The Irish National Stud DAC

Annual Report and Consolidated Financial Statements
Financial Year Ended 31 December 2019

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DIRECTORS AND OTHER INFORMATION

Board of Directors at 24th March 2020

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

E Looney
Tully
Kildare
Co. Kildare

Bankers

Bank of Ireland
Kildare Town
Co. Kildare

Company Number: 11451

Independent Auditors

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

CHAIRMANS' REPORT

The Irish National Stud consolidated accounts returned a profit before taxation of €0.8m (2018: €0.3m). This includes a depreciation charge of €1.0m (2018: €1.2m), profit before taxation and depreciation is €1.7m (2018: €1.5m). The cash from operations is €0.3m (2018: €1.4m).

The group revenue for the year was €7.2m, (2018: €7.2m) Stallion income was €3.0m for the year, (2018: €3.0m). The subsidiary company INS Commercial Enterprises DAC deals with the tourism related activity and commenced trading in 2019.

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 DAC for the year ended 31 December 2019 and up to the date of approval of the financial statements.

Capacity to Handle Risk
The parent company has an Audit and Risk Committee (ARC) which serves the group, comprising of two Board Members and two external members one of which is the chair and the other was appointed during the year and has recent and relevant financial experience.

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 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 group 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.

CHAIRMANS' REPORT - continued

Risk and control framework - continued

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; and
- There are systems in place to safeguard the assets.

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 DAC has procedures in place to ensure compliance with the current procurement rules and guidelines and that during 2019 complied with these procedures.

Review of effectiveness

I confirm that The Irish National Stud 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 group 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 2019.

Internal control issues

No weaknesses in internal control were identified in relation to 2019 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 DAC was in compliance with the Code of Practice for the Governance of State Bodies for 2019.

CHAIRMANS' REPORT - continued

Review of the financial year
The group reported operating profits before depreciation of €1.7m (2018: €1.5m) and a profit before taxation of €0.8m (2018 €0.3m).

2019 was yet another year of progress and solid growth at the Irish National Stud. Invincible Spirit continued to headline the roster and reach new heights, securing his first British Classic winner with Magna Grecia winning the 2000 Guineas at Newmarket. He covered another exceptional book of mares at his career high fee of €120,000.

The Irish 2,000 Guineas was a memorable day for all concerned with the stud, as Phoenix of Spain triumphed in the first Classic run at the brand-new Curragh facility. Purchased after a high class juvenile campaign his Group 1 win as a three-year old cemented his reputation and place at stud for the 2020 season.

The first foals of both National Defense and Decorated Knight were received extremely well by the market and we look forward to their yearlings reaching even greater heights in the coming year. On the track, the first crop of Free Eagle to race achieved 12 individual winners and 2 stakes horses. With the prospect of likely improvement as they mature and develop as three-year olds it is hoped he can become as good a sire as he undoubtedly was as a champion racehorse.

Our yearlings sold at Goffs and Tattersalls Ireland were once again very well received, grossing over €1million. Our highest priced was the beautiful €460,000 Invincible Spirit colt out of Aimhirgin Lass, purchased by Godolphin. This was the first foal from the mare who was a winner in the presidential colours.

INS Racing had another successful year with over 350 members enjoying the racing season. The highlight was the listed race success of Lethal Promise among the many days out racing and visiting trainers' yards. We launched a second mare syndicate on the back of the success of our first grouping which enjoyed tremendous success, selling an Invincible Spirit colt for €330,000 at Goff's November Foal Sale.

Our foaling unit delivered 219 foals into the world with 27 Owned by the stud and syndicate partners including foals by Invincible Spirit, Mastercraftsman and Dark Angel.

Tourism had an excellent year of growth with over 138,000 visitors passing through the gates in 2019, an 8% increase on the previous year. The Irish Racehorse Experience project has been completed and will open as soon as the circumstances surrounding the Coronavirus allow. We sincerely hope it inspires a new breed of racing fans to enter into the world of the horse.

Our stud management course continues to be oversubscribed and is highly regarded the world over. Thirty students graduated from Tully in 2019 from 12 different countries. Three of our graduates were fortunate enough to be selected for the prestigious Godolphin Flying Start Programme again this year.

