



HORSE RACING
IRELAND

www.hri.ie



05

ANNUAL REPORT 2005



CONTENTS

04	MISSION STATEMENT
06	BOARD MEMBERS, CEO AND COMMITTEES OF HRI
08	CHAIRMAN'S REPORT
10	CHIEF EXECUTIVE'S REPORT
12	FINANCE REVIEW
14	MARKETING REVIEW
15	TOTE REVIEW
16	HRI RACECOURSE DIVISION
18	IRISH THOROUGHBRED MARKETING
19	AUDITED REPORTS & GROUP FINANCIAL STATEMENT
47	PHOTOGRAPHY DETAILS



MISSION STATEMENT

To develop and promote Ireland as a world centre of excellence for horse racing and breeding.

In identifying its mission for the next five years, Horse Racing Ireland (HRI) has placed emphasis on Ireland's position in both the international horse racing and breeding industries and the quality of the product being offered to the racegoing public.

The continuity of funding necessary to develop strategies to achieve the mission is the key element of the Plan.

The claim to be a world centre of excellence is a realistic one and the benefits of the strategies pursued to achieve the mission will be reflected in the economic, cultural and social environment of the country.

This mission gives expression to the values and sense of purpose of the organisation.





BOARD MEMBERS & CEO OF HRI



BRIAN KAVANAGH FRANCIS HYLAND WILLIAM FLOOD JERRY DESMOND JOHN KIDD CAHIR O'SULLIVAN DERMOT CANTILLON DENIS BROSNAV

HRI BOARD MEMBERS & SUBSIDIARY BOARDS & HRI APPOINTEES TO OTHER BOARDS

Denis Brosnan	Chairman
Pierce Molony	Vice Chairman Racing Regulatory Body representative
Dermot Cantillon	Racehorse Breeders representative
Noel Cloake	Representative of persons employed in the horse racing industry
Jerry Desmond	Racecourses representative
William Flood	Racing Regulatory Body representative
Jessica Harrington	Racehorse Trainers representative
Francis Hyland	Authorised Bookmakers representative
John Kidd	Representative of Persons in the horse racing industry in Northern Ireland
Dan Kirwan	Representative of persons employed directly in the horse racing industry
John Moloney	Racing Regulatory Body representative
Cahir O'Sullivan	Racing Regulatory Body representative
John Power	Racehorse Owners representative
Nicholas Wachman	Racing Regulatory Body representative
Seamus Mulvaney	Authorised Bookmakers representative Retired 18 December 2005 (not pictured)
Frank Clarke	Racing Regulatory Body representative Retired 18 December 2005 (not pictured)
Eddie Browne	Representative of persons employed in the horse racing industry Retired 18 December 2005 (not pictured)

IRISH THOROUGHBRED MARKETING LIMITED

Dick O'Sullivan	<i>Chairman</i>
John Clarke	Joe Foley
Mick Halford	John Kidd
Jim Mernagh	David O'Loughlin
Michael O'Rourke	Joe Osborne

TOTE IRELAND LIMITED

Dermot Cantillon	<i>Chairman</i>
Alan Byrne	Brian Kavanagh
Eamon McElroy	Donal O'Mahony
Paul Tansey	Frank Ward

CILCOONE LIMITED

Joe Walsh	Michael Lane
-----------	--------------

IRISH EQUINE CENTRE

Dermot Cantillon	John Kidd
Michael Sadlier	

LIMERICK RACECOURSE

Jerry Desmond	Bob Lanigan
---------------	-------------

PUNCESTOWN RACECOURSE

Raymond Horan	Roy Craigie
Dick O'Sullivan	Nyall Speirs

RACE

Margaret Davin	Dan Kirwan
David Wright	



PIERCE MOLONY

JOHN MOLONEY

JOHN POWER

NICHOLAS WACHMAN

DAN KIRWAN

JESSICA HARRINGTON

NOEL CLOAKE

APPOINTMENTS & REMUNERATION COMMITTEE

Denis Brosnan

Chairman
Pierce Molony

AUDIT COMMITTEE

Nicholas Wachman

Chairman
Francis Hyland
Dan Kirwan
Liam Madden

BOOKMAKERS COMMITTEE

John Moloney

Chairman
Roy Craigie
Raymond Horan

FOAL LEVY COMMITTEE

John Moloney

Chairman
John Clarke
Brian Grassick
Joe Hernon
Edmund Loder
Gerry Magee
Bridie O'Neill
Tim O'Regan
Albert Sherwood

FINANCE COMMITTEE

Denis Brosnan

Chairman
Jerry Desmond
Brian Kavanagh
Pierce Molony
John Power
Cahir O'Sullivan

FIXTURES COMMITTEE

Cahir O'Sullivan

Chairman
Jerry Desmond
William Flood
Jessica Harrington
Francis Hyland
John Moloney
John Power

LEOPARDSTOWN COMMITTEE

Ged Pierse

Chairman
Finbar Cahill
Jimmy Farrelly
Eithne Fitzpatrick
Dan Kirwan
Gerry Magee
John Oxx
Tom Taaffe

MEDIA RIGHTS COMMITTEE

Jerry Desmond

Chairman
Pierce Molony
John Power

NAVAN COMMITTEE

William Flood

Chairman
Finbar Cahill
Eddie Campbell
Noel Cloake
Liam Madden
Pat Martin
Donal Matthews
Vincent O'Reilly
Jimmy Owens

PROGRAMMES COMMITTEE

Cahir O'Sullivan

Chairman
Dermot Cantillon
Jerry Desmond
William Flood
Jessica Harrington
Francis Hyland
John Power





CHAIRMAN'S REPORT

2005 saw many significant developments under the Capital Development Fund for Irish Racecourses which had been launched in November 2004 by the Minister for Arts, Sports and Tourism, Mr. John O'Donoghue TD. The Fund will provide for up to €200 million capital development in Irish Racecourses over a 5-year period, with Horse Racing Ireland providing €110 million and the balance to be provided by the Racecourses. Galway Racecourse announced a €22 million development plan which will involve the demolition of the existing West Stand and the construction of a new grandstand facility in time for the 2007 festival. Galway is the jewel in the crown of Irish racing, consistently recording record attendance and betting figures. This new grandstand and development will further enhance facilities for its loyal public.

Horse Racing Ireland also approved the development of Ireland's first all-weather racetrack, to be built at Dundalk. HRI will provide over €10 million in grant aid for the project, which will be completed in 2007. This new racetrack will make history on a number of fronts. It will be Ireland's first all-weather track, our first floodlit racetrack and the first combined horse and greyhound racing facility. This is an ambitious project which will be a wonderful sporting and social asset for Dundalk, the North East and the entire border region.

Killarney racecourse was also approved for grant aid towards its €1.7 million re-development of the weigh-room and other facilities, which will be ready for the 2006 season. New facilities were opened at Ballinrobe racecourse which has undergone a transformation in recent years, while retaining its relaxed and friendly atmosphere.

It was fitting that all of these capital development plans were launched by John O'Donoghue TD, Minister for Arts, Sports and Tourism. The Minister and his Government have, through the Horse and Greyhound Racing Fund, provided the basis for proper planning in all areas of the racing industry. Successive Governments have recognised the importance of horse racing and breeding to the economic and sporting life of the Country. The industry employs

approximately 16,500 people and generates significant economic activity. For example, the Galway festival is estimated to be worth €60 million to its local economy and Punchestown is worth over €40 million. This contribution to Irish society has been widely recognised and indeed, the introduction of the Horse and Greyhound Racing Fund, and its renewal in 2004, received all-party support. This support has led to the development of a sport and an industry that is the envy of the world.

Our racing achievements in 2005 surpassed all previous years with many commentators now calling this 'A Golden Age' of Irish racing. Ireland is universally recognised as "the home of the horse" and due to climate, soil and industry structures we have a tradition for breeding top quality racehorses that are strong in bone and retain their ability over a number of years. Remarkably for a country of our size, Ireland is now the third largest producer of thoroughbreds in the world, accounting for 42% of total EU output.

Mr. Brian Cowen TD, Minister for Finance made a number of important announcements in his 2005 budget speech which will have a direct bearing on the future of Irish racing. It was revealed that the Stallion Tax Exemption would end on 31st July 2008. This exemption has supported the development of a thriving Thoroughbred breeding industry in Ireland and the Indecon Report commissioned by Horse Racing Ireland, The Irish Thoroughbred Breeders Association and The Irish European Breeders Fund, demonstrated that the breeding sector is a significant net contributor to the Irish economy.

Significantly the Minister also announced that his Department would work with the industry to devise a new regime which will enable our success to continue. Horse Racing Ireland will participate fully with that exercise.

Our Thoroughbred industry is the envy of the World and Irish horse racing provides us with our most consistently successful international sport. Horse Racing Ireland's mission statement is to develop and promote Ireland as a world centre of excellence for horse racing and breeding and

we encourage all political parties and all sectors of the industry to ensure that future policy decisions advance this mission rather than hinder it or give advantage to our competitors.

The 2005 Budget also announced the reduction of the betting duty off-course from 2% to 1%, with the 1% to be borne by the betting industry rather than the betting shop customer. This measure was taken to provide a level playing field, as the encroachment of telephone and on-line tax-free betting has created an imbalance in the market. Minister Cowen gave an undertaking in his budget speech to seek ways of ensuring that the base on which a betting duty is charged is as wide as possible and is seeking ways to capture revenue from Irish betting which is being routed offshore. As the duty on off-course betting is the mechanism for the funding of the horse & greyhound racing industries it is essential that all forms of betting currently outside the taxation net are brought within the ambit of revenue collection as applied to other sectors.

The success of Irish racing is underpinned by the enlightened decisions of Government and the dedication of the officials of the Department of Arts, Sports and Tourism. It is

also supported in a way that no other racing jurisdiction can boast by the knowledge and passion for the sport which is evident in Minister John O'Donoghue and many other members of Government. A high point of the year for Irish racing and Horse Racing Ireland was the reception in Farmleigh hosted by An Taoiseach, Bertie Ahern, in June 2005, to honour the heroes of that remarkable National Hunt Season and to make special presentations to the connections of Hardy Eustace, Hedgehunter, Kicking King and Moscow Flyer. It was a historic occasion, greatly appreciated by all sectors of the industry and one which has given us encouragement to achieve even better things in the future.

I must also thank my colleagues on the Board of Horse Racing Ireland and all those who served on subsidiary Boards and Committees. The Executive Team at HRI, led by Brian Kavanagh, continues with their hard work and professionalism particularly in pursuing the objectives of the Strategic Plan for the industry. It is an honour to serve as Chairman of such a dedicated Board and Executive Team and I have full confidence that this great industry will continue to grow and contribute in its unique way to Irish society.



