The Irish National Stud Company Limited

Directors' Report and Financial Statements

Financial Year Ended 31 December 2017

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DIRECTORS AND OTHER INFORMATION

Board of Directors

M Dempsey
S Brady
J Harrington
J Tuite
S Boyle
M Weld
D Walsh

Solicitors

McCann Fitzgerald
Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2

Secretary and Registered Office

J McStay
Tully
Kildare
Co. Kildare

Bankers

Bank of Ireland
Kildare Town
Co. Kildare

Registered number: 11451

Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1

CHAIRMAN'S STATEMENT

The Irish National Stud Company Ltd returned a profit on ordinary activities before taxation of €0.7m (2016: €3.9m). This includes a depreciation charge of €1m (2016: €1m), profit on ordinary activities before taxation and depreciation is €1.7m (2016: €4.9m). The cash from operations is €2.4m (2016: €4.8m).

The revenue for the year was €7.9m, compared to €10.6m in 2016, Stallion income was €3.9m for the year. The tourism section continued to perform well with admissions revenue up 3.6%.

Statement on internal control

Scope of Responsibility
On behalf of the board, I acknowledge the board's responsibility for ensuring that an effective system of internal financial control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State bodies (2016).

Purpose of the System of Internal Control
The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurances that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with the guidance issued by the Department of Public Expenditure and Reform has been in place in the Irish National Stud Company Ltd for the year ended 31 December 2017 and up to the date of approval of the financial statements.

Capacity to Handle Risk
The Irish National Stud Company Ltd has an Audit and Risk Committee (ARC) comprising of two Board Members and one external member who is the Chair and has recent and relevant financial expertise.
The ARC met four times during the year.

The ARC receives periodic reports from an outsourced Internal Audit function.

The ARC has developed a risk management policy which sets out it's risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk, The policy has been issued to all staff who are expected to work within the Irish National Stud's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls in their own area of work.

Risk and control framework
The Irish National Stud Company Ltd has implemented a risk management system which identifies and report key risks and the management actions being taken to address and, to the extent possible, to mitigate these risks.

A risk register is in place which identifies the key risks facing the company and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated as required by the ARC at every meeting. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed at an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. I confirm that a control environment containing the following elements is in place:

- Procedures for all key business processes are being documented,
- Financial responsibilities have been assigned at management level with corresponding accountability
- There is an appropriate budgeting system with an annual budget which is kept under review by senior management
- There are systems aimed at ensuring the security of the information and communication technology systems
- There are systems in place to safeguard the assets

CHAIRMAN'S STATEMENT - continued

Ongoing monitoring and review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the board. I confirm that the following ongoing monitoring systems are in place:

- Key risks and related controls have been identified and processes have been put in place to monitor the operation of these key controls and report any identified deficiencies
- Reporting arrangements have been established at all levels where responsibility for financial management has been assigned and
- There are regular reviews by management of periodic and annual performance and financial reports which indicate performance against budgets

Procurement

I confirm that the Irish National Stud Company Ltd has procedures in place to ensure compliance with the current procurement rules and guidelines and that during 2017 complied with these procedures.

Review of effectiveness

I confirm that the Irish National Stud Company Ltd has procedures to monitor the effectiveness of its risk management and control procedures. The monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the ARC which oversees their work and the senior management with the company who are responsible for the development and maintenance of the internal financial control framework.

I confirm that the board has conducted an annual review of the effectiveness of the internal controls for 2017.

Internal control issues

No weaknesses in internal control were identified in relation to 2017 that require disclosure in the financial statements.

Statement of Compliance

The board has adopted the Code of Practice for the Governance of State Bodies (2016) and has put procedures in place to ensure compliance with the Code. The Irish National Stud Co Ltd was in compliance with the Code of Practice for the Governance of State Bodies for 2017.

Review of year

The Company returned a profit on ordinary activities before taxation of €0.7m down from the supernormal profit of €3.9m achieved in 2016.

Taken in the wider context of time, 2017 was a satisfactory year, with continued profitability and strong performance. This was again largely attributable to Invincible Spirit who remained at a career high fee of €120,000 per nomination. Despite his continued outstanding success his ascending age profile has reduced the income he can generate in relation to the number of mares he can reasonably service, down from 151 in 2016 to 122 in 2017. In this context the need to reinvest and find the successor grows ever stronger and although our quest for a new Stallion for 2017 proved unsuccessful, we have secured two new stallions for the 2018 Breeding Season.

