

The Irish National Stud Company Limited

Reports and Financial Statements
for the year ended
31 December 2010

THE IRISH NATIONAL STUDD COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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THE IRISH NATIONAL STUDD COMPANY LIMITED

DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS

Lady O'Reilly (Chairman)
J. Beecher
D.K. Weld
S Brady (Appointed 19 May 2010)
J Harrington (Appointed 19 May 2010)
PJ Fitzpatrick (Appointed 23 June 2010)
P Shelly (Appointed 8 March 2011)

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 2010

The Irish National Stud reports an improved financial position in 2010. Our flagship stallion, Invincible Spirit, sired a new European record of 42 individual 2 year old winners including the champion 2 year old filly in England, aptly named "Hooray". We also house Verglas who had another strong year both at stud and on the racecourse – he is the 7th leading Irish based sire so the Irish National Stud has continued to hold a prominent position in an increasingly competitive market.

The activities of the company produced an operating profit of €309k though this becomes a loss of €1.1m after depreciation. While disappointing, this performance is a €3m improvement on 2009. Prospects for 2011 are boosted by the addition of two new horses to our roster (now numbering eight stallions). We have new sire Lord Shanakill, a Group 1 winner, and we also have Big Bad Bob, who has had an impressive start to his career when standing at Islanmore Stud.

The notable features of the financial performance are the increased turnover from €5.6m to €6.8m, the continued attack on the administration expenses which have reduced from €9.1m to €6.8m and the retention of the visitor numbers in tourism where we had a reduction in receipts of only 3% in an Irish market that was down 15%.

Included in the cost figure is a depreciation charge of €1.4m (2009 €2.6m), we are near the end of the most aggressive phase of depreciation of assets acquired at the top of the market.

Also included is a provision for bad debt of €185k (2009 €760k) which is in line with our conservative approach. We have seen an improvement in the proportion of collections though it is an industry with a very slow payment cycle.

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 committee includes four 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 2010.

THE IRISH NATIONAL STUD COMPANY LIMITED

CHAIRMAN'S STATEMENT 2010 (CONTINUED)

STALLIONS

Invincible Sprit continues to dominate our results. He is at the height of his powers and remains extremely popular in a difficult market. Indeed we increased his fee by 35% for the 2011 Season. As stated, he had the Champion 2 year old filly but can also boast five sons at stud and has had Group 1 winners at 6, 7, 8, 9 & 10 furlongs. He has had an enormous impact to the Stud and to the market.

Verglas, now 17 years old, continues to produce a large number of winners at all levels in numerous countries. He has reached an age where the fickle commercial market is somewhat discounting his sales produce in favour of the offspring of younger sires. Many of his winners are in France where he began his career. The impact of his consistent and numerous winners is therefore diluted. Nevertheless he remains popular with owner breeders, and importantly with trainers, who appreciate the tough constitution of his offspring and his ability to produce a high class horse.

Another two of our roster have their first runners in 2011 – Jeremy and Amadeus Wolf. Both remain popular with breeders in this uncertain year, reflecting confidence in their future success.

Art Connoisseur has his first foals this year and the reports are very exciting. Indian Haven is a son of Indian Ridge and a classic winner in his own right. He provides a great value alternative to breeders in these difficult times.

The 2011 season is the first year in memory when the most expensive new stallion in Europe (Makfi at a historically humble £25,000) does not retire to stud in Ireland. This may be a once off, but the pre-eminence of Ireland, built on the presence of elite stallions, can never be taken for granted.

OTHER BLOODSTOCK ACTIVITIES

Our own broodmare band produced two exciting 2 year olds in Seeharn and Titus Mills as black type 2 year olds and produced sales receipts of over €542k at Goffs Sales. We also sold a colt foal in Newmarket for £100,000 guineas (€116k). We increased our broodmare numbers from a low of 11 to now 17 having acquired 6 mares in the Autumn for a total investment of €87k. Hopefully we can find another Blue Hen like Sabaah – now retired. Sabaah is the dam of Classic winner Desert King and four other black type horses.

