

**The Irish National Stud Company DAC**  
**Directors' Report and Financial Statements**  
**Financial Year Ended 31 December 2018**

**CONTENTS**

	<b>Page</b>
DIRECTORS AND OTHER INFORMATION	2
CHAIRMAN'S STATEMENT	3 - 5
DIRECTORS' REPORT	6 - 10
INDEPENDENT AUDITORS' REPORT	11 - 13
ACCOUNTING POLICIES	14 - 19
PROFIT AND LOSS ACCOUNT	20
STATEMENT OF COMPREHENSIVE INCOME	21
BALANCE SHEET	22
STATEMENT OF CHANGES IN EQUITY	23
STATEMENT OF CASH FLOWS	24
NOTES TO THE FINANCIAL STATEMENTS	25 - 35

## 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 (resigned 13 June 2018)  
E Looney (appointed 13 June 2018)  
Tully  
Kildare  
Co. Kildare

### Bankers

Bank of Ireland  
Kildare Town  
Co. Kildare

**Registered number:** 11451

The company became a designated activity company on 23 April 2018

### Auditors

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

## **CHAIRMAN'S STATEMENT**

The Irish National Stud Company DAC returned a profit on ordinary activities before taxation of €0.3m (2017: €0.7m). This includes a depreciation charge of €1.2m (2017: €1m), profit on ordinary activities before taxation and depreciation is €1.5m (2017: €1.7m). The cash from operations is €1.4m (2017: €2.4m).

The revenue for the year was €7.2m, compared to €7.9m in 2017, Stallion income was €3m for the year, (2017: €3.9m). The tourism section continued to perform well with admissions revenue up 4%.

### **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 DAC for the year ended 31 December 2018 and up to the date of approval of the financial statements.

#### **Capacity to Handle Risk**

The Irish National Stud Company DAC 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 its 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 DAC has implemented a risk management system which identifies and reports on 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 DAC has procedures in place to ensure compliance with the current procurement rules and guidelines and that during 2018 complied with these procedures.

### **Review of effectiveness**

I confirm that The Irish National Stud Company DAC 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 within 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 2018.

### **Internal control issues**

No weaknesses in internal control were identified in relation to 2018 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 DAC was in compliance with the Code of Practice for the Governance of State Bodies for 2018.

### **Review of year**

The Company reported operating profits before depreciation of €1.5m (2017: €1.7m) and a profit on ordinary activities before taxation of €0.3m (2017 €0.7m).

2018 was another 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. He continued his outstanding success adding 3 more Group 1 winners and producing no fewer than 19 individual stakes winners in 2018. His ascending age profile has reduced the income he can generate in relation to the number of mares he can reasonably service, down from 122 in 2017 to 104 in 2018. In this context the need to reinvest and the need to find the successor grows ever stronger.

Our two new stallions for the 2018 Breeding Season, Decorated Knight and National Defense will both have their first foals to test the market in 2019. Both made a reasonable start covering 66 and 64 mares respectively. In the case of National Defense an injury in mid-season limited his numbers greatly. Notwithstanding this there are still enough foals to be born in 2019 to allow him to have a good chance to succeed.

Free Eagle was again strongly supported by his syndicate and traded at a reduced fee of €15,000. His first yearlings were received very warmly by the market averaging over €60,000, three times his original stud fee. His first two-year olds will race in 2019 and they are in the hands of some of the finest trainers in Europe.

Dragon Pulse continues to punch above his weight with another three high class stakes performers in 2018. He continues with a fantastic winners-to-runners ratio. His largest and best-bred book of foals will race as two-year olds in 2019 offering significant hope that he can enhance his popularity further in the coming years.

## **CHAIRMAN'S STATEMENT - continued**

### **Review of year - continued**

We had another successful yearling Sales season when our draft of yearlings fetched €1million, headed by a Free Eagle colt out of Nebraas which made €400,000. This was the highest priced Free Eagle sold at public auction to date.

We purchased two new broodmares to continue our pursuit of quality and brought our first foals to market from our Mares Syndicate program. The program allows new investors the opportunity to partner with us in a diverse portfolio for a fixed four - year term. The highest price achieved was €95,000 for an Awtaad colt.