Decorated Knight, a multiple Group 1 winning son of the multiple champion Galileo, and National Defense, a Group 1 winning son of our own Invincible Spirit have arrived and settled in well. The market forces for purchasing stallions are changing with the French market suddenly becoming a very strong competitor. Likewise, Britain has witnessed a significant surge in the quality of stallions retiring there over the past decade since the removal of the tax exemption.

There were effectively no stallions in the market that could be purchased on the usual acquisition of equity basis. With these changes in market forces it was necessary to deviate slightly from the equity model towards the breeding rights model.

Free Eagle was again strongly supported by his robust syndicate and traded at €20,000. His first foals were brought to the market in November 2017. Dragon Pulse covered his strongest book of mares at his highest ever fee of €8,000 per nomination based on the success of his first runners. He continues with a class-leading winners to runners ratio.

CHAIRMAN'S STATEMENT - continued

Review of year - continued
We had another successful Sale at Goffs in September when our draft of yearlings fetched €1.3million, headed by an Invincible Spirit filly out of Gift From Heaven which made over €450,000.

We purchased 6 new broodmares to launch a new mares syndicate allowing new investors the opportunity to partner with us in a diverse portfolio for a fixed four - year term.

Our Stud Services enjoyed another successful year with 247 live foals born in our busy foaling unit.

Tourism attracted over 126,000 paying visitors in a continuously improving performance. A new visitor experience is being planned and may commence in 2018 subject to Grant Approval.

We have a three-year old Invincible Spirit colt, Spiorad, in training with Dermot Weld, to run in the President's colours this year.

Our Racing and Breeding Club have two horses in training including a very exciting Invincible Spirit filly out of Lethal Quality and the club's thirty members are following their progress.

The Staff do a wonderful job, presenting the Estate at Tully in immaculate condition every day, setting the highest standards of care for the horses and imparting their knowledge to the International students on the famous Stud Management Course. We thank all the crew for their hard work and dedication.

We would like to thank the Minister for Agriculture, Food and the Marine Michael Creed and 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 John Osborne for his enormous contribution to the success of the Irish National Stud during his term as CEO and we wish him well in his new role.

On behalf of the Board, I would also like to congratulate Cathal Beale on his appointment to the CEO position in July 2017 and for his contribution in ensuring the continued success of the business. We would also like to thank the Management and staff for the support they have given to Cathal Beale and for their hard work and dedication during this transition period.

Matt Dempsey
Chairman

Date: 22 March 2018

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2017.

Results, dividends and reserves
The profit on ordinary activities before taxation was €724,221 (2016: profit €3,910,032). The directors do not recommend a declaration of a dividend (2016: €Nil) or transfer to reserves (2016: €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.

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.

Principal 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 in particular Invincible Spirit who is now twenty one. It is also dependent 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 impact of Brexit and 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 the end of the financial year
There were no events since year affecting the company which have occurred since the end of the financial year.

Future developments
The company has no future major development plans other than as disclosed in the Chairman's statement.

Donations
The company did not make any political donations during the year.

Research and development
The company did not incur any research and development expenditure during the year.

Branches
The company does not have any foreign branches.

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

Governance statement
The board of the Irish National Stud Company Ltd was established under the National Stud Act 1945. The board is accountable to the Minister for Agriculture, Food and the Marine and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day to day management, control and direction of the company are the responsibility of the Chief Executive Officer (CEO) and the senior management team. The CEO and the senior management team must follow the broad strategic direction set by the board, and must ensure that all board members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. The CEO acts as a direct liaison between the board and the management of the company.

DIRECTORS' REPORT - continued

Board responsibilities
The work and responsibilities of the board are set out in the board of Directors terms of reference which also contain the matters specifically reserved for Board decision. Standing items considered by the board include:

- Declaration of interests,
- Reports from the Audit and Risk Committee,
- Financial reports and management accounts,
- Performance reports and
- Reserved matters

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year that give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the company for the financial year. Under that law the directors have prepared the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and Irish law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the company for the financial year.

In preparing these 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;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; 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 adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT - continued

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 2017.

Directors
The board consists of the Chairperson and six ordinary members, all of whom are appointed by the Minister of Agriculture, Food and the Marine after consultation with the Minister for Public Expenditure and Reform. The table below details the appointment or most recent reappointment dates for the current members:

Board member	**Role**	**Date appointed/reappointed**
Matt Dempsey	Chairperson	25 October 2017
Sean Brady	Ordinary Member	25 October 2017
Jessica Harrington	Ordinary Member	31 August 2016
John Tuite	Ordinary Member	25 October 2017
Seamus Boyle	Ordinary Member	25 October 2017
Mark Weld	Ordinary Member	31 August 2016
Dairine Walsh	Ordinary Member	31 August 2016

The Minister determines the fees payable to Board members. Board members’ fees during 2017 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
M Weld	€8,100
D Walsh	€8,100

A total of €1,425 was paid to board members for mileage expense claims during the year.

