total non-current liabilities		**205,286**	10,297
Total liabilities		**488,834**	246,571
Total equity and liabilities		**558,122**	633,552

Notes 1 to 20 on pages 22 to 38 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Andy McCue **Alex Gersh**

7 March 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2015

	Note	**2015 €'000**	2014 €'000
Cash flows from operating activities			
Profit for the year – all attributable to equity holders of the Company		**147,293**	144,909
Income tax expense		**22,204**	21,656
Financial income		**(1,852)**	(2,925)
Financial expense		**2,560**	166
Depreciation and amortisation		**52,601**	48,015
Employee equity-settled share-based payments expense		**16,812**	17,229
Foreign currency exchange (gain) / loss		**(2,129)**	(1,480)
Loss on disposal of property, plant and equipment and intangible assets		**306**	79
Cash from operations before changes in working capital		**237,795**	227,649
Decrease / (increase) in trade and other receivables		**504**	(91)
Increase in trade and other payables and provisions		**55,896**	13,087
Cash generated from operations		**294,195**	240,645
Income taxes paid		**(26,297)**	(25,552)
Net cash from operating activities		**267,898**	215,093
Purchase of property, plant and equipment		**(27,784)**	(38,662)
Purchase of intangible assets		**(30,158)**	(28,206)
Purchase of businesses, net of cash acquired	10	**(5,503)**	(6,432)
Payment of contingent deferred consideration	10	**(1,487)**	(5,386)
Proceeds from disposal of property, plant and equipment and intangible assets		**288**	25
Transfers from / (to) financial assets – deposits		**20,985**	(5,112)
Interest received		**2,049**	2,869
Net cash used in investing activities		**(41,610)**	(80,904)
Proceeds from the issue of new shares		**2,658**	3,335
Purchase of shares by long term incentive plan trust		**(25,312)**	(3,883)
Purchase of own shares including direct purchase related costs		**-**	(23,605)
Dividends paid	14	**(76,323)**	(68,991)
Return of capital to shareholders (including associated costs)	13	**(392,077)**	-
Net amounts drawn down on borrowings facility	16	**195,000**	-
Fees in respect of borrowings facility		**(2,489)**	-
Interest paid		**(2,075)**	(284)
Movements in current and non-current restricted cash balances		**(5,489)**	17,008
Net cash used in financing activities		**(306,107)**	(76,420)
Net (decrease) / increase in cash and cash equivalents		**(79,819)**	57,769
Cash and cash equivalents at start of year		**226,513**	161,359
Foreign currency exchange gain on cash and cash equivalents		**5,628**	7,385
Cash and cash equivalents at end of year	12	**152,322**	226,513

Notes 1 to 20 on pages 22 to 38 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Andy McCue **Alex Gersh**

7 March 2016

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

	Attributable to equity holders of the Company (see Note 13)										
	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 2015	*51,104,700*	5,110	44,969	(36)	(2,305)	1,240	(57,502)	(61,454)	35,950	421,009	386,981
Total comprehensive income / (expense) for the year											
Profit	-	-	-	-	-	-	-	-	-	147,293	147,293
Foreign exchange translation	-	-	-	3,933	-	-	-	-	-	-	3,933
Net change in fair value of cash flow hedge reserve (Note 6)	-	-	-	-	5,085	-	-	-	-	-	5,085
Deferred tax on cash flow hedges	-	-	-	-	(636)	-	-	-	-	-	(636)
Total comprehensive income for the year	-	-	-	3,933	4,449	-	-	-	-	147,293	155,675
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 13)	*77,150*	7	2,651	-	-	-	-	-	-	-	2,658
Own shares acquired by the long term incentive plan trust – net of B shares' receipt (Note 13)	-	-	-	-	-	-	-	(25,312)	-	-	(25,312)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	16,812	-	16,812
Equity-settled transactions – vestings (Note 13)	-	-	-	-	-	-	-	23,623	(19,200)	(3,493)	930
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-	147	147
Transfer to retained earnings on exercise of share options (Note 13)	-	-	-	-	-	-	-	-	(873)	873	-
Return of capital to shareholders (including related costs) (Note 13)	-	-	-	-	-	-	-	-	-	(392,280)	(392,280)
Capital reduction (Note 13)	*(5,111,837)*	(971)	-	-	-	930	5,750	-	-	(5,709)	-
Dividends to shareholders (Note 14)	-	-	-	-	-	-	-	-	-	(76,323)	(76,323)
Share premium cancellation (Note 13)	-	-	(44,969)	-	-	-	-	-	-	44,969	-
Transfer to net wealth tax reserve	-	-	-	-	-	16	-	-	-	(16)	-
Total contributions by and distributions to owners of the Company	*(5,034,687)*	(964)	(42,318)	-	-	946	5,750	(1,689)	(3,261)	(431,832)	(473,368)
Balance at 31 December 2015	*46,070,013*	4,146	2,651	3,897	2,144	2,186	(51,752)	(63,143)	32,689	136,470	69,288