Our Breeding and Racing Club received an even greater result when the No Nay Never filly out of Veronica Falls made €170,000. It was a stellar year for the club with their two horses in training also. Lethal Promise broke her maiden at Naas and added a stakes' win at Fairyhouse. She is a very exciting prospect for 2019. Likewise, Divine Approach also made it to the Winners Enclosure on her final start with the promise of more to come.

On the back of this success the stud has launched INS Racing for 2019 to create a larger ownership pool in these racehorses and open up the thrill of racehorse ownership to a wider net of people. The club will have 6 horses in training with 6 different trainers in Ireland, supporting the grassroots of racing.

Our Stud Services enjoyed another successful year with 250 live foals born in our busy foaling unit. Our own mares delivered 27 foals by leading sires such as Siyouni, Acclamation and of course our own Invincible Spirit, Free Eagle and Dragon Pulse.

Tourism attracted over 127,000 paying visitors in a continuously improving performance. The Irish Racehorse Experience has received approval of Grant Funding from Failte Ireland and will commence building in 2019. It is the first major capital development project at the stud since the Visitor Centre was built in 1994 and will deliver a truly unique insight into the world of the racehorse and will allow for expansion of the Tourism business.

The Stud Management Course entered its 47<sup>th</sup> year in 2018 and continues to be oversubscribed, attracting students from China, Japan, USA, New Zealand, Australia, France, Germany and of course Ireland. Three of our graduates enrolled in their first year on the prestigious Darley Flying Start Program in 2018.

Our people are the critical resource we have, in conjunction with the wonderful land at Tully. The care, pride and skill with which they go about their business remains our proudest asset. We thank all of our team 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.

Matt Dempsey  
Chairman

Date: 25<sup>th</sup> March 2019

## DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2018.

### Results, dividends and reserves

The profit on ordinary activities before taxation was €313,634 (2017: profit €724,221). The directors do not recommend a declaration of a dividend (2017: €Nil) or transfer to reserves (2017: €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 DAC 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 two. 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 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.

### Subsidiaries

A new subsidiary company, INS Commercial Enterprises DAC was incorporated in 2018 and will commence trading in 2019.

### 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 DAC 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 giving 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 Irish Generally Accepted Accounting Practice (accounting standards issued by the Financial Reporting Council, including Financial Reporting Standard 102 "*The Financial Reporting Standard applicable in the UK and Republic of Ireland and Irish law*").

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 reviews 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 2018.

**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:

<b>Board member</b>	<b>Role</b>	<b>Date appointed/reappointed</b>
Matt Dempsey	Chairperson	1 March 2018
Sean Brady	Ordinary Member	20 May 2018
Jessica Harrington	Ordinary Member	20 May 2018
John Tuite	Ordinary Member	25 October 2018
Seamus Boyle	Ordinary Member	25 October 2018
Mark Weld	Ordinary Member	29 October 2018
Dairine Walsh	Ordinary Member	31 August 2018

The Minister determines the fees payable to Board members. Board members' fees during 2018 are set out below:

<b>Board member</b>	<b>Fees</b>
	€
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 €1,030 (2017: €1,427) was paid to board members for mileage expense claims during the year.

**DIRECTORS' REPORT - continued**

**Attendance at meetings**

There were six Board meetings held during the year ended 31 December 2018. The Board members attendances at these meetings were as set out below:

<b>Board member</b>	Eligible to attend	Attended
M Dempsey	6	6
S Brady	6	4
J Harrington	6	3
J Tuite	6	6
S Boyle	6	5
M Weld	6	6
D Walsh	6	6
	6	6

There were four Audit and Risk Committee meetings held during the year ended 31 December 2018. The Committee members' attendances at these meetings were as set out below:

<b>Committee member</b>	Eligible to attend	Attended
J Malone (chairman)	4	4
D Walsh	4	4
S Boyle	4	3
	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

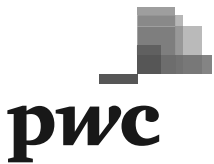
**Sean Brady**

Director

**Eamonn Looney**

Company Secretary

Date: 25<sup>th</sup> March 2019



## ***Independent auditors' report to the members of The Irish National Stud Company DAC***

### **Report on the audit of the financial statements**

---

#### **Opinion**

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

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2018 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 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 Annual Report, which comprise:

- the Balance Sheet as at 31 December 2018;
- the Profit and Loss Account for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Accounting Policies; and
- the notes to the financial statements.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

---

#### **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*

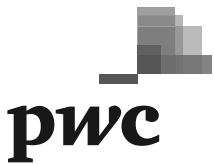
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

#### **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 Annual Report 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.