DIRECTORS' REPORT - continued

Attendance at meetings
There were eight Board meetings held during the year ended 31 December 2017. The Board members attendances at these meetings were as set out below:

Board member	Eligible to attend	Attended
M Dempsey	8	8
S Brady	8	6
J Harrington	8	6
J Tuite	8	8
S Boyle	8	8
M Weld	8	7
D Walsh	8	7

There were four Audit and Risk Committee meetings held during the year ended 31 December 2017. 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	2	1
D Walsh	2	2
S Boyle	4	3

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 5 to the financial statements.

Accounting records
The measures taken by the directors to secure compliance with the requirements of section 281 to 285 of the Companies Act 2014 with regard to the company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at Tully, Co Kildare.

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 7 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.

Disclosure of information to auditors
The directors in office at the date of this report have each confirmed that:

- as far as he/she is aware, there is no relevant audit information of which the company's statutory auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

DIRECTORS' REPORT - continued

Auditors
In accordance with section 383(2) of the Companies Act, 2014, the auditors, PricewaterhouseCoopers have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Signed on behalf of the Board:

Matt Dempsey
Director

Dairine Walsh
Director

John McStay
Company Secretary

22 March 2018

Independent auditors' report to the members of The Irish National Stud Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, The Irish National Stud Company Limited's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and promulgated by the Institute of Chartered Accountants in Ireland and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Directors' Report and Financial Statements, which comprise:

- the Balance Sheet as at 31 December 2017;
- the Profit and Loss account and Statement of Comprehensive Income for the year then ended;
- the Statement of Cashflows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Directors' Report and Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 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.

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Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Paul Hennessy
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
26 March 2018

ACCOUNTING POLICIES

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

General information
The Irish National Stud Company Limited is a company whose main activity is stud farming and related tourism. The results of these activities are dealt with in the chairman's statement accompanying this report. The registered office of the company is Tully, Kildare, Co. Kildare.

Statement of compliance
The entity financial statements have been prepared on a going concern basis and in accordance with Irish GAAP (accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102) and the Companies Act 2014.

Basis of preparation
The entity financial statements have been prepared under the historical cost convention and are in a format approved by the Minister for Agriculture, Food and the Marine.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year. It also requires the directors to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 23.

Going concern
The company meets its day-to-day working capital requirements through its cash flow and bank facilities. Economic conditions continue to create uncertainty. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Employee benefits
The company provides a range of benefits to employees, including paid holiday arrangements and post-employment benefits (in the form of defined benefit and defined contribution pension plans).

(i) *Short term benefits*
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) *Defined contribution pension plans*
The company operates a defined contribution plan for certain employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the company in independently administered funds. The contributions to the defined contribution plan are recognised as an expense when they are due. Amounts not paid are included in accruals in the balance sheet.

(iii) *Defined benefit pension plan*
The company operates a defined benefit pension plan for certain employees, which is now closed to new members. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a post-employment benefit other than a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of each financial year less the fair value of the plan assets at that date.

ACCOUNTING POLICIES - continued

Employee benefits - continued

(iii) Defined benefit pension plan - continued

The defined benefit obligation is calculated annually by an external actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in Euro and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets out of which the obligations are to be settled is measured in accordance with the company's accounting policy for financial assets. For most plan assets this is the quoted price in an active market. Where quoted prices are not available appropriate valuation techniques are used to estimate the fair value.

The cost of the defined benefit pension plan, recognised in profit or loss, except where included in the cost of an asset, comprises:

(a) the increase in net defined benefit liability arising from employee service during the financial year; and
(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate (both as determined at the start of the financial year, taking account of any changes in the net defined benefit liability during the financial year as a result of contribution and benefit payments). This net interest cost is recognised in profit or loss as 'finance expense' and presented within 'interest payable and similar charges'.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income. These amounts together with the return on plan assets less the interest income on plan assets included in the net interest cost, are presented as 'remeasurement of net defined benefit liability' in other comprehensive income.

Foreign currencies

(i) Functional and presentation currency

The company's functional and presentation currency is Euro, denominated by the symbol "(€)".