TOURISM

The Irish National Stud and its Japanese Garden, St. Fiachra's Garden and Horse Museum remain an enduring gem in the Irish tourism landscape. The national numbers were down 15% but we were down only 3% with nearly 112,000 visitors.

We continue to refresh the product and 2010 featured a mid-Summer concert coinciding with the local Derby Festival and had various other initiatives celebrating the centenary of the Japanese Gardens. We also renovated the Owens Cottage, a thatched cottage, which was opened on February 1st 2011 to herald the Spring. Another new beginning!

IRISH NATIONAL STUD THOROUGHBRED BREEDING COURSE

The course of 2010 brought together 17 students from all over the world but the gold medallist had travelled from Kildare Town – Richard Scahill, son of renowned commentator Dessie Scahill. For 2011 we have taken 22 students from 11 countries with students from Ireland, UK, France, Germany, Norway, USA, Canada, Australia, New Zealand, Korea and Japan.

OUTLOOK

2011 has started well with a very pleasant Spring and solid bookings to the stallions. We predict an improved performance on stallion income. We hope to have another profitable year in Tourism which will have some more special events to raise the profile. The Stud operates in a cyclical industry currently in a downturn but has come through thus far despite a few difficult years. We have taken steps to re-invest at the now lower entry point for mares and we have concentrated on value stallions for their matings. We continue to look at cost reduction under all headings and do so while consistently trying to set or raise the standard in the industry in Ireland and the profile of the industry worldwide.

APPRECIATION

I wish to express our gratitude to outgoing minister of Agriculture, Fisheries and Food Brendan Smith for his interest and support of the company. We wish his successor Simon Coveney well in his new role and look forward to welcoming him to Tully. The Staff of of the Departments of Agriculture, Fisheries and Food and also of Finance have continued to extend great support to the company in many different ways and we are grateful to them for their efforts on our behalf.

The management and staff of the INS are commended for their sustained efforts to reduce costs and we can see tangible evidence of this. The stud is proud of it's show piece status and the staff make it so. Thanks also to my fellow board members and to our Company Secretary for their contribution and support throughout the year.

I welcome new board members Dr Sean Brady, Jessica Harrington, PJ Fitzpatrick and Paul Shelly. The board benefits from a great range and depth of expertise and we are confident we can emerge from these challenging times in better shape.

Lady O' Reilly
Chairman

THE IRISH NATIONAL STUD COMPANY LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2010.

RESULTS, DIVIDENDS AND RESERVES

The loss on ordinary activities before taxation was €1,128,107 (2009: €4,238,540). The directors do not recommend a declaration of a dividend (2009: €Nil) or transfer to reserves (2009: €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 incurred an operating loss for the year of €825,760 (2009: €4,196,220).

GOING CONCERN

The financial statements are prepared on a going concern basis as the Board is satisfied that The Irish National Stud 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.

Risks facing the company are 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 Finance.

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 2009. 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 four 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 2010.

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 and expenses during 2010 are set out below:

Board member	Fees
Lady O'Reilly	€12,600
J. Beecher	€8,100
M. Leavy (resigned 2 June 2010)	€3,375
J. Osborne (resigned 1 February 2010)	€675
T. Stewart (resigned 2 June 2010)	€3,375
D. K. Weld	€8,100
S Brady (appointed 19 May 2010)	€4,725
J Harrington (appointed 19 May 2010)	€4,725
PJ Fitzpatrick (appointed 23 June 2010)	€4,050

There were no expenses paid to Board members in 2010.

Attendance at meetings

There were six Board meetings held during the year ended 31 December 2010. The Board members attendances at these meetings were as set out below:

Board member	Eligible to Attend	Attended
Lady O'Reilly	6	6
J. Beecher	6	5
M. Leavy	2	1
T. Stewart	2	2
D. K Weld	6	5
S Brady	4	4
J Harrington	4	3
PJ Fitzpatrick	3	2

There were four Audit Committee meetings held during the year ended 31 December 2010. The Committee members' attendances at these meetings were as set out below:

Committee member	Eligible to Attend	Attended
Lady O'Reilly	4	4
J. Beecher	4	4
S Brady	4	4
PJ Fitzpatrick	3	2
J Malone	4	4

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 STUD 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, Deloitte & Touche, Chartered Accountants resigned during the year and PricewaterhouseCoopers were appointed as casual auditors to the Company to replace them. PricewaterhouseCoopers will hold office until the conclusion of the next general meeting at which the Directors will confirm their appointment and fix their remuneration.