This stud farm has a long-held tradition of excellence. This can only be achieved through the hard work, skill and dedication of the people who work here. On behalf of the Board I would like to thank all of the team, led by our CEO Cathal Beale, most sincerely for their endeavours this year.

We thank the Minister for Agriculture, Fisheries and the Marine, Mr Michael Creed and the staff of his department and the Department of Finance and Public Expenditure and Reform for their support and guidance throughout the year.

On behalf of the board

Matt Dempsey
Chairman

Date: 24th March 2020

DIRECTORS' REPORT

The directors present their report and audited financial statements of the group and the company for the financial year ended 31 December 2019. The group comprises the parent company, The Irish National Stud DAC and its subsidiary, INS Commercial Enterprises DAC, which was incorporated in 2018 and commenced trading in 2019.

Results, dividends and reserves
The profit before taxation was €757,367 (2018: profit €313,634). The directors do not recommend a declaration of a dividend (2018: €Nil) or transfer to reserves (2018: €Nil).

Principal activities and review of the business
The review of the group's performance is included in the Chairman's Report on pages 3 to 5. The principal activity of the group is stud farming, tourism and related activity.

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

Principal risks and uncertainties
The strategy of the group is to stand high quality stallions and to breed racehorses capable of competing in top class races and to operate a high quality boarding and sales preparation facility.

The performance of the group is largely dependent on the health and popularity of the stallions and in particular Invincible Spirit who is now twenty-three. It is also dependent on the market demand for their services.

Certain risks facing the group may be difficult to quantify but relate primarily to impact of Brexit and animal diseases which would restrict the movement/travelling of animals.

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

Events since the end of the financial year
At the time of approval of these financial statements there is a high level of awareness amongst the public in general regarding the Covid 19 global pandemic and the significance of its outbreak in Ireland, which is likely to impact well established norms within society, healthcare and business and commercial activities.

In the spring of this year, the first case of Covid 19 within Ireland was diagnosed and numbers affected have since grown. Following guidance issued by the Irish government in March 2020, the group has suspended its tourism related activities and restricted access to the stud and gardens.

The directors are aware that this crisis is likely to have an impact on the operations of the stud and gardens on a number of levels, including on the financial results for the year ending 31 December 2020. While the stud activity continues for now, this may suffer a temporary enforced or voluntary suspension at any time. Covid 19 is also likely to negatively impact the local and global economies and major financial markets. In the context of the Group these implications are likely to be significant to the results of the group for the 2020 financial year, and could impact revenue, financial assumptions and investment performance relating to the Group's defined benefit scheme, the recoverability of debtors, valuation of inventory and impairment of fixed assets, among other issues.

At this point, it is impossible to quantify the financial effect. The directors are satisfied in any event that this crisis is a non-adjusting post balance sheet event.

DIRECTORS' REPORT - continued

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

Political donations
The group did not make any political donations during the financial year (2018: €Nil).

Research and development
The group did not incur any research and development expenditure during the financial year (2018: €Nil).

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

Branches
The group does not have any foreign branches.

Ultimate controlling party
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 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 group 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 group, and of any significant risks likely to arise. The CEO acts as a direct liaison between the Board and the management of the group.

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

DIRECTORS' REPORT - continued

Statement of directors' responsibilities
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 group 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 group 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.

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 group.

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; and
- 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 2019.

DIRECTORS' REPORT - continued

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	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 2019 are set out below:

Board members	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 €574 (2018: €1,028) was paid to Board members for mileage expense claims during the year.

Attendance at meetings

There were nine Board meetings held during the year ended 31 December 2019. The Board members attendances at these meetings were as set out below:

Board member	Eligible to attend	Attended
M Dempsey	9	9
S Brady	9	6
J Harrington	9	3
J Tuite	9	9
S Boyle	9	7
M Weld	9	4
D Walsh	9	5

DIRECTORS' REPORT - continued

Attendance at meetings - continued

There were four Audit and Risk Committee meetings held during the year ended 31 December 2019. The Committee members' attendances at these meetings were as set out below:

Committee member	Eligible to attend	Attended
J Malone (Chairman)	4	3
D Walsh	4	3
S Boyle	4	4
M Davin	1	1

The remuneration of the Chief Executive is in line with 'Guidelines on Contracts, Remuneration and other conditions of Chief Executives and Senior Management of Commercial State Bodies' issued in March 2006 and is summarised in Note 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 group 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 group'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 group's statutory auditors are aware of that information.