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated to € using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'interest payable/receivable'. All other foreign exchange gains and losses are presented in the income statement within 'administration expenses'.

Distributions to equity shareholders

Dividends on equity shares are recognised in the financial statements when they have been appropriately approved or authorised by the shareholders and are no longer at the discretion of the company. Interim dividends declared by the directors are recognised when declared.

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

ACCOUNTING POLICIES - continued

Income tax
Income tax expense for the period comprises current and deferred tax recognised in the reporting period. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Tangible fixed assets
Tangible fixed assets are carried recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes legal fees, stamp duty and other non-refundable purchase taxes, and also any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, which can include the costs of site preparation, initial delivery and handling, installation and assembly, and testing of functionality.

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

This is 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.

ACCOUNTING POLICIES - continued

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Bank deposits which have original maturities of more than three months are not cash and cash equivalents and are presented as current asset investments.

Stocks
Stocks which comprise of bloodstock and farm suppliers are stated at the lower of cost and estimated selling price less costs to complete and sell.

Cost consists of suppliers invoiced price determined on a first in first out basis.

At the end of each reporting period, stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

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.

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

Revenue recognition
Turnover
The turnover of the company 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.

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered.

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.

Interest income
Interest income is presented as ‘interest receivable and similar income’ in the profit and loss account.

ACCOUNTING POLICIES - continued

Impairment of non-financial assets
At the end of each financial year date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash-generating unit) is estimated.

The recoverable amount of the asset (or cash-generating unit) is the higher of it's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset (or cash-generating unit) and from its ultimate disposal. In measuring value-in-use pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount of the asset (or cash-generating unit) the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the asset has been revalued. If the asset has been revalued the impairment loss is recognised in other comprehensive income to the extent of the revaluation gains accumulated in equity in respect of that asset. Thereafter any excess is recognised in profit or loss.

If an impairment loss reverses (the reasons for the impairment loss have ceased to apply), the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior financial years. A reversal of an impairment loss is recognised in the profit and loss account, unless the asset is carried at a revalued amount.

Financial instruments
The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting year financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables and bank loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

ACCOUNTING POLICIES - continued

Financial instruments - continued

(ii) Financial liabilities - continued

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Share capital presented as equity

Equity shares issued are recognised at the proceeds received. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

PROFIT AND LOSS ACCOUNT
Financial Year Ended 31 December 2017

	Note	2017 €	2016 €
Turnover	2	7,903,812	10,585,450
Administration expenses		(7,107,222)	(6,587,622)
Operating profit		796,590	3,997,828
Interest payable and similar charges	3	(72,389)	(87,818)
Interest receivable and similar income	3	20	22
Profit on ordinary activities before tax	4	724,221	3,910,032
Tax on profit on ordinary activities	6	(6,241)	7,039
Profit for the financial year		717,980	3,917,071

STATEMENT OF COMPREHENSIVE INCOME
Financial Year Ended 31 December 2017

	Note	2017 €	2016 €
Profit for the financial year		717,980	3,917,071
Other comprehensive income:			
Remeasurement of net defined benefit liability	20	95,000	(397,000)
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the financial year		812,980	3,520,071

BALANCE SHEET
As at 31 December 2017

	Note	2017 €	2016 €
Fixed assets			
Tangible assets	7	9,689,376	9,964,893
Stallion shares and breeding stock	8	2,559,668	2,041,200
		12,249,044	12,006,093
Current assets			
Stocks	9	1,536,939	1,683,627
Debtors	10	4,219,335	4,854,380
Cash at bank and in hand		6,708,604	4,904,707
		12,464,878	11,442,714
Creditors - amounts falling due within one year	11	(3,037,992)	(2,268,264)
Net current assets		9,426,886	9,174,450
Total assets less current liabilities		21,675,930	21,180,543
Creditors - amounts falling due after more than one year	12	(1,867,562)	(2,051,155)
Provision for post-employment benefit obligation	20	(756,000)	(890,000)
Net assets		19,052,368	18,239,388
Capital and reserves			
Called up share capital presented as equity	14	13,768,724	13,768,724
Profit and loss account		5,283,644	4,470,664
Total equity		19,052,368	18,239,388

The financial statements were approved by the Board of Directors on 22 March 2018 and signed on its behalf by:

Matt Dempsey
Director

Dairine Walsh
Director

John McStay
Company Secretary

STATEMENT OF CHANGES IN EQUITY
Financial Year Ended 31 December 2017

	Called up share capital €	Profit and loss €	Total €
Balance as at 1 January 2016	13,768,724	950,593	14,719,317
Profit for the financial year	-	3,917,071	3,917,071
Other comprehensive expense for the year:			
Remeasurement of net defined pension liability	-	(397,000)	(397,000)
Total comprehensive income for the year:	-	3,520,071	3,520,071
Balance as at 31 December 2016	13,768,724	4,470,664	18,239,388
Balance as at 1 January 2017	13,768,724	4,470,664	18,239,388
Profit for the financial year	-	717,980	717,980
Other comprehensive income for the year:			
Remeasurement of net defined pension liability	-	95,000	95,000
Total comprehensive income for the year:	-	812,980	812,980
Balance as at 31 December 2017	13,768,724	5,283,644	19,052,368

STATEMENT OF CASH FLOWS
Financial Year Ended 31 December 2017

	Note	2017 €	2016 €
Cash from operations	16	2,429,962	4,826,396
Taxation (paid)/received		(6,241)	7,039
Net cash generated from operating activities		2,423,721	4,833,435
Cash flows from investing activities			
Payments to acquire stallion shares and breeding stock		(72,207)	(389,863)
Receipts from sale of stallion shares and breeding stock		44,297	39,361
Payments to acquire tangible fixed assets		(79,887)	(511,737)
Receipts from sale of tangible fixed assets		-	5,014
Interest received		20	22
Net cash used in investing activities		(107,777)	(857,203)
Cash flows from financing activities			
Repayment of bank borrowings		(439,676)	-
Interest paid		(72,370)	(60,828)
Net cash used in financing activities		(512,046)	(60,828)
Net (decrease)/increase in cash at bank and in hand		1,803,897	3,915,404
Cash and cash equivalents at the beginning of the year		4,904,707	989,303
Cash and cash equivalents at the end of the year		6,708,604	4,904,707
Cash and cash equivalents consists of:			
Cash at bank and in hand		6,708,604	4,904,707
Cash and cash equivalents		6,708,604	4,904,707

NOTES TO THE FINANCIAL STATEMENTS

1 Going concern

The company has a profit after tax of €717,980 for the year ended 31 December 2017 (2016: profit €3,917,071). The profit for the year includes a depreciation charge of €986,316(2016: €993,225), the company had a profit before depreciation of €1,704,296 (2016: €4,910,296). 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 ongoing approval of the shareholder for 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

	2017	2016
	€	€
Analysis by activity		
Stud and farm	6,628,854	9,372,491
Tourism	1,274,958	1,212,959
	7,903,812	10,585,450

All turnover was earned in the Republic of Ireland.

3 Net interest expense

	2017	2016
	€	€
Interest receivable and similar income		
Bank interest received	20	22
Total interest income on financial assets not measured at fair value through profit or loss	20	22
Total interest receivable and similar income	20	22
Interest payable and similar charges		
Interest payable on overdrafts and bank loans	-	(98)
Interest payable on other loans	(35,101)	(59,334)
Other bank charges	(20,891)	(15,989)
Finance lease interest	(1,397)	(1,397)
Total interest expense on financial liabilities not measured at fair value through profit or loss	(57,389)	(76,818)
Net interest expense on post-employment benefits	(15,000)	(11,000)
Total interest payable and similar charges	(72,389)	(87,818)
Interest capitalised	-	-
Total interest payable and similar charges	(72,389)	(87,818)
Net interest expense		
Interest receivable and similar income	20	22
Interest payable and similar charges	(72,389)	(87,818)
Net interest expense	(72,369)	(87,796)

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Profit on ordinary activities before tax

	2017 €	2016 €
The following operating expenses/(income) have been recognised:		
Foreign exchange (losses)/gains	1,254	(290)
Grant amortisation	(10,000)	(10,000)
Impairment loss – trade debtors	344,877	406,224
Profit on disposal of assets	(13,012)	(9,207)
Depreciation of tangible assets, stallion shares and breeding stock	986,316	993,225
Auditors' remuneration	24,600	23,985
Consultancy costs for the year include the following:		
Legal and professional	35,862	21,453
Human resources	6,905	30,750

5 Employees and directors

Employees

The average number of persons employed by the company during the financial year was:

	2017 Number	2016 Number
Full time	42	43
Seasonal (full time equivalent)	10	10
	52	53

	2017 €	2016 €
Staff costs comprise:		
Wages and salaries	2,066,518	2,012,932
Social insurance costs	219,464	213,654
Other staff costs	5,466	4,050
Other retirement benefit costs	10,000	7,000
Defined contribution pension scheme costs	95,179	81,404
Staff costs	2,396,627	2,319,040
Directors		
Emoluments	65,250	59,850
Benefits under long-term incentive schemes	-	-

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Employees and directors – continued	2017 €	2016 €
Contributions to retirement benefit schemes:		
- Defined benefit scheme	-	-
- Defined contribution scheme	-	-
	-	-
Compensation for loss of office paid by the company and other termination payments	-	-

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2017 €	2016 €
Domestic		
- Board	1,425	1,001
- Employees	26,806	20,738
International		
- Board	-	-
- Employees	35,023	30,864
Total	63,254	52,603

Hospitality Expenditure

Hospitality expenditure includes the following expenditure

	2017 €	2016 €
Staff hospitality	32,305	30,107
Client hospitality	17,571	16,553
Total	49,876	46,660

Key management compensation

Key management includes the directors and Chief Executive Officer. The compensation paid or payable to key management for employee services is shown below:

	2017 €	2016 €
Chief Executive Officer:		
Salaries and other short term benefits	148,751	166,669
Post- employment benefits	12,000	24,000
Total key management compensation	160,751	190,669

Key personnel changes

The Chief Executive Officer (CEO) John Osborne having completed his seven year term resigned from his position with effect from 30th June 2017. Mr Cathal Beale was appointed CEO with effect from 1 July 2017.

Short term employee benefits

The Irish National Stud Company Limited does not disclose details of employee short term benefits over €50,000 in bands of €25,000 as required by the Code due to the commercial sensitivity of this information. This departure from the Code has been agreed with the Department of Agriculture, Food and the Marine.

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Tax on profit on ordinary activities

	2017	2016
	€	€
Tax expense/(income) included in profit or loss		
Current tax:		
Irish corporation tax on profit for the financial year	1,557	-
Overprovision in respect of prior year	4,684	(7,039)
Current tax expense/(income) for the financial year	6,241	(7,039)

Reconciliation of tax expense/(income)

Tax assessed for the financial year is lower (2016: lower) than the standard rate of corporation tax in the Republic of Ireland for the financial year ended 31 December 2017 of 12.5% (2016: 12.5%). The differences are explained below:

	2017	2016
	€	€
Profit on ordinary activities before tax	724,221	3,910,032
Tax at standard rate of 12.5% (2016: 12.5%)	90,528	488,754
Effects of:		
Expenses not deductible for tax purposes	51,905	18,873
Income taxed at higher rate	830	1,565
Depreciation in excess of capital allowances	15,848	45,790
Tax losses utilised	(152,679)	(340,379)
Other timing differences	(191)	(221,642)
Tax on profit on ordinary activities	6,241	(7,039)

7 Tangible fixed assets

	Land and buildings	Machinery and furniture	Motor vehicles	Total
	€	€	€	€
Cost				
At 1 January 2016	12,246,002	5,315,085	453,596	18,014,683
Additions	-	480,763	30,974	511,737
Disposals	-	(677)	(82,892)	(83,569)
At 31 December 2016	12,246,002	5,795,171	401,678	18,442,851
At 1 January 2017	12,246,002	5,795,171	401,678	18,442,851
Additions	-	155,176	41,200	196,376
Disposals	-	(664)	-	(664)
At 31 December 2017	12,246,002	5,949,683	442,878	18,638,563

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Tangible fixed assets - continued

	Land and buildings €	Machinery and furniture €	Motor vehicles €	Total €
Accumulated depreciation				
At 1 January 2016	3,551,971	4,266,813	249,685	8,068,469
Charge for the year	150,405	276,605	65,507	492,517
Disposals	-	(135)	(82,892)	(83,027)
At 31 December 2016	3,702,376	4,543,283	232,300	8,477,959
At 1 January 2017	3,702,376	4,543,283	232,300	8,477,959
Charge for the year	150,405	255,639	65,507	471,551
Disposals	-	(323)	-	(323)
At 31 December 2017	3,852,781	4,798,599	297,807	8,949,189
Carrying amount				
At 31 December 2017	8,393,221	1,151,084	145,071	9,689,376
At 31 December 2016	8,543,626	1,251,888	169,378	9,964,893
At 31 December 2015	8,694,031	1,048,272	203,911	9,946,215