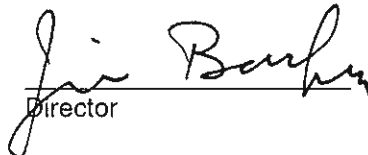
PROMPT PAYMENTS OF ACCOUNTS ACT, 1997

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:


Director


Director

Date: 4 April 2011

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 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements, as set out in the Statement of Directors' Responsibilities, in accordance with applicable law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibility, as independent auditor, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purpose of our audit and whether the company's balance sheet and profit and loss account are in agreement with the books of account.

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 read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to other information.

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.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

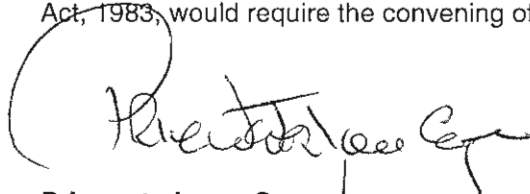
In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the company as at 31 December 2010 and of the loss for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet and its profit and loss account 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 company balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2010 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.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

14 April 2011

THE IRISH NATIONAL STUD 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 2009. 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 amended 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, Fisheries and Food.

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 of life.

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 contributory pension scheme, of the defined benefit type, for employees. 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 net of the related deferred tax.

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.

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, from syndicate which the stud manages, arises in some cases subject to specific conditions being fulfilled after the year end date and provision is made for the likelihood of these conditions not being fulfilled. All other income is accounted for in the year during which it becomes receivable.

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 2010

	<i>Notes</i>	2010 €	2009 €
TURNOVER	2	6,800,046	5,622,639
Cost of Sales		(769,230)	(726,333)
GROSS PROFIT		<u>6,030,816</u>	<u>4,896,306</u>
Administration Expenses		(6,838,970)	(9,072,198)
Finance Expenses		(17,606)	(20,328)
OPERATING LOSS		<u>(825,760)</u>	<u>(4,196,220)</u>
Interest payable and similar charges	3	(144,091)	(156,570)
Interest receivable		145	8,717
(Loss)/ Profit on disposal of bloodstock and fixed assets		(158,401)	105,533
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>(1,128,107)</u>	<u>(4,238,540)</u>
Taxation	6	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION ^{15/16}		<u><u>(1,128,107)</u></u>	<u><u>(4,238,540)</u></u>

All gains and losses arise from continuing activities.

The financial statements were approved by the Board of Directors on 4/4/11 and signed on its behalf by:


Director


Director


Company Secretary

THE IRISH NATIONAL STUD COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2010

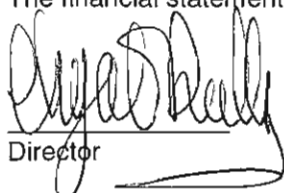
	<i>Notes</i>	2010 €	2009 €
Loss for the financial year		(1,128,107)	(4,238,540)
Actuarial gain on pension scheme	22	86,000	177,000
Total recognised gains and losses		<u>(1,042,107)</u>	<u>(4,061,540)</u>