CHIEF EXECUTIVE'S REPORT



2005 was a year of unprecedented success in Irish racing with numerous big race successes at home and abroad. Significant increases were recorded in all key areas of performance primarily with attendances reaching an all time record of 1.43 million, record Tote turnover of almost €49.3 million and an increase in the value of horse sales at public auction of 28.7% from €113 million to almost €146 million.

313 fixtures were run over 26 racecourses and a record number of races run at 2241. Prize money was broadly in line with 2004 at 51.2 million. The number of horses in training increased by 18% to 10,416.

Total race sponsorship was up 3.9% from €7.6 million to €7.9 million reflecting continuing confidence by Irish business in Irish racing and its ability to deliver audiences via TV, radio, press, internet and on the racecourse.

The Festival meetings at Galway, the Curragh, Listowel, Punchestown and Leopardstown all showed growth with Galway recording an Irish all time daily attendance record of 52,600 on 28th July. The top three Festivals were Galway – 210,000, Listowel – 102,000 and Punchestown – 77,500, each one recording significant growth over the previous year. The average number of horses in training also grew by 4.4% to a total of 6,270.

The provision of Capital Grant aid to racecourses continued with significant developments approved for Galway racecourse, Dundalk's new all weather track and Killarney racecourse. New facilities were opened at Ballinrobe by Minister John O'Donoghue, TD and work continued on the major projects at the Curragh and Leopardstown.

THE 2005 RACING YEAR REVIEWED

2005 was a year of success on the track for Irish racing with numerous big race victories both at home and abroad. In January, Macs Joy just got up to beat Brave Inca and Hardy Eustace in a thrilling AIG Europe Champion Hurdle at Leopardstown while the following month Rule Supreme gave trainer Willie Mullins

a sixth victory from the last seven runnings of the Hennessy Cognac Gold Cup. The same month saw the Michael O'Brien trained Essex landed the Totesport Trophy Hurdle at Newbury while there were a record nine Irish trained winners at the new four-day Cheltenham Festival in March with Hardy Eustace, Moscow Flyer and Kicking King winning the Smurfit Champion Hurdle, the Queen Mother Champion Chase and the Totesport Gold Cup respectively. At Aintree the following month, there were eight Irish trained winners with the Willie Mullins trained Hedgehunter justifying favouritism in the John Smith's Grand National to give jockey Ruby Walsh a second victory in the race while Moscow Flyer, Al Eile and Asian Maze all contributed to another impressive tally.

The Powers Gold Label Irish Grand National was won by the Martin Brassil trained Numbersixvalverde while the runner up on that occasion was Ted Walsh's Jack High who went on to gain handsome compensation in the Betfred Gold Cup at Sandown. The Punchestown Festival was once again a major success with Kicking King rounding off a tremendous campaign with an easy victory in the Guinness Punchestown Gold Cup.

On the flat Aidan O'Brien and jockey Kieren Fallon dominated the flat season both in Ireland and Great Britain as they combined to land three English Classics with Virginia Waters taking the 1000 Guineas, Footstepsinthesand winning the 2000 Guineas and Scorpion landing the St Leger at Doncaster. There were four Irish trained winners at the Royal Ascot meeting (held at York) with Azamour's victory in the Prince Of Wales Stakes the highlight of the quartet while the same horse went on to take the King George VI and Queen Elizabeth Diamond Stakes at Newbury in great style. Aidan O'Brien's Oratorio lowered the colours of Epsom Derby winner, Motivator, in the Coral Eclipse Stakes at Sandown in early July before beating the same horse in the Baileys Irish Champion Stakes at Leopardstown in early September.

Trainer Frances Crowley became the first female licensed trainer to win an Irish Classic when Saoire landed the Boylesports Irish 1000

Guineas which was the only Classic kept at home this year. Kieren Fallon's tremendous year was capped with a first-ever win in the Budweiser Irish Derby on Andre Fabre's Hurricane Run on whom he also won the Prix de l'Arc de Triomphe at Longchamp. Other notable international successes were achieved when Jim Bolger's Alexander Goldrun landed the Nassau Stakes at Goodwood while Aidan O'Brien's Powerscourt took the Arlington Million in America and the same stable's Horatio Nelson and Rumpelstiltskin landed the Prix Jean-Luc Lagardere and the Prix Marcel Boussac, France's top two juvenile races, at Longchamp.

There was more big race success in England when Noel Meade saddled Harchibald to win the Bula Hurdle and Sir Oj to win the Robin Cook Memorial Gold Cup at Cheltenham in early December. To round off a wonderful year for Irish-trained horses Kicking King landed his

second consecutive King George VI Chase at Sandown on St Stephen's Day and Colm Murphy's Feathard Lady showed her class with an impressive win in the Christmas Hurdle.

In December Horse Racing Ireland hosted the third Irish Horse Racing Awards in association with the Irish Racing Yearbook to recognise the achievements of our human and equine stars. HRI and a panel drawn from the Irish racing media voted for winners in six categories: Race Horse of the Year – Kicking King, Outstanding Achievement – Nina Carberry, Flat Personality – Kieren Fallon, National Hunt Personality – Ruby Walsh, Point to Point – Derek O'Connor, Contribution to the Industry – Galway Racecourse Committee. Their honours were well earned and we congratulate them and all the others who have played a part in ensuring that Irish racing remains our most consistently successful international sport.



FINANCE REVIEW

2005 was the third year in the five year Strategic Plan set for HRI in 2003.

The financial results have been satisfactory and give HRI a strong basis on which to commence the new €110m capital development grants programme to racecourses.

Turnover for the year was up 3.3% or €1.9m to €59.5m compared to €57.6m in 2004. The turnover increase is primarily due to the Tote increasing by 3.9% or €1.8m.

Income from bookmakers' betting increased by €226k or 9.1% due to a full year of the

pitch payment system to racecourses which was introduced in March 2004. This, together with the income from percentage of betting, is paid directly back to the relevant racecourses and as can be seen from Note 12, amounted to €1.936m for the year.

The number of fixtures has increased by 8 in the year to a figure of 313. (Including 22 NI fixtures) and the number of races increased by 45 to 2,241.

Complete statistics for Irish Racing are available in the Horse Racing Ireland Fact Book 2005 and on the web site www.hri.ie.

OTHER INCOME

Other income has increased by €1.4m or 1.7% to €85.1m. The increase in the Horse and Greyhound Racing Fund was €1.1m or 2.1%, while Foal Levy contributions were up €254k due primarily to an increase in foals registered

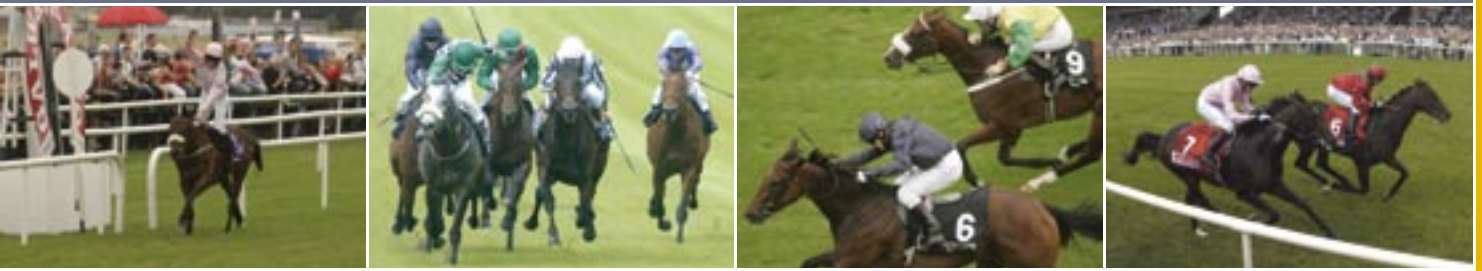
of 6.9% (11,748 in 2005 compared to 10,992 in 2004). Registry Office income was up €441k or 17.9% from the previous year due to increases in entries, registrations and the number of horses in training.

PRIZE MONEY

The total prize-money of €52.250m was broadly in line with the prior year total of €52.480m. The contribution from owners was down by €528k from prior year due mainly to the full year effect in the drop in entry fee from 1% of race value to 0.9% in spring 2004. This

was largely offset by an increase in Sponsor contributions of €255k (3.3%), while the HRI contribution remained in line with 2004. Point to Point prize-money was also in line with 2004. (€1.1m in 2005, €1.0m in 2004).





EXPENDITURE

Other group expenditure at €26.4m was up €777k or 3% from 2004 of €25.6m.

The main increase was in Integrity and Racecourse Services which increased from €7.1m to €8.4m or 17.8%. This primarily was due to the increase in fixtures, but also to a full years' running costs associated with the operation of new racecourse starting stalls and new upgraded camera facilities.

Payments made to Racecourses for various programmes fell to €4.1m from €4.8m or 14.6%. This was due to the reduction in Health and Safety scheme grants and also Track Widening grants paid in the previous year. The Track Widening grants ceased in 2005, while a number of Racecourses had been granted their full allocation out of the Health and Safety scheme already in 2004. These were once-off schemes and with the launch of the new CDF scheme are not going to be repeated.

A reduction in expenditure of €182k to €1.522m arose under the Racecourse Capital Development Fund programme, due to timing on drawdowns although this is anticipated to increase following the commencement of the new

programme launched in the year. The substantial level of some of the developments has required significant planning and approval processes so the drawdown is slower than envisaged.

Grants paid to Industry Bodies increased by €172k to €1.4m in 2005, with increased grants given to RACE and the Irish Equine Centre.

Administration costs have increased by €329k or 6.7%. Inflationary increases, increased pension costs and the full-year effect of new employees have contributed to the majority of this. In addition to this full-year costs associated with the 'New Owners Marketing and Incentive Scheme' have been incurred in 2005.

General marketing and promotional costs were up €89k due mainly to the increase in fixtures and more utilisation of the "Big Screen" at Racemeetings. While ITM costs were down by €99k due to staff changes and lower international marketing support. The continued high level of marketing spend reflects HRI's aim to promote Ireland as a World centre of excellence for horse racing and breeding.

SURPLUS

The Group surplus of €6.4m for the period reflects the combined profitability of the Racecourses, HRI and the TOTE. This surplus is required to repay current loans and also to provide for the

anticipated significant developments being planned under the new Capital Development Programme. This will require new additional borrowings over the coming years.

FRS 17

The Group has adopted the full FRS 17 'Post Retirement Benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and

the comparative figures have been re-stated accordingly. Details of the effects of adopting FRS 17 are given in notes 23 and 24 and are as required by the standard.

MARKETING REVIEW

HRI's Marketing Plan for 2005 continued its strategic emphasis on recruiting new racegoers among 20-29 year olds, retaining the loyalty of existing racegoers and encouraging occasional racegoers to become regulars. The main advertising activity was the 'Go Racing' television campaign fronted by Hector O'hEochagain. The campaign achieved awareness levels of 60% of all adults and 84% of people who had been racing in the past year. A series of regional radio variations of the campaign were used to support individual racecourses throughout the country.

