

# Notes to the Company Financial Statements

Year ended 31 December 2006

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## 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 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 €25.1m (2005: €19.2m).

### 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.

### 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:

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
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.

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

### 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.

# Notes to the Company Financial Statements (continued)

Year ended 31 December 2006

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

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 is a wholly owned subsidiary of a company which 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 wholly owned subsidiary 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.

### Share-based payments

The Company operates equity-settled share option schemes for employees under which employees acquire options over company shares. The fair value of share options granted is recognised as an employee benefit cost 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 is adjusted to reflect the actual number of share options that vest.

The Company operates an equity-settled share save scheme ('SAYE') for employees under which 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 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 is adjusted to reflect the actual number of share options that vest.

The Company operates an equity-settled long term incentive scheme for selected senior executives under which the executives are conditionally granted shares which vest upon the achievement of predetermined earnings targets. The fair value is measured at the 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's trust, which have been conditionally awarded to executives under the terms of the Long Term Incentive Plan, are shown separately in equity in the Company balance sheet.

### 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 25 to the consolidated financial statements.

# Notes to the Company Financial Statements (continued)

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## 2. Employee expenses and numbers

	<b>2006</b> <b>€'000</b>	2005 €'000
Wages and salaries	<b>27,154</b>	24,004
Social security costs	<b>2,453</b>	1,485
Defined contribution pension and life assurance costs	<b>713</b>	794
Equity-settled transactions	<b>1,275</b>	881
Other staff costs	<b>1,348</b>	1,366
	<b>32,943</b>	28,530

	<b>2006</b>	2005
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	<b>783</b>	595

Details of transactions with directors are set out in Note 6 to the consolidated financial statements.

The Company has the following employee share schemes:

### The Paddy Power plc May 2000 Executive Share Option Scheme (the 'Executive Share Option Scheme')

Under the May 2000 Executive Share Option Scheme, options over a total of 2,592,000 shares have been granted at an exercise price of €1.16 per share. These options were granted prior to 7 November 2002 and, accordingly, do not fall within the scope of FRS 20 'Share-based Payment'.

Since May 2000, options over 2,565,000 shares have been exercised and options over 27,000 shares were outstanding at 31 December 2006 (2005: 327,000). Movements in the share options under this scheme during the year were as follows:

<b>Options outstanding at 31 December 2005</b>	<b>Options exercised during year</b>	<b>Options outstanding at 31 December 2006</b>	<b>Earliest exercise date*</b>	<b>Exercise price</b>	<b>Market price at date of exercise</b>
300,000	300,000	-	1 May 2003	€1.16	€13.35
6,000	-	6,000	1 May 2004	€1.16	-
21,000	-	21,000	1 May 2005	€1.16	-
<b>327,000</b>	<b>300,000</b>	<b>27,000</b>			

\* Share options lapse 10 years after date of grant.

During 2005, 18,000 options were exercised at an exercise price of €1.16 when the market price ranged from €13.44 to €14.18.

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

### The Paddy Power plc 2000 Restricted Share Scheme (the 'Restricted Scheme')

These options were granted prior to 7 November 2002 and accordingly do not fall within the scope of FRS 20 'Share-based Payment'.

# Notes to the Company Financial Statements (continued)

Year ended 31 December 2006

## 2. Employee expenses and numbers (continued)

### The Paddy Power plc November 2000 Share Option Scheme (the 'Share Option Scheme')

The Share Option Scheme was adopted by shareholders on 21 November 2000 and modified by the shareholders on 22 June 2004. The Share Option Scheme is open to directors, other than non-executive directors, and employees. Options may be granted within a period of ten years from 7 December 2000 at the higher of nominal and current market value. Options may not be exercised earlier than three years from the date of grant and may only be exercised if the Group meets certain targets and any further condition on exercise which the Board determines to be appropriate. These targets require real growth (Consumer Price Index plus five percent compounded annually) in earnings per share of the Group over a period of not less than three years following the grant of an option. Since November 2000, 369,466 options have been granted under the scheme. Options granted before 7 November 2002 do not fall within the scope of FRS 20 'Share-based Payment'. Options granted after 7 November 2002 have been included in the calculation of the Company's share-based payment reserve.

