

REMUNERATION COMMITTEE REPORT

The Remuneration Committee

The Remuneration Committee operates within agreed terms of reference and has responsibility for making recommendations to the Board on the Group's general policy relating to executive remuneration, and to determine, on behalf of the Board, specific remuneration packages for the executive directors. Outside independent professional advice is sought where necessary. In addition to the remuneration of the executive directors, the Committee is also responsible for approving the remuneration of five of the most senior executives ('senior executives'). Membership of the Remuneration Committee is set out on page 39.

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

Remuneration Policy

General

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

- to reward executive directors and senior executives in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of shareholders over the long term; and
- to provide the level of remuneration required to attract and retain executive directors and senior executives of an appropriate calibre.

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

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

Basic salaries and benefits

Salaries of executive directors are set by reference to those prevailing in the market. Employment related benefits relate principally to medical, life and health insurances and to the provision of a company car or car allowance. No fees are payable to executive directors.

Performance bonus

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

2006 long term incentive bonus plan

The long term incentive bonus plan adopted by the Board on 18 October 2006 in favour of Breon Corcoran expired on 31 December 2009 and no payment is due under the plan.

Pension entitlements

The Group does not operate any pension scheme or make pension provision for non-executive directors. Each executive director has an independent pension trust into which the Group makes defined contributions.

Targeted remuneration

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

	Performance related	Non-performance related
Executive		
Patrick Kennedy	29%	71%
Breon Corcoran*	28%	72%
Jack Massey	25%	75%
Non-executive		
Nigel Northridge		100%
Tom Grace		100%
Fintan Drury		100%
Stewart Kenny		100%
Jane Lighting		100%
Pádraig Ó Ríordáin		100%
David Power		100%
Brody Sweeney		100%

* this percentage excludes the possible impact of the long term incentive bonus plan outlined on pages 44 and 45.

REMUNERATION COMMITTEE REPORT CONTINUED

Long Term Incentive Plan

It is Group policy to motivate its key executives to deliver superior performance over the long term and, at the Annual General Meeting held on 22 June 2004, the shareholders approved the 2004 Long Term Incentive Plan ('LTIP'). This plan, details of which are included in Note 21 to the consolidated financial statements, allows shares conditionally awarded to executives to be earned over a three to five year period subject to the achievement of testing earnings per share growth targets. Details of share grants to the executive directors and the Company Secretary are included with the directors' and secretary's interests in the Directors' Report on page 36.

In December 2009, the Remuneration Committee, being conscious of the potential for once-off exceptional items to boost or lower performance, amended the rules of the LTIP so that, in relation to all LTIP awards made from 2010 onwards, exceptional items would be excluded, both in relation to the base year and the performance years, from the earnings per share measure for the purposes of assessing achievement of bonus target. This is consistent with the Group's cash bonus arrangements for senior executives, which exclude exceptional items for the purpose of assessing achievement of bonus targets (exceptional gains in 2006 and 2008 were excluded for this purpose). The Committee felt that a change of this nature was appropriate as it ensures that executives are rewarded for changes in underlying performance rather than for once-off items.

Shareholding guidelines

The Committee introduced shareholding guidelines for executive directors in 2009, whereby, in summary, the current market value of the shares in the Company held by the relevant director should be at least 1.5 times salary for the Chief Executive and 1 times salary for other executive directors.

Share options

The policy of the Remuneration Committee, up to 2007, was to motivate executives, other than senior management, by granting them share options rather than LTIP awards. Accordingly, options have been granted under the terms of employee share incentive plans approved by shareholders. Further details of these plans are given in Note 21 to the consolidated financial statements.

Details of options granted to the executive directors prior to the introduction of the LTIP and options granted to executive directors under the Sharesave Schemes are included with the directors' and secretary's interests in the Directors' Report on page 36. All options are granted at the market price on the date of grant, with the exception of options granted under Revenue approved sharesave schemes which are granted at a discount.

The market price of the Company's shares at 31 December 2009 was €24.75 and, for the year then ended, the Company's daily closing share price ranged between €10.52 and €25.75.