DIRECTORS' REPORT - continued

Auditors
The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and shall be reappointed at the Annual General Meeting in accordance with S383(2) of the Companies Act 2014.

On behalf of the Board

Matt Dempsey
Director

Sean Brady
Director

Eamonn Looney
Company Secretary

24th March 2020

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

Report on the audit of the financial statements

Opinion

In our opinion, The Irish National Stud DAC's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the group's and the parent company's assets, liabilities and financial position as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (Irish GAAP) (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 group and parent company balance sheets as at 31 December 2019;
- the group profit and loss account and group statement of comprehensive income for the year then ended;
- the group statement of cash flows for the year then ended;
- the group and parent company statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements.

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 group 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 group's or the parent 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 group's or the parent 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 2019 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the group and parent company and their 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 report on pages 3 to 5 does not reflect the company's compliance with paragraph 1.9(iv) of the Business and Financial Reporting requirements 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 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 group's and the parent 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 group or the parent 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.

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 parent company were sufficient to permit the parent company financial statements to be readily and properly audited.
- The parent company balance sheet is in agreement with the accounting records.

Other 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.

Siobhán Collier
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
20th April 2020

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 DAC ("the company") and its subsidiary (together "the group") are principally engaged in stud farming, tourism and related activities.

These financial statements are the company's separate and consolidated financial statements for the financial year beginning 1 January 2019 and ending 31 December 2019. The registered office of the company is Tully, Kildare, Co. Kildare.

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

Basis of preparation
The group 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. These policies have been consistently applied to all financial years presented, unless otherwise stated

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 24.

Basis of consolidation
The group consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings made up to 31 December.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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.

ACCOUNTING POLICIES - continued

Financial assets

(i) Investment in subsidiary undertakings
The group's investment in related group undertakings is carried at historical cost less accumulated impairment losses.

Borrowing costs

All borrowing costs are recognised in profit or loss in the financial year in which they are incurred.

Research and development

Research and development expenditure is written off in the profit and loss account in the year in which it is incurred.

Related party transactions

The group discloses transactions with related parties that are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

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 group 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 group 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.

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.

ACCOUNTING POLICIES - continued

Employee benefits - continued

(iii) Defined benefit pension plan - continued

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 group’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.

ACCOUNTING POLICIES - continued

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.

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 goods for resale, brochures and maps, bloodstock and farm supplies 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.

ACCOUNTING POLICIES - continued

Revenue recognition
Turnover
The turnover of the group 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 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.

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 amounts due from related parties, 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.

ACCOUNTING POLICIES - continued

Financial instruments - continued

(i) Financial assets - continued

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.

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.

GROUP PROFIT AND LOSS ACCOUNT
For the Financial Year Ended 31 December 2019

	Note	2019 €	2018 €
Turnover	2	7,165,842	7,207,725
Administration expenses		(6,370,238)	(6,836,192)
Operating profit		795,604	371,533
Interest payable and similar charges	3	(38,252)	(57,997)
Interest receivable and similar income	3	15	98
Profit before tax	4	757,367	313,634
Tax on profit	6	(35,209)	(8,516)
Profit for the financial year		722,158	305,118

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the Financial Year Ended 31 December 2019

	Note	2019 €	2018 €
Profit for the financial year		722,158	305,118
Other comprehensive expense:			
Remeasurement of net defined benefit liability	21	(43,000)	(3,000)
Total comprehensive income for the financial year		679,158	302,118

GROUP BALANCE SHEET
As at 31 December 2019

	Note	2019 €	2018 €
Fixed assets			
Tangible assets	7	11,893,427	9,446,702
Stallion shares and breeding stock	8	3,775,918	3,517,334
		15,669,345	12,964,036
Current assets			
Stocks	10	1,504,284	1,757,083
Debtors	11	4,145,711	3,793,745
Cash at bank and in hand		4,691,206	6,256,060
		10,341,201	11,806,888
Creditors - amounts falling due within one year	12	(3,277,416)	(3,207,025)
Net current assets		7,063,785	8,599,863
Total assets less current liabilities		22,733,130	21,563,899
Creditors - amounts falling due after more than one year	13	(1,978,486)	(1,490,413)
Provision for post-employment benefit obligation	21	(721,000)	(719,000)
Net assets		20,033,644	19,354,486
Capital and reserves			
Called up share capital - presented as equity	15	13,768,724	13,768,724
Profit and loss account		6,264,920	5,585,762
Total equity		20,033,644	19,354,486