HRI sponsored a third series of the 'Go Racing' programme on TV3. The series, fronted by Brian Gleeson, was played in a primetime slot on Thursday evenings over 16 weeks from January to the Punchestown Festival in April, averaging almost 100,000 viewers per episode.

The year also saw the publication of 'Courses for Horses' a guide to each of Ireland's 27 Racecourses. The publication has been distributed through racecourses, at HRI shows and exhibitions and through targeted mailings. It complemented the 'Beginners' Guide to Racing' which again saw over 50,000 copies distributed to racegoers.

The emphasis throughout the year was on racecourse marketing support including the provision of Big Screen facilities at over 130 race meetings during the year.

The Racegoers Consultative Forum continued its work and by year's end began work on a comprehensive Racegoers' Report summarising its findings and recommendations for improvements. A series of racecourse quality surveys were completed for each track in the country and this has formed the basis of a plan to implement

formal quality measurement for each racecourse.

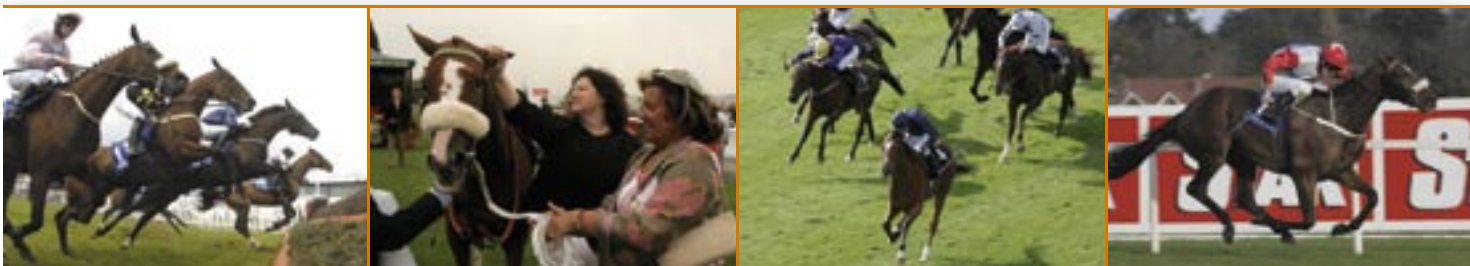
HRI also launched its Racing Information Service designed to provide quality racing reviews and previews to both new and dedicated racegoers. A synopsis review of the weekend's racing was issued to over 15 provincial newspapers each week, regular interviews were issued to over 30 regional radio stations and 8,000 email newsletters were issued every Friday to the HRI racegoers' database.

Development of the racegoers' database continued and national mailings, emails and text campaigns were implemented throughout the year, many of them tailored to the specific needs of individual racecourses.

HRI continued its tourism strategy through attendance at Cheltenham's Spring and Autumn Festivals, London's World Travel Market and numerous seminars and conferences held by Fáilte Ireland.

Press and magazine advertising was used for corporate messages – 'A Race Apart' and 'Its in the Blood' emphasising the unique contribution of racing to the social and economic life of the country. A dedicated sponsorship campaign in business and marketing magazines featured existing sponsors Lexus and Menolly Homes.

All marketing activity was directed principally at increasing attendance at race meetings and the year ended with a record attendance of 1.43 million. There was significant increase in the profile of racing throughout all media, with business and social stories complementing extensive coverage of racing's notable successes on the track.



TOTE REVIEW

Tote Ireland had a steady performance in 2005 with turnover of €49.28 million as against €47.45 million in 2004, an increase of 3.9%. This increase applied across the board to all sectors of the business, On Track, Client Account Betting and Co-mingling with Foreign Totes.

The Galway Summer Festival was the highlight of the year with a massive €8.0 million bet over the 7 days. This was an increase of 2.8% or €221k on last year. Galway Hurdle day produced an all-time course record for an individual racemeeting of €1.93 million.

A very positive development has been the growth and continued popularity of betting into foreign pools. The total amount bet into foreign pools in 2005 was €4.06 million which was an increase of 12.4% on last year.

As betting from handheld terminals grows in popularity, Tote Ireland have been enhancing the technical capability of these devices by the installation of wireless WLAN networks in

racetracks around the country. This installation is due for completion in 2006.

On the business front the highlight of the year was the rolling out of the internet betting site at www.tote.ie. This is the first phase of a development which promises to provide the punter with a multi dimensioned betting platform including tote betting into foreign pools on horse racing, betting on other sports as part of an ambitious plan for the years ahead.

Tote Ireland hosted the annual European Association of Pari Mutuels' conference in Dublin in June 2005. This provided an open forum for the exchange of views and ideas on all matters concerning the future development of pool betting.

Profit for the year before distributions came in at €1.58 million as against €1.44 million in 2004, which was an increase of €140k. Racecourses were the beneficiaries of the Tote's success with €644k being paid to them through the Payment Incentive Scheme based on Tote Turnover.



HRI RACECOURSE DIVISION

LEOPARDSTOWN REVIEW

A record-breaking Christmas Festival brought 2005 to a successful conclusion. Total attendances for the four days at 66,000 showed an increase of 3,000 on 2004 with €2.4million wagered with the Tote and €7.6m with the Bookmakers.

Overall attendances for the twenty two racemeetings at 182,000 showed an increase of 2,000 on the 2004 figure. Betting figures for the Tote at €6.7m showed a slight increase while on-course bookmakers' turnover at €21.2m was down €1.7m.

One of the highlights of the early part of the year was the nail-biting finish to the AIG Europe Champion Hurdle with *"Macs Joy"* prevailing over *"Brave Inca"* and *"Hardy Eustace"*, who subsequently went on to claim his second Champion Hurdle at Cheltenham.

The Summer Season of Miller Evening meetings were most successful, attracting over 40,000 patrons. The most encouraging aspect of these events is the large number of younger racegoers they attract, which is increasing every year and will pay dividends in the long term.

The Baileys Irish Champion Stakes in September again attracted a high quality field with the

Aidan O'Brien trained *"Oratorio"* getting home just ahead of Epsom Derby hero *"Motivator"*. In the other Group 1 race on that day, *"Attraction"* gained compensation for her narrow defeat a year earlier when capturing The Coolmore Fusaichi Pegasus Matron Stakes.

Baileys Irish Champion Stakes Day also marked the opening of the refurbished and extended stable-yard comprising stables, a new canteen, new overnight boxes and veterinary facilities. The quality of the new yard received widespread acclaim within the racing industry and Leopardstown received *"The Racecourse of the Year"* award from the Irish Stablestaff Association.

The M50 Southern extension opened in July and with the new access from the Carrickmines Interchange, travel time to Leopardstown for major meetings has been considerably reduced. The new car park at Carrickmines with a capacity for 2,500 vehicles was in operation for our Christmas meetings.

The number of patrons travelling by Luas has also continued to grow and this, together with the improved road network, should be of benefit in efforts to increase attendances into the future.



NAVAN REVIEW

A total of 16 meetings took place at Navan during 2005.

The attendance for the year was 45,628 (48,205 in 2004). This was especially good given that one of the meetings had to be re-scheduled due to bad weather.

The bookmaker betting turnover figure for 2005 was €7.3 million down slightly on 2004 (€8.1 million).

The Tote turnover was €1.229M in 2005 (€1.286M in 2004).

Sponsorship at Navan continued to grow with over 60% of races sponsored. A number of very successful themed racedays were introduced and they proved to be very popular. Annual Race Memberships also continued to grow.

For the third year in succession Navan hosted two listed Flat races. The 'Ennistown Stud EBF Salsabil Stakes' in April was won by Allexina for trainer John Oxx. Oxx went on to make this a

double when 'Icklingham' took the Vintage Crop Stakes in May.

The Winter highlights included the Ballymore Properties Fortria raceday when 'Central House' took the feature race. The Philips Electronics (Grade 2) 'Lismullen Hurdle' went for the second year in succession to the popular mare Solerina, owned and trained by the Bowe Family who are no strangers to the winners' enclosure at Navan. The flagship William Hill in Ireland Troystown Chase proved to be a brilliant win for 'Prince of Tara'.

On the development side, planning permission was received for a new Weighroom incorporating an owners and trainers and members facility and a stable-yard with 140 new stables, a grooms' canteen and veterinary facility with construction beginning in early 2006.

The Golf Course continues to mature with income from green fees and societies being actively promoted together with the sales of new golf memberships

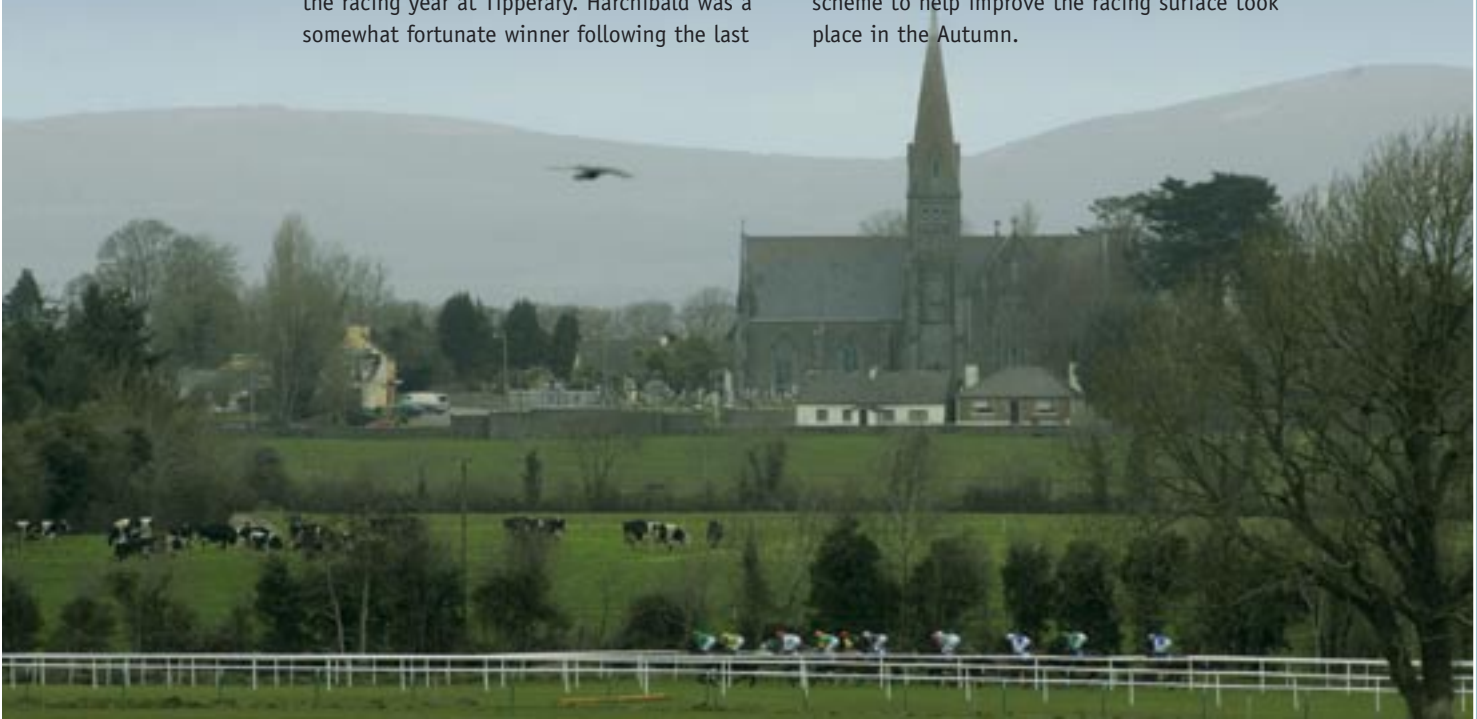
TIPPERARY REVIEW

2005 saw Tipperary Racecourse return to the Horse Racing Ireland Racecourse Division following its successful five-year lease to the Limerick Junction Racecourse Company. The attendance of 27,588 grew by 5 % on 2004. Betting figures for the Tote were €582k, up on 2004 (€522k) while on-course bookmakers' turnover at €3.795m was just up on 2004 (€3.725m).

