

The Irish National Stud Company Limited

Reports and Financial Statements
for the year ended
31 December 2008

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THE IRISH NATIONAL STUDD COMPANY LIMITED

DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS

Lady O'Reilly (Chairman)
J. Beecher
P. O'Kelly
J. Osborne
D.K. Weld
M. Leavy
T. Stewart

COMPANY SECRETARY

J. McStay

SOLICITORS

McCann Fitzgerald
2 Harbourmaster Place
IFSC
Dublin 2

BANKER

Bank of Ireland
Kildare Town
Co. Kildare

AUDITORS

Deloitte & Touche
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

REGISTERED OFFICE

Tully
Kildare
Co. Kildare

REGISTERED NUMBER

11451

One of the key functions of the Chairman is to present, to the shareholders, the results of the business for the most recent financial year. To report success is always a matter of achievement but reporting the loss for 2008 is accompanied by a strong sense of frustration. The results for the year to 31 December 2008, disclose a loss before tax of €2.3m. Coming after a record level of profit in the preceding year the contrast is very stark. That profit arose from disposal of bloodstock and a once off profit on disposal of fixed assets. The loss came from a decline in the trading activity and from a decision, taken in the light of current market conditions, to conduct an impairment review of the holding values of our bloodstock fixed assets. The latter was an inevitable and prudent decision in view of the huge mid September market drop in 2008. The frustration arises because the operating loss came at a point where the underlying broodmare and stallion activities of the company, are showing very positive results from the selective investment made in recent years, particularly on the racetrack – the ultimate test of a Thoroughbred.

It is inevitable that any Chairman today must report in the context of the economic and financial whirlwind which has caused so much difficulty across so many industries. In writing I am struck by the importance of our financial results, not just as a measure of our trading results, but also as guidance to those in our industry working towards assisting the many breeders who are inevitably experiencing severe difficulties.

The Bloodstock Breeding and racing industry has been one of the biggest Irish success stories. There are few areas where Ireland can claim world dominance. However, we are world leaders in this major international industry, an industry which is labour intensive and creates long term indigenous and environmentally sustainable employment and high value exports. The ultimate marketable product is a luxury product which is susceptible to market forces and suffers in times of cutbacks. The Irish National Stud is unique within the Thoroughbred Breeding industry which is, in the main, privately owned. Our financial results are published and as such they are a public barometer of the difficulties faced by our industry.

At a company level we continue to take urgent actions to redress the trading difficulties by cutting costs and searching for all possible efficiencies, but we also join with other participants in focusing on the wider picture for the industry as a whole. Demand will over time increase again but capacity in the form of our production levels must inevitably be reduced and quality kept to a very high standard. This is inevitably a long term process.

As you experience one difficult yearling and foal sales season in 2008, two further crops of offspring produced at high cost during better times are already committed in the production cycle. It is equally inevitable that supply will exceed demand for the next two sales seasons. The 2010 and 2011 Return of Mares which gives numbers of foals born each year by every stallion in Ireland and the UK will show whether the inevitable correction will come more swiftly. If the number of foals born drop significantly in 2010, and even more in 2011 – the chances are that the market could begin to correct in 2011-2012. If prize money available to racing maintains itself or indeed increases especially in the UK, the recovery could accelerate. In that regard, I welcome the recent self help initiatives which have been promoted from within the industry to stimulate demand.

At a company and an industry level we need to focus on the core values of well conformed, high performance mares and stallions purchased and standing at sensible commercial prices. We have responded in the 2009 breeding season by reducing our stallion prices and we will continue to work with our breeder clients, many of whom are experiencing serious cash flow difficulties. We have in recent years purchased mares well below the top price tier, in anticipation of an inevitable weakening of the market.

TRADING PERFORMANCE

I said in last year's review that the demand at the yearling sales in 2007 was best described as patchy and selective and I speculated that it could lead to further difficulties for breeders in a potentially softening market later in 2008. From the company perspective we presented an outstanding crop of yearlings from, in the main, young well bred race mares but the result taken as a whole was a sale value of approximately 50% of the budgeted performance. The quality of the crop was nevertheless reflected by a 100% clearance rate in extremely difficult trading conditions. It must be taken into consideration that Ireland's prestigious and most important yearling sale, where the Irish National Stud sells its yearlings, the Goffs Orby and Challenge sales took place when market confidence was at low ebb following a 23% decline in FTSE index in the months of September and October 2008.