THE IRISH NATIONAL STUDD COMPANY LIMITED

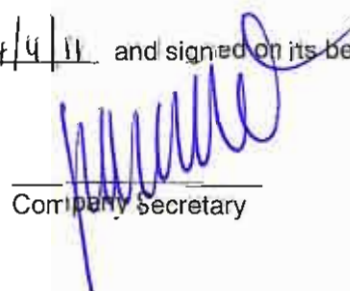
BALANCE SHEET
AS AT 31 DECEMBER 2010

	Notes	2010 €	2009 €
FIXED ASSETS			
Tangible assets	7	10,663,042	10,974,967
Stallion shares and breeding stock	8	1,515,121	2,260,328
		<u>12,178,163</u>	<u>13,235,295</u>
CURRENT ASSETS			
Stocks	9	342,303	808,484
Debtors	10	4,381,038	4,315,100
Cash at bank and in hand		248,670	117,776
		<u>4,972,011</u>	<u>5,241,360</u>
CREDITORS: (Amounts falling due within one year)	11	<u>(2,863,811)</u>	<u>(3,623,813)</u>
NET CURRENT ASSETS		<u>2,108,200</u>	<u>1,617,547</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,286,363</u>	<u>14,852,842</u>
CREDITORS: (Amounts falling due after more than one year)	13	<u>(3,044,784)</u>	<u>(2,285,156)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>11,241,579</u>	<u>12,567,686</u>
Pension liability	22	(620,000)	(894,000)
NET ASSETS INCLUDING PENSION LIABILITY		<u>10,621,579</u>	<u>11,673,686</u>
CAPITAL AND RESERVES			
Called up share capital	14	13,768,724	13,768,724
Profit and loss account	15	(3,440,040)	(2,397,933)
SHAREHOLDER'S FUNDS	16	<u>10,328,684</u>	<u>11,370,791</u>
Capital grants	17	292,895	302,895
TOTAL CAPITAL AND RESERVES		<u>10,621,579</u>	<u>11,673,686</u>

The financial statements were approved by the Board of Directors on 4/4/11 and signed on its behalf by:


Director


Director


Company Secretary

THE IRISH NATIONAL STUD COMPANY LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Notes</i>	2010 €	2009 €
Net cash inflow from operating activities	<i>18</i>	1,757,089	1,634,910
Returns on investment and servicing of finance			
Interest paid		(144,091)	(156,570)
Interest received		145	8,717
Contributions paid to pension scheme		(299,000)	(239,000)
Net cash outflow from investing and servicing of finance activities		(442,946)	(386,853)
Taxation paid		-	(60,519)
Capital expenditure and financial investment			
Payments to acquire stallion shares and breeding stock		(412,579)	-
Receipts from sale of stallion shares and breeding stock		47,688	496,796
Payments to acquire tangible fixed assets		(173,115)	(89,365)
Receipts from the sale of tangible fixed assets		-	15,750
Grant received		-	27,323
Net cash (outflow) /inflow from investing activities		(538,006)	450,504
Receipt from medium term borrowings		1,500,000	-
Repayment of borrowings		(411,179)	(114,019)
Increase in cash	<i>19</i>	1,864,958	1,524,023

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. BASIS OF PREPARATION - GOING CONCERN

The company incurred a loss after tax of €1,128,107 for the year ended 31 December 2010 (2009: loss €4,238,540). The loss for the year includes a depreciation charge of €1,436,735, the company had a profit before depreciation of €308,628 in 2010. The directors have reviewed the company's cashflow projections and its bank facilities for the next 12 months. The directors consider that the going concern basis is appropriate given the company's strong asset base, its ability to manage cashflow and the continued approval of the shareholder for ongoing borrowing. The financial statements do not include any adjustments to the carrying amount and classification of assets and liabilities that would arise if the company was unable to continue as a going concern.

2. TURNOVER

	2010	2009
	€	€
Analysis by activity		
Stud and farm	5,511,037	4,251,981
Tourism	1,289,009	1,370,658
	<u>6,800,046</u>	<u>5,622,639</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	€	€
Interest payable on bank overdraft	7,471	30,997
Bank loans	104,620	75,573
Net interest payable on pension liability	32,000	50,000
	<u>144,091</u>	<u>156,570</u>