8 Stallion shares and breeding stock

	2017 €	2016 €
Cost		
At 1 January	7,261,944	7,169,242
Additions	1,069,577	556,868
Disposals	(76,162)	(464,166)
At 31 December	8,255,359	7,261,944
Accumulated depreciation		
At 1 January	5,220,744	4,936,269
Charge for year	514,766	500,707
Relating to disposals	(39,819)	(216,232)
Impairment charge	-	-
At 31 December	5,695,691	5,220,744
Carrying amount		
At 31 December	2,559,668	2,041,200

9 Stocks

	2017 €	2016 €
Bloodstock	1,456,807	1,563,599
Consumables	80,132	120,028
	1,536,939	1,683,627

The replacement cost of inventories does not materially exceed the statement of financial position amounts.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Debtors

	2017 €	2016 €
Trade debtors	3,454,968	3,919,973
Prepayments and accrued income	764,367	926,587
VAT	-	7,820
Withholding tax	-	-
	4,219,335	4,854,380

Trade debtors are stated after provision for impairment of €1.4m (2016: €1.0m) (see note 23 for basis of determination of provision).

11 Creditors - amounts falling due within one year

	2017 €	2016 €
Trade creditors and accruals	1,421,551	1,750,903
Purchase of Life Time Breeding Rights	750,000	-
Purchase of Mares	504,563	-
PAYE/PRSI	74,990	65,080
VAT	90,493	-
Deferred income (see note 15)	10,000	10,000
Withholding tax	4,981	3,694
Bank loan (Note 12)	181,414	438,587
	3,037,992	2,268,264

Trade and other creditors are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

12 Creditors - amounts falling due after more than one year

	2017 €	2016 €
Bank loan	1,656,081	2,056,847
Less: amount repayable within one year (note 11)	(181,414)	(438,587)
Deferred income (see note 15)	212,895	222,895
Other Creditors	180,000	210,000
	1,867,562	2,051,155

Maturity of bank loan

	2017 €	2016 €
In one year or less, or on demand	181,414	438,587
In more than one year, but not more than two years	181,414	181,414
In more than two years, but not more than five years	544,242	544,242
In more than five years	749,011	892,604
	1,656,081	2,056,847

The loan was for the purchase of Strawhall in 2004. The original term of the loan was 25 years. The loan was approved by the relevant government departments and carries a fixed interest rate of 1.71%. A working capital loan was repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Financial instruments

The company has the following financial instruments:

	Note	2017 €	2017 €	2016 €	2016 €
Financial assets that are debt instruments measured at amortised cost					
Trade debtors	10	3,454,968		3,919,973	
Prepayments and accrued income	10	764,367		926,587	
Vat	10	-		7,820	
			4,219,335		4,854,380
Cash at bank and in hand			6,708,604		4,904,707
Financial liabilities measured at amortised cost					
Trade creditors and accruals	11	2,751,105		1,815,871	
Withholding tax		4,981		3,694	
VAT	11	90,493		-	
Bank loan	12	1,656,081		2,056,857	
			4,502,660		3,876,421

There are no financial assets or financial liabilities measured at fair value through profit or loss.

14 Called up share capital presented as equity and reserves

	2017 €	2016 €
Equity shares of €1.27 each		
Authorised		
30,000,000 shares (2016: 30,000,000 shares)	38,100,000	38,100,000
Allotted and fully paid - presented as equity		
10,841,516 shares (2016: 10,841,516 shares)	13,768,724	13,768,724

There is a single class of equity shares. There are no restrictions on the distribution of dividends and the repayment of capital. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up.

A description of each reserve within equity is outlined below:

Profit and loss account
Profit and loss account represents accumulated comprehensive income for the financial year and prior financial years.

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Capital grants

	2017 €	2016 €
At 1 January	232,895	242,895
Amortisation	(10,000)	(10,000)
At 31 December	222,895	232,895

16 Note to the statement of cash flows

	2017 €	2016 €
Profit for the financial year	717,980	3,917,071
Tax on profit on ordinary activities	6,241	(7,039)
Net interest expense	72,370	87,796
Operating profit	796,591	3,997,828
Amortisation of grants	10,000	10,000
Profit on disposal	(13,012)	(9,207)
Depreciation of tangible fixed assets	986,317	993,225
Post-employment benefit less payments	(20,521)	(35,000)
Working capital movements:		
- Decrease/(Increase) in inventories	146,688	(688,753)
- Decrease in debtors	635,046	720,274
- Decrease in payables	(111,147)	(161,971)
Cash flow from operating activities	2,429,962	4,826,396

17 Events since the end of the financial year

There were no significant events since the year end.