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2015

	Attributable to equity holders of the Company (see Note 13)										
	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Foreign exchange translation reserve €'000	Cash flow hedge reserve €'000	Other reserves €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share-based payment reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2014	*50,977,085*	5,098	41,646	(7,664)	(1,283)	1,240	(34,177)	(71,736)	31,113	346,765	311,002
Total comprehensive income / (expense) for the year											
Profit	-	-	-	-	-	-	-	-	-	144,909	144,909
Foreign exchange translation	-	-	-	7,628	-	-	-	-	-	-	7,628
Net change in fair value of cash flow hedge reserve (Note 6)	-	-	-	-	(1,169)	-	-	-	-	-	(1,169)
Deferred tax on cash flow hedges	-	-	-	-	147	-	-	-	-	-	147
Total comprehensive income / (expense) for the year	-	-	-	7,628	(1,022)	-	-	-	-	144,909	151,515
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 13)	*127,615*	12	3,323	-	-	-	-	-	-	-	3,335
Own shares acquired by the long term incentive plan trust – 70,400 ordinary shares (Note 13)	-	-	-	-	-	-	-	(3,883)	-	-	(3,883)
Own shares acquired by the Group – 450,000 ordinary shares (Note 13)	-	-	-	-	-	-	(23,325)	-	-	(280)	(23,605)
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	-	-	17,229	-	17,229
Equity-settled transactions – vestings (Note 13)	-	-	-	-	-	-	-	14,165	(11,546)	(2,010)	609
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-	(230)	(230)
Transfer to retained earnings on exercise of share options (Note 13)	-	-	-	-	-	-	-	-	(846)	846	-
Dividends to shareholders (Note 14)	-	-	-	-	-	-	-	-	-	(68,991)	(68,991)
Total contributions by and distributions to owners of the Company	*127,615*	12	3,323	-	-	-	(23,325)	10,282	4,837	(70,665)	(75,536)
Balance at 31 December 2014	*51,104,700*	5,110	44,969	(36)	(2,305)	1,240	(57,502)	(61,454)	35,950	421,009	386,981

Notes 1 to 20 on pages 22 to 38 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Andy McCue **Alex Gersh**

7 March 2016

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Paddy Power Betfair plc (the 'Company') and its subsidiaries (together referred to as the 'Group') in 2015 provided online interactive sports betting services ('paddypower.com', 'paddypower.it' and 'sportsbet.com.au'), sports betting and machine gaming services through a chain of licensed betting offices ('Paddy Power Bookmaker'), and telephone sports betting services ('Dial-a-Bet'). In 2015, the Group also provided online gaming services through 'paddypower.com', 'paddypowergames.com', 'paddypowercasino.com', 'paddypowerbingo.com', 'paddypowerpoker.com' and 'paddypowervegas.com'. It provided these services principally in the United Kingdom, Ireland, Australia and Italy. It also provided business-to-business services.

Subsequent to the reporting date, the Company completed an all share merger with Betfair Group plc ('The Merger') – see Note 19 for further information on the Merger. The results of Betfair Group plc during the year ended 31 December 2015 are not included in these financial statements.

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

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 2015, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU together with an unqualified audit report thereon under Section 391 of the Companies Act 2014, will be annexed to the annual return and filed with the Registrar of Companies.

The consolidated financial statements of the Group for the year ended 31 December 2015 comprise the financial statements of the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 7 March 2016.

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 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 these condensed consolidated financial statements has been prepared in accordance with the accounting policies set out in the Group's last annual financial statements for the year ended 31 December 2014 and the last half yearly financial report for the six months ended 30 June 2015.

Recent accounting pronouncements

The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 31 December 2015:

- Annual Improvements to IFRSs 2011-2013 Cycle

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

Amendments to existing standards

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

Amendments, annual improvements

The following are amendments to existing standards and interpretations that are effective for the Group's financial year from 1 January 2016.

- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010–2012 Cycle

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

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

New IFRSs and amendments not yet EU endorsed
The following provides a brief outline of IFRSs which have not yet been EU endorsed.

- IFRS 15, 'Revenue from Contracts with Customers'
- IFRS 9, 'Financial Instruments'
- IFRS 14, 'Regulatory Deferral Accounts'
- IFRS 16, 'Leases'
- Amendments to IFRS10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7: Disclosure Initiative

The above standards and amendments have not yet been EU endorsed. The Group is currently considering the impact of the above interpretations and amendments on future financial reporting.