4. LOSS BEFORE TAXATION

	2010	2009
	€	€
Loss before taxation is stated after charging:		
Directors' remuneration – fees and emoluments	50,731	61,325
Auditor's remuneration – Audit	18,700	21,700
Auditor's remuneration – Taxation Services	3,000	-
Remuneration of Chief Executive	157,598	144,000
Depreciation	1,436,735	1,835,856
Foreign exchange loss	-	218
Impairment charge on bloodstock	-	746,654
Loss on disposal of fixed assets	-	12,900
Loss on disposal of bloodstock fixed assets	158,402	-
and after crediting:		
Grant amortisation	10,000	10,000
Profit on disposal of bloodstock fixed assets	-	118,433
Interest received	145	8,717
Foreign exchange gain	631	-
	<u> </u>	<u> </u>

THE IRISH NATIONAL STUDD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

5.	EMPLOYEES AND REMUNERATION	2010	2009
		Number	Number
	Operating loss is stated after charging:		
	Full time	43	44
	Seasonal Head Count	21	22
	Seasonal (Full time Equivalent)	<u>11</u>	<u>12</u>
		<u>54</u>	<u>56</u>
	 Staff costs (excluding directors) comprise:	2010	2009
		€	€
	Wages and salaries	2,025,808	2,219,963
	Social welfare costs	211,301	225,095
	Pension costs – current service cost	79,000	69,000
	Other staff costs	2,479	8,887
		<u>2,318,588</u>	<u>2,522,945</u>

6.	TAXATION	2010	2009
		€	€
	Analysis of tax charge		
	Corporation tax on result for the year	-	-
	Underprovision in prior year	-	-
		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></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:

	2010	2009
	€	€
Loss on ordinary activities before tax	(1,128,107)	(4,238,540)
Tax at standard rate of 12.5% (2009: 12.5%)	(141,013)	(529,818)
Other timing differences	(664,077)	(79,496)
Depreciation in excess of capital allowances	(142,689)	(557,910)
Higher rate of tax on passive income	48	2,179
Movement in Losses carried forward	947,731	1,165,045
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

7. TANGIBLE FIXED ASSETS

	Land & Buildings €	Machinery & Furniture €	Motor Vehicles €	Total €
Cost:				
At 1 January 2010	12,178,172	3,987,286	207,537	16,372,995
Additions	-	173,115	-	173,115
Disposals	-	-	-	-
At 31 December 2010	12,178,172	4,160,401	207,537	16,546,110
Depreciation:				
At 1 January 2010	2,651,169	2,597,520	149,339	5,398,028
Charge for year	149,048	307,452	28,540	485,040
Disposals	-	-	-	-
At 31 December 2010	2,800,217	2,904,972	177,879	5,883,068
Net book amounts:				
At 31 December 2010	9,377,955	1,255,429	29,658	10,663,042
At 31 December 2009	9,527,003	1,389,766	58,198	10,974,967

8. STALLION SHARES AND BREEDING STOCK

	2010 €	2009 €
Cost:		
At 1 January	10,528,339	12,067,054
Additions	412,579	-
Disposals	(1,571,554)	(1,538,715)
At 31 December	9,369,364	10,528,339
Depreciation:		
At 1 January	8,268,011	7,337,891
Charge for year	951,695	1,343,818
Relating to disposals	(1,365,463)	(1,160,352)
Impairment charge	-	746,654
At 31 December	7,854,243	8,268,011
Net book amounts:		
At 31 December	1,515,121	2,260,328

9. STOCKS

	2010 €	2009 €
Bloodstock	144,967	388,269
Consumables	197,336	420,215
	342,303	808,484

The replacement cost of stock at 31 December 2010 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 2010

