

Notes to the Company Financial Statements

1. Basis of preparation and accounting policies

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

As permitted by section 148(8) of the Companies Act 1963, no separate profit and loss account is presented in respect of the Company. The Company recorded a profit for the year of €64.1m (2009: €67.8m), which includes dividends receivable from a number of subsidiary companies amounting to €54.0m (2009: €50.0m).

Financial assets

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

The Group has certain Sportsbet buyout call options, which are characterised as embedded derivatives. Embedded derivatives are separated from their host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss. Separable embedded derivative financial assets and liabilities are netted where they relate to the same host contract. Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Included within financial fixed assets are capital contributions representing share-based payment awards made to employees of certain of the Company's subsidiaries.

Tangible assets and depreciation

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

Land	Not depreciated
Buildings: Freehold	50 years
Buildings: Leasehold improvements	unexpired term of the lease, except for leases with an initial term of ten or less years, which are depreciated over the unexpired term of the lease plus the renewal length of the lease if there is an unconditional right of renewal
Fixtures and fittings	3 – 7 years
Computer equipment	3 years
Computer software	3 – 5 years
Motor vehicles	5 years

The residual value, if not insignificant, is reassessed annually.

Goodwill

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

Intangible assets

Intangible assets, principally comprising licences, are capitalised at cost and amortised over their estimated useful economic lives on a straight line basis.

Licences comprise the costs of acquiring retail bookmaking licences, the rents incurred in respect of the period prior to each shop opening for business and licences for electronic point of sale ('EPOS') system software.

The estimated useful economic lives of intangible assets, according to which amortisation is calculated, are as follows:

Licences – shop licences and EPOS software licences	5 years
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1. Basis of preparation and accounting policies *(continued)*

Leases

Assets held under finance leases are included in the balance sheet at their capital value and are depreciated over the term of the lease. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease rentals is charged to the profit and loss account over the term of the lease to produce a constant rate of charge on the balance of capital repayment outstanding. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

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

Foreign currency

Transactions denominated in foreign currencies are translated at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date. The resulting profits and losses are dealt with in the profit and loss account.

Taxation

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

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

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

Cash flow statement

Under the provisions of FRS 1, 'Cash Flow Statements', a cash flow statement has not been prepared as the Company itself publishes consolidated financial statements that include a cash flow statement in the required format.

Related party transactions

Under the exemption granted by FRS 8, 'Related Party Disclosures', the Company, as a member of a group which publishes consolidated financial statements in which the Company is included, is not required to and does not disclose transactions with fellow members, associated undertakings and joint ventures of that group.

Financial assets and liabilities

Under the provisions of FRS 29, 'Financial Instruments: Disclosures' (paragraph 2D), the Company is exempt from disclosing financial instruments in its single entity financial statements.

Share-based payments

The Company operates equity-settled share option schemes for employees under which Group employees acquire options over Company shares. The fair value of share options granted is recognised as an employee benefit cost / increase in investment in subsidiary with a corresponding increase in the share-based payment reserve. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense / increase in investment in subsidiary is adjusted to reflect the actual number of share options that vest.

Notes to the Company Financial Statements *(continued)*

1. Basis of preparation and accounting policies *(continued)*

The Company operates an equity-settled share save scheme ('SAYE') for employees under which Group employees acquire options over Company shares at a discounted price subject to the completion of a savings contract. The fair value of share options granted is recognised as an employee benefit cost / increase in investment in subsidiary with a corresponding increase in the share-based payment reserve. The fair value is measured at grant date and spread over the period of the savings contract. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense / increase in investment in subsidiary is adjusted to reflect the actual number of share options that vest.

The Company operates certain equity-settled long term incentive plans (being the Long Term Incentive Plan and the Managers' Deferred Share Award Scheme, collectively referred to as the 'share award schemes') for selected senior Group executives and other key Group management under which they are conditionally awarded shares which vest upon the achievement of predetermined earnings targets. The fair value is measured at the award grant date and is spread over the period during which the employees become unconditionally entitled to the shares with a corresponding increase in the share-based payment reserve. The fair value of the shares conditionally granted is measured using the market price of the shares at the time of grant.