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

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

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

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

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

3. Operating segments (continued)

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

	Online (ex Australia) €'000	**Online Australia €'000**	**UK Retail €'000**	**Irish Retail €'000**	**Telephone €'000**	**Total €'000**
Income from external customers	**398,753**	**320,802**	**221,955**	**144,823**	**7,617**	**1,093,950**
Direct betting costs	**(109,839)**	**(83,827)**	**(64,134)**	**(15,403)**	**(3,070)**	**(276,273)**
Gross profit	**288,914**	**236,975**	**157,821**	**129,420**	**4,547**	**817,677**
Depreciation and amortisation	**(19,192)**	**(11,737)**	**(13,020)**	**(7,710)**	**(942)**	**(52,601)**
Other operating expenses	**(196,858)**	**(145,712)**	**(121,407)**	**(101,370)**	**(19,307)**	**(584,654)**
Reportable segment profit / (loss) before exceptional items	**72,864**	**79,526**	**23,394**	**20,340**	**(15,702)**	**180,422**
Exceptional item – restructuring costs	**(4,461)**	**-**	**-**	**-**	**-**	**(4,461)**
Reportable segment profit / (loss)	**68,403**	**79,526**	**23,394**	**20,340**	**(15,702)**	**175,961**
Exceptional item – merger costs						**(5,756)**
Operating profit						**170,205**

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

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

Reconciliation of reportable segments to Group totals:

	2015 €'000	2014 €'000
Income		
Total income from reportable segments, being total Group income	**1,093,950**	881,640
Profit and loss		
Operating profit	**170,205**	163,806
Unallocated amounts:		
Financial income – non-Online Australia (1)	**423**	439
Financial income – Online Australia	**1,429**	2,486
Financial expense – non-Online Australia (1)	**(2,376)**	(62)
Financial expense – Online Australia	**(184)**	(104)
Profit before tax	**169,497**	166,565

(1) Non-Online Australia above comprises the Online (ex Australia), UK Retail, Irish Retail and Telephone operating segments. Financial expense relating to these segments is primarily in respect of interest on borrowings, guarantee and facility fees payable, other interest amounts 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, online gaming from Irish and rest of world customers and B2B services provided to rest of world customers. Revenues from customers outside the UK, Australia and Ireland are not considered sufficiently significant to warrant separate reporting.

Group revenues by geographical segment are as follows:

Income	**2015**	2014
	€'000	€'000
UK	**512,468**	429,968
Australia	**320,802**	227,016
Ireland and rest of world	**260,680**	224,656
Total	**1,093,950**	881,640

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

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

Non-current assets	**2015**	2014
	€'000	€'000
UK	**140,249**	140,648
Australia	**85,909**	83,698
Ireland and rest of world	**90,220**	83,566
Total	**316,378**	307,912

4. Direct betting costs

Direct betting costs comprise:

	2015	2014
	€'000	€'000
Betting taxes	**152,607**	72,287
Software supplier costs	**34,521**	30,794
Other direct betting costs	**89,145**	64,665
Direct betting costs	**276,273**	167,746

Betting taxes comprise betting taxes levied on gross win and amounts staked (including the UK online and telephone Point of Consumption tax which was introduced on 1 December 2014, and the Irish Remote Betting Duty which was introduced on 1 August 2015), machine gaming duty, and Goods and Services Tax on Online Australia segment gross win.

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

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

5. Exceptional items

	2015 €'000	2014 €'000
Merger costs	**(5,756)**	-
Restructuring costs	**(4,461)**	-
Operating profit impact of exceptional items	**(10,217)**	-
Income tax credit on exceptional items	**497**	-
Corporation tax provision	**4,256**	-
Total exceptional items	**(5,464)**	-

Merger costs
On 2 February 2016, the Company completed an all-share merger with Betfair Group plc. Advisory fees and legal costs of €5.8m incurred in 2015 associated with the Merger that were not contingent on completion of the Merger have been expensed as exceptional items in the year. See Note 19 for further detail in respect of fees that were subject to the successful completion of the Merger.

Restructuring costs
During the year, certain parts of the businesses were restructured to bring them in line with the Group's strategy as set out at the start of 2015. Costs of €4.5m, the vast majority of which were employee related, were expensed during the year.

Corporation tax provision
The Group has released a specific historic provision of €4.3m that is no longer required.

6. Financial income and expense

	2015 €'000	2014 €'000
Recognised in profit or loss:		
Financial income:		
On financial assets at amortised cost		
Interest income on short term bank deposits	**1,755**	2,799
Unwinding of the discount on non-current assets	**97**	126
	1,852	2,925
Financial expense:		
On financial liabilities at amortised cost		
Interest on borrowings, bank guarantees and bank facilities, and other interest payable	**2,383**	62
Unwinding of the discount on provisions and other non-current liabilities	**177**	104
	2,560	166

	2015 €'000	2014 €'000
Recognised in other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	**(6,187)**	(6,313)
Fair value of foreign exchange cash flow hedges transferred to income statement	**11,272**	5,144
Net change in fair value of cash flow hedge reserve	**5,085**	(1,169)
Foreign exchange gain on translation of the net assets of foreign currency denominated subsidiaries	**3,933**	7,628
	9,018	6,459

No amounts were recorded in the income statement in respect of ineffective cash flow hedges in the year ended 31 December 2015 (2014: €nil).

