

The Irish National Stud Company Limited

Reports and Financial Statements
for the year ended
31 December 2014

THE IRISH NATIONAL STUD COMPANY LIMITED

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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THE IRISH NATIONAL STUD COMPANY LIMITED

DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS

M. Dempsey
S Brady
J Harrington
J Tuite
S Boyle
K Horgan
M Weld

COMPANY SECRETARY

J McStay

SOLICITORS

McCann Fitzgerald
2 Harbourmaster Place
IFSC
Dublin 2

BANKER

Bank of Ireland
Kildare Town
Co. Kildare

AUDITORS

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

REGISTERED OFFICE

Tully
Kildare
Co. Kildare

REGISTERED NUMBER

11451

THE IRISH NATIONAL STUD COMPANY LIMITED

CHAIRMAN'S STATEMENT 2014

The Irish National Stud again reports an improved financial position for 2014. The company returned a profit on ordinary activities before taxation of €1,829,284 (2013 €571,251).

The revenue for the year was €7.9m, compared to €6.7m in 2013, Stallion income and Bloodstock sales were both up €0.4m. The tourism section continued to perform well with overall revenue up 4% and visitor numbers up 2%. Included in the cost figure is a depreciation charge of €0.8m (2013 €0.7m).

STATEMENT ON INTERNAL FINANCIAL CONTROL

On behalf of the board, I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated. Such a system can provide only reasonable and not absolute assurances against material error and the system in place is proportionate to the size and nature of the company.

The key procedures, which have been put in place by the board, to provide effective internal financial control include the following:

- A clearly defined management structure with proper segregation of duties throughout the organisation.
- Specific clearly defined procedures are in place for control of purchasing, payments, receipts and payroll.
- The audit and risk committee includes two directors and an external chairman; they meet on a regular basis to review risks. They also receive periodic reports from an outsourced Internal Audit function.
- All significant business risks are discussed by the board and decisions taken on the best available professional advice. The board review management accounts and performance against budget.
- Codes of conduct for directors and employees are in place and are published on the company's website.

Through the steps above the board has reviewed the effectiveness of the system of internal control in 2014.

STALLIONS

Invincible Spirit had his best year ever. There are nine Group 1 races over a distance of a mile in the European Racing Calendar and sons of Invincible Spirit won seven of them in 2014, shared between Kingman and Charm Spirit. Both these colts have retired to stud (in the UK) and his dynasty has expanded to where he now has ten sons at stud. The most remarkable of these is "I Am Invincible", his only son at stud in the Southern Hemisphere who became Champion First Season Sire in Australia and a Group 1 sire with his first crop.

The need to reinvest in stallion prospects with a view to finding a successor for Invincible Spirit becomes ever-pressing. **Big Bad Bob** continues his remarkable career, with another crop of two-year-olds which include several prospects for top races, most notably Bocca Baciata, a fancy for the fillies classics in 2015.

Lord Shanakill had the second-highest percentage of winners/runners of the first season sires and just needs a high profile winner to reinforce his successful start. The first 2yo's for **Elusive Pimperel** run in 2015 and we have seen a strong market response for the foals of **Dragon Pulse** and **Famous Name**, so we have a pipeline established.

We retired **Gale Force Ten** for 2015 and his bookings indicate that he is very much what the Irish breeders want – a good-looking and precocious stallion from a fashionable sireline. He starts at a fee of €5,000 which holds out hope for profitable stud-farming for our clients.

THE IRISH NATIONAL STUD COMPANY LIMITED

CHAIRMAN'S STATEMENT 2014

An exciting development in 2014 was when the INS secured the right to stand "**Free Eagle**" when he retires from racing. This horse has already established a huge reputation after only four starts on the racecourse and his winning time on Irish Champions Stakes day would have secured him victory in the big race itself had he contested it and not the Group 3 on the same card, on his 3yo debut. **Free Eagle** stays in training in 2015 and will contest major Group 1 races probably starting off in the Tattersalls Gold Cup in May at the Curragh.