Own shares held

Purchases of the Company's shares by the long term incentive plan trust, which have been conditionally awarded to Group executives under the terms of the share award schemes, and purchases of the Company's own shares held as treasury shares are shown separately as deductions from equity in the balance sheet. Transaction costs relating to the purchase by the Company of its own shares are written off directly to retained earnings.

Where the Company purchases its own shares and subsequently cancels those shares, the cost of the shares cancelled is written off directly to retained earnings. The nominal value of the shares cancelled is transferred from share capital to the capital redemption reserve fund.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders, or, in the case of the interim dividend, when it has been approved by the Board of Directors and paid. Dividends declared after the balance sheet date are disclosed in Note 34 to the consolidated financial statements.

2. Employee expenses and numbers

	2010 €'000	2009 €'000
Wages and salaries	28,310	31,054
Social security costs	3,841	2,962
Defined contribution pension and life assurance costs	657	680
Share-based payments (see below)	3,891	1,594
Other staff costs	1,268	1,310
	37,967	37,600

	2010	2009
The average number of persons employed by the Company (including executive directors), all of whom were involved in the provision of betting services, during the year was	902	912

Details of transactions with directors are set out in Note 7 to the consolidated financial statements.

2. Employee expenses and numbers *(continued)*

Summary of share-based payments expense

The share-based payments expense in the profit and loss account in respect of the Company's share schemes is comprised as follows:

	2010 €'000	2009 €'000
Share option scheme	3	5
Sharesave scheme	284	195
Long Term Incentive Plan	3,596	1,390
Managers' Deferred Share Award Scheme	8	4
	3,891	1,594

Summary of options outstanding to employees of the Company

The total number of options outstanding at 31 December 2010 was 260,179 (2009: 286,413). These options had exercise prices ranging from €9.43 to €24.17 (2009: €8.15 to €24.17).

For the year ended 31 December 2010:

	Options outstanding at 1 January 2010	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2010
Share option scheme	31,000	-	-	(27,000)	4,000
Sharesave scheme	255,413	18,718	(11,268)	(6,684)	256,179
Total	286,413	18,718	(11,268)	(33,684)	260,179

For the year ended 31 December 2009:

	Options outstanding at 1 January 2009	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2009
Share option scheme	41,000	-	(10,000)	-	31,000
Sharesave scheme	365,271	49,294	(121,286)	(37,866)	255,413
Total	406,271	49,294	(131,286)	(37,866)	286,413

Further details of the Company's employee share schemes are set out in Note 21 to the consolidated financial statements.

Notes to the Company Financial Statements *(continued)*

3. Intangible assets

The movements during the year in respect of intangible assets, which comprise licences, were as follows:

	Licences €'000	Total €'000
Cost		
Balance at 1 January 2010	1,539	1,539
Additions	-	-
Disposals	-	-
Reclassifications (Note 6)	(102)	(102)
Balance at 31 December 2010	1,437	1,437
Amortisation		
Balance at 1 January 2010	1,004	1,004
Amortisation for year	232	232
Disposals	-	-
Balance at 31 December 2010	1,236	1,236
Net book value		
At 31 December 2009	535	535
At 31 December 2010	201	201

4. Goodwill

	€'000
Cost	
Balance at 1 January 2010	8,584
Acquisitions in year (Note 5)	1,140
Balance at 31 December 2010	9,724
Amortisation	
Balance at 1 January 2010	2,629
Amortisation for year	447
Balance at 31 December 2010	3,076
Net book value	
At 31 December 2009	5,955
At 31 December 2010	6,648

The goodwill balance as of 1 January 2010 arose from the assets acquired as part of the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988, the acquisition of eight licensed bookmaking shops (through three separate acquisitions) in Ireland in 2007 and the acquisition of one licensed bookmaking shop in 2009.