The financial statements were approved by the Board of Directors on 24th March 2020 and signed on its behalf by:

Matt Dempsey
Director

Sean Brady
Director

Eamonn Looney
Company Secretary

24th March 2020

GROUP STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2019

	Note	2019 €	2018 €
Fixed assets			
Tangible assets	7	11,847,076	9,446,702
Stallion shares and breeding stock	8	3,775,918	3,517,334
Financial assets	9	1	1
		15,622,995	12,964,037
Current assets			
Stocks	10	1,468,189	1,757,083
Debtors	11	4,500,690	3,793,745
Cash at bank and in hand		4,118,252	6,256,060
		10,087,131	11,806,888
Creditors - amounts falling due within one year	12	(3,210,377)	(3,207,026)
Net current assets		6,876,754	8,599,862
Total assets less current liabilities		22,499,749	21,563,899
Creditors - amounts falling due after more than one year	13	(1,978,486)	(1,490,413)
Provision for post-employment benefit obligation	21	(721,000)	(719,000)
Net assets		19,800,263	19,354,486
Capital and reserves			
Called up share capital - presented as equity	15	13,768,724	13,768,724
Profit and loss account		6,031,539	5,585,762
Total equity		19,800,263	19,354,486

A profit of €488,777 (2018: €305,118) has been dealt within the financial statements of the company. A separate profit and loss account has not been prepared for the company because the conditions laid down in Section 304 of the Companies Act, 2014 have been complied with

The financial statements were approved by the Board of Directors on 24th March 2020 and signed on its behalf by:

Matt Dempsey
Director

Sean Brady
Director

Eamonn Looney
Company Secretary

GROUP STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2019

	Called-up share capital presented as equity €	Profit and loss account €	Total Total €
Balance as at 1 January 2018	13,768,724	5,283,644	19,052,368
Profit for the financial year	-	305,118	305,118
Other comprehensive expense for the year:			
Remeasurement of net defined pension liability	-	(3,000)	(3,000)
Total comprehensive expense for the year:	-	302,118	302,118
Balance as at 31 December 2018	13,768,724	5,585,762	19,354,486
Balance as at 1 January 2019	13,768,724	5,585,762	19,354,486
	-		
Profit for the financial year	-	722,158	722,158
Other comprehensive expense for the year:	-		
Remeasurement of net defined pension liability	-	(43,000)	(43,000)
Total comprehensive expense for the year:	-	679,158	679,158
Balance as at 31 December 2019	13,768,724	6,264,920	20,033,644

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2019

	Called-up share capital presented as equity €	Profit and loss account €	Total €
Balance as at 1 January 2018	13,768,724	5,283,644	19,052,368
Profit for the financial year	-	305,118	305,118
Other comprehensive expense for the year:			
Remeasurement of net defined pension liability	-	(3,000)	(3,000)
Total comprehensive expense for the year:	-	302,118	302,118
Balance as at 31 December 2018	13,768,724	5,585,762	19,354,486
Balance as at 1 January 2019	13,768,724	5,585,762	19,354,486
Profit for the financial year	-	488,777	488,777
Other comprehensive expense for the year:			
Remeasurement of net defined pension liability	-	(43,000)	(43,000)
Total comprehensive expense for the year:	-	445,777	445,777
Balance as at 31 December 2019	13,768,724	6,031,539	19,800,263