Our stallions were well supported in 2008 at strong fees. We have, in computing the financial results, made provision for the inevitable consequences that some breeders who purchased 2008 nominations are now finding difficulty in meeting their financial obligations. We are working with those breeders to structure payment arrangements to provide the best possible outcome for all concerned.

Accounting conventions require that at all times the board should keep under review the underlying book value of our assets. The decision to reduce our bloodstock values reflects the significant downwards adjustments in values reflected in post September 2008 and early 2009 public auctions, combined with our own evaluation of the economic value to the company of the assets.

STATEMENT ON INTERNAL FINANCIAL CONTROL

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

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 internal audit function has been outsourced and reports to the audit committee. The audit committee includes four directors; they meet on a regular basis to review financial controls.
- All significant business risks are discussed by the board and decisions taken on the best available professional advice.
- Codes of conduct for directors and employees are in place and are published on the company's website.
- The company is compliant with asset disposal procedures as outlined in the code of practice for the Governance of state bodies.
- The board has conducted a review of the effectiveness of the system of internal control in 2008.

STALLIONS

Invincible Spirit continues to be our flagship stallion. He produced more high class horses, though still cheaply conceived, and our thoughts turn forward to the prospects of the produce of the exponentially better performing mares covered in recent years as his stud fee rose.

Verglas is a high class stallion with the evidence of his first Irish crops having already produced a 2009 Classic winner in Silver Frost and he is ably accompanied by Elusive City, Champion European Freshman Sire, with his first crop of two year olds including high class winners such as Soul City and Elusive Wave, a 2009 classic winner.

From limited opportunities Indian Haven met success with his first crop siring two Group winners. I am amazed at the continued reluctance of breeders seeking to produce a high class racehorse who do not patronise Celtic Swing who again, and as usual, produced his quota of top performers.

We are happy to acknowledge the support from the co-owners in our stallions. The stallions can only succeed with the help of shareholders in the syndicated stallions, as well as commercial breeders and owner-breeders who have continued to book mares to the above mentioned established stallions and to the young pretenders in Rakti, Jeremy and Amadeus Wolf.

OTHER BLOODSTOCK ACTIVITIES

The name of the Irish National Stud as a successful breeder on the racing pages of the newspaper reflects the success of the Irish National Stud's investment in well bred mares of recent years and we especially celebrated the success of the multiple Graded Stakes winning Daytona (by Indian Ridge out of Kyka) who has won six Graded Races in the United States including two Grade 1's. In addition the Irish National Stud owned Suailce. Racing in the colours of H E the President and trained by our director Dermot Weld, she was a high class winner here at home. She races on in 2009 as a four year old, and should make a lovely broodmare for the Irish National Stud upon her retirement.

All connected with the company shared in the dream of our clients the Tsui family that Sea the Stars, who was born and raised at the farm, would prove to be as successful as his illustrious half brother Galileo. Through the skills of his trainer John Oxx, a former Chairman of the Company, the dream was realised in style this year with success in the English 2000 Guineas and Derby a feat accomplished by only one horse in the last 20 years. On behalf of the entire Board, we extend our congratulations to all concerned. The Irish National Stud is proud and privileged to be associated with raising a great Champion.

I mentioned last year that we hoped to bring forward proposals to assist others to participate as investors in the breeding industry. Given the present market conditions and uncertain economic atmosphere, we have deferred our actions in this area.

TOURISM

Our tourism business had, in retrospect, a strong performance. Numbers of visitors and the trading performance were acceptable but the outlook for the current year in this area also is guarded.

IRISH NATIONAL STUD THOROUGHBRED BREEDING COURSE

If our industry is to continue its success for the long term we continue to need highly skilled and motivated individuals. This course, and initiatives such as the two year Darley Flying Start programme are essential, and the Board is committed to continuing the activity in the education of these young people who are vital to the future of our industry, both nationally and internationally.

OUTLOOK

We as a company face inevitable financial challenges in an industry which is experiencing severe difficulties. We recognise that the production cycle is long and that a return to financial stability will not be instantaneous. We have many positive attributes including a skilled and motivated staff and a supportive shareholder. We must make some difficult decisions but like other industries we welcome the efforts of the Government to re-establish overall balance in the economy.