10. DEBTORS: (Amounts falling due within one year)	2010	2009
	€	€
Trade debtors	4,053,504	3,767,776
Prepayments and accrued income	304,823	524,613
Corporation tax	13,800	13,800
VAT	-	-
Withholding tax	8,911	8,911
	<u>4,381,038</u>	<u>4,315,100</u>
	<u><u>4,381,038</u></u>	<u><u>4,315,100</u></u>
11. CREDITORS: (Amounts falling due within one year)	2010	2009
	€	€
Bank overdraft	-	1,734,064
Taxation and social welfare (Note 12)	6,079	66,410
Trade creditors and accruals	2,347,128	1,641,925
Bank loan (Note 13)	510,604	181,414
	<u>2,863,811</u>	<u>3,623,813</u>
	<u><u>2,863,811</u></u>	<u><u>3,623,813</u></u>
12. TAXATION AND SOCIAL WELFARE	2010	2009
	€	€
Corporation Tax	-	-
PAYE/PRSI	4,415	63,491
Withholding Tax	-	-
VAT	1,664	2,919
	<u>6,079</u>	<u>66,410</u>
	<u><u>6,079</u></u>	<u><u>66,410</u></u>
13. CREDITORS: (Amounts falling due after more than one year)	2010	2009
	€	€
Bank loan	3,555,388	2,466,570
Less: Amount repayable within one year (Note 11)	(510,604)	(181,414)
	<u>3,044,784</u>	<u>2,285,156</u>
	<u><u>3,044,784</u></u>	<u><u>2,285,156</u></u>
Maturity of Debt		
In one year or less, or on demand	510,604	181,414
In more than one year, but not more than two years	510,604	181,414
In more than two years, but not more than five years	904,805	362,828
In more than five years	1,629,375	1,740,914
	<u>3,555,388</u>	<u>2,466,570</u>
	<u><u>3,555,388</u></u>	<u><u>2,466,570</u></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 secured by government letter.

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

14. SHARE CAPITAL	2010 €	2009 €
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
15. PROFIT AND LOSS ACCOUNT	2010 €	2009 €
At 1 January	(2,397,933)	1,663,607
Loss for the financial year	(1,128,107)	(4,238,540)
Actuarial gain on pension scheme (Note 22)	86,000	177,000
At 31 December	(3,440,040)	(2,397,933)
16. RECONCILIATION OF THE MOVEMENT IN SHAREHOLDERS' FUNDS	2010 €	2009 €
At 1 January	11,370,791	15,432,331
Loss for the financial year	(1,128,107)	(4,238,540)
Actuarial gain on pension scheme (Note 22)	86,000	177,000
At 31 December	10,328,684	11,370,791
17. CAPITAL GRANTS	2010 €	2009 €
At 1 January	302,895	285,572
Grant received	-	27,323
Amortisation	(10,000)	(10,000)
At 31 December	292,895	302,895

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

18. RECONCILIATION OF LOSS TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES	2010 €	2009 €
Operating loss	(825,760)	(4,196,220)
Depreciation charges including impairment	1,436,735	2,582,510
Decrease in stocks	466,181	213,717
(Increase)Decrease in debtors	(65,938)	2,853,750
Increase in creditors	644,871	72,153
Grant amortisation	(10,000)	(10,000)
Pension charge (Note 22)	111,000	119,000
Net cash inflow from operating activities	1,757,089	1,634,910

19. ANALYSIS OF MOVEMENTS IN NET FUNDS

	01/01/2010 €	Cash Flows €	31/12/2010 €
Cash at bank and in hand	117,776	130,894	248,670
Bank overdraft	(1,734,064)	1,734,064	-
	(1,616,288)	1,864,958	248,670
Bank loan due within one year	(181,414)	(329,190)	(510,604)
Bank loan due after one year	(2,285,156)	(759,628)	(3,044,784)
Net debt	(4,082,858)	776,140	(3,306,718)

20. 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 parties connected with directors purchased at market value, keep services to a total value of €7,689 (2009: €24,058). The company earned income of €3,384,467 (2009:€2,069,705) from syndicates in which the company, certain directors and the secretary have interests. No individual director or secretary had interests in such syndicates greater than 26%.

The company did not purchase any training services from Mr D K Weld, a director in 2010, (2009: €27,213 including the refund of outlays incurred). The company purchased professional services with a value of €155,485 (2009: €24,300) from a firm connected with the company secretary.

21. COMMITMENTS

Capital Commitments:

Capital expenditure contracted for at the balance sheet date not provided for in the financial statements amounted to €Nil (2009:€Nil).

22. PENSIONS

The group operates a defined benefit pension scheme and the costs charged to the profit & loss account for the year amounted to €299,000 2009 €239,000).