GROUP STATEMENT OF CASH FLOWS
For the Financial Year Ended 31 December 2019

	Note	2019 €	2018 €
Cash from operations	17	312,376	1,439,847
Taxation (paid)/received		-	(8,516)
Net cash generated from operating activities		312,376	1,431,331
Cash flows from investing activities			
Payments to acquire stallion shares and breeding stock		(1,571,948)	(1,783,909)
Receipts from sale of stallion shares and breeding stock		2,064,156	555,275
Payments to acquire tangible fixed assets		(2,882,271)	(285,869)
Interest received		15	98
Net cash used in investing activities		(2,390,048)	(1,514,405)
Cash flows from financing activities			
Grant Received		709,487	-
Repayment of bank borrowings		(158,417)	(311,470)
Interest paid		(38,252)	(57,997)
Net cash used in financing activities		512,818	(369,467)
Net decrease in cash at bank and in hand		(1,564,854)	(452,544)
Cash and cash equivalents at the beginning of the year		6,256,060	6,708,604
Cash and cash equivalents at the end of the year		4,691,206	6,256,060
Cash and cash equivalents consists of:			
Cash at bank and in hand		4,691,206	6,256,060
Cash and cash equivalents		4,691,206	6,256,060

NOTES TO THE GROUP FINANCIAL STATEMENTS

1 Going concern

The group has a profit after tax of €722,158 for the year ended 31 December 2019 (2018: profit of €305,118). The profit for the year includes a depreciation charge of €989,713 (2018: €1,172,231), the group had a profit before depreciation and tax of €1,747,080 (2018: €1,477,349). In light of Covid 19 outbreak management have considered whether the going concern assumption is still appropriate and whether there are any material uncertainties that may cast significant doubt on the ability of the group to continue as a going concern. When determining if the going concern assumption is still appropriate the directors have reviewed the group's cash flow projections and its bank facilities for the next 12 months to April 2021. The directors consider that the going concern basis is appropriate given the group's strong asset base, its ability to manage cash flow including postponing discretionary spending and its committed overdraft facilities. The financial statements do not include any adjustments to the carrying amount and classification of assets and liabilities that would arise if the group was unable to continue as a going concern.

2 Group Turnover

	2019	2018
	€	€
Analysis by activity		
Stud and farm	5,731,045	5,891,753
Tourism	1,434,797	1,315,972
	7,165,842	7,207,725

All tourism related activity in 2019 was carried out by INS Commercial Enterprises DAC a wholly owned subsidiary. All turnover was earned in the Republic of Ireland.

3 Net interest expense

	2019	2018
	€	€
Interest receivable and similar income		
Bank interest received	15	98
Total interest receivable and similar income	15	98
Interest payable and similar charges		
Interest payable on overdrafts and bank loans	(22,742)	(25,443)
Other bank charges	(2,510)	(18,157)
Finance lease interest	-	(1,397)
Net interest expense on post-employment benefits	(13,000)	(13,000)
Total interest payable and similar charges	(38,252)	(57,997)
Net interest expense		
Interest receivable and similar income	15	98
Interest payable and similar charges	(38,252)	(57,997)
Net interest expense	(38,237)	(57,899)

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

4 Group operating profit

	2019	2018
	€	€
The following operating expenses/(income) have been recognised:		
Foreign exchange (gains)	(700)	(5,079)
Grant amortisation	(10,000)	(10,000)
Impairment loss – trade debtors	361,174	267,861
Profit on disposal of assets	(1,250,958)	(329,396)
Depreciation of tangible assets, stallion shares and breeding stock	989,713	1,172,231
Auditors' remuneration	35,670	25,215
Tax compliance	4,157	4,059
Consultancy costs for the year include the following:		
Legal and professional	62,141	59,919
Human resources	-	10,184

5 Employees and directors

Employees

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

	2019	2018
	Number	Number
Full time	47	43
Seasonal (full time equivalent)	7	11
	54	54

	2019	2018
	€	€
Staff costs comprise:		
Wages and salaries	2,202,940	2,113,035
Social insurance costs	237,902	227,946
Other staff costs	3,340	2,033
Other retirement benefit costs	8,532	8,532
Defined contribution pension scheme costs	89,563	86,811
Staff costs	2,542,277	2,438,357

Directors

	2019	2018
Emoluments	65,250	65,250

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

5 Employees and directors - continued	2019 €	2018 €
Contributions to retirement benefit schemes:		
- Defined benefit scheme	-	-
- Defined contribution scheme	-	-

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2019 €	2018 €
Domestic		
Board	574	1,028
Employees	26,006	30,188
International		
Board	-	-
Employees	25,216	44,143
Total	51,796	75,359

Hospitality Expenditure

Hospitality expenditure includes the following expenditure

	2019 €	2018 €
Staff hospitality	38,517	31,504
Client hospitality	11,475	16,724
Total	49,992	48,228

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:

	2019 €	2018 €
Chief Executive Officer:		
Salaries and other short-term benefits	110,568	110,568
Post - employment benefits	27,500	27,500
Total key management compensation	138,068	138,068

Directors' fees are disclosed in the Directors' Report.