Since November 2000, options over 332,466 shares have been exercised. Options over 37,000 shares were outstanding at 31 December 2006 (2005: 327,466), of which none were exercisable at 31 December 2006 (2005: 302,466).

Movements in the share options under this scheme during the year were as follows:

Options outstanding at 31 December 2005	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2006	Earliest exercise date*	Exercise price
<i>Granted before 7 November 2002</i>						
302,466	-	-	302,466	-	August 2004	€3.59
<i>Granted after 7 November 2002</i>						
10,000	-	-	-	10,000	February 2007	€8.15
15,000	-	-	-	15,000	September 2008	€14.80
-	12,000	-	-	12,000	October 2009	€14.40
<b>327,466</b>	<b>12,000</b>	<b>-</b>	<b>302,466</b>	<b>37,000</b>		

\* Share options lapse 10 years after date of grant.

Of the 302,466 options over shares exercised during 2006, 302,000 were exercised when the share price was €14.10 and 466 were exercised when the share price was €14.60.

During 2005, no options over shares were exercised, and options in respect of 15,000 shares were granted at an exercise price of €14.80 per share.

The fair value of share options granted during the year has been determined using a Black Scholes model and amounts to €31,560 (2005: €56,781). The significant inputs into the model was a share price for the grant date of €14.40 (2005: €14.80), the exercise price shown above, the standard deviation of expected share price returns of 26% (2005: 25%), the expected term as disclosed above, and an annual risk free rate of 3.69% (2005: 3.14%). The volatility measured as the standard deviation of expected share price returns is based on a statistical analysis of the Company's share price over the last three years.

# Notes to the Company Financial Statements (continued)

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## 2. Employee expenses and numbers (continued)

### The Paddy Power plc Sharesave Scheme (the 'Sharesave Scheme')

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

All employees (including executive directors) who have not less than 12 months continuous service with the Company or any subsidiary nominated to join the Sharesave Scheme may be invited to apply for options to acquire shares. Options will normally be granted to all eligible employees in the 42 day period after the announcement of the interim or final results of the Company. The purchase price for each ordinary share in respect of which an option is granted shall not be less than 75 percent of the closing price of the shares on the Irish Stock Exchange on the dealing day last preceding the date of grant of the option or its nominal value. The aggregate maximum monthly contribution payable by an employee in connection with the scheme may not exceed €320.

Options granted before 7 November 2002 do not fall within the scope of FRS 20 'Share-based Payment'. Options granted after 7 November 2002 have been included in the calculation of the Company's share-based payment reserve.

Options outstanding at 31 December 2005	Options granted during year	Options lapsed during year	Options exercised during year	Options outstanding at 31 December 2006	Earliest exercise date*	Exercise price
<i>Granted before 7 November 2002</i>						
1,060	-	672	388	-	July 2005	€4.95
<i>Granted after 7 November 2002</i>						
162,550	-	15,822	-	146,728	October 2008	€11.60
-	61,105	1,834	-	59,271	December 2009 & December 2011	€11.29
<b>163,610</b>	<b>61,105</b>	<b>18,328</b>	<b>388</b>	<b>205,999</b>		

\* Share options lapse 3.5 and 5.5 years after date of grant.

During 2006, options over 388 shares were exercised when the share price was €12.75. During 2005, options over 162,550 shares were granted at an exercise price of €11.60, and options over 34,874 shares were exercised at an exercise price of €4.95 when the market price ranged from €13.30 to €15.13. During 2005, options in respect of 1,090 shares at an exercise price of €4.95 per share lapsed.

The fair value of share options granted during the year has been determined using a Black Scholes model and amounts to €219,000. The significant inputs into the model were the share price of €15.05 (2005: €14.50) at the grant date, the exercise price of €11.29, the standard deviation of expected share price returns of 26% (2005: 25%), the option life disclosed above, and an annual risk free rate of 3.69% (2005: 3.00%). The volatility measured as the standard deviation of expected share price returns is based on a statistical analysis of the Company's daily share price over the last three years.