5. Purchase of businesses

Year ended 31 December 2010

Acquisition of additional 9.8% of Sportsbet Pty Limited

On 12 February 2010, the Company increased its shareholding in Sportsbet to 60.8% through the buyout of a non-controlling shareholder who had no executive involvement with the business. The consideration for the 9.8% shareholding acquired amounted to AUD13.0m (€8.5m) in cash. The Company also acquired that shareholder's loan to Sportsbet as part of the transaction.

	2010 €'000
Cash consideration	8,481
Acquisition expenses paid	80
	8,561

Payment of deferred consideration for 51% of Sportsbet Pty Limited

On 18 August 2010, the Company paid the non-controlling shareholders of Sportsbet an amount of €7.0m (AUD10.0m) in respect of deferred consideration for the Company's initial 51% acquisition of Sportsbet. The payment followed confirmation that the relevant profitability target set for the financial year ended 30 June 2010 had been achieved by Sportsbet. At 31 December 2009, an amount of €6.2m had been accrued for this liability.

	2010 €'000
Deferred consideration paid	7,007
Deferred consideration payment accrued as of 31 December 2009	(6,216)
Change in deferred consideration amount in year (foreign exchange movements)	791

Shop property acquisition

In 2010, the Company, in the absence of available comparable sites for organic shop openings, acquired two retail licensed bookmaking businesses in Ireland.

Details of the net assets acquired and the goodwill arising on this acquisition are as follows:

	Book value on acquisition €'000	Provisional fair value adjustments 31 December 2010 €'000	Provisional fair values 31 December 2010 €'000
Identifiable net assets acquired:			
Tangible fixed assets	69	-	69
	69	-	69
Goodwill arising on acquisition			1,140
Consideration (including associated purchase costs)			1,209
Satisfied by:			
Cash consideration (including associated purchase costs)			859
Contingent consideration accrued			350
			1,209
Net cash outflow from purchase of businesses			
Purchase of businesses, net of cash acquired			859
Acquisition expenses paid			-
			859

The principal factors contributing to the goodwill balance above are the well established nature of the acquired businesses within the locations in which they operate, the quality of their customer bases and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired businesses within the Paddy Power plc group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired shops in respect of the period from acquisition and for the twelve months ended 31 December 2010 has not been presented on the basis of immateriality.

Notes to the Company Financial Statements *(continued)*

5. Purchase of businesses *(continued)*

Year ended 31 December 2009

Sportsbet Pty Limited

On 1 July 2009, the company purchased a 51% shareholding in Sportsbet Pty Limited ('Sportsbet'), a provider of internet and telephone sports betting services in Australia. The initial purchase consideration for this investment amounted to €26.3m, comprising a cash payment of €24.6m and the granting of 100,000 ordinary shares of the Company valued at €1.7m (see Note 13). An additional payment of AUD10.0m (€6.2m) is payable in 2010 if certain profitability targets are achieved by Sportsbet in respect of the financial year ended 30 June 2010. Acquisition costs incurred by the Company in relation to the purchase totalled €2.3m. See also Note 16 to the consolidated financial statements for further information. Under the terms of the acquisition, certain call options were granted to the Company and to the non-controlling interest in Sportsbet (see Note 7 below and Note 15 to the consolidated financial statements for further information). The net fair value of these options has been deducted from the overall purchase consideration in the calculation of the cost of the investment in Sportsbet. The cost of the investment in Sportsbet is analysed as follows:

	31 December 2009 €'000
Cash consideration (including associated purchase costs)	24,627
Shares issued	1,648
Deferred consideration	6,216
Acquisition expenses paid	2,172
Accrued acquisition expenses	154
	<u>34,817</u>
Financial asset – Sportsbet buyout call options (Note 7)	(917)
	<u>33,900</u>

Shop property acquisition

In January 2009, the Group, in the absence of available comparable sites for an organic shop opening, acquired a retail licensed bookmaking business in Ireland.