At specific industry level we continue to support the efforts of Horse Racing Ireland to place the funding of Irish racing on a long term sustainable footing. Equally the efforts of UK industry leaders to readdress the poor level of UK prize money are vital to the Irish Thoroughbred industry as the UK is our major export market.

APPRECIATION

I would, once again, like to personally thank my fellow Board Members and our Secretary John McStay for their support and all our staff for their hard work and commitment. Finally, as always, my personal thanks, and those of the Board, go to our sponsoring Department and to our Ministers both current and past. Their continuing support and that of their staff is truly appreciated.

Lady O' Reilly
Chairman

THE IRISH NATIONAL STUD COMPANY LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2008.

RESULTS, DIVIDENDS AND RESERVES

The loss on ordinary activities before taxation was €2,325,127 (2007: €11,612,782 profit). The directors do not recommend a declaration of a dividend (2007: €Nil) or transfer to reserves (2007: €Nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

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

PERFORMANCE REVIEW

The company incurred an operating loss for the year of €3,133,995 (2007: €362,866).

RISKS AND UNCERTAINTIES

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

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

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

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

EVENTS SINCE YEAR END

There were no events since year end worthy of note.

FUTURE DEVELOPMENTS

The company has no major development plans.

SHARE CAPITAL

The beneficial ownership of all the issued share capital is vested in the Minister for Finance.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INTERNAL FINANCIAL CONTROL

The board acknowledges its responsibility for the company's system of internal financial control. Such a system can provide only reasonable and not absolute assurance against material error.

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.
- A comprehensive budgeting system with an annual budget which is reviewed and agreed by the board.
- Regular reviews by the board of periodic and annual financial reports which indicate financial performance against budget.
- Specific clearly defined procedures are in place for control of purchasing, payments, receipts and payroll.
- An audit committee consisting of four directors meets on a regular basis to review financial controls.
- All significant business risks are discussed by the board and decisions taken on the best available professional advice.
- Codes of conduct for directors and employees are in place and are published on the company's website.

The board confirm that there has been a review of the effectiveness of the system of internal financial control during the year ended 31 December 2008.

The board is not aware of any weaknesses in the system of internal financial control which have resulted in material losses or of contingencies or uncertainties which would require disclosure in the financial statements.

DIRECTORS

The current directors are listed on page 2. There have been no changes to the board during the year.

BOOKS OF ACCOUNT

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

AUDITORS

The auditors, Deloitte & Touche, Chartered Accountants, continue in office in accordance with Section 160(2) of the Companies Act, 1963.

PROMPT PAYMENTS OF ACCOUNTS ACT, 1997

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

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

Signed on behalf of the Board:

Lady O'Reilly
Director

J. Beecher
Director

J. Osborne
Director

1 July 2009

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

We have audited the financial statements of The Irish National Stud Company Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the company's balance sheet and profit and loss account are in agreement with the books of account.

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the company as at 31 December 2008 and of the loss for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet and its profit and loss account are in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

The net assets of the company, as stated in the company balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2008 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

1 July 2009

THE IRISH NATIONAL STUD COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES

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

BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2006. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board. Certain Companies Acts headings have been amended to more appropriately reflect the business.

ACCOUNTING CONVENTION

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

TANGIBLE ASSETS AND DEPRECIATION

Tangible assets are stated at cost less accumulated depreciation.

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

Buildings and land improvements	50 years
Machinery	5 years
Motor vehicles	5 years
Furniture	10 years

Freehold land is not depreciated.

STALLION SHARES AND BREEDING STOCK

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

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

Subject to stallions being fully written off by the end of their fifteenth year of life.

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

STOCKS

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

THE IRISH NATIONAL STUD COMPANY LIMITED

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

NOMINATION FEE

The cost or net realisable value of nomination fees of in-foal mares is included in bloodstock. No cost is attributed to own nominations used. 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.

STOCKS

Stocks are valued at the lower of cost and net realisable value.

PENSION COSTS

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

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

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

REPORTING CURRENCY

The reporting currency used in these financial statements is the Euro.