'Super Sunday' on 2nd October with its five pattern races was once again the highlight of the racing year at Tipperary. Harchibald was a somewhat fortunate winner following the last

hurdle fall of Solerina. The Group 3 Concorde Stakes was won impressively by Miss Sally to give Rory Cleary his first Group success while popular broadcaster Val Joyce had his colours carried to success by Rhythm'n Roots.

Schooling bumpers on the schooling grounds continued to go from strength to strength. In 2005 over 1,500 horses galloped at the track and this has developed into a valuable revenue stream for the racecourse. A further drainage scheme to help improve the racing surface took place in the Autumn.



IRISH THOROUGHBRED MARKETING REVIEW

The year 2005 saw Irish Thoroughbred Marketing undertake a comprehensive internal review of their activities. The team at Irish Thoroughbred Marketing were facilitated by an external consulting company and assisted by Horse Racing Ireland's senior management. The board were also consulted and their views and suggestions were taken on board. Key areas examined were the UK market, global branding, the use of technology, additional sales support and the team training. Future activities will now be influenced by the outcome of the review.

Activity in the UK market was increased substantially with Irish Thoroughbred Marketing undertaking additional sponsorship throughout the country. Support for the Irish Yearling Sales was also increased with the advent of the Goffs Orby Million Sale as Irish Thoroughbred Marketing supported the Irish and English launch of the Million. Additional support around the actual sales was also applied.

January 2005 saw Irish Thoroughbred Marketing partaking in An Taoiseach's Trade Mission to Beijing, Shanghai and Hong Kong. This was the largest such trade mission led by An Taoiseach and it covered three cities in five nights. The main focus for Irish Thoroughbred Marketing on this trip was in Hong Kong where, at the invitation of the Hong Kong Jockey Club (HKJC), the inaugural Irish Trophy was held at Sha Tin Racecourse. While An Taoiseach presented the Irish Trophy to the HKJC the day before the race it was Minister Noel Dempsey TD who attended and presented the prizes at track on the day. An Taoiseach's enthusiasm was witnessed and admired by our hosts as he fully endorsed the contribution of the Irish Thoroughbred and Irish people worldwide.

March saw Irish Thoroughbred Marketing being invited to participate in a Presidential visit to Japan and Korea. Again at the invitation of the Japan Racing Association, Irish Thoroughbred Marketing were afforded the honour of an Irish Trophy Race at Nakayama Racetrack at which The President, Mrs Mary McAleese, presented the Irish Trophy to the winning connections. Here,

Irish Thoroughbred Marketing invited a number of key Japanese owners and trainers to have lunch with the President. The timing of the visit to Korea did not allow us to host a similar race in Seoul, however, The President did make time to meet with senior management at the Korea Racing Association.

Irish Thoroughbred Marketing continued with our targeted advertising, market visits and personal contacts to communicate our services to potential clients wishing to visit Ireland. 1,012 clients from 25 countries who visited Ireland purchased at public auction throughout the year. This year's buyers came from countries as diverse as Spain, Singapore, Tunisia, Slovakia and Norway. The number who bought privately was 67, from countries as far away as Brazil, South Africa, Russia, Hong Kong and Iran.

Irish-bred horses once again proved their worth, with victories across the globe from Woodbine to Nad Al Sheba and Hollywood Park to Longchamp.

In the area of National Hunt, Ireland and the Irish once again dominated the Cheltenham Festival which is recognised as the Olympics of National Hunt racing worldwide. The three major Championship Races were won by Irish bred horses once again (Champion Hurdle - Hardy Eustace, Champion Chase - Moscow Flyer and Gold Cup - Kicking King), maintaining Ireland's top-class record at the Festival. The Aintree Grand National was also won by the Irish-bred Hedgehunter who was trained by Willie Mullins and ridden by Ruby Walsh. He was the fourth consecutive Irish bred winner of the race.



AUDITED REPORTS & GROUP FINANCIAL STATEMENTS

MEMBERS AND OTHER INFORMATION

MEMBERS OF THE BOARD

Mr Denis Brosnan	Chairman
Mr Pierce Molony	Vice Chairman
Mr Eddie Browne	(Retired 18/12/05)
Mr Dermot Cantillon	
Mr Frank Clarke	(Retired 18/12/05)
Mr Noel Cloake	(Appointed 9/2/06)
Mr Jerry Desmond	
Mr William Flood	
Mrs Jessica Harrington	
Mr Francis Hyland	(Appointed 18/12/05)
Mr John Kidd	
Mr Dan Kirwan	
Mr John Moloney	(Appointed 18/2/05)
Mr Seamus Mulvaney	(Retired 18/12/05)
Mr Cahir O'Sullivan	
Mr John Power	(Appointed 18/2/05)
Mr Nicholas Wachman	(Appointed 18/12/05)

REGISTERED OFFICE

Thoroughbred County House
Kill
Co Kildare

SECRETARY

Mr Raymond Horan

AUDITORS

Comptroller and Auditor General
Dublin Castle
Dublin 2

SOLICITORS

Arthur Cox & Co
Arthur Cox Building
Earlsfort Terrace
Dublin 2

BANKERS

Bank of Ireland
AIB Bank
Ulster Bank
Bank of Scotland
Anglo Irish Bank

STATEMENT OF MEMBERS' RESPONSIBILITIES

The members of Horse Racing Ireland are required to prepare financial statements in respect of the financial year ended 31st December 2005, which give a true and fair view of the state of affairs of Horse Racing Ireland and the group at the end of that year and of the result of the group for the year then ended. In preparing those financial statements, the members of Horse Racing Ireland are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that Horse Racing Ireland and the group will continue in business;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The members of Horse Racing Ireland are responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland. They are also responsible for safeguarding the assets of Horse Racing Ireland and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Denis Brosnan,
Chairman

Pierce Molony,
Vice Chairman

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL FOR PRESENTATION TO THE HOUSES OF THE OIREACHTAS

I have audited the financial statements of Horse Racing Ireland for the year ended 31st December 2005 under the Horse and Greyhound Racing Act, 2001.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Group Income and Expenditure Account, the Group Balance Sheet, Horse Racing Ireland Balance Sheet, the Group Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes.

RESPECTIVE RESPONSIBILITIES OF HORSE RACING IRELAND AND THE COMPTROLLER AND AUDITOR GENERAL

Horse Racing Ireland is responsible for preparing the financial statements in accordance with the Horse and Greyhound Racing Act, 2001 and for ensuring the regularity of transactions. Horse Racing Ireland prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Members of Horse Racing Ireland are set out in the Statement of Members' Responsibilities.

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

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects Horse Racing Ireland's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

BASIS OF AUDIT OPINION

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and the regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL FOR PRESENTATION TO THE HOUSES OF THE OIREACTHAS CONTINUED

in the preparation of the financial statements, and of whether the accounting policies are appropriate to Horse Racing Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group's and Horse Racing Ireland's affairs at 31 December 2005 and of the Group's income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by Horse Racing Ireland. The financial statements are in agreement with the books of account.

John Purcell
Comptroller and Auditor General
29 June 2006

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL FOR HORSE RACING IRELAND FOR THE YEAR ENDED 31 DECEMBER 2005

On behalf of the Board of HRI, I acknowledge our responsibility for ensuring that a system of internal financial control is operated and maintained.

The internal financial controls are such that they provide reasonable, but not absolute, assurance that assets are safeguarded, transactions are authorised and properly recorded and that any material errors or irregularities would be detected in a timely period.

The Board has taken steps to ensure an appropriate control environment is in place through

- A clearly defined Management Structure within Horse Racing Ireland and its subsidiaries with clarity on management responsibilities and powers.
- Developing a strong culture of accountability across all levels of the organisation.
- Establishment of formal procedures through various Committee functions to monitor activities and safeguard the assets of all companies within the organisation.
- Establishing procedures for reporting significant control failures and ensuring appropriate corrective action is taken. This includes an active Audit Committee, an Internal Audit function and the CEO's monthly report to the Board.

The implementation of a formal process to identify and evaluate organisation business risks is continuing.

The System of Internal Financial Control is built on a framework of

- Regular financial information.
- Administrative procedures including segregation of duties and responsibilities and a system of delegation and accountability.
- An annual budgeting system with the detailed review process by Executives and signed off by the Board.
- Regular reviews by the Board of monthly financial reports and key performance activity with performance measured against forecasts.
- Clearly defined Capital Investment control procedures.
- Compliance with purchasing policies and procedures.

Horse Racing Ireland has an outsourced Internal Audit function which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice on the Governance of State Bodies and which reports directly to the Audit Committee and in turn to the Board of HRI. The Internal Audit plans are carried out based on a risk analysis profile of activity and expenditure and the plans are pre approved by the Audit Committee on behalf of the Board. In 2005, five Audit Committee meetings were held and twenty separate reports presented.

For 2005, the head of Internal Audit provided the Board through the Audit Committee with a report on the Internal Audit activity for the year. This report includes the Head of Internal Audit's Statement of Assurance at a substantial level for the year 2005.

I confirm that in respect of the year ended 31st December 2005, the Audit Committee on behalf of the Board conducted a review of the effectiveness of the System of Internal Financial Controls and placed their report in front of the Board. The Board was informed of the review outcome.