Details of the net assets acquired and the goodwill arising on this acquisition are as follows:

	Book value on acquisition €'000	Fair value adjustments 31 December 2009 €'000	Fair values 31 December 2009 €'000
Identifiable net assets acquired:			
Tangible fixed assets	100	(80)	20
	<u>100</u>	<u>(80)</u>	<u>20</u>
Goodwill arising on acquisition			1,144
Consideration (including associated purchase costs)			<u>1,164</u>
Satisfied by:			
Cash consideration (including associated purchase costs)			1,064
Contingent consideration accrued			<u>100</u>
			<u>1,164</u>
Net cash outflow from purchase of businesses			
Purchase of businesses, net of cash acquired			1,000
Acquisition expenses paid			<u>64</u>
			<u>1,064</u>

5. Purchase of businesses *(continued)*

The principal factors contributing to the goodwill balance above are the well established nature of the acquired business within the location in which it operates, the quality of its customer base and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired business within the Paddy Power plc group.

Information in respect of amounts staked, income, operating profit and cash flows for the acquired shop in respect of the period from acquisition and for the year ended 31 December 2009 has not been presented on the basis of immateriality.

6. Tangible assets

	Land, buildings & leasehold improvements €'000	Fixtures, fittings & equipment €'000	Computer equipment €'000	Computer software €'000	Motor vehicles €'000	Total €'000
Cost						
Balance at 1 January 2010	35,985	50,399	3,759	2,989	148	93,280
Additions	539	2,985	396	79	-	3,999
Purchase of businesses (Note 5)	-	69	-	-	-	69
Reclassifications (Note 3)	214	(173)	61	-	-	102
Transfers to other Group companies	-	665	466	-	44	1,175
Disposals	(15)	(163)	(17)	(15)	(111)	(321)
Balance at 31 December 2010	36,723	53,782	4,665	3,053	81	98,304
Depreciation						
Balance at 1 January 2010	13,157	32,936	3,644	1,940	111	51,788
Charge for year	1,785	5,685	732	650	11	8,863
Transfers to other Group companies	-	-	-	-	70	70
Impairment credits	(102)	(241)	(1)	(11)	-	(355)
Disposals	(2)	(120)	(15)	(12)	(111)	(260)
Balance at 31 December 2010	14,838	38,260	4,360	2,567	81	60,106
Net book value						
At 31 December 2009	22,828	17,463	115	1,049	37	41,492
At 31 December 2010	21,885	15,522	305	486	-	38,198

The net book value of land, buildings and leasehold improvements at 31 December 2010 includes €18.2m (2009: €18.5m) in respect of leasehold improvements.

The impairment credits relate to the retail business segment and have arisen from a review of the carrying value of shop properties. The recoverable amounts used in the calculation of the impairment credits are based on value in use. The pre-tax discount rate used to determine value in use was 10% (2009: 10%). The impairment credit of €355,000 (2009: credit of €252,000) recorded in the year ended 31 December 2010 includes €226,000 (2009: €386,000) relating to new impairment charges and is stated net of impairment reversals of €581,000 (2009: €638,000).

The directors do not consider the remaining useful lives of tangible fixed assets to be materially different from the period over which the assets are being depreciated.

Notes to the Company Financial Statements *(continued)*

7. Financial assets

	Unlisted investments in subsidiary companies €'000	Embedded derivatives €'000	Capital contributions €'000	Total €'000
Balance at 1 January 2010	34,097	917	17,231	52,245
Share-based payments	-	-	9,536	9,536
Movement during year – acquisition of additional 9.8% of Sportsbet (Note 5)	8,561	-	-	8,561
Change in fair value of Sportsbet buyout call options	1,055	6,061	-	7,116
Deferred consideration payment – 51% acquisition of Sportsbet (Note 5)	791	-	-	791
Other movements	(64)	-	-	(64)
Balance at 31 December 2010	44,440	6,978	26,767	78,185

In the opinion of the directors, the value to the Company of the unlisted investments in subsidiary companies is not less than the carrying amount of €44,440,000 (2009: €34,097,000). The Company's principal subsidiaries are listed in Note 33 to the consolidated financial statements.