Short term employee benefits

The Irish National Stud 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 GROUP FINANCIAL STATEMENTS - continued

6 Income Tax

	2019	2018
	€	€
Tax expense included in profit and loss account		
Current tax:		
Irish corporation tax on profit for the financial year	35,209	2,448
Overprovision in respect of prior year	-	6,068
Current tax expense for the financial year	35,209	8,516

Reconciliation of tax expense

Tax assessed for the financial year differs to the standard rate of corporation tax in the Republic of Ireland for the financial year ended 31 December 2019 of 12.5% (2018: 12.5%). The differences are explained below:

	2019	2018
	€	€
Profit before tax	757,367	313,634
Profit multiplied by the standard rate of tax in the Republic of Ireland for the financial year ended 31 December 2019 of 12.5% (2018: 12.5%)	94,671	39,204
Effects of:		
Expenses not deductible for tax purposes	54,272	42,578
Income taxed at higher rate	1,064	1,024
Income tax withheld	400	-
Depreciation in excess of capital allowances	23,498	26,568
Losses utilised in the year	(126,264)	(114,639)
Other reconciling items	(12,432)	13,781
Tax on profit	35,209	8,516

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

7 Tangible fixed assets

	Land and buildings €	Machinery and furniture €	Motor Vehicles €	Total €
Group				
Cost				
At 1 January 2019	12,246,002	6,042,684	544,093	18,832,779
Additions	2,470,489	411,782	-	2,882,271
Disposals	-	-	-	-
	14,716,491	6,454,466	544,093	21,715,050
Accumulated depreciation				
At 1 January 2019	4,003,188	5,018,789	364,100	9,386,077
Charge for the year	150,405	221,985	63,156	435,546
Disposals	-	-	-	-
At 31 December 2019	4,153,593	5,240,774	427,256	9,821,623
Carrying amount				
At 31 December 2019	10,562,898	1,213,692	116,837	11,893,427
At 31 December 2018	8,242,816	1,023,895	179,993	9,446,702
Company				
Cost				
At 1 January 2019	12,246,002	6,042,684	544,093	18,832,779
Additions	2,470,489	360,252	-	2,830,741
Disposals	-	-	-	-
At 31 December 2019	14,716,491	6,402,936	544,093	21,663,520
Accumulated depreciation				
At 1 January 2019	4,003,188	5,018,789	364,100	9,386,077
Charge for the year	150,405	216,806	63,156	430,367
Disposals	-	-	-	-
At 31 December 2019	4,153,593	5,235,595	427,256	9,816,444
Carrying amount				
At 31 December 2019	10,562,898	1,167,341	116,837	11,847,076
At 31 December 2018	8,242,816	1,023,895	179,993	9,446,702

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

8 Stallion shares and breeding stock

	2019	2018
	€	€
Group and company		
Cost		
At 1 January	9,456,686	8,255,359
Additions	1,571,948	1,783,868
Disposals	(1,264,794)	(582,541)
	9,763,840	9,456,686
Accumulated depreciation		
At 1 January	5,939,352	5,695,691
Charge for the year	554,167	721,068
Relating to disposals	(505,597)	(477,407)
At 31 December	5,987,922	5,939,352
Carrying amount		
At 31 December	3,775,918	3,517,334

9 Financial assets

	2019	2018
	€	€
Company		
Cost or valuation		
Investment in subsidiary undertaking (note i)	1	1

The cumulative provision for diminution in value of financial assets amounts to €Nil (2018: €Nil).

(i) Investment in subsidiary undertaking
Details of investment in subsidiary undertaking is given below:

INS Commercial Enterprises DAC
The company owns a 100% interest in INS Commercial Enterprises, a company incorporated in the Republic of Ireland, with a registered office at Tully, Kildare, Republic of Ireland. INS Commercial Enterprises is responsible for all tourism related activities of the group and commenced trading in 2019.