BROODMARES

One of the financial pillars of the Company is the broodmare band which we have expanded in recent years. We had one of our best-ever years at the Sales when a filly by Invincible Spirit out of Propaganda fetched €720,000 at Goffs, which overshadowed the €520,000 we realised for a filly by Invincible Spirit's son Lawman. Total yearling sales receipts of €1.5 million contributed greatly to the improved financial performance, but also reflected the care which our staff take in preparing and presenting at the sales. This fact is recognised by the growing number of clients using this service which we provide.

While we found few buying opportunities at the breeding stock sales in 2014, we are pleased to have fillies coming through. These include a half-sister to classic winner Voleuse de Coeurs, a half-sister to Group 2 winner Pale Mimosa, and also the 3yo filly Aimhirgin Lass which will carry the colours of HE The President in 2015. Although she did not grace the racecourse as a two-year-old, this big filly will hopefully realise the potential her trainer John Oxx has seen.

Breeding and Racing Club

We launched a Breeding and Racing Club in 2014. This venture allows for members to participate in the breeding career of a couple of INS broodmares as well as a small interest in a filly in training by Invincible Spirit. For a membership fee of €2,000 members will see the industry from all aspects.

Tourism

Our visitor numbers again increased, although the increase was slightly below the national numbers, in part a negative impact of the push towards the "Wild Atlantic Way". Our Irish visitor numbers grew strongly, reflecting the improved Irish economy.

OUTLOOK

2015 has much to do to match the successes of 2014 but the year has begun briskly. We have again increased the fee for Invincible Spirit to €100,000 and this fee has not deterred the clients, with a strong book of mares again expected. The earning power of the other stallions is dwarfed by this but we are happy to see the loyal support of our clients reflected in the bookings for all stallions, one of whom has a fee of €1,000. We cater for all budgets.

We celebrate the centenary of "The Gift to the State" made by William Hall Walker in 1915, a gift which has continued to give in the decades since. It was Hall Walker's desire that a National Stud would help to develop a strong thoroughbred breeding sector and we like to think his wish has been granted partly through our efforts.

I wish to express our gratitude to the Minister for Agriculture, Food and the Marine Simon Coveney for his interest and support of the company. We would like to thank the Staff of the Departments of Agriculture, Food and the Marine and also of Finance and Public Expenditure and Reform for their valued support. On behalf of the Board, I would like to thank the management, staff and CEO John Osborne for their efforts and commitment that have resulted in strong financial performance this year.

Matt Dempsey
Chairman

THE IRISH NATIONAL STUD COMPANY LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2014.

RESULTS, DIVIDENDS AND RESERVES

The profit on ordinary activities before taxation was €1,829,284 (2013: profit €571,251). The directors do not recommend a declaration of a dividend (2013: €Nil) or transfer to reserves (2013: €Nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is stud farming and related tourism. The results of these activities are dealt with in the chairman's statement accompanying this report.

PERFORMANCE REVIEW

The company returned an operating profit for the year of €1,731,824 (2013: profit €766,968)).

GOING CONCERN

The financial statements are prepared on a going concern basis as the Board is satisfied that The Irish National Stud Company Limited has adequate resources to continue in operation for the foreseeable future.

RISKS AND UNCERTAINTIES

The strategy of the company is to stand high quality stallions and to breed race horses capable of competing in top class races and to operate a high quality tourism facility.

The performance of the company is largely dependent on the health and popularity of the stallions and on the market demand for their services and on a continuation of the current level of international tourism related travel.

Certain risks facing the company may be difficult to quantify, but relate primarily to animal diseases which would restrict the movement/travelling of animals and or tourists visiting the company's property.

Due to the nature of the industry in which the company operates, the extent and timing of future income remains the company's main uncertainty.

EVENTS SINCE YEAR END

There were no events since year end worthy of note.

FUTURE DEVELOPMENTS

The company has no major development plans.

SHARE CAPITAL

The beneficial ownership of all the issued share capital is vested in the Minister for Public Expenditure and Reform.