**Denis Brosnan,
Chairman**

STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies adopted by the group are as follows:

BASIS OF ACCOUNTING

The financial statements have been prepared on an accruals basis, under the historical cost convention, and in accordance with generally accepted accounting practice. Financial reporting standards recommended by the recognised accounting bodies have been adopted as they become applicable. The unit of currency in which the financial statements are denominated is the Euro. The financial statements comprise the financial statements of Horse Racing Ireland and its subsidiaries. The accounting dates of the subsidiaries are coterminous with that of Horse Racing Ireland.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Horse Racing Ireland and all of its subsidiaries made up to coterminous period ends.

TURNOVER

Turnover, which excludes inter group transactions with group subsidiaries, represents tote turnover, revenue from bookmakers' betting and revenue from race meetings and ancillary activities.

FIXED ASSETS AND DEPRECIATION

Fixed Assets are stated at cost less accumulated depreciation except for land which is stated at cost. Depreciation is provided so as to write-off the cost of the assets over their expected useful lives on the straight-line basis at the following annual rates:

Land	Nil
Buildings	2% to 4%
Plant, equipment and vehicles	7.5% to 33.33%

FINANCIAL ASSETS

Financial assets are stated at cost less provision for any permanent diminution in value.

CONTRIBUTION TO PRIZE MONEY

Contributions to prize money are made by Owners, Sponsors and Horse Racing Ireland.

Contributions to prize money by Horse Racing Ireland are expensed in the period in which they are incurred.

The entrance fees, forfeits and sponsorship money for guaranteed value races are applied in funding prize money for such races. Where there is a surplus in any guaranteed value race this is used to fund any deficits in other such races at a subsequent time as directed by the Chief Executive of Horse Racing Ireland.

PENSIONS

Horse Racing Ireland has both defined contribution and defined benefit schemes. Horse Racing Ireland adopted the full provisions of FRS 17 'Retirement Benefits' in 2005.

Defined Contribution Schemes

Payments to the defined contribution schemes are charged to the income and expenditure account in the period to which they relate. Additional payments arising from actuarial reviews are charged in full to the income and expenditure account.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

Defined Benefit Schemes

For the defined benefit schemes operated by HRI pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected unit method. An excess of scheme liabilities over scheme assets is presented on the balance sheet as a liability.

Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of total recognised gains and losses for the year in which they occur.

In previous years, the defined benefit pension charge to the profit and loss account comprised the contributions made to the scheme in respect of the year.

The effect of the change of accounting policy is shown in Note 24.

The pension charge in the income and expenditure account comprises the current service cost and past service cost plus the difference between the expected return on scheme assets and the interest cost on the scheme liabilities.

LEASED ASSETS

Payments made under operating leases are charged to the income and expenditure account.

GRANTS AND RACECOURSE IMPROVEMENT SCHEMES

(i) Grants paid

Capital development grants paid to racecourses under the new capital development programme are accounted for on an accruals basis.

These grants are treated as a deferred credit in the balance sheets of the subsidiary companies and are credited to revenue on the same basis as the related fixed assets are depreciated. However for consolidation, these balances are adjusted in order to reflect the correct group position.

(ii) Grants received

Government revenue grants are credited to revenue on a cash receipts basis.

Government capital grants received and receivable are treated as future development reserves in the balance sheet and released to the income and expenditure account based on the estimated useful lives of the assets to which the grants relate.

(iii) Racecourse Improvement Schemes

Racecourse improvement grants, primarily to meet health and safety requirements, are charged to the income and expenditure account in the period to which they relate.

Racecourse incentive schemes are based upon racecourses achieving specific criteria and are charged to the income and expenditure account in the period to which they relate.

CHANGES IN ACCOUNTING POLICY

The Group has adopted FRS 17 'Retirement Benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effects of adopting FRS 17 are given in notes 23 and 24.

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year Ended 31/12/05 €'000	Year Ended 31/12/04 As Restated €'000
TURNOVER			
Tote Ireland turnover		49,282	47,445
Income from Bookmakers' Betting		2,696	2,470
Racecourse income		7,532	7,717
TOTAL TURNOVER		59,510	57,632
Winnings paid on bets		(39,720)	(38,251)
Operating costs		(17,217)	(16,763)
DIRECT COSTS	4	(56,937)	(55,014)
OTHER INCOME			
Allocation from the Horse & Greyhound Racing Fund	5	54,680	53,531
Prize money contributions from Owners and Sponsors	7	21,273	21,546
Foal Levy	6	1,872	1,618
Registry Office Income		2,910	2,469
Industry contributions to Irish Thoroughbred Marketing		349	289
Interest income (net)	10	1,434	1,579
NET INCOME		85,091	83,650
EXPENDITURE			
Contributions to prize money	7	30,974	30,933
Prize money contributions from Owners and Sponsors	7	21,273	21,546
Integrity and Racecourse services	8	8,391	7,126
Racecourse Schemes	12	4,066	4,759
Capital Development Fund grants		1,522	1,704
Tote Capital Grant Amortisation	14	144	126
Capital Development Fund interest and expenses	10	497	455
Grants paid to Industry Bodies	9	1,366	1,194
Foal Levy distribution	6	1,006	1,168
Horse Racing Ireland administration costs	10	5,249	4,920
Irish Thoroughbred Marketing expenditure		1,359	1,458
General marketing and promotions		2,820	2,731
		78,667	78,120
Exceptional Income	11	-	3,182
Other Finance Income	24	(57)	57
Taxation	28	-	6
SURPLUS FOR THE PERIOD	10	6,367	8,775
Transfers to reserves	23	(5,587)	(4,243)
Minority Interests		-	65
Retained Surplus		780	4,597
SURPLUS AT BEGINNING OF PERIOD		13,335	8,738
SURPLUS AT END OF PERIOD		14,115	13,335

The statement of Accounting Policies and Notes 1 to 31 form part of these financial statements

Denis Brosnan,
Chairman

Pierce Molony,
Vice Chairman

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year Ended 31/12/05 €'000	Year Ended 31/12/04 As Restated €'000
Surplus for the financial year		6,367	8,775
Actual return less expected return on scheme assets		1,828	225
Experience gains and losses		110	(565)
Changes in assumptions		(1,266)	(2,559)
Actuarial gain/(loss) recognised in the pension scheme	24	672	(2,899)
Total recognised gains for the year		7,039	5,876
Prior year adjustment	23	(4,252)	-
Total gains/(losses) since the last annual report		2,787	-

The statement of Accounting Policies and Notes 1 to 31 form part of these financial statements

Denis Brosnan,
Chairman

Pierce Molony,
Vice Chairman

GROUP BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	31/12/05 €'000	As Restated 31/12/04 €'000
FIXED ASSETS			
Tangible assets	13	64,797	54,720
Intangible assets	14	335	472
Financial assets	15	5,612	5,213
		70,744	60,405
CURRENT ASSETS			
Debtors	16	6,067	5,534
Cash at bank	17	60,135	62,076
		66,202	67,610
CREDITORS			
Amounts falling due within one year	18	36,514	30,377
		36,514	30,377
NET CURRENT ASSETS		29,688	37,233
TOTAL ASSETS LESS CURRENT LIABILITIES		100,432	97,638
CREDITORS			
Amounts falling due after more than one year	19	10,710	13,948
Pension Liability	24	3,464	4,252
NET ASSETS		86,258	79,438
Deferred Capital Grant	21	1,085	1,402
FINANCED BY			
Establishment reserve	22	17,109	17,109
Income and expenditure account		14,115	13,335
Other reserves	23	52,594	46,335
		84,903	78,181
Minority interest	25	1,355	1,257
		86,258	79,438

The statement of Accounting Policies and Notes 1 to 31 form part of these financial statements

Denis Brosnan,
Chairman

Pierce Molony,
Vice Chairman

HORSE RACING IRELAND BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	31/12/05 €'000	As Restated 31/12/04 €'000
FIXED ASSETS			
Tangible assets	13	26,335	24,947
Financial assets	15	18,523	20,622
		44,858	45,569
CURRENT ASSETS			
Debtors	16	2,811	3,409
Cash at bank	17	53,094	54,587
		55,905	57,996
CREDITORS			
Amounts falling due within one year	18	31,005	38,050
		31,005	38,050
NET CURRENT ASSETS		24,900	19,946
TOTAL ASSETS LESS CURRENT LIABILITIES		69,758	65,515
CREDITORS			
Amounts falling due after more than one year	19	9,631	12,234
Pension Liability	24	3,464	4,252
NET ASSETS		56,663	49,029
FINANCED BY			
Establishment reserve	22	9,592	9,592
Income and expenditure account		13,003	11,628
Other reserves	23	34,068	27,809
		56,663	49,029

The statement of Accounting Policies and Notes 1 to 31 form part of these financial statements

Denis Brosnan,
Chairman

Pierce Molony,
Vice Chairman

GROUP CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	31/12/05 €'000	31/12/04 €'000
Net Cash Inflow from Operations	26(i)	13,771	11,961
Return on Investments and Servicing of Finance			
Interest Received		1,664	1,851
Interest Paid		(727)	(689)
Net Cash Inflow from Returns on Investments and Servicing of Finance			
		937	1,162
Capital Expenditure and Financial Investment			
Receipts from sale of tangible fixed assets		93	30
Payments to acquire tangible fixed assets		(13,021)	(4,501)
Additions to intangible assets		(7)	(106)
Loans to racecourses		(399)	(373)
Preference Shares and minority interests		98	(87)
Net Cash Outflow from Capital Expenditure And Financial Investment			
		(13,236)	(5,037)
Net Cash Inflow before Financing			
	26(ii)	1,472	8,086
Financing			
Bank loan repayment		(3,413)	(2,393)
Net Cash Outflow from Financing			
		(3,413)	(2,393)
(Decrease)/Increase in Cash			
	26(iii)	(1,941)	5,693

The statement of Accounting Policies and Notes 1 to 31 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. ESTABLISHMENT OF HORSE RACING IRELAND

Horse Racing Ireland was established under the Horse and Greyhound Racing Act 2001, and came into existence on the 18 December 2001. Under Section 22 of the Act, the assets and liabilities of the Irish Horseracing Authority were transferred to Horse Racing Ireland on that date.