The group operates a defined benefit pension plan which is funded externally. They provide benefits on member's death prior to retirement and pension benefits on retirement based on final pensionable salary. An Actuarial Valuation for funding purposes was carried out at 31 December 2010. The group is paying contributions in line with the recommendations in the actuarial valuation.

The valuation used for Financial Reporting Standard No.17 (FRS 17) has been based on a full assessment of the liabilities of the Plan as at 31 December 2010. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

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

	2010	2009
	% p.a.	% p.a.
Discount rate	5.30	6.00
Expected return on plan assets	6.68	6.88
Expected rate of salary increases	3.50	3.75
Expected future pension increases	2.00	2.00
Expected increase in inflation	2.00	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 (primarily government bonds), 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 2010 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:	2010	2009
	Years	Years
Member age 65 – current life expectancy	21.3	21.6
Members age 40 – life expectancy at age 65	23.1	22.7

	2010	2009
	€'000	€'000

Amounts Recognised on the Balance Sheet

Present value of funded liabilities	(2,928)	(2,742)
Fair value of plan assets	2,308	1,848
Net pension liability	<u>(620)</u>	<u>(894)</u>

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

22. PENSIONS (continued)

	2010 €'000	2009 €'000
Analysis of Charge to Profit and Loss Account		
Current service cost	(79)	(69)
Interest cost	(168)	(147)
Expected return on assets	136	97
Expense recognised in profit and loss account	<u>(111)</u>	<u>(119)</u>
Analysis of amounts recognised in statement of recognised gains and losses (STRGL)		
Total actuarial gains	86	177
Total actuarial gains as percentage of Value of Liabilities	2.9%	6.5%
Changes in the present value of the pension plan obligation		
Opening present value of liabilities	(2,742)	(2,521)
Current service cost	(79)	(69)
Interest cost	(168)	(147)
Contributions by participants	(5)	(5)
Actuarial losses on liabilities	47	(63)
Benefits paid	19	49
Premiums paid	-	14
Closing present value of liabilities	<u>(2,928)</u>	<u>(2,742)</u>
Changes in the fair value of pension plan assets		
Opening fair value of assets	1,848	1,330
Expected return on assets	146	97
Actuarial gains/(losses) on assets	39	240
Contributions by the employer	289	239
Contributions by participants	5	5
Benefits paid out	(19)	(49)
Premiums paid	-	(14)
Closing fair value of assets	<u>2,308</u>	<u>1,848</u>

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

	2010	2009
Equities	75.50%	72.85%
Bonds	14.30%	17.55%
Property	2.80%	2.40%
Other	7.40%	7.20%
	<u>100.00%</u>	<u>100.00%</u>

The company expects to contribute €279,000 to its defined benefit pension plans in 2011.

The company expects to contribute €279,000 to its defined benefit pension plans in 2011.
THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

22. PENSIONS (continued)

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

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Present value of liabilities	(2,928)	(2,742)	(2,521)	(2,656)	(2,557)
Fair value of assets *	2,308	1,848	1,330	1,868	1,851
Deficit in plan	<u>(620)</u>	<u>(894)</u>	<u>(1,191)</u>	<u>(788)</u>	<u>(706)</u>

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

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Difference between expected and actual return on plan assets	(39)	(240)	817	179	(113)
Difference between expected and actual return on plan assets as % Present value of liabilities	(1.3%)	(8.7%)	32.4%	6.7%	(4.4%)
Experience (gains)/losses on plan liabilities	(236)	136	14	77	(113)
Experience (gains)/losses on plan liabilities as % Present value of liabilities	(8.1%)	5.0%	0.5%	2.9%	(4.4%)
Changes in assumptions	189	(73)	(356)	(164)	(191)

23. CONTINGENT LIABILITIES

Bank of Ireland had provided guarantees in the amount of €95,230 in 2009 in respect of deferred value added tax guarantee payments scheme. This bond was cancelled in 2010.

The company is involved in employment law related disputes. The directors are of the view that to disclose any further information would be prejudicial to the outcome of any possible proceedings and therefore the details should remain confidential.

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 4th April 2011.