7. Income tax expense

	2015 €'000	2014 €'000
Recognised in profit or loss:		
Current tax charge	**28,522**	25,150
Prior year over provision	**(5,421)**	(2,870)
Total current tax	**23,101**	22,280
Deferred tax credit	**(2,001)**	(2,840)
Prior year under provision	**1,104**	2,216
Decrease in net deferred tax liability	**(897)**	(624)
Total income tax expense in income statement	**22,204**	21,656

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:

		2015 €'000		2014 €'000
Profit before tax		**169,497**		166,565
Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5%	12.5%	**21,187**	12.5%	**20,821**
Depreciation on non-qualifying property, plant and equipment	0.9%	**1,515**	0.9%	**1,494**
Effect of different statutory tax rates in overseas jurisdictions	3.3%	**5,569**	1.6%	**2,585**
Other permanent differences	(1.1%)	**(1,831)**	(1.6%)	**(2,628)**
Interest income taxable at higher rates	0.0%	**81**	0.0%	**38**
Over provision in prior year	(2.5%)	**(4,317)**	(0.4%)	**(654)**
Total income tax expense	13.1%	**22,204**	13.0%	**21,656**

Total income tax expense for 2015 includes a credit for exceptional items amounting to €4.8m (2014: €nil) (see Note 5).

Tax rates

No significant changes are expected to statutory tax rates in Ireland or Australia. A reduction in the UK corporation tax rate to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. The UK deferred tax balances at 31 December 2015 have been calculated based on the UK corporation tax rate of 19% (effective from 1 April 2017).

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:

	2015	2014
Numerator in respect of basic and diluted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**147,293**	144,909
Numerator in respect of adjusted earnings per share (€'000):		
Profit attributable to equity holders of the Company	**147,293**	144,909
Add: Exceptional items (See Note 5)	**5,464**	-
Profit for adjusted earnings per share calculation	**152,757**	144,909
Denominator in respect of basic earnings per share:		
Ordinary shares in issue at the beginning of the year	**51,104,700**	50,977,085
Adjustments for weighted average number of:		
– ordinary shares issued during year	**19,612**	48,591
– ordinary shares held in treasury	**(2,047,575)**	(1,844,440)
– ordinary share consolidation	**(3,193,147)**	-
– ordinary shares held by long term incentive plan trust	**(768,450)**	(1,058,093)
Weighted average number of ordinary shares in issue during the year	**45,115,140**	48,123,143
Basic earnings per share	**€3.265**	€3.011
Adjusted basic earnings per share	**€3.386**	€3.011
Adjustments to derive denominator in respect of diluted earnings per share (in '000s):		
Weighted average number of ordinary shares in issue during the year	**45,115,140**	48,123,143
Dilutive effect of the Share Option Scheme, Sharesave Scheme, share award schemes and shares held by long term incentive plan trust	**779,941**	567,701
Adjusted weighted average number of ordinary shares in issue during the year	**45,895,081**	48,690,844
Diluted earnings per share	**€3.209**	€2.976
Adjusted diluted earnings per share	**€3.328**	€2.976

No options and awards at 31 December 2015 and 31 December 2014 were excluded from the diluted weighted average number of ordinary shares calculation due to their effect being anti-dilutive.

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:

	Online (ex Australia) €'000	**Online Australia €'000**	**UK Retail €'000**	**Irish Retail €'000**	**Total €'000**
Balance at 1 January 2014	13,303	50,049	18,316	10,886	92,554
Arising on acquisitions during the year (Note 10)	-	-	2,070	5,632	7,702
Foreign currency translation adjustment	-	2,005	577	-	2,582
Balance at 31 December 2014	13,303	52,054	20,963	16,518	102,838
Arising on acquisitions during the year (Note 10)	**-**	**-**	**514**	**5,260**	**5,774**
Foreign currency translation adjustment	**-**	**(238)**	**541**	**-**	**303**
Balance at 31 December 2015	**13,303**	**51,816**	**22,018**	**21,778**	**108,915**

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

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

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

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

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 2015. Based on these reviews, with the exception of the IAS brand impairment of AUD 6,900,000 initially provided for in 2011, no impairment has arisen.