### *Directors' Report*

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 2018 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.

### *Code of Practice for the Governance of State Bodies (the "Code")*

Under the Code of Practice for the Governance of State Bodies (the "Code") we are required to report to you if the statement regarding the system of internal control included in the Chairman's Statement on pages 3 to 5 does not reflect the company's compliance with paragraph 1.9(iv) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in respect of this responsibility.

---

## Responsibilities for the financial statements and the audit

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement 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](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.

---

## **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.

Siobhan Collier  
for and on behalf of PricewaterhouseCoopers  
Chartered Accountants and Statutory Audit Firm  
Dublin  
5 April 2019

## 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 DAC 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 DAC, 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 its 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 2018**

	Note	2018 €	2017 €
Turnover	2	7,207,725	7,903,812
Administration expenses		<u>(6,836,192)</u>	<u>(7,107,222)</u>
<b>Operating profit</b>		371,533	796,590
Interest payable and similar charges	3	(57,997)	(72,389)
Interest receivable and similar income	3	<u>98</u>	<u>20</u>
<b>Profit on ordinary activities before tax</b>	4	313,634	724,221
Tax on profit on ordinary activities	6	<u>(8,516)</u>	<u>(6,241)</u>
<b>Profit for the financial year</b>		<u>305,118</u>	<u>717,980</u>

**STATEMENT OF COMPREHENSIVE INCOME**  
**Financial Year Ended 31 December 2018**

	Note	2018 €	2017 €
Profit for the financial year		305,118	717,980
<b>Other comprehensive income:</b>			
Remeasurement of net defined benefit liability	20	<u>(3,000)</u>	<u>95,000</u>
<b>Total comprehensive income for the financial year</b>		<u>302,118</u>	<u>812,980</u>

**BALANCE SHEET**  
As at 31 December 2018

	Note	2018 €	2017 €
<b>Fixed assets</b>			
Tangible assets	7	9,446,702	9,689,376
Stallion shares and breeding stock	8	3,517,334	2,559,668
		<u>12,964,036</u>	<u>12,249,044</u>
<b>Current assets</b>			
Stocks	9	1,757,083	1,536,939
Debtors	10	3,793,745	4,219,335
Cash at bank and in hand		6,256,060	6,708,604
		<u>11,806,888</u>	<u>12,464,878</u>
<b>Creditors - amounts falling due within one year</b>	11	<u>(3,207,025)</u>	<u>(3,037,992)</u>
<b>Net current assets</b>		<u>8,599,863</u>	<u>9,426,886</u>
<b>Total assets less current liabilities</b>		21,563,899	21,675,930
<b>Creditors - amounts falling due after more than one year</b>	12	(1,490,413)	(1,867,562)
Provision for post-employment benefit obligation	20	<u>(719,000)</u>	<u>(756,000)</u>
<b>Net assets</b>		<u>19,354,486</u>	<u>19,052,368</u>
<b>Capital and reserves</b>			
Called up share capital presented as equity	14	13,768,724	13,768,724
Profit and loss account		5,585,762	5,283,644
		<u>19,354,486</u>	<u>19,052,368</u>
<b>Total equity</b>		<u>19,354,486</u>	<u>19,052,368</u>

The financial statements were approved by the Board of Directors on 25<sup>th</sup> March 2019 and signed on its behalf by:

**Matt Dempsey**

Director

**Sean Brady**

Director

**Eamonn Looney**

Company Secretary

**STATEMENT OF CHANGES IN EQUITY**  
**Financial Year Ended 31 December 2018**

	Called up share capital €	Profit and loss €	Total €
<b>Balance as at 1 January 2017</b>	<u>13,768,724</u>	<u>4,470,664</u>	<u>18,239,388</u>
Profit for the financial year	<u>-</u>	<u>717,980</u>	<u>717,980</u>
<b>Other comprehensive income for the year:</b>			
Remeasurement of net defined pension liability	<u>-</u>	<u>95,000</u>	<u>95,000</u>
<b>Total comprehensive income for the year:</b>	<u>-</u>	<u>812,980</u>	<u>812,980</u>
<b>Balance as at 31 December 2017</b>	<u>13,768,724</u>	<u>5,283,644</u>	<u>19,052,368</u>
<b>Balance as at 1 January 2018</b>	<u>13,768,724</u>	<u>5,283,644</u>	<u>19,052,368</u>
Profit for the financial year	<u>-</u>	<u>305,118</u>	<u>305,118</u>
<b>Other comprehensive income for the year:</b>			
Remeasurement of net defined pension liability	<u>-</u>	<u>(3,000)</u>	<u>(3,000)</u>
<b>Total comprehensive income for the year:</b>	<u>-</u>	<u>302,118</u>	<u>302,118</u>
<b>Balance as at 31 December 2018</b>	<u>13,768,724</u>	<u>5,585,762</u>	<u>19,354,486</u>



**STATEMENT OF CASH FLOWS**  
**Financial Year Ended 31 December 2018**

	Note	2018 €	2017 €
<b>Cash from operations</b>	16	1,439,847	2,429,962
Taxation (paid)/received		(8,516)	(6,241)
<b>Net cash generated from operating activities</b>		<u>1,431,331</u>	<u>2,423,721</u>
<b>Cash flows from investing activities</b>			
Payments to acquire stallion shares and breeding stock		(1,783,909)	(72,207)
Receipts from sale of stallion shares and breeding stock		555,275	44,297
Payments to acquire tangible fixed assets		(285,869)	(79,887)
Interest received		98	20
<b>Net cash used in investing activities</b>		<u>(1,514,405)</u>	<u>(107,777)</u>
<b>Cash flows from financing activities</b>			
Repayment of bank borrowings		(311,470)	(439,676)
Interest paid		(57,997)	(72,370)
<b>Net cash used in financing activities</b>		<u>(369,467)</u>	<u>(512,046)</u>
<b>Net (decrease)/increase in cash at bank and in hand</b>		(452,544)	1,803,897
<b>Cash and cash equivalents at the beginning of the year</b>		<u>6,708,604</u>	<u>4,904,707</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>6,256,060</u>	<u>6,708,604</u>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		<u>6,256,060</u>	<u>6,708,604</u>
<b>Cash and cash equivalents</b>		<u>6,256,060</u>	<u>6,708,604</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Going concern

The company has a profit after tax of €305,118 for the year ended 31 December 2018 (2017: profit €717,980). The profit for the year includes a depreciation charge of €1,172,231 (2017: €986,316), the company had a profit before depreciation of €1,477,349 (2017: €1,704,296). 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	2018 €	2017 €
<b>Analysis by activity</b>		
Stud and farm	5,891,753	6,628,854
Tourism	1,315,972	1,274,958
	<u>7,207,725</u>	<u>7,903,812</u>

All turnover was earned in the Republic of Ireland.

3 Net interest expense	2018 €	2017 €
<b>Interest receivable and similar income</b>		
Bank interest received	98	20
Total interest income on financial assets not measured at fair value through profit or loss	98	20
<b>Total interest receivable and similar income</b>	<u>98</u>	<u>20</u>
<b>Interest payable and similar charges</b>		
Interest payable on overdrafts and bank loans	(25,443)	(35,101)
Other bank charges	(18,157)	(20,891)
Finance lease interest	(1,397)	(1,397)
Total interest expense on financial liabilities not measured at fair value through profit or loss	(44,997)	(57,389)
Net interest expense on post-employment benefits	(13,000)	(15,000)
Total interest payable and similar charges	(57,997)	(72,389)
<b>Total interest payable and similar charges</b>	<u>(57,997)</u>	<u>(72,389)</u>
<b>Net interest expense</b>		
Interest receivable and similar income	98	20
Interest payable and similar charges	(57,997)	(72,389)
<b>Net interest expense</b>	<u>(57,899)</u>	<u>(72,369)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

<b>4 Profit on ordinary activities before tax</b>	2018	2017
	€	€

**The following operating expenses/(income) have been recognised:**

Foreign exchange (losses)/gains	(5,079)	1,254
Grant amortisation	(10,000)	(10,000)
Impairment loss – trade debtors	267,861	344,877
Profit on disposal of assets	(329,396)	(13,012)
Depreciation of tangible assets, stallion shares and breeding stock	1,172,231	986,316
Auditors' remuneration	25,215	24,600
Tax compliance	4,059	3,936
	<u>          </u>	<u>          </u>