Capital contributions represent amounts included in the Company's share-based payment reserve relating to share-based payment awards made to employees of certain of the Company's subsidiary undertakings.

The embedded derivatives financial asset arises in respect of call options granted by the vendors of Sportsbet to the Company and a call option granted by the Company to the vendors of Sportsbet. These call options relate to the acquisition of the Company's and the non-controlling interest's shareholdings in Sportsbet (see Note 15 to the consolidated financial statements for further information). The movement in the fair value of the call options in the year of €7,116,000 has been credited to financial income in the profit and loss account.

8. Trade and other receivables

	31 December 2010 €'000	31 December 2009 €'000
Other debtors and prepayments	1,351	1,564
Amounts owed by fellow Group companies	158,034	98,810
Loan receivable from Sportsbet	1,663	3,833
Deferred tax (Note 12)	471	-
	161,519	104,207

All of the above debtors, with the exception of the loan receivable from Sportsbet, fall due within one year.

The loan receivable from Sportsbet is repayable by Sportsbet on or before 25 September 2016. The loan is non-interest bearing.

Amounts owed by fellow Group companies are unsecured, interest free and repayable on demand.

9. Cash at bank and on hand

Included in cash at bank and on hand at 31 December 2010 is an amount of €21,081,000 (2009: €9,025,000 (GBP8,015,000)) which was restricted at that date and up to 14 January 2011 as it formed part of a guarantee issued in favour of the Isle of Man Gambling Supervision Commission in respect of player funds held by a subsidiary of the Company, Paddy Power Isle of Man Limited (see Note 16).

10. Creditors (amounts falling due within one year)

	31 December 2010 €'000	31 December 2009 €'000
Trade creditors	922	1,469
Accruals	10,780	6,664
Corporation tax	126	710
PAYE and social welfare	1,754	799
Betting duty	2,026	2,360
Sports betting open positions	1,409	894
Value added tax	157	158
Deferred consideration for business combinations	50	6,329
Amounts owed to fellow Group companies	154,544	61,266
	171,768	80,649

Amounts owed to fellow Group companies are unsecured, interest free and repayable on demand.

11. Creditors (amounts falling due after more than one year)

	31 December 2010 €'000	31 December 2009 €'000
Accruals	841	885
Deferred consideration for business combinations	300	-
	1,141	885

12. Provision for liabilities

Deferred tax

	2010 €'000	2009 €'000
Cost		
Balance at 1 January	444	(692)
(Credited) / charged to the profit and loss account for year	(789)	1,136
Credited to retained earnings in respect of share-based payments	(126)	-
Balance at 31 December	(471)	444

Deferred tax at 31 December 2010 and 2009 is analysed by category as follows:

	31 December 2010 €'000	31 December 2009 €'000
Capital allowances	122	553
Employee benefits	(35)	(6)
Share schemes	(479)	(154)
Capitalised rents	31	59
Other	(110)	(8)
Deferred tax (asset) / liability	(471)	444

All of the above deferred tax balances are in respect of Irish corporation tax.

Notes to the Company Financial Statements (continued)