2. EMPLOYEE NUMBERS

The number of persons employed by the group at 31 December 2005 is as set out below :

	Year Ended 31/12/05 Number	Year Ended 31/12/04 Number
Permanent staff	139	138
Racegoing staff - part time	578	568
	717	706

3. EMPLOYEE REMUNERATION

The aggregate payroll cost of the employees detailed above was as follows:

	Year Ended 31/12/05 €'000	Year Ended 31/12/04 €'000
Wages and salaries	8,829	7,692
Employer's social welfare costs	779	673
Employer's pension costs	589	456
Employee benefits plan costs and other benefits	252	333
	10,449	9,154

4. DIRECT COSTS

	Winnings paid on bets		Operating Costs		Total	Total
	Year Ended 31/12/05 €'000	Year Ended 31/12/04 €'000	Year Ended 31/12/05 €'000	Year Ended 31/12/04 As Restated €'000	Year Ended 31/12/05 €'000	Year Ended 31/12/04 As Restated €'000
Betting collection costs	-	-	451	357	451	357
Tote Ireland	39,720	38,251	7,854	7,655	47,574	45,906
HRI Racecourses Group	-	-	8,912	8,751	8,912	8,751
	39,720	38,251	17,217	16,763	56,937	55,014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

5. ALLOCATION FROM HORSE AND GREYHOUND RACING FUND

Horse Racing Ireland was established on 18 December 2001, under the Horse & Greyhound Racing Act 2001. A fund was established by the Government for the purpose of giving support to the horse and greyhound racing industry under Section 12 of this Act. This has subsequently been extended under the Horse & Greyhound Regulation 2004.

6. FOAL LEVY

Under the Irish Horseracing Authority Act 1994, as amended by the Horse and Greyhound Racing (Betting Charges and Levies) Act 1999, Horse Racing Ireland may, with the consent of the Minister for Arts, Sports and Tourism, charge a levy on all thoroughbred foals registered in a stud book.

This levy is collected by Weatherby's on behalf of Horse Racing Ireland, at variable rates.

The expenditure of €1.006m disclosed in the Income and Expenditure account excludes €325,000 allocated to ITM which is eliminated on consolidating Horse Racing Ireland accounts.

As at 31 December 2005, Horse Racing Ireland had a balance of €752,000 relating to the foal levy which is provided for future expenditure on programmes recommended by the Foal Levy Committee and approved by the Board of Horse Racing Ireland. This balance is included within reserves.

7. CONTRIBUTIONS TO PRIZEMONEY

Group	Year Ended	Year Ended
	31/12/05	31/12/04
	€'000	€'000
(a) From Sponsors	7,882	7,627
(b) From Owners	13,391	13,919
(c) From Horse Racing Ireland	30,974	30,933
	52,247	52,479

8. INTEGRITY & RACECOURSE SERVICES

Under the Irish Horseracing Industry Act 1994, Part III, as amended by the Horse and Greyhound Racing Act 2001, Schedule 6, the Racing Regulatory Body (which comprises the Turf Club and the Irish National Hunt Steeplechase Committee) has responsibility for making and enforcing the Rules of Racing and for providing on-course integrity services. Horse Racing Ireland provides funding to the Racing Regulatory Body to meet the costs of providing such services as laid out in Part III, paragraph 42 of the 1994 Act.

Horse Racing Ireland meets directly Racecourse Services costs for patrol camera and starting stalls, both of which are functions that transferred to HRI from the Turf Club under the Horse and Greyhound Racing Act 2001.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

9. GRANTS TO INDUSTRY BODIES

Grants paid to industry bodies are split as follows:

	Year Ended 31/12/05 €'000	Year Ended 31/12/04 €'000
Irish Equine Centre	660	588
RACE	450	300
Other Industry Bodies (including Blue Cross, Order of Malta, etc.)	256	306
	1,366	1,194

10. SURPLUS FOR THE PERIOD

	Year Ended 31/12/05 €'000	Year Ended 31/12/04 €'000
Surplus for the period has been arrived at after charging:		
Depreciation	2,875	2,745
Amortisation of intangible assets	144	126
Auditors' remuneration	78	60
Interest payable on loans from banks	230	272
Interest payable on Capital Development Fund loan and expenses	497	455
Horse Racing Ireland Board Members' fees	115	132
and after crediting:		
Interest receivable on deposits with banks	1,276	1,637
Interest receivable on loans to racecourses	388	214
Profit on disposal of fixed assets	24	4

The remuneration package of the Chief Executive of Horse Racing Ireland for the year ended 31st December 2005 is as follows:

	€'000	€'000
Basic Salary	149	143
Pension Contributions and other Taxable Benefits	52	41
Performance Related Remuneration	37	34
	238	218
Employers' PRSI on the above	22	19

Horse Racing Ireland Administration costs comprise the following:

	€'000	€'000 As Restated
Running costs of departments- Pay and Non- Pay	4,220	3,826
Additional Pension Contributions and other related costs	250	400
Building Running Costs	779	694
	5,249	4,920

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

11. EXCEPTIONAL INCOME

A 20-year lease of the Visitor's Centre in the Pavillion Building in Leopardstown was surrendered on 20th February 2004. The surplus on termination accruing was €3,182,076. This surplus will be used for the redevelopment of Leopardstown Racecourse.

12. RACECOURSE SCHEMES

	Year Ended 31/12/05 €'000	Year Ended 31/12/04 €'000
Health and Safety Grants	1,044	1,386
Winter Racing	140	130
Track Widening Grants	58	534
Sponsorship Incentive Scheme	358	332
Levy and Pitch Fee Payments to Racecourses	1,936	1,854
Tote Percentage Betting Payments	530	523
	4,066	4,759

The payments made under the above Racecourse Schemes relate to third party owned Racecourses only.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

13. TANGIBLE ASSETS

GROUP

	Land and Buildings €'000	Plant, Equipment & Vehicles €'000	31/12/05 Total €'000
Cost			
At 1 January 2005	53,673	17,838	71,511
Additions	11,282	1,739	13,021
Transfers	1,521	(1,521)	-
Disposals	(14)	(300)	(314)
At 31 December 2005	66,462	17,756	84,218
Aggregate depreciation			
At 1 January 2005	6,690	10,101	16,791
Charge for period	1,115	1,760	2,875
Disposals	(11)	(234)	(245)
At 31 December 2005	7,794	11,627	19,421
Net book value			
At 31 December 2005	58,668	6,129	64,797
At 31 December 2004	46,983	7,737	54,720

HORSE RACING IRELAND

	Land and Buildings €'000	Plant, Equipment & Vehicles €'000	31/12/05 Total €'000
Cost			
At 1 January 2005	24,696	1,209	25,905
Additions	786	1,074	1,860
Disposals	-	(43)	(43)
At 31 December 2005	25,482	2,240	27,722
Aggregate depreciation			
At 1 January 2005	478	480	958
Charge for period	32	422	454
Disposals	-	(25)	(25)
At 31 December 2005	510	877	1,387
Net book value			
At 31 December 2005	24,972	1,363	26,335
At 31 December 2004	24,218	729	24,947

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

14. INTANGIBLE ASSETS

GROUP	31/12/05 €'000	31/12/04 €'000
(a) Capital development grants paid		
Paid to 1 January	45,716	45,610
Payments during the period	7	106
Paid to 31 December	45,723	45,716
Amortisation of grants paid		
Balance at 1 January	45,244	45,118
Charge for the period	144	126
Balance at 31 December	45,388	45,244
Net book value	335	472

(a) The Irish Horseracing Authority (now Horse Racing Ireland) established a capital development fund to enable a substantial upgrading of racecourse facilities to take place. It provided up to a maximum of 50% funding with the balance being funded by the racecourses. This scheme has now been completed and the Irish Horseracing Authority's (now Horse Racing Ireland's) contribution has been funded by way of a 15 year loan.

The balance remaining (i.e. €335,000 2005; €472,000 2004) relates to grants paid by Tote Ireland to racecourses not owned by Horse Racing Ireland in order to fund capital developments of Tote buildings at those tracks. These grants are amortised over a five year period.

(b) The Board of Horse Racing Ireland established a new capital development scheme in 2003. Under the new programme Horse Racing Ireland provides up to a maximum of 55% funding with the balance being funded by the racecourses.

(c) In previous years, Horse Racing Ireland's capital grants were recorded as Intangible assets and released to the Income and Expenditure account over varying periods (with effect from 2002 the grants have been written off over 1 year). From 2004 these grants are charged directly to the Income and Expenditure account.

15. FINANCIAL ASSETS

GROUP	31/12/05 €'000	31/12/04 €'000
Loans to racecourses	5,612	5,213
HORSE RACING IRELAND		
Loans to subsidiaries	12,859	15,357
Investment in subsidiaries	52	52
Loans to racecourses	5,612	5,213
	18,523	20,622

Details of the principal subsidiaries of Horse Racing Ireland and their activities are set out in note 31.

Included within the above Loans to Racecourses figure of €5.612m is the amount of €3.311m (2004: €2.908m), which represents a loan made by Horse Racing Ireland to Fairyhouse Club Limited under a restructuring plan. The initial sum of €2.539m was the amount advanced to Fairyhouse Club Limited under the initial loan agreement. See note 30.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

16. DEBTORS

Amounts falling due within one year:

GROUP

	31/12/05 €'000	31/12/04 €'000
Trade debtors	4,452	4,151
Prepayments and accrued income	1,615	1,383
	6,067	5,534

HORSE RACING IRELAND

Trade debtors	1,739	1,980
Prepayments and accrued income	1,072	1,429
	2,811	3,409

17. CASH AT BANK

GROUP

	31/12/05 €'000	31/12/04 €'000
Horse Racing Ireland	53,094	54,587
HRI Racecourses	1,052	3,088
Tote Ireland	5,758	4,067
Tipperary Racecourse	176	0
Irish Thoroughbred Marketing	55	334
	60,135	62,076

HORSE RACING IRELAND

	53,094	54,587
--	---------------	---------------

The cash balance in Horse Racing Ireland relates to funds for stakes won but not drawn down by clients of the Registry Office at 31 December 2005, reserves for future capital development as well as amounts on deposit arising from the sale of land at Leopardstown.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

18. CREDITORS

Amounts falling due within one year:

GROUP

	31/12/05 €'000	31/12/04 €'000
Accruals	6,752	5,361
Deferred payment on asset acquisition	486	486
Bank loan (Note 20)	3,238	3,413
Trade creditors	5,625	2,654
Prize money due to racing clients	19,820	17,888
Guaranteed value races prize fund	180	265
Taxation creditors	413	310
	36,514	30,377

HORSE RACING IRELAND

Accruals	2,895	3,141
Amounts owed to group companies	4,056	13,879
Bank loan (Note 20)	2,603	2,476
Trade creditors	1,164	153
Prize money due to racing clients	19,820	17,888
Guaranteed value races prize fund	180	265
Taxation creditors	287	248
	31,005	38,050

The movement in the Guaranteed Value Races Fund for the relevant period was as follows:

	€'000	€'000
Balance Transferred on 1st January 2005	265	375
Surpluses on Guaranteed Value Races in the period	0	485
Released to Income & Expenditure Account in the period	(85)	(595)
Balance at 31st December 2005	180	265

ANALYSIS OF TAXATION CREDITORS

GROUP

	€'000	€'000
PAYE	227	196
PRSI	123	90
Other taxes	63	24
	413	310

HORSE RACING IRELAND

PAYE	151	163
PRSI	73	61
Other taxes	63	24
	287	248

19. CREDITORS

Amounts falling due after more than one year:

GROUP

	31/12/05 €'000	31/12/04 €'000
Bank loan (Note 20)	10,710	13,948

HORSE RACING IRELAND

Bank loan (Note 20)	9,631	12,234
---------------------	-------	--------

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

20. BANK LOANS

	31/12/05 €'000	31/12/04 €'000
GROUP		
Repayable within 1 year	3,238	3,413
Repayable within 2 to 5 years	10,710	12,950
Repayable after 5 years	-	998
	13,948	17,361
HORSE RACING IRELAND		
Repayable within 1 year	2,603	2,476
Repayable within 2 to 5 years	9,631	11,236
Repayable after 5 years	-	998
	12,234	14,710

There is a negative covenant for €1.7 million (2004: €2.7m) in favour of our bankers pledged against the assets of The Leopardstown Club Limited of a similar value.