THE IRISH NATIONAL STUDD COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2013. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INTERNAL FINANCIAL CONTROL

The board acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated. Such a system can provide only reasonable and not absolute assurances against material error and the system in place is proportionate to the size and nature of the company.

The key procedures, which have been put in place by the board, to provide effective internal financial control include the following:

- A clearly defined management structure with proper segregation of duties throughout the organisation.
- Specific clearly defined procedures are in place for control of purchasing, payments, receipts and payroll.
- The audit committee includes two directors; they meet on a regular basis to review financial risks. They also receive periodic reports from an outsourced Internal Audit function.
- All significant business risks are discussed by the board and decisions taken on the best available professional advice. The board review management accounts and performance against budget.
- Codes of conduct for directors and employees are in place and are published on the company's website.

Through the steps above the board has reviewed the effectiveness of the system of internal control in 2014.

THE IRISH NATIONAL STUD COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The current directors are listed on page 2.

The Minister determines the fees payable to Board members. Board members' fees during 2014 are set out below:

Board member	Fees
M Dempsey	€12,600
S Brady	€8,100
J Harrington	€8,100
J Tuite	€8,100
S Boyle	€8,100
K Horgan	€8,100
M Weld	€8,100

A total of €2,009 was paid to board members for mileage expense claims during the year.

Attendance at meetings

There were five Board meetings held during the year ended 31 December 2014. The Board members attendances at these meetings were as set out below:

Board member	Eligible to Attend	Attended
M Dempsey	5	5
S Brady	5	4
J Harrington	5	4
J Tuite	5	5
S Boyle	5	4
K Horgan	5	5
M Weld	5	4

There were four Audit Committee meetings held during the year ended 31 December 2014. The Committee members' attendances at these meetings were as set out below:

Committee member	Eligible to Attend	Attended
J Malone (chairman)	4	4
S Brady	4	4
S Boyle	4	1

The remuneration of the Chief Executive is in line with 'Guidelines on Contracts, Remuneration and other conditions of Chief Executives and Senior Management of Commercial State Bodies' issued in March 2006 and is summarised in Note 4 to the financial statements.

THE IRISH NATIONAL STUDD COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

BOOKS OF ACCOUNT

The measures that the directors have taken to ensure compliance with Section 202 of the Companies Act, 1990, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The books of account of the company are maintained at Tully, Co Kildare.

AUDITORS

The auditors, PricewaterhouseCoopers, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

PROMPT PAYMENTS OF ACCOUNTS ACT, 1997

The company is included as a listed purchaser of goods and services in the schedule to the Prompt Payment of Accounts Act, 1997 and falls under the remit of the European Communities (Late Payment in Commercial Transactions) Regulations 2002, which came into effect on 7th August 2002. In accordance with the Act and guidelines issued by the Department of Enterprise, Trade and Employment, the following information is provided:

It is written policy of the company to ensure that all invoices are paid promptly. In the event of a written contract invoices are paid in line with the terms of the contract. While procedures are designed to ensure compliance with the Act, they can only provide reasonable and not absolute assurance against material non-compliance with the Act. No interest was paid during the year.

Signed on behalf of the Board:

Matt Dempsey

Director

Date: 5th March 2015

Mark Weld

Director

Date: 5th March 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE IRISH NATIONAL STUD COMPANY LIMITED

We have audited the financial statements of The Irish National Stud Company Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We review at the request of the Directors, whether the statement on the system of internal controls as stated in the Internal Financial Control section in the Director's Report reflects the Board's compliance with the provision of The Code of Best Practice for the Governance of State Bodies that is specified for review by auditors and we report if those statements do not. We are not required to consider whether the Board's statements on internal control cover the required risks and controls, or form an opinion on the effectiveness of the corporate governance procedures or its risk and control procedures.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2013.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE IRISH NATIONAL STUD COMPANY LIMITED - continued

Matters on which we are required to report by the Companies Acts 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the company.
- The financial statements are in agreement with the books of account.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.
- The net assets of the company, as stated in the Balance Sheet, are more than half of the amount of the called up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Matters on which we are required to report by exception

- We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

**Paul Hennessy
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin**

9th March 2015

THE IRISH NATIONAL STUDD COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2013. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board. Certain Companies Acts headings have been tailored to more appropriately reflect the business.