10. Business combinations

Year ended 31 December 2015

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

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

	Provisional fair values 31 December 2015 €'000
Identifiable net assets acquired:	
Property, plant and equipment	**729**
Goodwill arising on acquisition – UK Retail and Irish Retail	**5,774**
Consideration	**6,503**
The consideration is analysed as:	
Cash consideration	**5,503**
Contingent deferred consideration	**1,000**
	6,503

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

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

Contingent deferred consideration is payable to the vendors by reference to the acquired businesses' performance against agreed financial targets for the 12 months following the date of acquisition. The contingent deferred consideration amount of €1,000,000 at 31 December 2015 represents management's best estimate of the fair value of the amounts that will be payable.

During 2015, the Group settled deferred consideration liabilities carrying forward of €1,350,000 and €137,000 respectively in respect of prior years' Irish Retail and UK Retail acquisitions (see below).

10. Business combinations (continued)

Year ended 31 December 2014

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

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

	Fair Values 31 December 2014 €'000
Identifiable net assets acquired:	
Property, plant and equipment	592
Goodwill arising on acquisition – UK Retail and Irish Retail	7,702
Consideration	8,294
The consideration is analysed as:	
Cash consideration	6,432
Contingent deferred consideration	1,862
	8,294

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

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

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

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

Net cash outflow from purchase of businesses

	31 December 2015 **€'000**	31 December 2014 €'000
Cash consideration – acquisitions in the period	**5,503**	6,432
Cash consideration – acquisitions in previous periods	**1,487**	5,386
	6,990	11,818
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses	**5,503**	6,432
Payment of contingent deferred consideration	**1,487**	5,386
	6,990	11,818

11. Trade and other receivables and derivative financial assets

Non-current assets

	31 December 2015 €'000	31 December 2014 €'000
Prepayments and accrued income	-	1,972
	-	1,972

Current assets

	31 December 2015 €'000	31 December 2014 €'000
Trade and other receivables		
Trade receivables – credit betting customers	3,367	4,137
Trade receivables – other sports betting counterparties	2,233	1,451
Trade receivables	5,600	5,588
Other receivables	1,562	1,720
Value added tax and goods & services tax	-	1,288
Prepayments and accrued income	23,778	23,814
	30,940	32,410
Derivative financial assets		
Foreign exchange forward contracts – cash flow hedges	2,449	-

Trade and other receivables
Trade and other receivables are non-interest bearing.

Foreign exchange forward contracts – cash flow hedges
The notional principal amount of outstanding foreign exchange forward contracts at 31 December 2015 was GBP74.8m. Gains and losses recognised in the cash flow hedge reserve in equity at 31 December 2015 on foreign exchange forward contracts designated as cash flow hedges under IAS 39, 'Financial Instruments: Recognition and Measurement', will be released to the income statement at various dates during the year ending 31 December 2016.

12. Financial assets and cash and cash equivalents

	31 December 2015 €'000	31 December 2014 €'000
Current		
Financial assets – restricted cash	46,942	39,213
Financial assets – deposits	-	19,258
Cash and cash equivalents	152,322	226,513
Total	199,264	284,984

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

	31 December 2015 €'000	31 December 2014 €'000
Cash	138,229	76,930
Short term bank deposits – with an original maturity of less than three months	14,093	149,583
Cash and cash equivalents in the statement of cash flows	152,322	226,513

The effective interest rate on bank deposits at 31 December 2015 was 1.78% (2014: 1.05%); these deposits have an average original maturity date of 12 days (2014: 41 days). The bank deposits also have an average maturity date of 4 days from 31 December 2015 (2014: 19 days).

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

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

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

	31 December 2015 €'000	31 December 2014 €'000
Euro	**36,009**	119,596
GBP	**104,582**	95,531
AUD	**56,110**	65,649
USD	**2,490**	3,478
Other	**73**	730
	199,264	284,984

Financial assets
Included in current financial assets – restricted cash at 31 December 2015 are bank deposits totalling €46,942,000 (2014: €39,213,000) which were restricted at that date as they represented client funds balances securing player funds held by the Group.

Included in current financial assets – deposits at 31 December 2014 are bank deposits totalling €19,258,000 which had an initial cost of €18,893,000. 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. At 31 December 2015, no such balances existed.

13. Share capital and reserves

The total authorised share capital of the Company comprises 150,000,000 ordinary shares of €0.09 each (2014: 70,000,000 ordinary shares of €0.10 each). During the year, the Company's shareholders approved an increase in authorised share capital to 150,000,000 ordinary shares. All issued share capital is fully paid. The holders of ordinary shares are entitled to vote at general meetings of the Company on a one vote per share held basis. Ordinary shareholders are also entitled to receive dividends as may be declared by the Company from time to time.