21. DEFERRED CAPITAL GRANT

	31/12/05 €'000	31/12/04 €'000
GROUP		
Paid to 1 January	1,402	1,719
Amortised during the period	(317)	(317)
Balance at 31 December	1,085	1,402

The government allocated by way of grant €3.2 million in 1999 towards the acquisition of a new Tote System. This amount is being transferred to the Income and Expenditure account over a 10 year period in line with the matching depreciation.

22. ESTABLISHMENT RESERVE

The establishment reserve arose on the transfer of net assets from the Racing Board to the Irish Horseracing Authority on 1 December 1994, and the transfer of net assets of the Irish Horseracing Authority to Horse Racing Ireland on 18 December 2001.

23. MOVEMENT ON OTHER RESERVES

	Establishment Reserve €'000	Reserve for Future Development €'000	Revaluation Reserve €'000	Pension Obligations €'000	Total Establishment and Other Reserves €'000
GROUP					
Opening balance at 1 Jan 2005 as previously reported	17,109	42,856	6,984	942	67,891
Prior year adjustment	-	-	-	(4,447)	(4,447)
Opening balance at 1 Jan 2005 as restated	17,109	42,856	6,984	(3,505)	63,444
Transfer from Income and Expenditure	-	5,587	-	-	5,587
Actuarial Gain	-	-	-	672	672
Closing balance at 31 December 2005	17,109	48,443	6,984	(2,833)	69,703

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

23. MOVEMENT ON OTHER RESERVES (CONTINUED)

	Establishment Reserve	Reserve for Future Development	Revaluation Reserve	Pension Obligations	Total Establishment and Other Reserves
	€'000	€'000	€'000	€'000	€'000
HORSE RACING IRELAND					
Opening balance at 1 Jan 2005 as previously reported	9,592	24,330	6,984	942	41,848
Prior year adjustment	-	-	-	(4,447)	(4,447)
Opening balance at 1 Jan 2005 as restated	9,592	24,330	6,984	(3,505)	37,401
Transfer from Income and Expenditure	-	5,587	-	-	5,587
Actuarial Gain	-	-	-	672	672
Closing balance at 31 December 2005	9,592	29,917	6,984	(2,833)	43,660

The transfer to the Reserve for Future Development in the Group relates to income allocated for future significant development under the capital development programme 2003-2008 and the redevelopment of Leopardstown Racecourse.

The prior year adjustment relates to the implementation of FRS 17. The adoption of FRS 17 has resulted in a prior year adjustment of €4.252m due to the creation of a pension liability. The 2004 Income and Expenditure account has been adjusted by a credit of €195,000 to reflect the correct FRS 17 pension charge for the year. The current year impact of FRS 17 results in a pension charge of €116,000 and the actuarial gain of €672,000 has been recognised in the STRGL.

24. PENSION COMMITMENTS

i) Defined Benefit Scheme (Racing Board Scheme)

- On 1 December 1994, the Irish Horseracing Authority took over the operation of the Racing Board's Defined Benefit Pension Scheme for permanent staff. This scheme continues to operate under HRI since 18th December 2001.
- A full actuarial valuation was carried out on 1 April 2004. This valuation was updated for the purposes of FRS 17 by a qualified independent Actuary at 31 December 2005. The actuarial valuation carried out on 1 April 2004 is available to members of this scheme.
- This is now a closed scheme and there were 12 active participants and 51 inactive participants at 31 December 2005.
- Contributions made for the period ended 31 December 2005 were €122,000. Future contributions will be made in accordance with advice from Horse Racing Ireland's actuaries.

The main financial assumptions used to calculate the retirement liabilities under FRS 17 as at 31st December 2005 were as follows:

Valuation Method	Projected Unit	
	2005	2004
Discount Rate	4.50%	5.00%
Inflation Rate	2.00%	2.00%
Salary increases	3.50%	3.50%
Pension increases	2.00%	2.25%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

24. PENSION COMMITMENTS (CONTINUED)

The market value of assets in the pension scheme and the expected rate of return and the scheme liabilities as at 31st December 2005 were:

	Expected Return 2005	Expected Return 2004	Market Value at 31/12/05 €'000	Market Value at 31/12/04 €'000
Equities	7.00%	7.50%	8,621	7,045
Bonds	3.50%	4.00%	4,069	3,872
Property/ Other	6.00%	6.25%	994	808
Cash	1.50%	1.75%	110	290
			13,794	12,015
Present value of pension scheme liabilities			15,338	14,442
Net deficit in pension scheme			1,544	2,427
Net pension liability			1,544	2,427

Analysis of the amount which is charged to operating profit is as follows:

	31/12/05 €'000	31/12/04 €'000
Current Service Cost	90	71
Past Service Cost	-	-

Analysis of the amount which is credited to other finance income is as follows:

	€'000	€'000
Interest on scheme liabilities	714	642
Expected return on scheme assets	(725)	(750)

Analysis of the amount which is recognised in the statement of total recognised gains and losses (STRGL) is as follows:

	€'000	€'000
Actual return less expected return on scheme assets	1,479	190
Experience gains and losses	134	(226)
Changes in assumptions	(773)	(2,009)
Actuarial gain/(loss) which is recognised in the STRGL	840	(2,045)

Analysis of the movement in deficit during the year is as follows:

	€'000	€'000
Deficit at the beginning of the year	(2,427)	(544)
Current service cost	(90)	(71)
Contributions	122	125
Past service costs	-	-
Other finance income	11	108
Actuarial gain/(loss)	840	(2,045)
Deficit at end of year	(1,544)	(2,427)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

ii) Defined Benefit Scheme (The Turf Club of Ireland Pension Scheme)

- On 1st May 2002, at the point of transfer of employees from the Turf Club to Horse Racing Ireland, a deed of Adherence between Horse Racing Ireland, Stewards of the Turf Club and Coyle Hamilton Trustees Limited was put in place allowing Horse Racing Ireland to be an Adhering Body to participate in the Turf Club of Ireland Pension Scheme (the Principal Employer) from that point.
- By virtue of the "Deed of Adherence", Horse Racing Ireland has covenanted with the Turf Club and the Trustees to be bound by the provision of the scheme set out by the declaration and the rules.
- There are 27 employees of Horse Racing Ireland in this scheme which is now a closed scheme. Of the 27 employees 22 are active and 5 inactive.
- The most recent actuarial valuation on the scheme was dated 1 May 2004.
- Contributions made for the period ended 31st December 2005 for the 27 employees included in this scheme were €261,000.
- This scheme also covers the employees of Integrity Services who are directly funded by HRI under the Irish Horseracing Authority Act 1994, Section 42. Employees of the Turf Club and the Curragh Racecourse are also included in the liabilities of the scheme but not in the net pension liability defined underneath.

The main financial assumptions used to calculate the retirement liabilities under FRS 17 for the full scheme were as follows:

Valuation Method	Projected Unit	
	2005	2004
Discount Rate	4.50%	5.00%
Inflation Rate	2.00%	2.00%
Salary increases	3.50%	3.50%
Pension increases	2.50%	2.50%

The mid market value of assets in the scheme and the expected rate of return were:

	Expected Return 2005	Expected Return 2004	Market Value at 31/12/05 €'000	Market Value at 31/12/04 €'000
Equities	7.00%	7.50%	10,992	8,024
Fixed Interest	3.50%	4.00%	1,891	1,982
Property/ Other	6.00%	6.25%	822	707
Cash			-	-
			13,705	10,713
Present value of pension scheme liabilities			20,647	17,274
Net pension liability total scheme			6,942	6,561
Net deficit in pension scheme in relation to HRI direct employees			1,920	1,825
Net deficit in pension scheme in relation to HRI directly funded Integrity Services Employees			3,805	3,633

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED**

Analysis of the amount which is charged to operating profit is as follows:

	31/12/05	31/12/04
	€'000	€'000
Current Service Cost	120	51
Past Service Cost	-	-

Analysis of the amount which is credited to other finance income is as follows:

	€'000	€'000
Interest on scheme liabilities	160	124
Expected return on scheme assets	(92)	(73)

Analysis of the amount which is recognised in the statement of total recognised gains and losses (STRGL) is as follows:

	€'000	€'000
Actual return less expected return on scheme assets	349	35
Experience gains and losses	(24)	(339)
Changes in assumptions	(493)	(550)
Actuarial gain/(loss) which is recognised in the STRGL	(168)	(854)

Analysis of the movement in deficit during the year is as follows:

	€'000	€'000
Deficit at the beginning of the year	(1,825)	(1,002)
Current service cost	(120)	(52)
Contributions	261	134
Past service costs	-	-
Other finance income	(68)	(51)
Actuarial gain/(loss)	(168)	(854)
Deficit at end of year	(1,920)	(1,825)

iii) Defined Contribution Scheme/PRSA

- Horse Racing Ireland operates a Defined Contribution Scheme for all employees not in the Defined Benefit Scheme, i.e. 79 employees.
- The pension costs for the period ended 31 December 2005 was €206,000. There were no prepaid costs at the end of the period.

iv) FRS 17

The body adopted the requirements of FRS 17 for the year ended 31 December 2005 and consequently restated its results for the year ended 31 December 2004 in accordance with FRS 17 and FRS 3. As a result the comparative figures for the year ended 31st December 2004 have been adjusted as follows;

GROUP

	Surplus	Opening Reserves	Closing Reserves
	€'000	€'000	€'000
As originally reported	8,645	72,386	81,031
Prior year adjustment	195	(1,548)	(4,252)
As restated	8,840	70,838	76,779

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

25. MINORITY INTEREST

	31/12/05 €'000	31/12/04 €'000
Opening balance	1,257	1,343
Movement in the year	98	(86)
Closing balance	1,355	1,257

Navan Golf Club Plc has a nominal share capital of 1,000 Preference Shares at 6 cent each. There were 530 shares issued and fully paid as at 31 December 2005. The balance of €1,355,000 represents the share premium on these issued shares of €1,484,383 and negative minority interest of €130,000 in Tipperary Race Company Plc