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention and are in the format approved by the Minister for Agriculture, Food and the Marine.

TANGIBLE ASSETS AND DEPRECIATION

Tangible assets are stated at cost less accumulated depreciation.

Depreciation is charged on a straight line basis at rates estimated to write off the cost of each asset, less its estimated residual value, over its useful economic life as follows:-

Land and buildings	50 years
Machinery	5 years
Fixtures and furniture	10 years
Motor vehicles	5 years

Freehold land is not depreciated.

STALLION SHARES AND BREEDING STOCK

Stallion and broodmare investments held by the stud are included as fixed assets at cost less accumulated depreciation subject to provision for any permanent diminution in value. Depreciation of stallions and stallion shares commences in the year of first covering and is intended to write off the cost as follows:

Years 1 to 3	20% in each year
Years 4 to 7	10% in each year

Subject to stallions being fully written off by the end of their seventh year at stud.

Depreciation of broodmares commences in the year following their first covering. Taking into account life and fertility expectations and commercial viability it is intended to fully depreciate all broodmares on a straight line basis in full by the end of their twelfth year of life.

STOCKS

Stocks which comprise bloodstock and farm supplies are stated at the lower of cost and net realisable value. Cost consists of suppliers invoiced price determined on a first in first out basis. Net realisable value is estimated sales value less all costs to be incurred on sale.

THE IRISH NATIONAL STUD COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

NOMINATION FEE

The cost or net realisable value of nomination fees of in-foal mares is included in bloodstock. In the year of birth of a foal the attributable nomination fee cost is utilised to establish the stock cost price of the foal. Where a mare is purchased in foal, the advertised nomination fee is used to establish the cost of the foal.

SYNDICATE ACCOUNTS

The company manages a number of stallion syndicates for which it collects and distributes fees. These monies, in so far as they relate to third parties, are not dealt with in these financial statements.

PENSION COSTS

The company operates a defined benefit pension scheme, which is now closed to new members. The scheme is administered by trustees and is independent of the company's finances. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the company's defined pension scheme expected to arise from employee service in the year is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension scheme's surplus, to the extent that it is considered recoverable, or deficit is recognised in full and presented on the face of the balance sheet.

The company also contributes to a defined contribution pension scheme for employees which is funded by the company. The assets of the scheme are held separately from those of the company. The costs are charged to the profit and loss account as they fall due.

REPORTING CURRENCY

The reporting currency used in these financial statements is Euro.

FOREIGN CURRENCIES

Transactions during the year have been converted into Euro at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are converted into Euro at the rate of exchange ruling at the Balance Sheet date. Differences arising on conversion are reflected in the results for the year.

CAPITAL GRANTS

Capital grants received are shown as deferred income and credited to the profit and loss account over a period which equates with the anticipated useful life of the underlying grant aided assets.

THE IRISH NATIONAL STUD COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES

TURNOVER

Turnover consists of all sales of bloodstock, cattle, other produce and services including tourism and retail, and racing income together with the stud's proportion of the profit of stallion syndicates in which it is a member.

STALLION SYNDICATE INCOME RECOGNITION

Stallion syndicate distributions, from syndicates other than those managed by the Irish National Stud Company Limited, are accounted for in the year during which they are received. Stallion syndicate income, which is stated net of discounts and direct costs, is recognised when the service is performed. Where syndicate income arises subject to certain conditions being fulfilled at a future date, a provision is made for the likelihood of these conditions not being fulfilled.

TAXATION

Current tax, including Irish corporation tax and foreign taxes, is provided on the company's tax adjusted profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted on a full provision basis on all timing differences that have originated but not reversed by the balance sheet date, except as otherwise required by FRS19. Deferred tax assets are recognised when it is more likely than not, that they will be recovered, in the foreseeable future out of suitable taxable profits.