Long term incentive bonus plan

Given (i) the key role that Breon Corcoran has played and continues to play in the development and growth of the Group's online and telephone business, which, under his guidance, has grown and developed from an operating loss of €8.1m in 2001 to an operating profit of €44.5m in 2009, (ii) the important role that he fulfils, as Chairman of Sportsbet, in the development of the Group's Australian business, and (iii) the Remuneration Committee's view of the strength of the retention and reward elements of Breon's current remuneration package, on 15 October 2009, the Remuneration Committee adopted a long term incentive bonus plan designed to retain him in the Group.

There are two components to the plan and payment there under is based on the achievement of two separate and very challenging performance targets, one based on operating profit in the Group's online and telephone divisions (excluding Australia) and the other on EBITDA in the Group's Australian business in the year ended 31 December 2012 and 30 June 2012, respectively. Should Breon Corcoran guide the online and telephone (excluding Australia) divisions and/ or the Australian division to achieve these targets, the Board is satisfied that the payment of the long term incentive under the plan will represent very good value to shareholders.

Under the plan, Breon Corcoran has the potential to earn a cash payment of between €0.25m and €1.5m if the online and telephone divisions (excluding Australia) generate operating profit in 2012 above challenging predefined thresholds and between €0.4m and €1.0m if EBITDA in the Group's Australian business in the year ended 30 June 2012 is above challenging predefined thresholds. The operating profit targets contained in the plan will be adjusted if the Group makes relevant acquisitions or makes material changes in the relevant geographical scope of its businesses. The payment of 70% of any amount due under the plan is scheduled for around March 2013, at which date Breon Corcoran must also be employed by the Group for a payment to be made to him. The remaining 30% will be paid on the one year anniversary of the original payment date, provided that Breon is still an employee of the Company on that date.

In the event of a change of control of the Company before 31 December 2012 that materially reduces Breon Corcoran's ability to achieve the plan's targets, the maximum payment under the plan will become payable to him within one week of the Group's consolidated financial statements for the financial year ended 31 December 2012 being signed. The Remuneration Committee will determine the calculation, adjustment and achievement of the targets under the plan.

No changes (except for minor amendments to benefit the administration of the plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the participant in the plan or for the Company or other members of the Group) will be made to the beneficiary of the plan, the limits on the amount of cash payable or the maximum entitlement of Breon Corcoran under the plan, the basis for determining his entitlement under the plan or to take account of any capitalisation issue, rights issue or open offer, subdivision or consolidation of shares or reduction of capital or any other variation of the capital of the Company, to Breon's advantage, without the prior approval of the Company's shareholders in general meeting. Payments under the plan are not pensionable. The plan will be available for inspection from the date of publication of this document until the close of the Company's Annual General Meeting on 18 May 2010 at the Company's registered office, and at the place of the general meeting for at least 15 minutes before and during the meeting.

Managers' Deferred Share Award Scheme

As first disclosed in the 2007 Annual Report, the Board, on the recommendation of the Remuneration Committee, established in December 2007 a scheme to offer already issued shares to a small number of key Group employees (not including directors). The employees will only become entitled to receive these shares if they remain employed by the Group until March 2011. The total number of shares offered to employees under the scheme at 31 December 2009 was 79,855 (2008: 85,129), see Note 21.

Executive directors' service contracts

The notice period for Patrick Kennedy is 12 months, and it is six months for both Breon Corcoran and Jack Massey. All executive directors are employed on contracts with a normal retirement age of 65. No executive director is entitled to any contractual termination payment other than for payment in lieu of notice.

Non-executive directors' service contracts

Non-executive directors, in accordance with best practice, are not appointed on service contracts, rather they are issued with a letter confirming the terms of their appointment. Non-executive directors are expected to give three months' notice of resignation, but this is without prejudice to their right to resign immediately if they feel it appropriate. None of the non-executive directors have an entitlement to a termination payment.

Directors' detailed emoluments

Full details of the emoluments of the directors are set out in Note 7 to the consolidated financial statements on pages 72 and 73.



Pádraig Ó Riordáin

Chairman, Remuneration Committee

1 March 2010