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

	Number of shares	**Nominal value €**	**Share capital €**
At 1 January 2015 – 51,104,700 ordinary shares of €0.10 each	51,104,700	0.10	5,110,470
Issue of ordinary shares	13,670	0.10	1,367
	51,118,370	0.10	5,111,837
Share capital reorganisation			
- 51,118,370 'intermediate' ordinary shares of €0.081 each	51,118,370	0.081	4,140,588
- 51,118,370 'B' ordinary shares of €0.019 each	51,118,370	0.019	971,249
Share capital consolidation			
- 51,118,370 'intermediate' ordinary shares of €0.081 each	(51,118,370)	0.081	(4,140,588)
- 51,118,370 'new' ordinary shares of €0.09 each consolidated on a 9 for 10 basis	46,006,533	0.09	4,140,588
Share capital cancellation			
- 51,118,370 'B' ordinary shares of €0.019 each	(51,118,370)	0.019	(971,249)
Issue of ordinary shares	63,480	0.09	5,713
At 31 December 2015 – 46,070,013 ordinary shares of €0.09 each	**46,070,013**	**0.09**	**4,146,301**

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

13. Share capital and reserves (continued)

During the year, 13,670 ordinary shares of €0.10 each and 63,480 ordinary shares of €0.09 each (2014: 112,615 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 €2,658,000 (2014: €2,468,000) and giving rise to a share premium of €2,651,000 (2014: €2,457,000). In 2014, a further 15,000 ordinary shares of €0.10 each were issued for a total consideration of €867,000 and giving rise to a share premium of €866,000.

Following shareholder approval at the Annual General Meeting on 14 May 2015 and court approval on 6 November 2015, the Company cancelled a portion of its share premium account and transferred €44,969,000 to the retained earnings account within reserves.

A total of 1,965,600 ordinary shares were held in treasury as of 31 December 2015 (31 December 2014: 2,184,000). During the year, shares held in treasury were consolidated on a nine for ten basis, reducing the number of shares held in treasury by 218,400 ordinary 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 €51,752,000 as of 31 December 2015 (31 December 2014: €57,502,000). The cost of treasury shares held by the Company at 31 December 2015 was €5,377,000 (2014: €5,975,000), with a further €46,375,000 of shares being held by the Company's subsidiaries (2014: €51,527,000).

During the year ended 31 December 2014, the Group purchased on the market a total of 450,000 ordinary shares of €0.10 each at prices ranging from €48.50 to €53.50 (average price of €51.83). The total cost of the shares purchased was €23,605,000, comprised of €23,325,000 for the shares themselves and a further €280,000 for other purchase related costs. The other purchase related costs have been written off directly to retained earnings. No such purchases were made during the year ended 31 December 2015.

At 31 December 2015, the Company held a further 874,890 (2014: 1,020,372) of its own shares, which were acquired at a total cost of €63,143,000 (2014: €61,454,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan. The Company's distributable reserves at 31 December 2015 are further restricted by this cost amount. In the year ended 31 December 2015, 410,499 shares with an original cost of €23,623,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2014: 352,406 shares with an original cost of €14,165,000). During the year ended 31 December 2015, the Trust purchased 327,004 Paddy Power plc ordinary shares for a total consideration of €30,271,000 and received €4,959,000 from the B share scheme return of capital to shareholders. (2014: 70,400 Paddy Power plc ordinary shares for a total consideration of €3,883,000).

The foreign exchange translation reserve at 31 December 2015 of €3,897,000 (2014: €36,000) arose from the retranslation of the Group's net investment in AUD and GBP functional currency subsidiary companies. The movement in the foreign exchange translation reserve for the year ending 31 December 2015 reflects the movement of GBP and AUD against the euro in the period.

Other reserves comprise a capital redemption reserve fund, a capital conversion reserve fund and a net wealth tax reserve. The capital redemption reserve fund of €1,806,000 (2014: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled, and in 2015 the nominal value of shares in the Company cancelled as part of the return of capital to shareholders. The capital conversion reserve fund of €260,000 (2014: €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 amount of €16,000 was transferred to the net wealth tax reserve from retained earnings in the year ended 31 December 2015 (2014: €nil) and the reserve had a balance of €120,000 at 31 December 2015 (2014: €104,000).

The cash flow hedge reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred at that date. The Group has entered into foreign exchange forward contracts to hedge a portion of GBP exposures expected to arise from GBP denominated income in the year ended 31 December 2016. The fair value gain of €2,144,000 at 31 December 2015 (2014: fair value loss of €2,305,000), which is stated after applicable deferred taxation of €305,000 (2014: €331,000), arises as the applicable forward contract EUR-GBP rates were stronger than the relevant forward foreign exchange rate ruling at 31 December 2015 (31 December 2014: the applicable EUR-GBP rates were weaker than the relevant forward foreign exchange rate ruling at 31 December 2014).

In 2015, an amount of €873,000 (2014: €846,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of €147,000 of deferred tax relating to the Group's share-based payments was credited to retained earnings in 2015 (2014: charge of €230,000).