THE IRISH NATIONAL STUD COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Notes</i>	2014 €	2013 €
TURNOVER	2	7,856,308	6,706,070
Cost of Sales		(260,271)	(397,570)
GROSS PROFIT		<u>7,596,037</u>	<u>6,308,500</u>
Administration Expenses		(5,846,253)	(5,519,084)
Finance Expenses		(17,960)	(22,448)
OPERATING PROFIT		<u>1,731,824</u>	<u>766,968</u>
Interest payable and similar charges	3	(229,569)	(252,128)
Interest receivable		628	3,580
Profit on disposal of bloodstock and fixed assets		326,401	52,831
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4	<u>1,829,284</u>	<u>571,251</u>
Taxation	6	(3,269)	(1,173)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	14/15	<u><u>1,826,015</u></u>	<u><u>570,078</u></u>

All gains and losses arise from continuing activities.

The financial statements were approved by the Board of Directors on and signed on its behalf by:

Matt Dempsey

Director

Mark Weld

Director

John Mc Stay

Company Secretary

THE IRISH NATIONAL STUDD COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	2014 €	2013 €
Profit for the financial year		1,826,015	570,078
Actuarial gain/ (loss) on pension scheme	21	(269,000)	289,000
Total recognised gain/ (loss)		<u>1,557,015</u>	<u>859,078</u>

THE IRISH NATIONAL STUD COMPANY LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	2014 €	2013 €
FIXED ASSETS			
Tangible fixed assets	7	9,827,461	9,787,742
Stallion shares and breeding stock	8	753,649	935,532
		<u>10,581,110</u>	<u>10,723,274</u>
CURRENT ASSETS			
Stocks	9	819,786	806,406
Debtors	10	3,780,102	3,371,154
Cash at bank and in hand	19	1,461,525	232,960
		<u>6,061,412</u>	<u>4,410,520</u>
CREDITORS: (Amounts falling due within one year)	11	(1,382,372)	(1,175,149)
NET CURRENT ASSETS		<u>4,679,041</u>	<u>3,235,371</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,260,150</u>	<u>13,958,645</u>
CREDITORS: (Amounts falling due after more than one year)	12	(2,188,510)	(2,631,020)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>13,071,640</u>	<u>11,327,625</u>
Pension liability	21	(682,000)	(485,000)
NET ASSETS INCLUDING PENSION LIABILITY		<u><u>12,389,640</u></u>	<u><u>10,842,625</u></u>
CAPITAL AND RESERVES			
Share capital	13	13,768,724	13,768,724
Profit and loss account	14	(1,631,979)	(3,188,994)
SHAREHOLDER'S FUNDS	15	<u>12,136,745</u>	<u>10,579,730</u>
Capital grants	16	252,895	262,895
TOTAL CAPITAL AND RESERVES		<u><u>12,389,640</u></u>	<u><u>10,842,625</u></u>

The financial statements were approved by the Board of Directors on and signed on its behalf by:

Matt Dempsey

Director

Mark Weld

Director

John Mc Stay

Company Secretary

THE IRISH NATIONAL STUD COMPANY LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	2014 €	2013 €
Net cash inflow from operating activities	17	2,171,286	602,818
Returns on investment and servicing of finance			
Interest paid		(229,569)	(252,128)
Interest received		628	3,580
Contributions paid to pension scheme		55,000	55,000
Net cash outflow from investing and servicing of finance activities		(173,941)	(193,548)
Taxation Refund / (Paid)		(3,269)	(1,173)
Capital expenditure and financial investment			
Payments to acquire stallion shares and breeding stock		(241,333)	(217,258)
Receipts from sale of stallion shares and breeding stock		377,037	76,052
Payments to acquire tangible fixed assets		(494,496)	(162,640)
Receipts from sale of tangible fixed assets		35,791	25,950
Net cash (outflow)/inflow from investing activities		(323,001)	(277,896)
Increase/ (Repayment) of borrowings		(442,510)	90,381
Increase in cash	18	1,228,565	220,582