10 Stocks

	2019	2018
	€	€
Group		
Bloodstock	1,367,224	1,668,943
Consumables	137,060	88,140
	1,504,284	1,757,083
Company		
Bloodstock	1,367,224	1,668,943
Consumables	100,965	88,140
	1,468,189	1,757,083

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

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

11 Debtors

	2019	2018
	€	€
Group		
Trade debtors	3,377,940	2,994,070
Prepayments and accrued income	767,771	799,675
	4,145,711	3,793,745
Company		
Trade debtors	3,362,091	2,994,070
Amounts due from subsidiary undertakings	391,645	-
Prepayments and accrued income	746,954	799,675
	4,500,690	3,793,745

Trade debtors are stated after provision for impairment of €2.1m (2018: €1.7m) (see note 24 for basis of determination of provision).

All amounts shown above fall due within one year.

Amounts due from subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Creditors – amounts falling due within one year

	2019	2018
	€	€
Group		
Trade creditors and accruals	2,565,319	1,201,976
Purchase of Bloodstock	111,419	1,682,136
PAYE/PRSI	62,036	66,005
VAT	109,174	37,976
Deferred income (see note 16)	10,000	10,000
Withholding tax	179,848	27,518
Bank loan (Note 13)	204,411	181,414
Corporation tax	35,209	-
	3,277,416	3,207,025
Company		
Trade creditors and accruals	2,538,986	1,201,976
Purchase of Bloodstock	111,419	1,682,136
PAYE/PRSI	62,036	66,005
VAT	102,825	37,976
Deferred income (see note 16)	10,000	10,000
Withholding tax	179,848	27,518
Bank loan (Note 13)	204,411	181,414
Corporation tax	852	-
	3,210,377	3,207,025

All amounts shown above fall due within one year.

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

13 Creditors – amounts falling due after one year

	2019	2018
	€	€
Group and company		
Bank loan	1,160,515	1,318,932
Less: amount repayable within one year (note 12)	(204,411)	(181,414)
Deferred income (see note 16)	902,382	202,895
Other Creditors	120,000	150,000
	1,978,486	1,490,413
Maturity of bank loan		
In one year or less, or on demand	204,411	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	230,448	411,862
	1,160,515	1,318,932

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%.

14 Financial instruments

The group and the company have the following financial instruments:

	Group 2019	Company 2019	Group 2018	Company 2018
	€	€	€	€
Financial assets measured at amortised cost:				
Trade debtors	3,377,940	3,362,091	2,994,070	2,994,070
Prepayments and accrued income	767,771	746,954	799,675	799,675
Amounts due from subsidiary undertakings	-	391,645	-	-
Cash at bank and in hand	4,691,206	4,500,690	6,256,060	4,500,690
Financial liabilities measured at amortised cost:-				
Trade creditors and accruals	2,676,738	2,650,405	2,950,117	2,950,117
Bank loan	1,160,515	1,160,515	1,318,932	1,318,932
	3,837,253	3,810,920	4,269,049	4,269,049

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

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

15 Called up share capital - presented as equity

	2019	2018
	€	€
Equity shares of €1.27 each		
Authorised share capital		
30,000,000 shares (2018: 30,000,000 shares)	38,100,000	38,100,000
Allotted and fully paid - presented as equity		
10,841,516 shares (2018: 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.

16 Capital grants

	2019	2018
	€	€
Group and company		
At 1 January	212,895	222,895
Additions	709,487	-
Amortisation	(10,000)	(10,000)
At 31 December	912,382	212,895

The group received grant approval under the Fáilte Ireland Capital Grants Scheme for large Tourism Project 2016-2020 of €1.9m or 61% of the total costs of the Irish Racehorse Experience. Grants received during the financial year amounted to €709,487.