14. Dividends paid on ordinary shares

	2015 €'000	2014 €'000
Ordinary shares:		
- final paid of 102.0 cent per share (2014: 90.0 cent)	**49,881**	44,392
- interim paid of 60.0 cent per share (2014: 50.0 cent)	**26,442**	24,599
Amounts recognised as distributions to equity holders in the year	**76,323**	68,991

Ordinary shares:		
- final dividend of 120.0 cent per share (2014: 102.0 cent)	**52,930**	49,881
- special dividend of 181.4 cent per share (2014: nil)	**80,000**	-
- closing dividend of 18.0 cent per share (2014: nil)	**7,940**	-
Amounts authorised after the reporting date	**140,870**	49,881

The final dividend of 120.0 cent per share, special dividend of €80m (181.4 cent per share) and the closing dividend, representing the period from 1 January 2016 to 1 February 2016 (inclusive), of 18.0 cent per share had a record date of close of business on 1 February 2016. The three dividends were paid on 2 March 2016. See Note 19 for further detail.

15. Trade and other payables and derivative financial liabilities

Current liabilities

	31 December 2015 €'000	31 December 2014 €'000
Trade and other payables		
Trade payables	**16,465**	11,348
Customer balances	**79,537**	67,133
PAYE and social security	**6,401**	5,804
Value added tax and goods & services tax	**4,192**	-
Betting duty, data rights and product & racefield fees	**35,602**	16,182
Employee benefits	**35,260**	31,138
Contingent deferred consideration – business combinations	**1,082**	1,977
Accruals and other liabilities	**72,306**	67,837
	250,845	201,419
Derivative financial liabilities		
Foreign exchange forward contracts – cash flow hedges	**-**	2,636
Sports betting open positions	**16,986**	14,345
	16,986	16,981

Non-current liabilities

	31 December 2015 €'000	31 December 2014 €'000
Trade and other payables		
PAYE and social security	**178**	255
Employee benefits	**5,645**	4,958
Contingent deferred consideration – business combinations	**-**	111
Accruals and other liabilities	**993**	497
	6,816	5,821
Derivative financial liabilities		
Sports betting open positions	**60**	128
	60	128

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.

16. Borrowings

Current liabilities

	31 December 2015	31 December 2014
	€'000	€'000
Accrued interest on borrowings	**263**	-
	263	-

Non-current liabilities

	31 December 2015	31 December 2014
	€'000	€'000
Revolving credit facility	**195,000**	-
Less: expenses relating to revolving credit facility	**(1,830)**	-
	193,170	-

During the year ended 31 December 2015, the Group secured a committed revolving credit bank loan facility ('RCF') of €300m provided by a syndicate of banks which expires in May 2020. At 31 December 2015, €195m of this facility was drawn down.

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

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

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

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

- **Net Leverage Ratio:** Consolidated net borrowings shall not be more than 3.0 times consolidated EBITDA. Consolidated net borrowings for the purposes of the covenants comprises the RCF, customer balances, financial assets – restricted cash, and financial assets – cash and cash equivalents. Consolidated EBITDA for the purposes of the covenants excludes exceptional items.

- **Interest Cover Ratio:** Consolidated EBITDA shall not be less than 4.0 times net finance charges.

During the year ended 31 December 2015, all covenants have been complied with.

17. Commitments and contingencies

(a) Guarantees
The Group has uncommitted working capital overdraft facilities of €15.9m (2014: €14.2m) with Allied Irish Banks p.l.c. These facilities are secured by a Letter of Guarantee from Paddy Power plc.

The Group has bank guarantees: (1) in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Group companies; and (2) in respect of certain third party rental and other property commitments, merchant facilities and third party letter of credit facilities. The maximum amount of the guarantees at 31 December 2015 was €15,268,000 (2014: €14,856,000). No claims had been made against the guarantees as of 31 December 2015 (2014: €nil). The guarantees are secured by counter indemnities from Paddy Power plc and certain of its subsidiary companies. There were no guarantees secured by cash deposits at 31 December 2015 (2014: nil) over which the guaranteeing banks hold security.

The Group has cash amounts totalling €46,942,000 (2014: €39,213,000) deposited in client funds accounts held for the benefit of certain gaming regulatory authorities, of which the Isle of Man Gambling Supervision Commission is the most significant, as security for player funds owed by certain Group companies and as required under the terms of relevant gambling licences.

The Australian corporate sports bookmaking licences issued to Sportsbet and IAS require those companies to hold sufficient cash funds to cover monies owed to customers. At 31 December 2015, the total value of relevant customer balances attributable to the Online Australia business segment was €34,747,000 (AUD51,762,000) (2014: €32,770,000 (AUD48,595,000)) and the combined cash and cash equivalent balances held by Sportsbet and IAS at that date totalled €56,101,000 (AUD83,573,000) (2014: €65,895,000 (AUD97,716,000)).