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

5. EMPLOYEES AND REMUNERATION

		2014 Number	2013 Number
Full time		37	37
Seasonal Head Count	29		25
Seasonal (Full time Equivalent)		<u>14</u>	<u>13</u>
Total (Full time Equivalent)		<u>51</u>	<u>50</u>
Staff costs (excluding directors) comprise:			
		2014 €	2013 €
Wages and salaries		2,164,429	1,885,858
Social welfare costs		214,385	231,146
Defined benefit pension scheme costs		10,000	7,000
Defined contribution scheme pension costs		81,668	82,024
Other staff costs		5,264	5,281
		<u>2,475,746</u>	<u>2,211,309</u>

6. TAXATION

		2014 €	2013 €
Analysis of tax charge			
Corporation tax on result for the year		(3,269)	(1,173)
		<u>(3,269)</u>	<u>(1,173)</u>

The current tax charge for the year is different from the tax charge that would result from applying the standard rate of Irish Corporation tax to the loss on ordinary activities before taxation.

The differences are explained below:

		2014 €	2013 €
Profit on ordinary activities before tax		1,829,284	571,251
Tax at standard rate of 12.5% (2013: 12.5%)		228,660	71,406
Other timing differences		(225,391)	(15,124)
Depreciation in excess of capital allowances			(61,263)
Higher rate of tax on passive income			(1,173)
Movement in Losses carried forward			4981
		<u>(3,269)</u>	<u>(1,173)</u>

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

7. TANGIBLE FIXED ASSETS

	Land & Buildings €	Machinery & Furniture €	Motor Vehicles €	Total €
Cost:				
At 1 January 2014	12,246,002	4,422,664	254,537	16,923,203
Additions		438,816	55,680	494,496
Disposals				
At 31 December 2014	12,246,002	4,861,480	310,217	17,417,699
Depreciation:				
At 1 January 2014	3,251,161	3,697,563	186,737	7,135,461
Charge for year	150,405	278,236	26,136	454,777
Disposals	-	-	-	-
At 31 December 2014	3,401,566	3,975,799	212,873	7,590,238
Net book amounts:				
At 31 December 2014	8,844,436	885,681	97,344	9,827,461
At 31 December 2013	8,994,841	725,101	67,800	9,787,742

8. STALLION SHARES AND BREEDING STOCK

	2014 €	2013 €
Cost:		
At 1 January 2014	8,922,178	8,930,218
Additions	241,333	217,258
Disposals	(3,657,827)	(225,298)
At 31 December 2014	5,505,684	8,922,178
Depreciation:		
At 1 January 2014	7,986,646	7,806,398
Charge for year	347,790	358,373
Relating to disposals	(3,582,401)	(178,125)
Impairment charge	-	-
At 31 December 2014	4,752,085	7,986,646
Net book amounts:		
At 31 December 2014	753,649	935,532

9. STOCKS

	2014 €	2013 €
Bloodstock	721,314	631,375
Consumables	98,472	175,031
	819,786	806,406

The replacement cost of stock at 31 December 2014 did not differ significantly from the amount included in the balance sheet.

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

10. DEBTORS: (Amounts falling due within one year)	2014	2013
	€	€
Trade debtors	2,917,561	2,852,001
Prepayments and accrued income	854,814	507,699
VAT	-	1,079
Withholding tax	7,727	10,375
	<u>3,780,102</u>	<u>3,371,154</u>
	=====	=====
11. CREDITORS: (Amounts falling due within one year)	2014	2013
	€	€
Trade creditors and accruals	850,222	664,545
VAT	21,546	-
Bank loan (Note 12(b))	510,604	510,604
	<u>1,382,372</u>	<u>1,175,149</u>
	=====	=====
12. CREDITORS: (Amounts falling due after more than one year)	2014	2013
	€	€
Bank loan	2,429,114	2,841,624
Less: Amount repayable within one year (Note 11)	(510,604)	(510,604)
Other Creditors	270,000	300,000
	<u>2,188,510</u>	<u>2,631,020</u>
	=====	=====
12(b) Maturity of Bank Loan		
In one year or less, or on demand	510,604	510,604
In more than one year, but not more than two years	404,387	510,604
In more than two years, but not more than five years	544,242	727,678
In more than five years	969,881	1,092,738
	<u>2,429,114</u>	<u>2,841,624</u>
	=====	=====

One loan was for the purchase of Strawhall in 2004. The original term of the loan was 25 years. A working capital loan was taken out in 2010 for a five year period. Both loans are approved by the relevant government departments.