# Notes to the Company Financial Statements (continued)

Year ended 31 December 2006

## 2. Employee expenses and numbers (continued)

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### Long Term Incentive Plan

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

Until the vesting of the award in accordance with the rules of the scheme, the grantholder will have no rights over or in respect of the shares subject to the grant and on vesting, the grantholder's rights are limited to those shares in respect of which the growth target has been achieved in accordance with the rules of the scheme. The grants are not transferable. In relation to the awards of shares granted in 2004, the relevant growth target has been met and eligible awards are expected to vest. Upon the vesting of a share award, as part of the grantholders' rights they shall now receive a small number of additional shares purchased from the dividends received by the LTIP trustee in respect of those shares prior to the vesting date, regarded as a de facto part of the original share award.

During the year, awards of 80,000 shares and 35,000 shares (2005: 115,000 shares) were granted to senior management (including executive directors). The share prices at the dates of grant were €12.55 and €13.68 respectively (2005: €13.80 to €14.40). The total cost of this grant is estimated at €1,483,000 (2005: €1,215,000) and is expensed in the Company profit and loss account over the minimum vesting period of the grant (being the expected term of the grant), i.e. three years. The operating profit for 2006 is stated after an LTIP charge of €1,078,000 (2005: €828,407). As a result of the resignation of a director of the Company in 2005, an award of 30,000 shares granted in 2005 lapsed during the year.

The Paddy Power plc Employee Benefit Trust ('the Trust') was established to manage the Long Term Incentive Plan. The Trust purchased 240,000 Paddy Power plc shares on 28 June 2004 at a cost of €2.3m, 190,000 Paddy Power plc shares between 18 May 2005 and 23 May 2005 at a cost of €2.6m and a further 280,000 Paddy Power plc shares between 21 June 2006 and 28 June 2006 at a cost of €3.7m. On 28 June 2006, 55,500 shares with an original value of €534,000 were vested from the Trust to a former director of the Company. The results of the Trust are included in the Paddy Power plc Company financial statements. The shares held by the Trust at the balance sheet date are shown as a deduction from equity in the Company balance sheet in accordance with the Company's accounting policy.

# Notes to the Company Financial Statements (continued)

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## 2. Employee expenses and numbers (continued)

### Paddy Power 2004 Second Tier Option Scheme

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

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

### Summary of options outstanding

The total number of options outstanding at 31 December 2006 was 269,999 (2005: 818,076). These options had exercise prices ranging from €3.59 to €14.80 (2005: €3.59 to €14.80).

	<b>Options outstanding at 31 December 2005</b>	<b>Options granted during year</b>	<b>Options lapsed during year</b>	<b>Options exercised during year</b>	<b>Options outstanding at 31 December 2006</b>
Executive share option scheme	327,000	-	-	300,000	27,000
Share option scheme	327,466	12,000	-	302,466	37,000
Sharesave scheme	163,610	61,105	18,328	388	205,999
<b>Total</b>	<b>818,076</b>	<b>73,105</b>	<b>18,328</b>	<b>602,854</b>	<b>269,999</b>

### General

The aggregate number of shares which may be utilised under the employee share option schemes and the LTIP in any ten year period may not exceed ten percent of the Company's issued ordinary share capital. The percentage of share capital which can be utilised under these schemes and the Sharesave Scheme comply with guidelines issued by the Irish Association of Investment Managers in relation to such schemes.

# Notes to the Company Financial Statements (continued)

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## 3. Intangible assets

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

	<b>Licences €'000</b>	<b>Computer software €'000</b>	<b>Total €'000</b>
<b>Cost</b>			
Balance at 1 January 2006	279	527	806
Reclassification	-	(527)	(527)
Additions	1,069	-	1,069
Transfers	15	-	15
Balance at 31 December 2006	1,363	-	1,363
<b>Amortisation</b>			
Balance at 1 January 2006	42	329	371
Reclassification	-	(329)	(329)
Amortisation for year	132	-	132
Balance at 31 December 2006	174	-	174
<b>Net book value</b>			
At 31 December 2005	237	198	435
At 31 December 2006	1,189	-	1,189

During 2006, the directors reviewed the classification of computer software and determined that it should be included within tangible assets rather than intangible assets.