FOREIGN CURRENCIES

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

CAPITAL GRANTS

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

TURNOVER

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

INCOME RECOGNITION

Stallion syndicate distributions, from syndicates other than those managed by the Irish National Stud Company Ltd, are accounted for in the year during which they are received. Stallion Syndicate income, from syndicate which the stud manages, arises in some cases subject to specific conditions being fulfilled after the year end date and provision is made for the likelihood of these conditions not being fulfilled. All other income is accounted for in the year during which it becomes receivable.

TAXATION

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

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

THE IRISH NATIONAL STUD COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 €	2007 €
Turnover	2	7,945,792	7,401,004
Net operating expenses		<u>(11,079,787)</u>	<u>(7,763,870)</u>
Operating loss		(3,133,995)	(362,866)
Interest payable and similar charges	3	(172,866)	(195,019)
Interest receivable		15,782	65,023
Profit on disposal of bloodstock and fixed assets		<u>965,952</u>	<u>12,105,644</u>
(Loss)/profit before taxation	4	(2,325,127)	11,612,782
Taxation	6	(150,264)	(1,657,812)
(Loss)/profit after taxation	15	<u><u>(2,475,391)</u></u>	<u><u>9,954,970</u></u>

All gains and losses arise from continuing activities.

The financial statements were approved by the Board of Directors on 1 July 2009 and signed on its behalf by:

Lady O'Reilly
Director

J. Osborne
Director

J. McStay
Company Secretary

THE IRISH NATIONAL STUDD COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2008

	<i>Notes</i>	2008 €	2007 €
(Loss)/profit for the financial year		(2,475,391)	9,954,970
Actuarial loss on retirement benefit scheme	22	(475,000)	(92,000)
Total recognised gains and losses since last Annual Report and Financial Statements		<u>(2,950,391)</u>	<u>9,862,970</u>

THE IRISH NATIONAL STUD COMPANY LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Notes	2008 €	2007 €
Fixed assets			
Tangible assets	7	11,406,290	10,972,139
Stallion shares and breeding stock	8	4,729,163	6,493,224
		16,135,453	17,465,363
Current assets			
Stocks	9	1,022,201	999,308
Debtors	10	7,155,050	5,507,150
Cash at bank and in hand		16,366	536,879
		8,193,617	7,043,337
Creditors (amounts falling due within one year)	11	(5,020,992)	(2,657,508)
Net current assets		3,172,625	4,385,829
Total assets less current liabilities		19,308,078	21,851,192
Creditors (amounts falling due after more than one year)	13	(2,399,175)	(2,448,076)
Net assets excluding pension liability		16,908,903	19,403,116
Pension liability	22	(1,191,000)	(788,000)
Net assets including pension liability		15,717,903	18,615,116
Capital and reserves			
Called up share capital	14	13,768,724	13,768,724
Profit and loss account	15	1,663,607	4,613,998
Shareholder's funds	16	15,432,331	18,382,722
Capital Grants	17	285,572	232,394
Total capital and reserves		15,717,903	18,615,116

The financial statements were approved by the Board of Directors on 1 July 2009 and signed on its behalf by:

Lady O'Reilly
Director

J. Osborne
Director

J. McStay
Company Secretary

THE IRISH NATIONAL STUD COMPANY LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<i>Notes</i>	2008 €	2007 €
Net cash outflow from operating activities	18	(2,266,261)	(1,282,789)
Returns on investment and servicing of finance			
Interest paid		(172,866)	(195,019)
Interest received		66,171	14,634
Contributions paid to pension scheme		(164,000)	(65,000)
Net cash outflow from investing and servicing of finance activities		(270,695)	(245,385)
Taxation paid		7,766	(1,735,958)
Capital expenditure and financial investment			
Payments to acquire stallion shares and breeding stock		(247,233)	(5,637,739)
Receipts from sale of stallion shares and breeding stock		694,657	5,666,920
Payments to acquire tangible fixed assets		(965,275)	(1,271,438)
Receipts from the sale of tangible fixed assets		315,045	9,047,007
Profit on sale of bloodstock and tangible fixed assets - costs		-	(356,608)
Grant received		63,178	-
Net cash (outflow)/inflow from investing activities		(139,628)	7,448,142
Repayment of borrowings		(48,901)	(238,910)
(Decrease)/increase in cash	19	(2,717,719)	3,945,100

THE IRISH NATIONAL STUD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

1. BASIS OF PREPARATION - GOING CONCERN

The company incurred a loss after tax of €2,475,391 for the year ended 31 December 2008 (2007: profit €9,954,970) and is not expected to return to profit in 2009. 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, the continued approval of the shareholder for ongoing borrowing. The financial statements do not include any adjustments to the carrying amount and classification of assets and liabilities that would arise if the company was unable to continue as a going concern.