17 Note to the group statement of cash flows

	2019	2018
	€	€
Profit for the financial year	722,158	305,118
Tax on profit	35,209	8,516
Net interest expense	38,237	57,997
Operating profit	795,604	371,631
Amortisation of grants	(10,000)	(10,000)
Profit on disposal of assets	(1,250,958)	(329,396)
Depreciation of tangible fixed assets, stallion and breeding stock	989,713	1,172,231
Post-employment benefit less payments	(54,000)	(92,099)
Working capital movements:		-
- Decrease/(Increase) in inventories	252,799	(220,144)
- (Increase)/decrease in debtors	(351,966)	425,592
- (Decrease)/increase in payables	(58,816)	122,032
Cash flow from operating activities	312,376	1,439,847

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

18 Events since the end of the financial year

Significant events since the year end are noted in the directors' report.

19 Related party transactions

During the year directors and parties connected with them purchased at market value, keep services to a total value of €5,900 (2018: €10,250).

The group purchased horse training services in 2019 with a value of €31,933 (including Vat and refund of outlays incurred) from Rosewell Racing Ltd a company connected to a director (2018: €31,471). The group purchased professional services in 2018 with a value of €6,150 (including Vat) from a firm connected with the former group company secretary who resigned from office in June 2018 (2019 €Nil).

20 Commitments

Capital commitments:
Building of the Irish Racehorse Experience new development commenced in 2019. The project is scheduled for completion in quarter one 2020. The total project cost is €3.2m, of which €2.5m were incurred in 2019.

21 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.

	2019 €'000	2018 €'000
The amount recognised on the balance sheet is as follows:		
Present value of funded liabilities	(4,319)	(4,036)
Fair value of plan assets	3,598	3,317
Liability for post-employment benefits	(721)	(719)
The amount recognised in the profit and loss account is as follows:		
Defined benefit scheme		
- Current service cost	8	8
- Net interest expense	13	13
Total expense	21	21
The return on plan assets was:		
Interest income	57	61
Return on plan assets less interest income	347	(188)
Actual return on plan assets	404	(127)

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

21 Post-employment benefits - continued

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

	2019	2018
Expected rate of increase of pensions in payment	1.10%	1.10%
Expected rate of salary increases	n/a	n/a
Discount rate	1.00%	1.75%
Rate of inflation	1.30%	1.50%

The mortality assumptions in 2019 are based on a study on mortality rates and trends for future mortality improvements as prepared by the Society of Actuaries in Ireland.

	2019 Number	2019 Number
Longevity at age 65 for current pensioners:		
- Male	21.5	21.4
- Female	24.0	23.8
Longevity at age 65 for future pensioners:		
- Male	23.9	23.8
- Female	26.0	25.9

	Plan assert €'000	Defined benefit obligation €'000	Total €'000
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	3,317	(4,036)	(719)
At 1 January 2019	3,317	(4,036)	(719)
Benefits paid	(185)	185	-
Employer contributions	62	-	62
Current service cost	-	(8)	(8)
Interest income/(expense)	57	(70)	(13)
Re-measurement gains/(losses):			
Actuarial gain	-	(390)	(390)
Return on plan assets excluding interest income	347	-	347
At 31 December 2019	3,598	(4,319)	(721)

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

21 Post-employment benefits - continued	2019 €'000	2018 €'000
The fair value of the plan assets was:		
Equity instruments	990	882
Absolute return strategies	1,133	1,437
Fixed interest	1,259	786
Cash	32	20
Property	184	192
	3,598	3,317

22 Contingent liabilities

For the purposes of Section 357 of the Companies Act, 2014, the Company has undertaken to indemnify the creditors of its subsidiary INS Commercial Enterprises DAC, in respect of all amounts shown as liabilities or commitments in the statutory financial statements as referred to in Section 357 (1) (b) of the Companies Act, 2014 for the financial year ending on 31 December 2019 or any amended financial period incorporating the said financial year. All other provisions of Section 357 have been complied with in this regard.

The Company does not expect any material loss to arise from these guarantees.

23 Ultimate and controlling parent

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

24 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 group'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 group 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 10 for the net carrying amount of the stock.

(iii) Impairment of debtors

The group 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 11 for the net carrying amount of the debtors and associated impairment provision.

NOTES TO THE GROUP FINANCIAL STATEMENTS - continued

24 Critical accounting judgements and estimation uncertainty - continued

(iv) Defined benefit pension scheme

The group 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 21 for the disclosures relating to the defined benefit pension scheme.

25 Approval of financial statements

The directors approved the financial statements on 24 March 2020.