## 4. Goodwill

	<b>€'000</b>
<b>Cost</b>	
Balance at 1 January 2006 and 31 December 2006	2,421
<b>Amortisation</b>	
Balance at 1 January 2006	1,446
Amortisation for year	121
Balance at 31 December 2006	1,567
<b>Net book value</b>	
At 31 December 2005	975
At 31 December 2006	854

Goodwill arose from the assets acquired as part of the amalgamation of three bookmaking businesses to form Paddy Power plc.

# Notes to the Company Financial Statements (continued)

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## 5. Tangible assets

	Land, buildings & leasehold improvements €'000	Fixtures, fittings & equipment €'000	Computer equipment €'000	Computer software €'000	Motor vehicles €'000	Total €'000
<b>Cost</b>						
At 1 January 2006	30,449	37,942	7,976	-	928	77,295
Reclassification (Note 3)	-	-	-	527	-	527
Additions	3,997	9,070	2,555	2,423	202	18,247
Disposals	(1,369)	(389)	(12)	-	(214)	(1,984)
Transfers	(2,076)	(7,298)	(8,653)	770	(724)	(17,981)
At 31 December 2006	31,001	39,325	1,866	3,720	192	76,104
<b>Accumulated depreciation</b>						
At 1 January 2006	7,659	16,845	2,348	-	347	27,199
Reclassification (Note 3)	-	-	-	329	-	329
Charge for year	1,582	4,655	613	268	26	7,144
Disposals	(441)	(236)	(9)	-	(82)	(768)
Transfers	(383)	(3,987)	(1,687)	(328)	(221)	(6,606)
At 31 December 2006	8,417	17,277	1,265	269	70	27,298
<b>Net book value</b>						
At 31 December 2005	22,790	21,097	5,628	-	581	50,096
At 31 December 2006	22,584	22,048	601	3,451	122	48,806

The net book value of land, buildings and leasehold improvements at 31 December 2006 includes €20.5m (2005: €17.7m) in respect of leasehold improvements.

Computer equipment at 31 December 2005 includes an amount of €4.2m in respect of equipment which was either not available for use or in test. Accordingly these assets were not depreciated during 2005. The carrying cost of these assets included €0.5m in respect of internal labour costs. These assets were placed into service during 2006 and have been depreciated from that date.

During 2006, assets with a net book value of €11.4m were transferred from the Company to a subsidiary, Power Leisure Bookmaker Limited. On transfer these assets had an original cost of €18.0m and an accumulated depreciation balance of €6.6m. During 2006, computer equipment with a cost value of €1.3m, either not available for use or in test as of 31 December 2005 and included computer equipment additions in 2005, was reclassified as computer software.

The directors do not consider the remaining useful lives of property, plant and equipment to be materially different from the period over which the assets are being depreciated.

Directive 2002/96/EC of the European Parliament and of the Council of 27 January 2003 on Waste Electrical and Electronic Equipment was introduced on 13 August 2005. The Company has adopted a comprehensive policy on collection, treatment, recovery, reuse and recycling of waste and does not believe that the introduction of this directive will have a material effect on the carrying cost of property, plant and equipment purchased prior to 13 August 2005. The cost of collection, treatment, recovery and recycling of property, plant and equipment purchased subsequent to 13 August 2005 is financed through the payment of charges on acquisition. These charges, none of which are material, are capitalised as part of the cost of the related asset and depreciated over the assets' expected useful lives.

# Notes to the Company Financial Statements (continued)

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## 6. Financial assets

	Unlisted investments in subsidiary companies €'000	Capital contributions €'000	Total €'000
Balance at 1 January 2006	103	1,752	1,855
Movement during year	-	1,909	1,909
Balance at 31 December 2006	<b>103</b>	<b>3,661</b>	<b>3,764</b>

In the opinion of the directors, the value to the Company of the unlisted investments in subsidiary companies is not less than the carrying amount of €103,000 (2005: €103,000). The Company's subsidiaries are listed in Note 24 to the consolidated financial statements.