2. TURNOVER

	2008	2007
	€	€
Analysis by activity		
Stud and farm	6,349,450	5,715,573
Tourism	1,596,342	1,685,431
	<u>7,945,792</u>	<u>7,401,004</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	€	€
Interest payable on bank overdraft	26,353	71,101
Bank loans	132,513	123,918
Net interest payable on pension liability	14,000	-
	<u>172,866</u>	<u>195,019</u>

4. OPERATING LOSS

	2008	2007
	€	€
Operating loss is stated after charging:		
Directors' remuneration – fees and emoluments	59,000	40,646
Auditors' remuneration	30,000	30,577
Depreciation	1,861,710	1,141,486
Foreign exchange loss	30,107	109,753
Impairment charge on bloodstock	636,958	-
and after crediting:		
Grant amortisation	10,000	10,000
Profit on disposal of fixed assets	315,045	9,047,007
Profit on disposal of bloodstock fixed assets	650,907	3,058,637
Interest received	15,782	58,023
Interest unwind on pension liability	-	<u>7,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

5. EMPLOYEES AND REMUNERATION

	2008 number	2007 number
Full time	43	30
Seasonal	35	43
	<u>78</u>	<u>73</u>

Staff costs (excluding directors) comprise:

	2008 €	2007 €
Wages and salaries	2,353,067	2,223,204
Social welfare costs	244,448	226,902
Pension costs	78,000	62,000
Other staff costs	9,574	6,425
	<u>2,685,089</u>	<u>2,518,531</u>

6. TAXATION

	2008 €	2007 €
Analysis of tax charge		
Corporation tax on profit for the year	56,891	1,716,725
Under/(over)provision in prior year	<u>93,373</u>	<u>(58,913)</u>
	<u>150,264</u>	<u>1,657,812</u>

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

	2008 €	2007 €
(Loss)/profit on ordinary activities before tax	<u>(2,325,127)</u>	<u>11,612,782</u>
Tax at standard rate of 12.5% (2007: 12.5%)	(290,641)	1,451,598
Expenses not deductible for tax purposes	118,024	37,503
Depreciation in excess of capital allowances	106,556	198,721
Higher rate of tax on passive income	23,307	686,241
Exempt profits	(126,088)	(657,338)
Losses carried forward	<u>225,733</u>	<u>-</u>
	<u>56,891</u>	<u>1,716,725</u>

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

7. TANGIBLE FIXED ASSETS

	Land & buildings €	Machinery & furniture €	Motor vehicles €	Total €
Cost:				
At 1 January 2008	11,843,992	3,426,439	194,788	15,465,219
Additions	334,180	509,200	121,895	965,275
Disposals	-	(37,718)	(61,396)	(99,114)
At 31 December 2008	12,178,172	3,897,921	255,287	16,331,380
Depreciation:				
At 1 January 2008	2,353,073	1,999,664	140,343	4,493,080
Charge for year	149,048	330,675	51,401	531,124
Disposals	-	(37,718)	(61,396)	(99,114)
At 31 December 2008	2,502,121	2,292,621	130,348	4,925,090
Net book amounts:				
At 31 December 2008	9,676,051	1,605,300	124,939	11,406,290
At 31 December 2007	9,490,919	1,426,775	54,445	10,972,139

8. STALLION SHARES AND BREEDING STOCK

	2008 €	2007 €
Cost:		
At 1 January	12,991,506	10,757,739
Additions	247,233	5,637,739
Disposals	(1,171,685)	(3,403,972)
At 31 December	12,067,054	12,991,506
Depreciation:		
At 1 January	6,498,282	6,948,221
Charge for year	1,330,586	702,358
Relating to disposals	(1,127,936)	(1,152,297)
Impairment charge	636,958	-
At 31 December	7,337,891	6,498,282
Net book amounts:		
at 31 December	4,729,163	6,493,224

9. STOCKS

	2008 €	2007 €
Bloodstock	597,814	603,057
Consumables and other stocks	424,387	396,251
	1,022,201	999,308

The above amounts do not differ significantly from the replacement costs of stock.