26. (i) RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH INFLOW/OUTFLOW FROM OPERATIONS

	31/12/05 €'000	31/12/04 €'000
Surplus for the year	6,367	8,840
Interest Receivable	(1,664)	(1,851)
Interest Payable	727	689
Depreciation charges	2,875	2,745
Profit on sale of tangible assets	(24)	(4)
Amortisation of Capital Development Fund grants	144	126
(Increase)/Decrease in Debtors	(533)	157
Increase in Creditors	6,312	1,771
Difference between pension charge and contributions	(116)	(195)
Amortisation of deferred capital grants	(317)	(317)
NET CASH INFLOW FROM OPERATIONS	13,771	11,961

26. (ii) RECONCILIATION OF MOVEMENT IN NET FUNDS

	31/12/05 €'000	31/12/04 €'000
(Decrease)/Increase in Cash in the Period	(1,941)	5,693
Repayment of Bank loans	3,413	2,393
Change in Net Funds	1,472	8,086
Opening Net Funds	44,715	36,629
Closing Net Funds	46,187	44,715

26. (iii) ANALYSIS OF CHANGES IN NET FUNDS

	31/12/04 €'000	Cash Flows €'000	31/12/05 €'000
Cash at Bank	62,076	(1,941)	60,135
Debt due within 1 year	(3,413)	175	(3,238)
Debt due after 1 year	(13,948)	3,238	(10,710)
	44,715	1,472	46,187

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

27. CAPITAL AND OTHER COMMITMENTS

Future capital and other expenditure committed by the group but not provided for in these financial statements are as follows:

	31/12/05	31/12/04
	€'000	€'000
Commitments	11,675	9,551

(a) Included within the prior year figure was an amount of €2.5m which represented a commitment made by Horse Racing Ireland to Punchestown Racecourse under the restructuring plan for the Racecourse. Although discussions are ongoing, no finalisation on a joint venture agreement has been reached. In light of improved trading performance of Punchestown Racecourse over the last two years it is not envisaged that this level of commitment will be required. While a commitment still exists from Horse Racing Ireland this has not been quantified in the current year figures.

(b) HRI has a commitment in respect of the leasing of premises in the next year amounting to €363k. This comprises rent payable on a leasehold interest on premises at Thoroughbred County House. On 17th October 2006 Horse Racing Ireland will give notice to leave on a fixed date in the future which will be at least six months from that date.

28. TAXATION

The activities of Horse Racing Ireland, Irish Thoroughbred Marketing Limited and Tote Ireland Limited are exempt from corporation tax. The taxable credit in the income and expenditure account in 2004 arose in The Tipperary Race Company.

29. CONTINGENT LIABILITIES

A number of legal cases are pending with a subsidiary of Horse Racing Ireland in relation to tenant property issues. These are being fully defended by the Company. The financial effect, if any, arising from the cases cannot reasonably be ascertained.

30. POST BALANCE SHEET EVENT

On 1st January 2006 Horse Racing Ireland exercised the option provided in the Convertible Redeemable Secured Debenture Stock Instrument dated 26th January 2001, and converted 2,000,000 Stock Units in Fairyhouse Club Limited into 2,000,000 Ordinary Shares of €1.27 each, in the ratio of 1:1. This shareholding is registered in the name of HRI Racecourses Limited (a subsidiary body of Horse Racing Ireland) and represents a majority stakeholding of Fairyhouse Club Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 CONTINUED

31. PRINCIPAL SUBSIDIARIES

Direct Subsidiaries	% Held	
Tote Ireland Limited	100	Operation of Totalisator at racemeetings, operation of a telebetting service and internet betting.
Irish Thoroughbred Marketing Limited	100	Promotion of the Irish Thoroughbred Horse
HRI Racecourses Limited	100	Racecourse Holding Company
Indirect Subsidiaries		
The Leopardstown Club Limited	100	Holding of racemeetings and ancillary activities
Navan Races Limited	99	Holding of racemeetings and ancillary activities
Cork Racecourse Limited	100	Letting of land
The Tipperary Race Company PLC	78	Holding of racemeetings
Navan Golf Club PLC	100	Operation of a golf course

All the subsidiary companies are incorporated in the Republic of Ireland with their registered offices at Thoroughbred County House, Kill, Co. Kildare.

PHOTOGRAPHY DETAILS

All racing photographs used in the HRI annual report 2005 are taken by Healy Racing Photography **(HR)**, Peter Mooney **(PM)** or Caroline Norris **(CN)**.

FRONT COVER

(top left) – Hardy Eustace clears the last on his way to beating Harchibald and Brave Inca in the Smurfit Champion Hurdle at Cheltenham. **(PM)**

(second left) – War Of Attrition (near side) and Conor O'Dwyer overhaul Paul Carberry and Watson Lake to claim the Swordlestown Cup at Punchestown. **(CN)**

(third left) – Rathgar Beau (left) and Shay Barry await the outcome of the Kerrygold Champion Chase, eventually taking the crown from Moscow Flyer (right) and Barry Geraghty. **(CN)**

(fourth left) – Barry Geraghty gives the thumbs up sign after Kicking King easily wins the totesport Cheltenham Gold Cup. **(HR)**

Bottom Picture - Oratorio (2nd left) and Kieren Fallon strive for glory in the Baileys Irish Champion Stakes from Motivator (2nd right) with Alexander Goldrun (extreme left) a close up third. **(PM)**

PAGE 3

The field stream past the stands in the opening race of the record-breaking Galway Summer Festival. **(CN)**

PAGE 4

Euro Leader and Ruby Walsh are all out to repel Monterey Bay and Timmy Murphy in the Guinness Kerry National at Listowel. **(HR)**

PAGE 5

(Top) – Jim leads the field in the early stages of the John Durkan Memorial Chase at Punchestown in December. Also pictured is eventual winner Hi Cloy with Andrew McNamara on board. **(HR)**

(extreme left) – The most exciting finish to the Smurfit Champion Hurdle in many years as Hardy Eustace (near side) and Conor O'Dwyer hold off Harchibald (Paul Carberry) in the centre with Brave Inca (Barry Cash) a close third. **(HR)**

(second left) – The packed enclosures at Fairyhouse await the running of the Powers Gold Label Irish Grand National. **(HR)**

(third left) – A close up action shot of a race at Navan during the winter sunlight. **(HR)**

(right) – Azamour lands the Prince Of Wales Stakes at Royal Ascot at York with fellow Irish raider Ace in second place. **(CN)**

(Bottom) – Robert Power and Well Presented stride home to win the Nas Na Ríogh Novice Chase at Naas. **(CN)**

PAGE 9

(top left) – Robbie Burke & Robbie Osborne with Latino Magic after he landed the McDonogh Handicap at the Galway Summer Festival. **(HR)**

(centre) – Jockey Gary Hutchinson punches the air after Solerina won a thrilling renewal of the Ballymore Properties Hatton's Grace Hurdle at Fairyhouse for a third consecutive time. **(CN)**

(right) – War Of Attrition, flanked by jockey Conor O'Dwyer and the winning connections, Wendy & Eddie O'Leary and Anita & Michael O'Leary, after winning the Swordlestown Cup at the Punchestown April Festival. **(CN)**

(bottom) – Kicking King leads Kingscliff and Pizarro on his way to winning the Punchestown Guinness Gold Cup. **(CN)**

PAGE 11

(left) – Jockey Pat Smullen (left) winning his third Irish Flat Jockeys' Title pictured with Champion Apprentice, Chris Hayes. **(CN)**

(middle) – Rathgar Beau and Shay Barry just hold off Moscow Flyer and Barry Geraghty in a memorable finish to the Kerrygold Champion Chase at the Punchestown Festival. **(CN)**

(right) – Saoire (blue & white quartered cap) and Michael Kinane just get up to defeat Penkenna Princess in the Boylesports Irish 1000 Guineas at the Curragh. **(CN)**

(bottom) – Conor O'Dwyer is all smiles as Hardy Eustace is led in after winning a second consecutive Smurfit Kappa Champion Hurdle at Cheltenham. **(PM)**

PAGE 12

(bottom left) – Common World and Seamus Heffernan winning the Ruby Stakes at the Tralee Festival from Queen Titi and Colm O'Donoghue. **(HR)**

(second left) – Jockey Kieren Fallon is led in after winning the Baileys Irish Champion Stakes on Oratorio at Leopardstown. **(CN)**

(third left) – Trainer Frances Crowley who created history by becoming the first female licensed trainer to saddle a winner of an Irish Classic race when Saoire won the 2005 Boylesports Irish 1000 Guineas at the Curragh. **(PM)**

(right) – Jockey Paul Carberry pats Beef Or Salmon after his mount notched up

a third success in the Lexus Chase at Leopardstown in December, pictured alongside is Ruby Walsh on Hedgehunter. **(HR)**

PAGE 13

(top left) – Jockey Denis O'Regan salutes the crowd as Dermot Weld's Ansar passes the post to win his second consecutive Galway Plate. **(CN)**

(second left) – Grey Swallow (Pat Smullen) holds off Bago (2nd right) to claim the Tattersalls Gold Cup at the Curragh. **(HR)**

(third left) – Rumblestiltskin narrowly edges out Ugo Fire to win the Moyglare Stud Stakes at the Curragh. **(CN)**

(right) – Hurricane Run touches off Scorpion to capture the Budweiser Irish Derby at the Curragh. **(HR)**

PAGE 14

(extreme left) - A closely grouped field clearing one of the fences in the Galway Plate with eventual winner, Ansar, in shot. **(HR)**

(second left) - Chelsea Rose receives an affectionate tug of the ear from Tracey Collins with owner, Mrs. Tony Donnelly, leading her in after landing the Dance Design Stakes at the Curragh. **(CN)**

(third left) - George Washington and Kieren Fallon take the Laing O'Rourke National Stakes at the Curragh from Golden Arrow and Heatseeker. **(CN)**

(extreme right) - Johnny Murtagh and Golden Cross winning the November Handicap at Leopardstown. **(CN)**

PAGE 15

Racegoers celebrate a Tote windfall! **(PM)**

PAGE 16

The field pass the post for the first time in the bumper at Leopardstown in March 2005 with eventual winner, Wanango, in fourth place. **(CN)**

PAGE 17

Picture of Tipperary Racecourse with church in the background. **(CN)**

PAGE 18

A fine action shot of Robbie Burke on Latino Magic on his way to taking the McDonogh E.B.F. Handicap at the Galway Festival. **(CN)**

Horse Racing Ireland, Thoroughbred County House, Kill, Co Kildare.
Tel: 045 842 800 Fax: 045 842 801 Email: info@hri.ie Website: www.hri.ie



HORSE RACING
IRELAND
www.hri.ie