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.

As mentioned in Note 16, borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

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

	31 December 2015 €'000	31 December 2014 €'000
Property, plant and equipment	**890**	1,189
Intangible assets	**-**	548
	890	1,737

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

At 31 December 2015 and 2014, the future minimum rentals payable under non-cancellable operating leases on properties were as follows:

	31 December 2015 €'000	31 December 2014 €'000
Within one year	**33,779**	30,052
Between two and five years	**105,663**	87,699
After five years	**70,632**	74,388
	210,074	192,139

The Group has a small number of shop properties that are sublet. Sublease payments of €549,000 (2014: €435,000) are expected to be received during the year ended 31 December 2016.

During 2015, an amount of €34,885,000 was recognised in profit or loss in respect of operating leases (2014: €30,376,000). Contingent rent expense in profit or loss amounted to a credit of €657,000 (2014: credit of €590,000). Sublease income (netted against operating lease expense on the basis of immateriality) amounted to €477,000 in 2015 (2014: €448,000).

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

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 2015 and 2014 that materially impacted the financial position or performance of the Group.

19. Events after the reporting date

Merger

On 2 February 2016, the Company completed an all share merger with Betfair Group plc. The merger resulted in the holders of Paddy Power plc shares owning 52% of the Company, and the holders of Betfair Group plc shares owning 48% of the Company, on a fully diluted basis taking into account existing share options and award schemes for both companies as at the date of agreement (8 September 2015). In addition, immediately prior to completion of the merger, holders of Paddy Power plc shares received a special dividend of €80m.

Under the terms of the Merger, holders of Betfair Group plc shares received 0.4254 shares in the Company in exchange for each Betfair Group plc share. The Company issued 39,590,574 shares in exchange for 93,066,700 shares in Betfair Group plc. The consideration was €5.5bn based on the value of the Company ordinary shares issued to Betfair Group plc shareholders.

Costs incurred in 2015 of €5.8m associated with the Merger have been expensed as exceptional items in the year (see Note 5). In 2016, the Group has also incurred additional professional fees of €19m and stamp duty of €27m, the vast majority of which were subject to completion of the Merger. This does not include any professional fees incurred by Betfair Group plc in relation to the merger.

The initial estimate of fees to be incurred by Paddy Power plc in connection with the merger were set out in the Betfair Group plc Scheme Circular published on 27 November 2015. The aggregate fees and expenses incurred by Paddy Power plc in connection with the Merger (excluding any applicable VAT) were:

	€m
Financial and corporate broking advice	**17.2**
Legal advice	**3.8**
Accounting advice	**0.4**
Public relations advice	**0.1**
Other professional services	**0.8**
Other costs and services	**0.9**
Total	**23.2**

The acquisition-date fair value accounting exercise had not been completed on the date of signing of the financial statements.

Dividend

In respect of 2015, a final dividend of 120.0 cent per share (2014: 102.0 cent per share) was paid to all shareholders on the Register of Members on 1 February 2016. The final dividend amounted to €52,930,000 (2014: €49,881,000). In accordance with the completion terms of the Merger, a special dividend of €80m (181.4 cent per share) and a closing dividend, representing the period from 1 January 2016 to 1 February 2016 (inclusive), of 18.0 cent per share were also paid to shareholders. The record date for the special dividend and the closing dividend was close of business on 1 February 2016. The three dividends were paid on 2 March 2016.

20. Accounting estimates and judgements

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

Goodwill of €108,915,000 (2014: €102,838,000) and indefinite life intangible assets of €35,877,000 (2014: €34,506,000) continues to be carried in the Group consolidated statement of financial position as the directors believe that there has been no impairment in the fair value of the net identifiable assets of the acquired businesses with the exception of the IAS brand intangible described more fully in Note 9.

The share-based payment reserve, which includes amounts in relation to the LTIP and various share option schemes, amounted to €32,689,000 at 31 December 2015 (2014: €35,950,000).

The fair value of the Group's sports betting open positions amounted to €17,046,000 at 31 December 2015 (2014: €14,473,000) and the Group considers such arrangements to be derivatives. The Group performs a revaluation of sports betting open positions at each reporting date. The revaluation takes into account the expected probability of such open positions resulting in a gain or loss to the Group in the future, and is dependent on factors that cannot always be reliably predicted.

Included in trade and other payables at 31 December 2015 are contingent deferred consideration amounts of €1,082,000 (2014: €2,088,000) relating to certain business combinations. Contingent deferred consideration is payable to vendors by reference to the performance of the acquired businesses. The contingent deferred consideration amount of €1,082,000 at 31 December 2015 represents management's best estimate of the fair value of the amounts that will be payable.