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

10. DEBTORS: (Amounts falling due within one year)	2008	2007
	€	€
Trade debtors	6,447,908	4,065,887
Prepayments and accrued income	699,948	1,330,222
Corporation tax	-	111,041
VAT	7,194	-
	<u>7,155,050</u>	<u>5,507,150</u>
11. CREDITORS: (Amounts falling due within one year)	2008	2007
	€	€
Bank overdraft	3,156,677	959,471
Taxation and social welfare (Note 12)	175,058	135,730
Trade creditors and accruals	1,507,843	1,380,893
Bank loan (Note 13)	181,414	181,414
	<u>5,020,992</u>	<u>2,657,508</u>
12. TAXATION AND SOCIAL WELFARE	2008	2007
	€	€
Corporation Tax	46,719	-
PAYE/PRSI	123,926	127,993
Withholding Tax	4,413	1,353
VAT	-	6,384
	<u>175,058</u>	<u>135,730</u>
13. CREDITORS: (Amounts falling due after more than one year)	2008	2007
	€	€
Bank loan	2,580,589	2,629,490
Less: Amount repayable within one year (Note 11)	<u>(181,414)</u>	<u>(181,414)</u>
	<u>2,399,175</u>	<u>2,448,076</u>
The bank loan is unsecured.		
14. SHARE CAPITAL	2008	2007
	€	€
Authorised:		
30,000,000 Ordinary Shares of €1.27each	<u>38,100,000</u>	<u>38,100,000</u>
Issued and fully paid:		
10,841,516 Ordinary shares of €1.27each	<u>13,768,724</u>	<u>13,768,724</u>

THE IRISH NATIONAL STUD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

15. PROFIT AND LOSS ACCOUNT

	2008 €	2007 €
At 1 January	4,613,998	(5,248,972)
(Loss)/profit for the financial year	(2,475,391)	9,954,970
Actuarial loss on retirement benefit scheme (Note 22)	(475,000)	(92,000)
At 31 December	<u>1,663,607</u>	<u>4,613,998</u>

16. RECONCILIATION OF THE MOVEMENT IN
SHAREHOLDERS' FUNDS

	2008 €	2007 €
At 1 January	18,382,722	8,519,752
(Loss)/profit for the financial year	(2,475,391)	9,954,970
Actuarial loss on retirement benefit scheme (Note 23)	(475,000)	(92,000)
At 31 December	<u>15,432,331</u>	<u>18,382,722</u>

17. CAPITAL GRANTS

	2008 €	2007 €
At 1 January	232,394	242,394
Grant received	63,178	-
Amortisation	(10,000)	(10,000)
At 31 December	<u>285,572</u>	<u>232,394</u>

18. RECONCILIATION OF PROFIT TO NET CASH
MOVEMENT FROM OPERATING ACTIVITIES

	2008 €	2007 €
Operating loss	(3,133,995)	(362,866)
Depreciation charges including impairment	2,498,668	1,141,486
Increase in stocks	(22,893)	(251,613)
Increase in debtors	(1,809,330)	(2,132,640)
Increase in creditors	119,289	277,844
Grant amortisation	(10,000)	(10,000)
Pension charge	92,000	55,000
Net cash outflow from operating activities	<u>(2,266,261)</u>	<u>(1,282,789)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

19. ANALYSIS OF MOVEMENTS IN NET FUNDS

	01-Jan- 2008 €	Cash Flows €	31-Dec- 2008 €
Cash at bank and in hand	536,879	(520,513)	16,366
Bank overdraft	(959,471)	(2,197,206)	(3,156,677)
	(422,592)	(2,717,719)	(3,140,311)
Bank loan due within one year	(181,414)	-	(181,414)
Bank loan due after one year	(2,448,076)	48,901	(2,399,175)
Net debt	(3,052,082)	(2,668,818)	(5,720,900)

20. TRANSACTIONS INVOLVING RELATED PARTIES

It is the policy of the company to encourage directors and those connected with them to trade, in the ordinary course of business, with the company and with stallion syndicates managed by the company. During the year directors and parties connected with directors purchased at market value, keep services to a total value of €21,815 (2007: €14,577). The company purchased training services (including the refund of outlays incurred) from a director, D K Weld, to the value of €24,942 (2007: €13,735).