**Consultancy costs for the year include the following:**

Legal and professional	59,919	35,862
Human resources	10,184	6,905
	<u>          </u>	<u>          </u>

<b>5 Employees and directors</b>	2018	2017
	Number	Number

**Employees**

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

Full time	43	42
Seasonal (full time equivalent)	11	10
	<u>          </u>	<u>          </u>
	54	52

	2018	2017
	€	€

Staff costs comprise:

Wages and salaries	2,113,035	2,066,518
Social insurance costs	227,946	219,464
Other staff costs	2,033	5,466
Other retirement benefit costs	8,532	10,000
Defined contribution pension scheme costs	86,811	95,179
Staff costs	<u>2,438,357</u>	<u>2,396,627</u>

**Directors**

Emoluments	<u>65,250</u>	<u>65,250</u>
------------	---------------	---------------

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Employees and directors – continued	2018 €	2017 €
Contributions to retirement benefit schemes:		
- Defined benefit scheme	-	-
- Defined contribution scheme	-	-
	<u>-</u>	<u>-</u>
Compensation for loss of office paid by the company and other termination payments	<u>-</u>	<u>-</u>
<b>Travel and Subsistence Expenditure</b>		
Travel and subsistence expenditure is categorised as follows:		
Domestic		
- Board	1,028	1,425
- Employees	30,188	26,806
	<u>31,216</u>	<u>28,231</u>
International		
- Board	-	-
- Employees	44,143	35,023
<b>Total</b>	<u>75,359</u>	<u>63,254</u>
<b>Hospitality Expenditure</b>		
Hospitality expenditure includes the following expenditure		
Staff hospitality	31,504	32,305
Client hospitality	16,724	17,571
<b>Total</b>	<u>48,228</u>	<u>49,876</u>

**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:

	2018 €	2017 €
<b>Chief Executive Officer:</b>		
Salaries and other short term benefits	110,568	148,751
Post- employment benefits	27,500	39,887
Total key management compensation	<u>138,068</u>	<u>188,638</u>

**Key personnel changes**

Cathal Beale was appointed CEO with effect from 1 July 2017.

**Short term employee benefits**

The Irish National Stud Company DAC 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

<b>6 Tax on profit on ordinary activities</b>	2018 €	2017 €
<b>Tax expense/(income) included in profit or loss</b>		
Current tax:		
Irish corporation tax on profit for the financial year	2,448	1,557
Overprovision in respect of prior year	6,068	4,684
Current tax expense/(income) for the financial year	<u>8,516</u>	<u>6,241</u>

**Reconciliation of tax expense/(income)**

Tax assessed for the financial year is lower (2017: lower) than the standard rate of corporation tax in the Republic of Ireland for the financial year ended 31 December 2018 of 12.5% (2017: 12.5%). The differences are explained below:

	2018 €	2017 €
Profit on ordinary activities before tax	<u>313,634</u>	<u>724,221</u>
Tax at standard rate of 12.5% (2017: 12.5%)	39,204	90,528
<i>Effects of:</i>		
Expenses not deductible for tax purposes	42,578	51,905
Income taxed at higher rate	1,024	830
Depreciation in excess of capital allowances	26,568	15,848
Tax losses utilised	(114,639)	(152,679)
Other timing differences	13,781	(191)
<b>Tax on profit on ordinary activities</b>	<u>8,516</u>	<u>6,241</u>