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

## 7. Debtors

	31 December 2006 €'000	31 December 2005 €'000
Sundry debtors and prepayments	<b>1,079</b>	1,060
Amounts owed by Group companies	<b>25,641</b>	25,770
Deferred tax (Note 9)	<b>1,407</b>	-
	<b>28,127</b>	26,830

All of the above debtors fall due within one year.

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

## 8. Creditors (amounts falling due within one year)

	31 December 2006 €'000	31 December 2005 €'000
Trade creditors	<b>5,609</b>	5,517
Accruals	<b>7,202</b>	4,600
Corporation tax	<b>639</b>	516
PAYE and social welfare	<b>603</b>	978
Betting duty	<b>2,060</b>	3,193
Value added tax	<b>157</b>	393
Amounts owed to Group companies	<b>35,242</b>	19,607
	<b>51,512</b>	34,804

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

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## 9. Provision for liabilities and charges

	<b>2006</b> €'000	2005 €'000
<i>Deferred tax</i>		
<b>Cost</b>		
At beginning of year	<b>1,247</b>	997
(Credited)/charged to the profit and loss account for year	<b>(2,654)</b>	250
At end of year	<b>(1,407)</b>	1,247

Deferred tax at 31 December 2006 and 2005 is analysed by category as follows:

	<b>31 December 2006</b> €'000	31 December 2005 €'000
Capital allowances	<b>(1,127)</b>	1,255
Employee benefits	<b>(280)</b>	(8)
Deferred tax (asset)/liability	<b>(1,407)</b>	1,247

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

## 10. Share capital

See Note 17 to the consolidated financial statements.

## 11. Share premium

See Note 17 to the consolidated financial statements.

## 12. Other reserves and shares held by long term incentive plan

See Note 17 to the consolidated financial statements.

## 13. Dividends paid on equity shares

	<b>2006</b> €'000	2005 €'000
Ordinary shares:		
- final paid of €0.1284 per share (2005: €0.1252)	<b>6,476</b>	6,265
- interim paid of €0.0943 per share (2005: €0.0775)	<b>4,817</b>	3,903
	<b>11,293</b>	10,168
Proposed final dividend of €0.2277 (2005: €0.1284) per share (see Note 25 to the consolidated financial statements)	<b>11,665</b>	6,416

## 14. 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 €616,000 (2005: €774,000) and the amount due to the schemes at 31 December 2006 amounted to €71,000 (2005: €75,000).

# Notes to the Company Financial Statements (continued)

Year ended 31 December 2006

## 15. Commitments and contingencies

### (a) Guarantees

The Company has working capital overdraft facilities of €3.0m with Allied Irish Banks plc. The Company also has a €1.6m BACS guarantees and cash facility from Allied Irish Banks plc. These facilities are unsecured.

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

### (b) Capital commitments

The Company has entered into commitments for capital expenditure not provided for in the financial statements amounting to €115,000 (2005: €900,000).

### (c) Operating lease commitments

The Company has annual commitments of €7.027m (2005: €6.178m) in respect of operating leases on properties where the lease terms expire as follows:

	<b>31 December 2006</b>	31 December 2005
	<b>€'000</b>	€'000
Within 1 year	<b>501</b>	768
Between 2 and 5 years	<b>1,164</b>	790
After 5 years	<b>5,362</b>	4,620
	<b>7,027</b>	6,178

## 16. Statutory information

	<b>2006</b>	2005
	<b>€'000</b>	€'000
Auditor's remuneration	<b>105</b>	105
Directors' remuneration	<b>2,647</b>	3,033
Depreciation	<b>7,144</b>	6,893
Amortisation of intangible assets	<b>132</b>	234
Amortisation of goodwill	<b>121</b>	121
Operating lease rentals, principally premises	<b>6,542</b>	6,536

## 17. Approval of financial statements

The financial statements of the Company for the year ended 31 December 2006 were approved for issue by the Board of Directors on 2 March 2007.