21. COMMITMENTS

Capital Commitments:

Capital expenditure contracted for at the balance sheet date not provided for in the financial statements amounted to € nil (2007: €nil).

22. PENSIONS

The group operates a defined benefit pension scheme and the costs charged to the profit & loss account for the year amounted to €164,000 (2007 €65,000).

The group operates a defined benefit pension plan which is funded externally. They provide benefits on members death prior to retirement and pension benefits on retirement based on final pensionable salary. An Actuarial Valuation for funding purposes was carried out at 31 March 2005. The group is paying contributions in line with the recommendations in the actuarial valuation.

The valuation used for Financial Reporting Standard No.17 (FRS 17) has been based on a full assessment of the liabilities of the Plan as at 31 December 2008. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

22. PENSIONS (continued)

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

	2008 % p.a.	2007 % p.a.
Discount rate	5.75	5.50
Expected return on plan assets	6.86	6.95
Expected rate of salary increases	3.75	4.25
Expected future pension increases	2.00	2.50
Expected increase in inflation	2.00	2.50

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

Mortality assumptions:

The mortality assumptions in 2008 are based on a study on mortality rates and trends for future mortality improvements as prepared by the Society of Actuaries in Ireland.

The assumed life expectations on retirement at age 65 are:	2008 Years	2007 Years
Retiring today:		
Males	20.7	20.7
Females	23.8	23.8

Retiring in 20 years:		
Males	21.8	21.8
Females	24.8	24.8

Amounts Recognised on the Balance Sheet	2008 €'000	2007 €'000
Present Value of Funded Liabilities	(2,521)	(2,656)
Fair Value of Plan Assets	1,330	1,868
Net pension liability	(1,191)	(788)

Analysis of Charge to Profit & Loss Account

Current service cost	(78)	(62)
Interest cost	(149)	(121)
Expected return on assets	135	128
Expense recognised in profit and loss account	(92)	(55)

Analysis of amounts recognised in statement of recognised gains and losses (STRGL)

Total actuarial gains / (losses)	(475)	92
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

22. PENSIONS (continued)

	2008 €	2007 €
Changes in the present value of the pension plan obligation		
Opening present value of liabilities	(2,656)	(2,557)
Current service cost	(78)	(62)
Interest cost	(149)	(121)
Contributions by participants	(4)	(4)
Actuarial losses on liabilities	342	87
Benefits paid	8	1
Premiums paid	16	0
Closing present value of liabilities	<u>(2,521)</u>	<u>(2,656)</u>
Changes in the fair value of pension plan assets		
Opening fair value of assets	1,868	1,851
Expected return on assets	135	128
Actuarial losses on assets	(817)	(179)
Contributions by the employer	164	65
Contributions by participants	4	4
Benefits paid out	(8)	(1)
Premiums paid	(16)	-
Closing fair value of assets	<u>1,346</u>	<u>1,868</u>

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

	2008	2007
Equities	63.40%	75.90%
Bonds	21.00%	12.70%
Property	4.50%	5.00%
Other	11.10%	6.40%
	<u>100.00%</u>	<u>100.00%</u>

The company expects to contribute €93,000 to its defined benefit pension plans in 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

22. PENSIONS (continued)

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

	2008 €'000	2007 €'000	2006 €'000	2005 €'000	2004 €'000
Present value of liabilities	(2,521)	(2,656)	(2,557)	(2,449)	(1,962)
Fair value of assets *	1,330	1,868	1,851	1,585	1,214
Deficit in plan	<u>(1,191)</u>	<u>(788)</u>	<u>(706)</u>	<u>(864)</u>	<u>(748)</u>

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

Difference between expected
and actual return on plan
assets

817	179	113	239	85
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Experience (gains)/losses
on plan liabilities

14	77	(113)	45	(205)
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Changes in assumptions

(356)	(164)	(191)	(375)	(141)
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23. CONTINGENT LIABILITIES

Bank of Ireland has provided guarantees in the amount of €95,230. (2007: €95,230) in respect of deferred value added tax guarantee payments scheme. Counter indemnities exist in respect of these guarantees.

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 1 July 2009.