<b>7 Tangible fixed assets</b>	Land and buildings €	Machinery and furniture €	Motor vehicles €	Total €
<b>Cost</b>				
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	<u>12,246,002</u>	<u>5,949,683</u>	<u>442,878</u>	<u>18,638,563</u>
At 1 January 2018	12,246,002	5,949,683	442,878	18,638,563
Additions	-	93,001	117,015	210,016
Disposals	-	-	(15,800)	(15,800)
At 31 December 2018	<u>12,246,002</u>	<u>6,042,684</u>	<u>544,093</u>	<u>18,832,779</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Tangible fixed assets - continued	Land and buildings €	Machinery and furniture €	Motor vehicles €	Total €
<b>Accumulated depreciation</b>				
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	<u>3,852,781</u>	<u>4,798,599</u>	<u>297,807</u>	<u>8,949,189</u>
At 1 January 2018	3,852,781	4,798,599	297,807	8,949,189
Charge for the year	150,405	220,190	80,513	451,108
Disposals	-	-	(14,220)	(14,220)
At 31 December 2018	<u>4,003,186</u>	<u>5,018,789</u>	<u>364,100</u>	<u>9,386,077</u>
<b>Carrying amount</b>				
At 31 December 2018	<u>8,242,816</u>	<u>1,023,895</u>	<u>179,993</u>	<u>9,446,702</u>
At 31 December 2017	<u>8,393,221</u>	<u>1,151,084</u>	<u>145,071</u>	<u>9,689,376</u>
At 31 December 2016	<u>8,543,626</u>	<u>1,251,888</u>	<u>169,378</u>	<u>9,964,893</u>
8 Stallion shares and breeding stock			2018 €	2017 €
<b>Cost</b>				
At 1 January			8,255,359	7,261,944
Additions			1,783,868	1,069,577
Disposals			(582,541)	(76,162)
At 31 December			<u>9,456,686</u>	<u>8,255,359</u>
<b>Accumulated depreciation</b>				
At 1 January			5,695,691	5,220,744
Charge for year			721,068	514,766
Relating to disposals			(477,407)	(39,819)
Impairment charge			-	-
At 31 December			<u>5,939,352</u>	<u>5,695,691</u>
<b>Carrying amount</b>				
At 31 December			<u>3,517,334</u>	<u>2,559,668</u>
9 Stocks			2018 €	2017 €
Bloodstock			1,668,943	1,456,807
Consumables			88,140	80,132
			<u>1,757,083</u>	<u>1,536,939</u>

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

NOTES TO THE FINANCIAL STATEMENTS - continued

<b>10 Debtors</b>	2018	2017
	€	€
Trade debtors	2,994,070	3,454,968
Prepayments and accrued income	799,675	764,367
	<u>3,793,745</u>	<u>4,219,335</u>

Trade debtors are stated after provision for impairment of €1.7m (2017: €1.4m) (see note 23 for basis of determination of provision).

<b>11 Creditors - amounts falling due within one year</b>	2018	2017
	€	€
Trade creditors and accruals	1,201,976	1,421,551
Purchase of Life Time Breeding Rights	-	750,000
Purchase of Bloodstock	1,682,136	504,563
PAYE/PRSI	66,005	74,990
VAT	37,976	90,493
Deferred income (see note 15)	10,000	10,000
Withholding tax	27,518	4,981
Bank loan (Note 12)	181,414	181,414
	<u>3,207,025</u>	<u>3,037,992</u>

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.

<b>12 Creditors - amounts falling due after more than one year</b>	2018	2017
	€	€
Bank loan	1,318,932	1,656,081
Less: amount repayable within one year (note 11)	(181,414)	(181,414)
Deferred income (see note 15)	202,895	212,895
Other Creditors	150,000	180,000
	<u>1,490,413</u>	<u>1,867,562</u>
<b>Maturity of bank loan</b>		
In one year or less, or on demand	181,414	181,414
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	411,862	749,011
	<u>1,318,932</u>	<u>1,656,081</u>

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%.

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Financial instruments

The company has the following financial instruments:

	Note	2018		2017	
		€	€	€	€
<b>Financial assets that are debt instruments measured at amortised cost</b>					
Trade debtors	10	2,994,070		3,454,968	
Prepayments and accrued income	10	<u>799,675</u>		<u>764,367</u>	
			<u>3,793,745</u>		<u>4,219,335</u>
Cash at bank and in hand			<u>6,256,060</u>		<u>6,708,604</u>
<b>Financial liabilities measured at amortised cost</b>					
Trade creditors and accruals	11	2,950,117		2,751,105	
Withholding tax		27,518		4,981	
VAT	11	37,976		90,493	
Bank loan	12	<u>1,318,932</u>		<u>1,656,081</u>	
			<u>4,334,543</u>		<u>4,502,660</u>

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

	2018	2017
	€	€
<b>Equity shares of €1.27 each</b>		
<b>Authorised</b>		
30,000,000 shares (2017: 30,000,000 shares)	<u>38,100,000</u>	<u>38,100,000</u>
<b>Allotted and fully paid - presented as equity</b>		
10,841,516 shares (2017: 10,841,516 shares)	<u>13,768,724</u>	<u>13,768,724</u>