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

13. SHARE CAPITAL	2014 €	2013 €
Authorised:		
30,000,000 Ordinary Shares of €1.27each	38,100,000	38,100,000
Issued and fully paid:		
10,841,516 Ordinary shares of €1.27each	13,768,724	13,768,724
14. PROFIT AND LOSS ACCOUNT	2014 €	2013 €
At 1 January 2014	(3,188,994)	(4,048,072)
Profit for the financial year	1,826,015	570,078
Actuarial gain/ (loss) on pension scheme (Note 22)	(269,000)	289,000
At 31 December 2014	(1,631,979)	(3,188,994)
15. RECONCILIATION OF THE MOVEMENT IN SHAREHOLDERS' FUNDS	2014 €	2013 €
At 1 January 2014	10,579,730	9,720,652
Profit for the financial year	1,826,015	570,078
Actuarial loss on pension scheme (Note 22)	(269,000)	289,000
At 31 December 2014	12,136,745	10,579,730
16. CAPITAL GRANTS	2014 €	2013 €
At 1 January 2014	262,895	272,895
Amortisation	(10,000)	(10,000)
At 31 December 2014	252,895	262,895

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

17. RECONCILIATION OF PROFIT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES	2014 €	2013 €
Operating profit/ (loss)	1,731,824	766,968
Depreciation charges	802,567	740,103
Increase in stocks	(13,380)	(65,843)
(Increase)/Decrease in debtors	(408,948)	(192,459)
Increase/ (Decrease) in creditors	207,223	(503,951)
Grant amortisation	(10,000)	(10,000)
Pension (gain)/charge	(138,000)	(132,000)
Net cash inflow from operating activities	2,171,286	602,818

18. ANALYSIS OF MOVEMENTS IN NET FUNDS	01/01/2014 €	Cash Flows €	31/12/2014 €
Cash at bank and in hand	232,960	1,228,565	1,461,525
	<u>232,960</u>	<u>1,228,565</u>	<u>1,461,525</u>
Bank loan due within one year	(510,604)	-	(510,604)
Bank loan due after one year	(2,331,020)	442,510	(1,888,510)
Net debt	<u>(2,608,664)</u>	<u>1,671,075</u>	<u>(937,589)</u>

19. TRANSACTIONS INVOLVING RELATED PARTIES

It is the policy of the company to encourage directors and those connected with them to trade, in the ordinary course of business, with the company and with stallion syndicates managed by the company. During the year directors and the company secretary and parties connected with them purchased at market value, keep services to a total value of €2,889 (2013: €3,472). The company earned income of €3,379,254 (2013:€2,890,804) from syndicates in which a company connected with the company secretary have interests. The company secretary interests in such syndicates is 4%.

The company purchased professional services in 2014 with a value of €12,300 (including Vat) from a firm connected with the company secretary (2013: Nil).

20. COMMITMENTS

Capital Commitments:

There was no capital expenditure contracted for at the balance sheet date not provided for in the financial statements (2013:€50,800).

THE IRISH NATIONAL STUD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

21. PENSIONS

The company operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. This scheme is closed to new members. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. On March 1 2012, the scheme was closed to new entrants. The (gains)/costs (credited)/charged to the profit & loss account for the year amounted to €138,000 (2013 €132,000). At the same time the company established 2 defined contribution schemes to provide benefits to employees. Contributions made to the defined contribution scheme during the year amounted to €81,668 (2013: €82,024). There were no contributions in relation to either scheme payable at the year-end.

The most recent valuation for funding purposes was carried out by a qualified independent actuary as at September 30 2011 and is available for inspection by the scheme members but not for public inspection.