13. Capital and reserves

	Number of ordinary shares in issue	Issued share capital €'000	Share premium €'000	Capital redemption reserve fund €'000	Capital conversion reserve fund €'000	Treasury shares €'000	Shares held by long term incentive plan trust €'000	Share- based payment reserve €'000	Profit and loss account €'000	Total €'000
Balance at 1 January 2010	49,767,339	4,977	18,009	876	260	(5,975)	(31,858)	14,968	150,284	151,541
Shares issued on exercise of share options	186,775	18	2,867	-	-	-	-	-	-	2,885
<i>Own shares acquired:</i>										
By the long term incentive plan trust – 354,500 ordinary shares	-	-	-	-	-	-	(9,048)	-	-	(9,048)
Profit for the year	-	-	-	-	-	-	-	-	64,057	64,057
Equity-settled transactions – profit and loss account and financial assets	-	-	-	-	-	-	-	13,427	126	13,553
Equity-settled transactions – vestings	-	-	-	-	-	-	7,016	(5,934)	(741)	341
Transfer to profit and loss account on exercise of share options	-	-	-	-	-	-	-	(551)	551	-
Dividends to shareholders (Note 14)	-	-	-	-	-	-	-	-	(30,769)	(30,769)
Balance at 31 December 2010	49,954,114	4,995	20,876	876	260	(5,975)	(33,890)	21,910	183,508	192,560

The total authorised share capital of the Company comprises 70,000,000 ordinary shares of €0.10 each (2009: 70,000,000 ordinary shares of €0.10 each). All issued share capital is fully paid. The holders of ordinary shares are entitled to vote at general meetings of the Company on a one vote per share held basis. Ordinary shareholders are also entitled to receive dividends as may be declared by the Company from time to time.

During 2010, 186,755 ordinary shares of €0.10 each (2009: 396,597 ordinary shares of €0.10 each) were issued as a result of the exercise of share options, for a total consideration of €2,885,000 (2009: €5,093,000), giving rise to a share premium of €2,867,000 (2009: €5,053,000). In 2009, as part of the consideration for the purchase of Sportsbet (see Note 5), the Company issued 100,000 ordinary shares to the vendors of Sportsbet on 1 July 2009. The total value of these shares on the date of issue amounted to €1,648,000, of which €1,638,000 represented the share premium on issue.

The total number of shares held in treasury at 31 December 2010 was 250,000 shares (2009: 250,000 shares). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Company's distributable reserves are restricted by the value of the treasury shares, which amounted to €5,975,000 as of 31 December 2010 (2009: €5,975,000).

At 31 December 2010, the Company held a further 1,456,407 of its own shares (2009: 1,438,711), which were acquired at a total cost of €33,890,000 (2009: €31,858,000), in respect of potential future awards relating to the Group's Long Term Incentive Plan and Managers' Deferred Share Award Scheme (see Note 21 to the consolidated financial statements). The Company's distributable reserves at 31 December 2010 are further restricted by this cost amount. In the year ended 31 December 2010, 336,804 shares originally valued at €7,016,000 were transferred from the long term incentive plan trust ('the Trust') to beneficiaries of the Trust consequent to the vesting thereof (2009: 268,144 shares originally valued at €3,735,000).

The capital redemption reserve fund of €876,000 (2009: €876,000) relates to the nominal value of shares in the Company acquired by the Company and subsequently cancelled. The capital conversion reserve fund of €260,000 (2009: €260,000) arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to euro.

In 2010, an amount of €551,000 (2009: €1,372,000) in respect of share options exercised during the year was transferred from the share-based payment reserve to the profit and loss account. An amount of €126,000 of deferred tax relating to the Company's share-based payments was credited to retained earnings in 2010 (2009: €nil) – see also Note 12.

14. Dividends paid on equity shares

	2010 €'000	2009 €'000
Ordinary shares:		
- final paid of 38.90 cent per share (2009: 35.40 cent)	18,750	16,864
- interim paid of 25.00 cent per share (2009: 19.50 cent)	12,019	9,294
	30,769	26,158
Proposed final dividend of 50.00 cent (2009: 38.90 cent) per share (see Note 34 to the consolidated financial statements)	24,340	18,686

15. Pension arrangements

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

Pension costs for the year were €572,000 (2009: €605,000) and the amount due to the schemes at 31 December 2010 amounted to €nil (2009: €46,000).

16. Commitments and contingencies

(a) Guarantees

The Company has uncommitted working capital overdraft facilities of €5.3m (2009: €5.2m) with Allied Irish Banks plc. These facilities are unsecured.