18 Related party transactions

During the year directors and the company secretary and parties connected with them purchased at market value, keep services to a total value of €1,309 (2016: €17,230). The company earned income of €3,801,238 (2016: €5,880,333) 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 horse training services in 2017 with a value of €62,649 (including Vat and refund of outlays incurred) from Rosewell Racing ltd a company connected to a director (2016: €22,204). The company purchased professional services in 2017 with a value of €9,840(including Vat) from a firm connected with the company secretary (2016: €9,840).

19 Commitments

Capital commitments:
There was no capital expenditure contracted for at the statement of financial position date not provided for in the financial statements (2016: €nil).

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Post-employment benefits

The company operates a defined contribution plan for certain employees and pays fixed contributions into a separate entity. The assets of the plan are held separately from the company in independently administered funds. The contributions to the defined contribution plan are recognised as an expense when they are due. Amounts not paid are included in accruals in the balance sheet.

The company also 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. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. On 1 March 2012, the scheme was closed to new entrants.

The most recent valuation for funding purposes was carried out by a qualified independent actuary as at 30 September 2014 and is available for inspection by the scheme members but not for public inspection.

	2017 €'000	2016 €'000
The amount recognised on the balance sheet is as follows:		
Present value of funded liabilities	(4,248)	(4,387)
Fair value of plan assets	3,492	3,497
Liability for post-employment benefits	(756)	(890)
The amount recognised in the profit and loss account is as follows:		
Defined benefit scheme		
- Current service cost	7	7
- Net interest expense	15	11
Total expense	22	18
The return on plan assets was:		
Interest income	58	75
Return on plan assets less interest income	67	33
Actual return on plan assets	125	108

The principal assumptions used by the independent qualified actuary to calculate the liabilities under FRS 102 are set out below:

	2017	2016
Expected rate of increase of pensions in payment	1.35%	1.30%
Expected rate of salary increases	n/a	n/a
Discount rate	1.75%	1.70%
Rate of inflation	1.75%	1.70%

The mortality assumptions in 2017 are based on a study on mortality rates and trends for future mortality improvements as prepared by the Society of Actuaries in Ireland.

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Post-employment benefits - continued

	2017	2016
Longevity at age 65 for current pensioners:		
- Male	21.2	21.1
- Female	23.7	23.6
Longevity at age 65 for future pensioners:		
- Male	23.7	23.6
- Female	25.8	25.7

	Plan assets €	Defined benefit obligation €	Total €
At 1 January 2016	3,412	(3,945)	(533)
Benefits paid	(81)	81	-
Employer contributions	58	-	58
Current service cost	-	(7)	(7)
Interest income/(expense)	75	(86)	(11)
Re-measurement gains/(losses):			
Actuarial losses	-	(430)	(430)
Return on plan assets excluding interest income	33	-	33
At 31 December 2016	3,497	(4,387)	(890)
At 1 January 2017	3,497	(4,387)	(890)
Benefits paid	(191)	191	-
Employer contributions	61		61
Current service cost	-	(7)	(7)
Interest income/(expense)	58	(73)	(15)
Re-measurement gains/(losses):			
Actuarial losses	-	28	28
Return on plan assets excluding interest income	67		67
At 31 December 2017	3,492	(4.248)	(756)

	2017 €'000	2016 €'000
The fair value of the plan assets was:		
Equity instruments	971	1,014
Absolute return strategies	1,554	1,707
Fixed interest	772	591
Cash	14	14
Property	181	171
	3,492	3,497

21 Contingent liabilities

There are no contingent liabilities at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Ultimate and controlling parent

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

23 Critical accounting judgements and estimation uncertainty

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on future investments, economic utilisation and the physical condition of the assets. See note 7 and 8 for the carrying amount of the tangible fixed assets, and the accounting policy section for the useful economic lives for each class of tangible fixed asset.

(ii) Stock impairment

The company considers the recoverability of the cost of stock and the associated impairment required. When calculating the stock impairment, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability. See note 9 for the net carrying amount of the stock.

(iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. Debtors which are considered doubtful are provided against. Bad debts are not written off until it is clear that no recovery is possible. Management pursue the recovery of all debtors included in the debtors' provision and update their view on the recoverability of balances on a continuous basis. See note 10 for the net carrying amount of the debtors and associated impairment provision.

(iv) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increase, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See note 20 for the disclosures relating to the defined benefit pension scheme.

24 Approval of financial statements

The financial statements were approved by the Board of Directors on 22 March 2018.