The principal assumptions used by the independent qualified actuary to calculate the liabilities under FRS 17 are set out below:

	2014	2013
	% p.a.	% p.a.
Discount rate	1.90	3.50
Expected return on plan assets	1.90	4.86
Expected rate of salary increases	n/a	n/a
Expected future pension increases	0.90	1.50
Expected increase in inflation	1.30	2.00

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the current asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Mortality assumptions:

The mortality assumptions in 2014 are based on a study on mortality rates and trends for future mortality improvements as prepared by the Society of Actuaries in Ireland.

The assumed life expectations on retirement at age 65 are:	2014	2013
	Years	Years
Member age 65 – current life expectancy	21.4	21.4
Members age 40 – life expectancy at age 65	23.2	23.2

	2014	2013
	€'000	€'000
Amounts Recognised on the Balance Sheet		
Present value of funded liabilities	(4,248)	(3,660)
Fair value of plan assets	3,566	3,175
Net pension liability	<u>(682)</u>	<u>(485)</u>

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

21. PENSIONS (continued)

	2014 €'000	2013 €'000
Analysis of Charge to Profit and Loss Account		
Current service cost	(10)	(7)
Interest cost	(128)	(125)
Expected return on assets	155	152
Curtailment Gain	-	-
Past Service	-	-
Gain/ (expense) recognised in profit and loss account	<u>17</u>	<u>20</u>
Analysis of amounts recognised in statement of recognised gains and losses (STRGL)		
Total actuarial gain/ (losses)	(269)	289
Total actuarial gains as percentage of Value of Liabilities	-	7.9%
Changes in the present value of the pension plan obligation		
Opening present value of liabilities	(3,660)	(3,588)
Current service cost	(10)	(7)
Interest cost	(128)	(125)
Contributions by participants	-	-
Actuarial losses on liabilities	59	40
Benefits paid	40	20
Actuarial loss arising from change in liability valuation	(549)	-
Closing present value of liabilities	<u>(4,248)</u>	<u>(3,660)</u>
Changes in the fair value of pension plan assets		
Opening fair value of assets	3,175	2,739
Expected return on assets	155	152
Actuarial gains/ (losses) on assets	221	249
Contributions by the employer	55	55
Contributions by participants	-	-
Benefits paid out	(40)	(20)
Closing fair value of assets	<u>3,566</u>	<u>3,175</u>

The major categories of plan assets as a percentage of total plan assets were as follows:

	2014	2013
Equities	53.80%	75.50%
Bonds	15.60%	14.40%
Property	3.40%	2.80%
Other	27.20%	6.30%
	<u>100.00%</u>	<u>100.00%</u>

The company expects to contribute €57,000 to its defined benefit pension plans in 2015 (2014 €48,000).

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

21. PENSIONS (continued)

History of asset values, present value of liabilities, deficit and experience gains / (losses) in the plan

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Present value of liabilities	(4,248)	(3,660)	(3,588)	(3,165)	(2,928)
Fair value of assets *	3,566	3,175	2,739	2,384	2,308
Deficit in plan	<u>(682)</u>	<u>(485)</u>	<u>(849)</u>	<u>(781)</u>	<u>(620)</u>

* The above prior years' comparative asset values have not been restated from mid-price to bid-price asset value.

	2014 €'000	2013 €'000	2012 €'000	2011 €'000	2010 €'000
Difference between expected and actual return on plan assets	(221)	(249)	(182)	241	(39)
Difference between expected and actual return on plan assets as %					
Present value of liabilities	(6.2%)	(7.8%)	(5.1%)	(7.6%)	(1.3%)
Experience (gains)/losses on plan liabilities	(59)	(40)	(66)	(94)	(236)
Experience (gains)/losses on plan liabilities as %					
Present value of liabilities	(1.4%)	(1.1%)	(1.8%)	(3.0%)	(8.1%)
Changes in assumptions	549	-	746	152	189

22. CONTINGENT LIABILITIES

There are no contingent liabilities at 31st December 2014.

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 5th March 2015.