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. The Company has issued a letter of guarantee totalling €9.8m (2009: €9.6m) in favour of Allied Irish Banks plc in respect of working capital overdraft facilities provided to certain of the Company's subsidiaries.

A bank guarantee has been issued in favour of the Isle of Man Gambling Supervision Commission as security for player funds owed by the Company's subsidiary, Paddy Power Isle of Man Limited, to its customers. This guarantee is required as part of Paddy Power Isle of Man Limited's Online Gambling Licence. The maximum amount of the guarantee at 31 December 2010 was GBP17,000,000 (euro equivalent of €19,750,000) (2009: GBP16,000,000 (euro equivalent of €18,016,000)). No claims had been made against the guarantee as of 31 December 2010 (2009: €nil). The guarantee is secured by counter indemnities from the Company and Paddy Power Isle of Man Limited, and is partly secured by a cash deposit of €21,081,000 (2009: GBP8,015,000 (euro equivalent €9,025,000)) over which the guaranteeing bank holds a floating charge (see also Note 9).

A bank guarantee has also been issued in favour of the Lotteries & Gaming Authority – Malta as security for player funds owed by a subsidiary of the Company, Paddy Power Bookmakers (Malta) Limited, to its customers. This guarantee is required as part of Paddy Power Bookmakers (Malta) Limited's Remote Gaming Licence. The maximum amount of the guarantee at 31 December 2010 was €300,000 (2009: €300,000). No claims had been made against the guarantee as of 31 December 2010 (2009: €nil). The guarantee is secured by counter indemnities from Paddy Power plc and Paddy Power Bookmakers (Malta) Limited.

(b) Section 17 guarantees

Pursuant to the provisions of Section 17 of the Companies (Amendment) Act 1986, the Company has guaranteed the liabilities of its wholly-owned subsidiary undertakings in the Republic of Ireland for the financial year ended 31 December 2010 and, as a result, such subsidiary undertakings have been exempted from the filing provisions of Section 7 of the Companies (Amendment) Act 1986.

(c) Capital commitments

The Company has entered into commitments for capital expenditure not provided for in the financial statements amounting to €230,000 (2009: €636,000).

Notes to the Company Financial Statements (continued)

16. Commitments and contingencies (continued)

(d) Operating lease commitments

The Company has annual commitments of €9,308,000 (2009: €8,918,000) in respect of operating leases on properties where the lease terms expire as follows:

	31 December 2010 €'000	31 December 2009 €'000
Within 1 year	1,491	1,088
Between 2 and 5 years	801	907
After 5 years	7,016	6,923
	9,308	8,918

17. Statutory information

	2010 €'000	2009 €'000
Directors' remuneration	6,822	6,259
Auditor's remuneration	165	125

The auditor's remuneration of €165,000 (2009: €125,000) comprises €20,000 (2009: €20,000) for the audit of the Company and €145,000 (2009: €105,000) in respect of fees incurred by the Company in relation to the Group financial statements audit.

Auditor remuneration to Company external auditors (KPMG Dublin)

In accordance with the requirements of Regulation 120 of Statutory Instrument 220/2010, 'European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010', the auditor remuneration figures presented below represent fees paid to KPMG Dublin only and are exclusive of value added tax. Audit relates to the audit of the Company financial statements only. Audit fees borne by the Company in relation to the audit by KPMG Dublin of the Group and subsidiary companies are classified as other assurance services.

	2010 €'000	2009 €'000
Audit	20	20
Other assurance services	196	150
Tax advisory services	334	305
Other non-audit services	-	-
Total	550	475

Other assurance services includes €145,000 (2009: €105,000) in respect of fees incurred by the Company for the audit of the Group financial statements, €30,000 (2009: €35,000) in respect of fees relating to the audit of subsidiary companies which have been borne by the Company and fees for other miscellaneous assurance work of €21,000 (2009: €10,000).

18. Approval of financial statements

The financial statements of the Company for the year ended 31 December 2010 were approved for issue by the Board of Directors on 4 March 2011.