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

<b>15 Capital grants</b>	2018	2017
	€	€
At 1 January	222,895	232,895
Amortisation	(10,000)	(10,000)
At 31 December	<u>212,895</u>	<u>222,895</u>
<b>16 Note to the statement of cash flows</b>	2018	2017
	€	€
Profit for the financial year	305,118	717,980
Tax on profit on ordinary activities	8,516	6,241
Net interest expense	57,997	72,370
Operating profit	<u>371,631</u>	<u>796,591</u>
Amortisation of grants	10,000	10,000
Profit on disposal	(329,396)	(13,012)
Depreciation of tangible fixed assets	1,172,231	986,317
Post-employment benefit less payments	(92,099)	(20,521)
Working capital movements:	-	
- Decrease/(Increase) in inventories	(220,144)	146,688
- Decrease in debtors	425,592	635,046
- Increase/(decrease) in payables	102,032	(111,147)
Cash flow from operating activities	<u>1,439,847</u>	<u>2,429,962</u>

**17 Events since the end of the financial year**

The company received grant approval under the Fáilte Ireland Grants Scheme for large Tourism Project 2016-2020 of €1.9m towards the cost of a new development - The Irish Race Horse Experience. Building is expected to commence early in 2019.

**18 Related party transactions**

During the year directors and the former company secretary and parties connected with them purchased at market value, keep services to a total value of €10,250 (2017: €(7,469)). The company earned income of €2,965,669 (2017: €3,801,238) from syndicates in which a company connected with the company secretary have interests. The former company secretary interests in such syndicates is 4%.

The company purchased horse training services in 2018 with a value of €31,471 (including Vat and refund of outlays incurred) from Rosewell Racing Ltd a company connected to a director (2017: €62,649). The company purchased professional services in 2018 with a value of €6,150 (including Vat) from a firm connected with the company secretary (2017: €9,840).

The company secretary resigned from office in June 2018.

**19 Commitments**

**Capital commitments:**

There was no capital expenditure contracted at the statement of financial position date not provided for in the financial statements (2017: €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 2017 and is available for inspection by the scheme members but not for public inspection.

	2018	2017
	€'000	€'000

The amount recognised on the balance sheet is as follows:

Present value of funded liabilities	(4,036)	(4,248)
Fair value of plan assets	3,317	3,492
<b>Liability for post-employment benefits</b>	<b>(719)</b>	<b>(756)</b>

The amount recognised in the profit and loss account is as follows:

Defined benefit scheme		
- Current service cost	8	7
- Net interest expense	13	15
<b>Total expense</b>	<b>21</b>	<b>22</b>

The return on plan assets was:

Interest income	61	58
Return on plan assets less interest income	(188)	67
<b>Actual return on plan assets</b>	<b>(127)</b>	<b>125</b>

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

	2018	2017
Expected rate of increase of pensions in payment	1.10%	1.35%
Expected rate of salary increases	n/a	n/a
Discount rate	1.75%	1.75%
Rate of inflation	1.50%	1.75%

The mortality assumptions in 2018 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

	2018	2017
Longevity at age 65 for current pensioners:		
- Male	21.4	21.2
- Female	23.8	23.7
Longevity at age 65 for future pensioners:		
- Male	23.8	23.7
- Female	<u>25.9</u>	<u>25.8</u>

	Plan assets	Defined benefit obligation	Total
	€	€	€
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	<u>3,492</u>	<u>(4,248)</u>	<u>(756)</u>
At 1 January 2018	3,492	(4,248)	(756)
Benefits paid	(109)	109	-
Employer contributions	61	-	61
Current service cost	-	(8)	(8)
Interest income/(expense)	61	(74)	(13)
Re-measurement gains/(losses):			
Actuarial gain	-	185	185
Return on plan assets excluding interest income	(188)	-	(188)
At 31 December 2018	<u>3,317</u>	<u>(4,036)</u>	<u>(719)</u>

2018	2017
€'000	€'000

The fair value of the plan assets was:

Equity instruments	882	971
Absolute return strategies	1,437	1,554
Fixed interest	786	772
Cash	20	14
Property	192	181
	<u>3,317</u>	<u>3,492</u>

21 Contingent liabilities

There are no contingent liabilities at 31 December 2018.

## 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 consider 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 estimate 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 25<sup>th</sup> March 2019..